

IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE NON U.S. PERSONS LOCATED OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Circular following this page and you are therefore required to read this carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer, Arranger or the Dealers (as defined in this Offering Circular) as a result of such access.

THIS OFFERING CIRCULAR HAS BEEN PREPARED IN CONNECTION WITH THE PROPOSED OFFER AND SALE OF THE SECURITIES DESCRIBED HEREIN. THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER OR DISCLOSED BY RECIPIENTS TO ANY OTHER PERSON. THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED IN “OFFSHORE TRANSACTIONS” TO NON-U.S PERSONS, AS DEFINED IN AND IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OF LOCAL SECURITIES LAWS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, you must be a person who is a non-U.S. person purchasing outside the United States. By accepting this e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Issuer, the Arranger and the Dealers that you and any customers you represent are non-U.S. persons acquiring the securities in offshore transactions outside the United States and that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any of the Arranger or the Dealers or any affiliate thereof is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

Under no circumstances shall this Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

In the United Kingdom, this Offering Circular may be distributed only to, and is directed only at, (i) persons who have professional experience in matters related to investments and who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "**Financial Promotion Order**"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this Offering Circular may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Offering Circular must not be acted on or relied on by other persons in the United Kingdom. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. This Offering Circular must not be acted on or relied on by persons who are not relevant persons.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and any hard copy version available to you on request from the Issuer, Arranger or Dealers.

You are responsible for protecting against viruses and other destructive items. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

(incorporated under the laws of the Republic of Chile)

U.S.\$1,000,000,000 Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the "**Programme**"), Cooperativa del Personal de la Universidad de Chile Limitada (known as Coopeuch) (the "**Issuer**") may from time to time issue medium term notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The aggregate nominal amount of Notes outstanding at any time under the Programme will not exceed U.S.\$1,000,000,000 (or its equivalent in other currencies).

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Overview of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each, a "**Dealer**" and together, the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to The Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the approval of this Offering Circular as base listing particulars. Application has been made to the Irish Stock Exchange for Notes issued under the Programme for the period of 12 months from the date of this Offering Circular to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and to trading on the Global Exchange Market (the "**GEM**") which is the exchange-regulated market of the Irish Stock Exchange. The GEM is not a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. References in this Offering Circular to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the GEM. However, unlisted Notes may be issued pursuant to the Programme. The applicable Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the GEM (or any other stock exchange).

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the terms and conditions (the "**Conditions**") of the Notes herein. This Offering Circular must be read and construed together with any amendment or supplement to it, as well as the relevant Pricing Supplement relating to the relevant Notes.

The Notes of each Tranche (as defined herein) in bearer form will initially be represented by a temporary global note in bearer form, without interest coupons (each, a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and, together with temporary Global Notes, the "**Global Notes**"). Global Notes will be deposited on the issue date of the relevant Tranche either with (a) a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, SA ("**Clearstream, Luxembourg**") (the "**Common Depositary**") or (b) such other clearing system as agreed between the Issuer and the relevant Dealer. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each, a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series, and may be represented by a Global Certificate (as defined below). Registered Notes which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") under the U.S. Securities Act of 1933 (the "**Securities Act**") will initially be represented by a permanent registered global certificate (each, an "**Unrestricted Global Certificate**"), without interest coupons, which may be deposited on the issue date (a) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with the Common Depositary on behalf of Euroclear and Clearstream, Luxembourg and (b) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear and/or Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

Registered Notes which are sold in the United States to "qualified institutional buyers" within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each, a "**Restricted Global Certificate**" and, together with the Unrestricted Global Certificate, the "**Global Certificates**"), without interest coupons, which may be deposited on the issue date either with (a) the Common Depositary on behalf of Euroclear and Clearstream, Luxembourg or (b) a custodian for, and registered in the name of, Cede & Co. as nominee for, The Depository Trust Company ("**DTIC**").

The long-term unsecured debt of the Issuer has been rated BBB (with positive outlook) by Fitch Ratings, Inc. ("**Fitch**"). Notes issued under the Programme are expected to be rated BBB by Fitch. Fitch is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the long-term unsecured debt of the Issuer and the expected rating to be assigned to the Notes to be issued under the Programme are not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

Tranches of Notes (as defined in "*Overview of the Programme – Method of Issue*") to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to the

Programme. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Pricing Supplement.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "Securities Act") or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("Regulation S") under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Notes may be offered and sold (a) in bearer form or registered form outside the United States in reliance on Regulation S of the Securities Act and (b) if agreed between the Issuer and the relevant Dealers in relation to the relevant Series of Notes, in registered form within the United States, to persons who are qualified institutional buyers ("QIBs") (as defined in Rule 144A ("Rule 144A") of the Securities Act) in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act. Prospective purchasers who are QIBs are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. In addition, until 40 days after the commencement of any offering, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Arranger for the Programme

UBS Investment Bank

Dealers

Crédit Agricole CIB

Daiwa Capital Markets

UBS Investment Bank

Offering Circular dated 6 September 2017

IMPORTANT NOTICES

This Offering Circular comprises base listing particulars for the purposes of the listing rules of the Irish Stock Exchange and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Offering Circular may only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the relevant Member State.

IMPORTANT – EEA RETAIL INVESTORS - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the relevant Pricing Supplement which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Irish Stock Exchange prior to listing. Copies of any Pricing Supplement in relation to Notes to be listed on the Irish Stock Exchange will also be published on the website of the Irish Stock Exchange (www.ise.ie).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger or any of the Dealers (as defined in "*Overview of the Programme*"). Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall in any circumstances, create any implication that there has been no change, or any event reasonably likely to involve any change, in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with

the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Arranger or the Dealers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular or have separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made (to the fullest extent permitted by law) and no responsibility or liability is accepted by any of the Arranger or the Dealers, nor any of their affiliates, holding companies, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, partners, employees, agents, representatives or advisers, as to the accuracy or completeness of the information contained in this Offering Circular or any Pricing Supplement or any other information provided by the Issuer in connection with the Issuer, the Programme or the issue and offering of Notes thereunder or for any other statement, made or purported to be made by the Arranger, a Dealer or on its behalf, in connection with the Issuer or the issue and offering of any Notes. To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility whatsoever for the contents of this Offering Circular or any other information provided by the Issuer or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any other information provided by the Issuer or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the condition (financial, economic or otherwise) or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or any Dealer to subscribe for or purchase, any Notes. Each potential investor contemplating purchasing any Notes should make its own independent investigation and analysis of the condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment.

The above disclaimers shall apply (without limitation) to all parts of this Offering Circular, including any supplement to it, and to any Pricing Supplement. Neither the Arranger, any of the Dealers nor any of their affiliates, holding companies, subsidiaries, associated undertakings or controlling persons, nor any of their respective directors, officers, employees, agents, partners or advisers shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in this Offering Circular, including any supplement to it, and to any Pricing Supplement or any other information.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area (an "**EEA Member State**") in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Dealers and the Arranger to inform themselves about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on

offers, sales and deliveries of Notes and on distribution of this Offering Circular, any Pricing Supplement and any other offering material relating to the Notes, see "*Subscription and Sale*". None of the Issuer, the Arranger or any Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a listing particulars, prospectus, registration statement or any other document for such offer.

In this Offering Circular, unless otherwise specified, references to "**U.S.\$**", "**U.S. dollars**", "**USD**" and "**dollars**" are to the lawful currency for the time being of the United States of America and references to "**Chilean Pesos**", "**pesos**", "**Ch\$**" and "**CLP\$**" are to the lawful currency for the time being of Chile. The *Unidad de Fomento* ("**UF**") is a unit of account which is linked to, and which is adjusted daily to reflect changes in, the Consumer Price Index in Chile. References to "**Chile**" are to the Republic of Chile.

Unless otherwise stated, all annual information is based on calendar years.

Any information sourced from third parties contained in this Offering Circular has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Notes being offered, including the merits and risks involved.

Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in the light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies which may be different from the currency in which the Notes are denominated, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are being offered and sold, in the case of Bearer Notes (as defined herein) and Unrestricted Notes, outside the United States to non-U.S. persons in reliance on Regulation S and, in the case of Restricted Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular or any Pricing Supplement or any other offering materials relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*" below.

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any State securities commission in the United States or other regulatory authority in the United States, nor has any the foregoing authorities passed upon or endorsed the merits of the offering of the Notes or confirmed the accuracy or adequacy of the information contained in this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

STABILISATION

In connection with the issue of any Tranche (as defined in "*Overview of the Programme – Method of Issue*"), the Dealer or Dealers (if any) named as the stabilising manager(s) (the "**Stabilising Manager(s)**") (or any person acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes issued by it are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

No treaty exists between the United Kingdom and Chile for the reciprocal enforcement of foreign judgments. Chilean courts, however, have enforced judgments rendered by English courts by virtue of the legal principles of reciprocity and comity, subject to the review by the Chilean courts of the relevant English judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without reviewing the merits of the subject matter of the case. To the extent any English judgment is obtained, the enforceability of such judgment by the Chilean courts will depend on fulfilling the above mentioned requirements and obtaining the relevant "exequatur" (i.e. recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at the relevant time in addition to other factors.

U.S. INFORMATION

Where agreed between the Issuer and the relevant Dealers, this Offering Circular may be submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of certain Notes which may be issued under the Programme. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Any Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on Rule 144A under the Securities Act or any other applicable exemption. Any U.S. purchaser of Registered Notes is hereby notified that the offer and sale of

any Registered Notes to it may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Restricted Global Certificate or any Notes issued in registered form in exchange or substitution therefor (together "**Legended Notes**") will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*".

FORWARD LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". Words such as "believes," "expects," "anticipates," "projects," "intends," "should," "could," "may," "seeks," "aim," "estimates," "probability," "risk," "target," "goal," "objective," "future" or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Issuer's products), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's present and future business strategies and the environment in which the Issuer will operate in the future. The factors that could cause the Issuer's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others:

- changes in capital market conditions in general that may affect policies or attitudes towards lending to Chile or Chilean companies;
- changes in general economic, business, political or other conditions in Chile or elsewhere in Latin America;
- the monetary and interest rate policies of the Central Bank of Chile;
- unanticipated movements or volatility in interest rates, foreign exchange rates, or other rates or prices;
- inflation or deflation;
- unemployment;
- changes in, or the Issuer's failure to comply with, Chilean and foreign laws and regulations;
- changes in taxes;
- changes in competition and pricing environments;
- the Issuer's inability to hedge certain risks economically;
- the adequacy of allowances for loan losses;
- earthquakes, tsunamis and other natural disasters;
- changes in technology;
- changes in consumer spending and saving habits;
- successful implementation of new technologies;
- loss of market share; and
- unanticipated increases in financing and other costs or the inability to obtain additional debt on attractive terms.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". These forward-looking statements speak only as of the date on which they are made. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PRESENTATION OF FINANCIAL INFORMATION

General

The Issuer is a savings and loan credit union that maintains its financial books and records in Chilean pesos and prepared its audited financial statements for the years ending 31 December 2015 and 31 December 2016 in accordance with Old Chilean GAAP for Cooperatives (as defined in the section entitled "*Summary of Significant Differences between IFRS, New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives*" below) and its interim financial statements as of and for the six months ended 30 June 2017 and 30 June 2016 in accordance with New Chilean GAAP for Cooperatives (as defined in the section entitled "*Summary of Significant Differences between IFRS, New Chilean GAAP for Cooperatives, and Old Chilean GAAP for Cooperatives*" below). The reviewed financial statements for the six months ending 30 June 2017 also include restated balance sheet information as of 31 December 2016 prepared in accordance with New Chilean GAAP for Cooperatives which are included in the Offering Circular in the full interim financial statements as of and for the six months ended 30 June 2017 in the section entitled "*Financial Information*" of this Offering Circular only and are not otherwise included herein.

Old Chilean GAAP for Cooperatives and New Chilean GAAP for Cooperatives differ in certain significant respects from the International Financial Reporting Standards ("**IFRS**") of the International Accounting Standards Board ("**IASB**"). Therefore, the financial information included in this Offering Circular has not been prepared in accordance with IFRS and there may be material differences in the financial information presented herein had IFRS been applied to the historical financial information. The Issuer has made no attempt to quantify these differences. The Issuer's audited financial statements for the years ending 31 December 2015 and 31 December 2016 and reviewed financial statements for the six months ending 30 June 2017 have been translated into English. For more information regarding the significant differences between (i) IFRS and New Chilean GAAP for Cooperatives, (ii) IFRS and Old Chilean GAAP for Cooperatives, and (iii) New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives, see the section entitled "*Summary of Significant Differences between IFRS, New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives*" below.

Effect of Rounding

Figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same item of information may vary, and figures which are totals may not be arithmetical aggregate of their components. Percentage figures included in this Offering Circular have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this Offering Circular may vary from those obtained by performing the same calculations using the figures in the financial statements.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement.

Words and expressions defined in "Terms and Conditions of the Notes" and "Summary of Provisions Relating to Notes in Global Form" shall have the same meanings in this overview.

Issuer: Cooperativa del Personal de la Universidad de Chile Limitada (known as Coopeuch).

Description: Global Medium Term Note Programme.

Size: Up to U.S.\$1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes out-standing at any one time.

Arranger: UBS Limited

Dealers: Crédit Agricole Corporate and Investment Bank
Daiwa Capital Markets America Inc.
UBS Limited

The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent, Paying Agent and Calculation Agent: The Bank of New York Mellon, London Branch

Registrar, Paying Agent and Transfer Agent: The Bank of New York Mellon, New York Branch

Registrar and Transfer Agent: The Bank of New York Mellon SA/NV, Luxembourg Branch

Listing Agent: Arthur Cox Listing Services Limited

Initial Delivery of Notes: On or before the Issue Date for each Tranche, the Global Note or Global Certificate may be deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

General:

Global Notes or Global Certificates (as the case may be) may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant

Dealer.

Method of Issue:

The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest). Each Series may be issued in tranches (each, a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "**Pricing Supplement**").

Currencies:

Subject to compliance with all relevant laws, regulations and directives, Notes may be denominated in any currency agreed between the Issuer, the Fiscal Agent and the relevant Dealer.

Maturities:

Any maturity subject to compliance with all applicable laws, regulations, directives and/or central bank requirements.

Issue Price:

Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.

Form of Notes:

The Notes will be issued in bearer form ("**Bearer Notes**") or registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note.

Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series and may be represented by a Global Certificate. Unrestricted Notes in registered form will initially be represented by an Unrestricted Global Certificate, without interest coupons, which may be deposited on the issue date (i) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a Common Depositary on behalf of Euroclear and Clearstream, Luxembourg or (ii) in the case of a Tranche intended to be cleared through a clearing system other than or in addition to Euroclear, Clearstream, Luxembourg or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

Restricted Notes in registered form will initially be represented by a Restricted Global Certificate, without

interest coupons, which may be deposited on the issue date either (i) in the case of a Tranche intended to be cleared through Euroclear and/or Clearstream, Luxembourg, with a Common Depositary on behalf of Euroclear and Clearstream, Luxembourg or (ii) with a custodian for, and registered in the name of Cede & Co. as nominee for, DTC.

Fixed Rate Notes:

Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.

Floating Rate Notes:

Floating Rate Notes will bear interest determined separately for each Series as follows:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the relevant ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or
- (c) on such other basis as may be agreed between the Issuer and the relevant Dealer.

Interest periods will be specified in the relevant Pricing Supplement.

Zero Coupon Notes:

Zero Coupon Notes (as defined in "*Terms and Conditions of the Notes*") may be issued at their nominal amount or at a discount to it and will not bear interest.

Interest Periods and Interest Rates:

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption:

The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).

Redemption by Instalments:

The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such

Notes may be redeemed.

Other Notes:

Notes may be issued with terms and conditions other than as contemplated herein and as set out in the applicable Pricing Supplement and a supplementary offering circular (if applicable).

Optional Redemption:

The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The terms of any such redemption, including notice periods, any relevant conditions to be satisfied and the relevant redemption dates and prices will be indicated in the applicable Pricing Supplement.

Denomination of Notes:

Definitive Notes will be in such denominations as may be specified in the relevant Pricing Supplement save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA Member State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Notes initially represented by a Restricted Global Certificate and sold pursuant to Rule 144A will be in minimum denominations of U.S.\$100,000 (or its equivalent in another currency) and integral multiples of U.S.\$1,000 (or its equivalent in another currency) in excess thereof, in each case subject to compliance with all legal and/or regulatory requirements applicable to the relevant jurisdiction.

Events of Default:

For a description of the events that will permit the Notes to become immediately due and payable at their principal amount together with accrued interest, see Condition 10.

Negative Pledge and other covenants:

The terms of the Notes will contain certain covenants (including a negative pledge provision) as further described in "*Terms and Conditions of the Notes – Covenants*".

Cross Acceleration:

See "*Terms and Conditions of the Notes – Events of Default*".

Status of the Notes:

The Notes will constitute direct, unconditional, unsubordinated and (subject to Condition 4 of the Notes) unsecured obligations of the Issuer, all as described in "*Terms and Conditions of the Notes – Status of the Notes*".

Early Redemption:

Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".

Withholding Tax:

Under current Chilean laws, interest payments, premiums and all other payments deemed to be interest payments, if any, made to a Foreign Holder (as defined in "*Taxation – Chile Taxation*") in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4 per cent. Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by the Issuer with respect to the Notes. The Issuer has agreed, subject to specific exceptions, to pay to the holders of the Notes additional amounts in respect of Taxes (as defined in the "*Terms and Conditions of the Notes*") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction in respect of such Taxes been required. See "*Terms and Conditions of the Notes – Taxation*" and "*Taxation – Chile Taxation*".

Meetings of Noteholders:

The Conditions will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Rating:

The long-term unsecured debt of the Issuer has been rated BBB (with positive outlook) by Fitch. Notes issued under the Programme are expected to be rated BBB by Fitch. Fitch is not established in the EEA and is not certified under the CRA Regulation and the rating it has given to the long-term unsecured debt of the Issuer and the expected rating to be assigned to Notes to be issued under the Programme are not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in

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| | the relevant Pricing Supplement. |
| Further Issues: | The Issuer may from time to time, without notice or the consent of holders of any Notes, issue further securities which may form a single series with such Notes, subject to certain conditions set out in " <i>Terms and Conditions of the Notes – Further Issues</i> ". |
| Clearing Systems: | <p>For Notes other than Registered Notes represented by a Restricted Global Certificate, Euroclear, Clearstream, Luxembourg and/or DTC and, in relation to any Tranche such other clearing system(s) as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.</p> <p>For Registered Notes represented by a Restricted Global Certificate, Euroclear, Clearstream, Luxembourg and/or DTC.</p> |
| Listing and admission to trading: | <p>Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to trading on the GEM and to be listed on the Official List of the Irish Stock Exchange.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the relevant Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p> |
| Governing Law and Jurisdiction: | English law. The Issuer has submitted to the jurisdiction of the courts of England in respect of any disputes in connection with the Notes. |
| Selling Restrictions: | <p>The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, the Republic of Chile, Hong Kong, Singapore and Japan. See "<i>Subscription and Sale</i>" and "<i>Transfer Restrictions</i>".</p> <p>Category 2 selling restrictions will apply for the purposes of Regulation S under the Securities Act.</p> <p>The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "Code") ("D Rules") unless (i) the applicable Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the Code) ("C Rules") or (ii) the Notes are issued other than in compliance with TEFRA D or TEFRA C but in circumstances in which the</p> |

Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.

In the case of a distribution under Rule 144A, Notes will be issued in registered form, as defined in U.S. Temp. Treas. Reg. §5f.103-1(c).

Transfer Restrictions:

There are restrictions on the transfer of Notes sold pursuant to Rule 144A. See "*Transfer Restrictions*" and "*Subscription and Sale*" below.

Enforcement of Notes in Global Form:

In the case of Global Notes and Global Certificates, individual investors' rights will be governed by a deed of covenant dated 6 September 2017 (the "**Deed of Covenant**"), a copy of which is available for inspection at the specified office of the Fiscal Agent.

Risk Factors:

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. See "*Risk Factors*" for a description of certain of these risks.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Offering Circular.

Risk Factors in relation to the Issuer's business

The Issuer is subject to intense competition

The Chilean market for financial services is highly competitive. The Issuer competes with private sector Chilean and non-Chilean banks, and with the domestic government-owned bank.

In addition, the Issuer faces competition from non-bank finance entities (such as automobile finance companies, with respect to credit products, insurance companies and mutual funds with respect to savings products, family compensation funds and other credit unions) and non-finance competitors (principally department stores and larger supermarket chains) with respect to credit products, such as credit cards and consumer loans.

The lower to middle-income segments of the Chilean population and the small and mid-sized corporate segments have become the target markets of several banks. As a result, even though demand for financial products and services from these individuals and small and medium-sized companies is projected to grow in the short and medium-term, the Issuer cannot provide assurance that net interest margins generated by this market will be maintained at their current levels.

Furthermore, the increase in competition within Chilean banking in recent years has led to consolidation in the industry. Further consolidation in the industry, which may result in the creation of larger and stronger competitors, may adversely affect the Issuer's financial condition and results of operations by decreasing the net interest margins that it is able to generate.

Under the Ministry of Finance Decree with Force of Law No. 3 of 1997, as amended (the "**General Banking Law**"), representative offices of non-Chilean banks are allowed to promote credit products and services within Chile leading to a rise in competition from non-domestic financial institutions.

Increasing competition could require that the Issuer increase the rates it offers on deposits or lower the rates it charges on loans in order to maintain competitiveness, which could adversely affect the Issuer's business, results of operations and financial condition.

The Issuer is exposed to global market volatility and economic conditions

In Chile, the global economic recession of 2008 caused an increase in unemployment, a decline in consumption, house prices and economic activity in general. However, the economy showed resilience in coping with these adverse conditions and, helped by a significant increase in investment in mining, the gross domestic product ("**GDP**") grew by approximately 5.5 per cent. between 2010 and 2013. Recently, as the mining investing boom has started to come to an end and international financial conditions have started to normalise, the rate of growth has decreased towards levels that are closer to Chile's potential growth: GDP grew by 1.9 per cent. in 2014, 2.3 per cent. in 2015 and 1.6 per cent. in 2016. However, the state of the global economy and, in particular, Latin America, remains fragile and the consequences for the Chilean economy arising from a slowdown in the global growth rate and, especially the growth rate of China, are a source of risk. Any consequent disruptions in the Chilean economy may lead to a decrease in

demand for individual and corporate borrowing, a decrease in demand for financial services, a decrease in credit card spending and an increase in outstanding or impaired loans, which may in turn have a material adverse effect on the Issuer's business, financial condition and results of operation.

A contraction of the global financial system or a rapid reversal of the current favourable financial conditions could adversely affect the ability of the Issuer to access capital and liquidity on acceptable financial terms. If capital market financing ceases to become available, or becomes excessively expensive, the Issuer may be forced to raise the rates paid on deposits to attract customers. Any such increase in capital market funding costs or in deposit rates could have a materially adverse effect on the Issuer's interest margins.

Liquidity and funding risks are inherent in the Issuer's business

Liquidity risk is the risk that the Issuer either does not have available sufficient financial resources to meet the Issuer's obligations as they expire or can secure them only at excessive cost. This risk is inherent in any retail financial intermediation and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Issuer implements liquidity management procedures to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to completely eliminate them. Adverse and continued constraints in the supply of liquidity may materially adversely affect the cost of funding of the Issuer's business, and extreme liquidity constraints may affect the Issuer's current operations as well as limit its growth possibilities.

The Issuer relies on continuous access to financial markets for short- and long-term financing. An inability on the Issuer's part to access funds or to access the markets from which the Issuer raises funds may put the Issuer's position in liquid assets at risk and prevent the Issuer from financing its operations adequately. A rising interest rate environment increases the risk that the Issuer will not be able to access funds at favourable rates. These and other factors could result in less favourable credit ratings, higher borrowing costs and less access to funds. The Issuer may be unable to secure additional funding in the capital markets if conditions in these markets, or its credit ratings, were to deteriorate. An inability to secure funding at favourable rates in the capital markets could affect the soundness of the Issuer's liquidity position and have a materially adverse effect on its business, financial condition and results of operations.

Deposits (including savings accounts) and other on demand and term deposits are one of the Issuer's primary sources of funding, representing 69.31 per cent. of its total liabilities as of 31 December 2016. A significant portion of the Issuer's assets has maturities longer than its deposits, resulting in a mismatch between the maturities of its liabilities and the maturities of its assets. If a substantial number of its depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Issuer's liquidity position, results of operations and financial condition may be materially adversely affected. There is no assurance that in the event of a sudden or unexpected shortage of funds in the financial system, any money markets in which the Issuer operates will be able to maintain levels of funding without incurring high funding costs or the liquidation of certain assets. If this were to happen, the Issuer's business, financial condition and results of operations may be materially adversely affected.

The Issuer's financial results are constantly exposed to market risk. The Issuer is subject to fluctuations in interest rates and other market risks

Market risk refers to the probability of variations in the Issuer's net interest income or in the market value of the Issuer's assets and liabilities due to volatility in interest rates or exchange rates. Changes in interest rates affect the following areas, among others, of the Issuer's business:

- net interest income;
- the volume of loans originated;
- the market value of the Issuer's securities holdings; and
- gains from sales of loans and securities.

Interest rate variations could adversely affect the Issuer, including the Issuer's net interest income, reducing the Issuer's growth rate or even resulting in losses. When interest rates rise, the Issuer may be

required to pay higher interest on its floating-rate liabilities while interest earned on the Issuer's predominantly fixed-rate assets may not rise as quickly, which could cause losses or profits to grow at a reduced rate or to decline in some parts of the Issuer's portfolio. In addition, increases in interest rates could result in higher debt service obligations for the Issuer's customers, which could in turn result in higher levels of overdue loans.

Interest rates are highly sensitive to many factors beyond the Issuer's control, including increased regulation of the financial sector, the reserve policies of the Central Bank of Chile, deregulation of the financial sector in Chile, monetary policies, domestic and international economic and political conditions and other factors.

Failure to comply with applicable banking laws or other applicable regulations could harm the Issuer's reputation and/or cause the Issuer to become subject to fines, sanctions or legal enforcement

The Issuer is subject to a variety of sources of regulation: in particular the General Banking Law, the Ministry of the Economy Decree with Force of Law No. 5 published on 17 February 2004 (the "**General Law on Cooperatives**"), the regulations of the Superintendence of Banks and Financial Institutions ("**SBIF**") and the regulations of the Central Bank of Chile. In addition, matters related to its members and customers are regulated by the National Consumer Service ("**SERNAC**").

The General Law on Cooperatives establishes the general norms that cooperatives must comply with in areas such as their constitution, any merger or dissolution, treatment of their members, their management and the corporate governance bodies that must be constituted for their operation, surpluses and assets and other issues necessary for their operation, in addition to setting specific rules for savings and loan cooperatives. The General Law on Cooperatives also requires that these institutions have a unique and exclusive purpose, which is to provide financial intermediation services for the benefit of their members, regulates the type of business in which they can participate and requires that cooperatives that have more than 400,000 inflation-linked units (*unidades de fomento*, "**UF**") in equity, such as the Issuer, have to abide by the special rules of the SBIF.

The SBIF directly supervises the Issuer, in accordance with the Compendium of Financial Rules of the Central Bank of Chile, in matters including: risk management (credit and global, financial, treasury and operational management), solvency and liquidity, management of the strategy; business and capital management, management of customer service and transparency of information, prevention of money laundering and financing of terrorism and management of the internal audit function and the role of the Audit Committee.

In addition, the Central Bank of Chile also regulates the Issuer and, in particular, chapter III.C.2 of the Compendium of Financial Rules applies to the Issuer. This set of rules governs the conditions and procedures to be followed in the following areas:

- the distribution of surpluses;
- effective equity;
- the relations between and limitations of active and passive operations;
- the nature of the fundraising, from the Issuer's members and from third parties;
- loans obtained from domestic and foreign financial institutions; and
- the issuance of bonds.

In each of these areas the Issuer must observe the limits, indicators and requirements of the relevant regulations.

Failure to comply with the regulations to which the Issuer is subject may result in fines, administrative penalties and, in extreme cases, business intervention, along with the risk of reputational damage, each of which, in turn, could have an adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer is subject to market, credit, operational and other related risks associated with its derivative transactions that could have a material adverse effect on the Issuer.

The Issuer enters into derivative transactions for hedging purposes. The Issuer is subject to market, credit and operational risks associated with these transactions, because it is exposed to potential changes in the value of its derivative instruments. The Issuer accounts for these derivatives transactions at fair value, and such fair value may increase or decrease. The Issuer may incur unrealised losses as a result of such change in value of its derivatives instruments, which could have an adverse effect on its results of operations. Also the Issuer is subject to credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

The Issuer is subject to counterparty risk in its business.

In addition to credit risk associated with its lending activities, the Issuer is also exposed to counterparty risk. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to the Issuer, or systems failure by clearing agents, clearing houses or other financial intermediaries.

The Issuer routinely transacts with counterparties in the financial services industry, including brokers, commercial banks, investment banks, mutual funds and other institutional clients. Defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Many of the routine transactions the Issuer enters into expose the Issuer to significant credit risk in the event of default by one of the Issuer's significant counterparties.

Legislation regarding the financial services industry may subject the Issuer to significant and extensive regulation, which may have an impact on the Issuer's operations

The Basel Committee on Banking Supervision proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks, the principal elements of which are set out in its papers released on 16 December 2010 (together with a 13 January 2011 press release setting out minimum requirements for additional tier 1 and tier 2 instruments to ensure loss absorbency at the point of non-viability, "**Basel III**"). The SBIF's Circular No. 108 of 2003, and Chapter III.C.2 of the Central Bank of Chile's rules require cooperatives to maintain a Basel capital adequacy ratio (measured as regulatory capital to risk-weighted assets) higher than or equal to 10 per cent., whereas banks are required to hold a capital adequacy ratio of 8 per cent. The Basel capital adequacy ratio refers to the ratio of regulatory capital (which is core equity Tier 1 capital for the Issuer due to its business model) to risk-weighted assets. These thresholds will remain unchanged until Basel III is implemented in Chile. The Basel III framework will be adapted and implemented in Chile by the enactment of a new General Banking Law. The bill was presented to the Chilean Congress in June 2017 for discussion and, following the Congress's approval, Chilean financial institutions would likely achieve full compliance with the Basel III requirements over a period of time. This could result in different levels of minimum capital required to be maintained by such financial institutions.

Due to the Issuer's requirement that members subscribe to between ten and 100 shares on a monthly basis (which is set out in each relevant agreement that each member enters into in order to become a member in the Issuer), since 2011 the Issuer's capital adequacy ratio has ranged between 29.17 per cent. and 41.55 per cent. and, since 2000, it has never been below 18.20 per cent.

The Issuer's business model focuses on consumer credits with discount by payroll, which is an activity regulated by the General Law on Cooperatives which establishes discount percentages for the main industries and the way in which collections can be made. In this regard, the General Comptroller of the Republic of Chile can issue opinions containing interpretations of certain borderline situations that could influence the application of discounts.

Finally, Law 21,000 established the Commission for the Financial Market, which will replace the current Superintendence of Securities and Insurance (the "**SVS**"). This law was published in the Official Journal of 23 February 2017 and will enter into force 18 months after its publication in the Official Journal. The Commission for the Financial Market will be a decentralised public service, with links to the President of the Republic of Chile through the Ministry of Finance and will be governed by Law 21,000 and other

regulations that will be enacted for this purpose. The Issuer is not currently regulated by the SVS, and it is expected that the Commission for the Financial Market will not regulate the Issuer either.

However, regulatory developments such as these or any other requirements, restrictions, limitations on the operations of financial institutions and costs involved could have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's allowances for credit losses could be inadequate to cover credit losses related to its loans and contingencies

As of 31 December 2016, the Issuer's regulatory allowances for loan losses were CLP\$67,340 million (compared to CLP\$64,474 million as of 31 December 2015), and the ratio of its regulatory allowances for loan losses to total loans was 5.33 per cent. (compared to 5.31 per cent. as of 31 December 2015). Taking into account the additional allowances for loan losses of CLP\$2,500 million, the amount of the allowances totaled CLP\$69,840 million which represented 5.53 per cent. of total loans as of 31 December 2016. As of 31 December 2015, the amount of allowances totaled CLP\$67,047 million which represented 5.52 per cent. of total loans.

During December 2016 a change regarding the calculation of allowances for mortgage loan losses was implemented by the Issuer; this new regulatory standard, which is known as "B-1", is designed by the SBIF and is more conservative than the one that the Issuer applied previously; as a result, the regulatory allowances were increased by CLP\$4,691 million.

Important changes in the new allowances procedure include:

- implementation of a standard model for mortgage loan allowances, impacting those sections of loan to value which are higher than 80 per cent.;
- change to the definition of "default:" 90 days of default for loans or 60 days of default in the case of restructured loans;
- in order for a loan not to be considered in default, the borrower must now display a "good" payment behaviour during four consecutive months and not publish any negative information to the Chilean financial system; and
- some parameters such as "probability default" and "loss given default" are now estimated according to the behaviour of the portfolio during the last five years.

The level of allowances for consumer and commercial loans is calculated and made on a monthly basis, in accordance with the SBIF's standards, which require certain methods or models to be used. In order to recognise credit risk allowances, the Issuer performs individual and collective assessments.

The individual assessment applies to loans that are greater than 2,000 UF (approximately CLP\$53 million), where the debtors are categorised by credit rating according to the probability of default. This is done in order to determine allowances for loan losses.

For the effects of creating the allowances, loans must be classified either as Normal Risk or as Above Normal Risk.

The Normal Risk portfolio is composed of borrowers who are current on their payment obligations, show no sign of deterioration in their credit quality and do not have amounts due for more than 30 days. The Above Normal Risk portfolio is composed of borrowers with insufficient ability to repay their debts in full.

The collective assessment applies to groups of loans and analyses a large number of individual operations of small amounts. For this purpose, the loan portfolio is segmented into homogeneous groups and the loss factors are determined by means of estimates associated with the probability of default for each group. See – *"Description of the Issuer - Portfolio Risk - Allowances for loan losses"*.

The Issuer is permitted to record additional or voluntary allowances for loan losses for countercyclical or loan concentration reasons if the Issuer determines that existing models, although adequate in ordinary

circumstances, are unlikely to account for extraordinary circumstances. Such additional allowances may materially adversely affect the Issuer's business, financial condition and results of operations.

There can be no assurance that the Issuer's allowances for loan losses will be sufficient in the future to cover actual loan and credit losses. If the Issuer's assessment of and expectations concerning the above-mentioned factors differ from actual developments, if the quality of the Issuer's total loan portfolio deteriorates for any reason, including the introduction of new products, or if the future actual losses exceed the Issuer's estimates of incurred losses, the Issuer may be required to increase its allowances for loan losses, which may adversely affect the Issuer. If the Issuer is unable to control or reduce the level of its non-performing or poor credit quality loans, this could have a material adverse effect on the Issuer's financial condition, business and results of operations.

Risks related to the Issuer's exposure to public sector and to the middle-low and low income segments

The Issuer's main product is consumer loans, which are granted in a large proportion to employees in the public sector. As of 31 December 2016, consumer loans represented 68.70 per cent. of total gross loans, and employees of companies from the public sector under agreement with the Issuer with a consumer loan held 69.33 per cent. of the total consumer loans.

Lending to middle-low and low income individuals bears a higher degree of risk than lending to other market segments. As of 31 December 2016 the middle-low income individual segment (which encompasses those who earn between CLP\$480,000 and CLP\$1,440,000 per month) accounted for 46 per cent. of outstanding loans serviced by the Issuer, and the low income individual segment (which encompasses people who earn less than CLP\$480,000 per month) represented 41 per cent. of such loans. Consequently, the Issuer may experience higher levels of outstanding loans, which could result in higher allowances for loan losses.

The Issuer is seeking to increase lending and other services to other segments of the population as part of its business strategy and also by using payroll deductions for the repayment of instalments on consumer loans. As of 31 December 2016, the proportion of loans repaid by payroll deductions was 83.72 per cent. of the Issuer's total consumer loans.

There can be no assurance that the Issuer's efforts to serve new segments of customers will be successful and significant defaults or impairments on loans into the public sector and middle-low and low income segments may have a material adverse effect on the Issuer's business, financial condition and results of operations.

The Issuer's credit portfolio may decrease or may not continue to grow at the present rate or at a similar rate. Additionally the growth in the Issuer's credit portfolio may expose the Issuer to an increase in allowances for loan losses

From 31 December 2011 to 31 December 2016, the Issuer's aggregate gross loan portfolio showed a nominal increase of 32 per cent. to CLP\$1,263,190 million while the consumer gross loan portfolio grew by 12.0 per cent. to CLP\$867,781 million in the same period. From 31 December 2006 to 31 December 2011, the Issuer's aggregate gross loan portfolio showed a nominal increase of 78 per cent. while the consumer gross loan portfolio increased by 110 per cent. in the same period.

However, there can be no assurance that the Issuer's loan portfolio will continue to grow at rates similar to the historical growth rates set out above. Any further expansion of the Issuer's loan portfolio (particularly in the consumer segment) is expected to expose the Issuer to a higher level of loan losses and require the Issuer to establish higher levels of allowances for loan losses, particularly if its loans to borrowers in certain riskier segments do not perform as the Issuer expects, which may have a materially adverse effect on the Issuer's business, financial condition and results of operations.

The value of the collateral securing the Issuer's loans may not be sufficient, and the Issuer may be unable to realize the full value of the collateral securing its loan portfolio

The value of the collateral securing the Issuer's loan portfolio may significantly fluctuate or decline due to factors beyond the Issuer's control, including macroeconomic factors affecting Chile's economy. The value of the collateral securing the Issuer's loan portfolio may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of the Issuer's loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause

widespread damage, which could impair the asset quality of the Issuer's loan portfolio and could have an adverse impact on Chile's economy. The real estate market is particularly vulnerable in the current economic climate and decreased real estate prices may affect the Issuer as real estate represents a significant portion of the collateral securing the Issuer's residential mortgage loan portfolio. A significant portion of the Issuer's mortgage loans are to middle-low and low income borrowers, whose ability to repay such loans could be substantially reduced by a decline in Chile's economy, and for which the collateral may be of low or minimal value. The Issuer may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of the Issuer's loans secured by such collateral. If this were to occur, the Issuer may need to make additional allowances for loan losses to cover actual impairment losses of the Issuer's loans, which may materially adversely affect the Issuer's business, financial condition and results of operations. Additionally, there are certain provisions under Chilean Law No. 19,335 of 1994 that may affect the procedures for foreclosing on or liquidating residential mortgages if the residence in question has been declared "family property" by a court because it is inhabited by the family of the mortgagor. If any party occupying the real estate files a petition with the court requesting that such real estate be declared family property, the Issuer may be prevented from or subject to a delay in, foreclosing on such property. Notwithstanding the foregoing, Law No. 19,335 expressly sets forth that such declaration shall not affect any creditors' rights validly created prior to that declaration.

The Issuer relies on recruiting, retaining and developing appropriate senior management and skilled personnel

The Issuer's continued success depends in large measure on the continued availability of the service, skills, experience and efforts of key members of its management team and other key personnel. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Issuer's strategy. The successful implementation of the Issuer's growth strategy depends on the availability of skilled management and other key personnel, both at the Issuer's head office and at each of the Issuer's branches. If the Issuer or any one of the Issuer's branches fails to staff its operations appropriately or loses one or more of its key senior executives or employees with critical skills and fails to replace them in a satisfactory and timely manner, the Issuer's business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on the Issuer's ability to hire or retain the most qualified employees. If the Issuer fails or is unable to attract and appropriately train, motivate and retain highly skilled, talented and committed professionals, the Issuer's business and ability to fully implement its business objectives may also be adversely affected.

The Issuer may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis

The Issuer is required to comply with applicable anti-money laundering ("AML"), anti-terrorism, sanctions and other laws and regulations in Chile. These laws and regulations require the Issuer, among other things, to conduct full customer due diligence regarding sanctions and politically-exposed person screening, keep the Issuer's customer, account and transaction information up-to-date and have implemented effective financial crime policies and procedures detailing what is required from those responsible. The Issuer's requirements also include AML training for the Issuer's employees, reporting suspicious transactions and activity to appropriate law enforcement following full investigation by the Issuer's AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML and sanctions laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

In order to comply with local anti-money laundering and terrorism financing regulations, the Issuer has a Compliance Officer, an AML Committee and various policies and procedures, including internal controls and "know your customer" procedures, aimed at detecting and preventing the use of the Issuer's network for money laundering and other financial crime related activities. Financial crime is continually evolving and subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from the Issuer, so that the Issuer is able to effectively deter threats and criminality. Even

known threats can never be fully eliminated, and there will be instances where the Issuer may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, the Issuer relies heavily on its employees to assist the Issuer by spotting such activities and reporting them, and the Issuer's employees have varying degrees of experience in recognising criminal tactics and understanding the level of sophistication of criminal organisations. If the Issuer is unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

If the Issuer is unable to fully comply with applicable laws, regulations and expectations, the Issuer's regulators and relevant law enforcement agencies have the ability and authority to impose significant fines and other penalties on the Issuer, including requiring a complete review of the Issuer's business systems, day-to-day supervision by external consultants and ultimately the revocation of the Issuer's licence to operate as a savings and loan credit union.

The reputational damage to the Issuer's business and global brand would be severe if the Issuer were found to have breached AML or sanctions requirements. The Issuer's reputation could also suffer if the Issuer is unable to protect the Issuer's customers or the Issuer's business from being used by criminals for illegal or improper purposes.

In addition, the Issuer relies on its relevant counterparties having their own appropriate AML procedures and the Issuer uses what it believes are commercially reasonable procedures for monitoring its counterparties. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Issuer's (and the Issuer's relevant counterparties') services as a conduit for money laundering (including illegal cash operations) without the Issuer's (and the Issuer's relevant counterparties') knowledge. If the Issuer were to be associated with, or even accused of being associated with, or become a party to, money laundering (including illegal cash operations) or terrorist financing, the Issuer's reputation could suffer and/or the Issuer could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in transactions with it).

Any such risks could have a material adverse effect on the Issuer's business, operating results, financial condition and prospects.

The Issuer's business is highly dependent on the proper functioning and improvement of its information technology systems

The Issuer's businesses depend on the ability to process a large number of transactions efficiently and in a timely manner, and on the Issuer's ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in the Issuer's computer systems and networks. The Issuer is also dependent on information systems to operate its website, respond to customer inquiries on a timely basis and maintain cost-efficient operations.

The proper functioning of financial control, accounting and other data collection and processing systems is critical to the Issuer's business. For this reason the Issuer has backup-data for its key data processing systems that could be used in the event of a catastrophe or a failure of its primary systems. However, there can be no assurance that the Issuer's business would not be disrupted if there were any failures of the Issuer's software or networks, unauthorised access to information, misuse, intentional malfunctions or loss or corruption of data or software, or if the Issuer's systems were attacked by any computer viruses or other malicious code.

In addition, the Issuer's business is exposed to risk from potential non-compliance with policies, employee misconduct, negligence or fraud, which could result in material losses, regulatory sanctions and serious reputational or financial harm.

Operational problems or errors may have a materially adverse impact on the Issuer's business, financial condition, cash flow and results of operations

The Issuer is exposed to operational risks, including the risk of fraud by employees and outsiders, failure to obtain proper internal authorisations, failure to properly document transactions, equipment failures and errors by employees and any failure, interruption or breach in the security or operation of the Issuer's information technology systems could result in interruptions in the Issuer's activities.

Fraud or other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Issuer to financial losses and sanctions imposed by governmental authorities and may seriously harm its reputation.

Although the Issuer maintains a system of operational controls, there can be no assurance that operational problems or errors will not occur and their occurrence may have a materially adverse impact on the Issuer's business, financial condition, results of operations and cash flows.

Delays or failure to implement business initiatives that the Issuer may undertake could prevent the Issuer from realising the anticipated revenues and benefits of such initiatives

Part of the Issuer's strategy is to diversify income sources through business initiatives, including targeting new clients and developing new products and services. These initiatives may not be fully implemented within the timeframe that the Issuer expects, or at all. In addition, even if such initiatives are fully implemented, they may not generate revenues as expected. Any delays in implementing these business initiatives could prevent the Issuer from realizing the anticipated benefits of such initiatives, which could adversely affect the Issuer's business, results of operations and growth prospects.

Risks in relation to Chile

The Issuer's growth and profitability depend on the level of economic activity in Chile and elsewhere

According to data published by the Central Bank of Chile, the Chilean economy grew at a rate of 5.8 per cent., 5.9 per cent., 5.6 per cent., 4.1 per cent., 1.9 per cent., 2.3 per cent. and 1.6 per cent. in 2010, 2011, 2012, 2013, 2014, 2015 and 2016, respectively.

In 2010 and 2011 there were signs of recovery in the global economy, and the Chilean economy recovered with high levels of growth, low unemployment, low inflation in 2010 which increased in 2011, and low interest rates in both periods, which contributed to the positive trends in the banking industry during 2010 and 2011. However, the global economy showed signs of fragility in the second half of 2011. Growing concerns over the sovereign debt obligations of several European countries (including Greece, Portugal, Spain, Ireland and, to a lesser extent, Italy) in the second half of 2011 and 2012 and the consequential impact on the solvency of European banks increased the possibility of another worldwide recession. In 2014, there was heterogeneous growth in developing countries, gradual recovery in the United States and a lack of economic dynamism in the Eurozone. The Chilean economy has been affected by the slowdown in world economic growth and a fall in copper prices (copper being one of the main exports of Chile) which, together with significant tax and social reforms, have diminished both investment and consumption. At the end of 2013, the Central Bank of Chile implemented a loose monetary policy in an effort to overcome this economic slowdown. Higher exchange rate pressure began to generate an inflationary pass-through at the beginning of 2014. During 2015 the decrease in mining output because of the lower copper price, together with a weaker manufacturing industry, in a context in which business and consumer confidence are still low, led to a depressed domestic demand and a GDP growth of only 2.3 per cent. In 2016 the Chilean economy had an even weaker performance, growing only by 1.6 per cent., due to international economic uncertainty and a local reform agenda that caused lingering uncertainty in the economy.

The Chilean economy could face several risk scenarios in the coming years. Externally, the greatest concern remains the evolution of the Chinese economy and the impact that a slowdown in that economy would have on the price of copper. Copper exports account for approximately 60 per cent. of total Chilean exports and approximately 10 per cent. of Chilean tax revenues are related to the value of this commodity. Declines in the price of copper would be a problem for Chile, would require an adjustment of public spending and would adversely affect investment in Chile's mining sector, which has been a major source of growth in recent years. A second external risk is the possibility of a faster than expected increase in international interest rates and the subsequent adjustment of investment portfolios and capital flows, which would adversely affect the Chilean economy. Such a situation would negatively affect the dynamism of the economy because of the reduced availability of external funds as well as the effects that a large depreciation of the peso would have on inflation, which would hamper the work of the Central Bank of Chile.

Internally, the biggest risks are associated with the evolution of investment. The tax reform and other economic measures that the government of Ms. Michelle Bachelet is pursuing have been received with

concern by the business sector. This has resulted in a significant worsening of expectations, which has adversely affected investment. Another important element is the rising cost of energy in Chile, a factor that has contributed to the slowdown in investment. The government has launched an ambitious energy agenda with the aim to reduce the cost of energy in the following years. Advance in this area is essential to maintaining the pace of investment needed to sustain growth rates above 4 per cent.

Historically, lower economic growth has adversely affected the overall asset quality of the Chilean banking system. Whilst this has generally affected saving and loan cooperatives in Chile less than other parts of the banking system, the Issuer's business is linked with the overall health of the Chilean economy. Reduced economic growth in Chile, including, but not limited to, an inability to withstand the risks highlighted above, may have a number of adverse effect on the Issuer (including reducing the rate of growth of its loan portfolio and increasing the level of non-performing loans) which in turn could affect the Issuer's business, financial condition and results of operations.

Changes in Chilean tax laws may increase the Issuer's tax burden and adversely affect its profitability

The statutory corporate tax (the "**First Category Income Tax**") rate in Chile was 20 per cent. on income from 2011 to 2013. Under Law No. 20,780 (enacted on 26 September 2014, as amended by Law No. 20,899 (enacted on 8 February 2016)), this corporate tax rate was gradually increased as follows; for 2014, 2015 and 2016 the First Category Income Tax rate was 21 per cent., 22.5 per cent. and 24 per cent., respectively. In addition, the Chilean taxation system was modified with the purpose of generating additional financial resources to improve the quality of the Chilean education system. Article 1, No. 4 of Law No. 20,780 established, from 1 January 2017 onwards, two alternative systems of taxation for taxpayers who are obliged to declare their actual income as full accounting income: (i) an Attributed System (*Sistema Atribuido*) and (ii) a Partially Integrated System (*Sistema Parcialmente Integrado*).

The former is a fully integrated income attribution regime, in which corporate profits are levied with a 25 per cent. First Category Income Tax and are immediately attributed to the company's partners or shareholders for the purposes of triggering final income taxes, allowing them to use 100 per cent. of the First Category Income Tax paid by the company as a tax credit, but precluding any possibility of deferral. The latter is a partially integrated income distribution regime in which corporate profits are levied with a 27 per cent. First Category Income Tax (except for a 25.5 per cent. rate solely for 2017), deferring the final income taxes of the partners or shareholders until such profits are effectively distributed or withdrawn, but limiting the available tax credit to 65 per cent. of the First Category Income Tax paid by the company. However, if the owners are residents of countries that have entered into a tax treaty with Chile, they are allowed to use, as a tax credit, 100 per cent. of the First Category Income Tax paid by the company.

Law No. 20,899 established that the Attributed System can only be elected by companies whose shareholders are individuals residing in Chile and/or foreign resident entities or individuals, maintaining the Partially Integrated System referred to above as the principal tax system.

The Issuer currently uses the Partially Integrated System and the rate of tax expected to be paid by the Issuer starting from 2018 will be 27 per cent. The Issuer cannot predict at this time if the aforementioned reforms will have a material impact on its business or clients or if further tax reforms will be implemented in the future. If the Issuer's corporate tax rate rises in the future, this may have an adverse impact on the Issuer's business, financial condition and results of operations.

Chilean bankruptcy considerations

The Chilean Congress approved a new Bankruptcy Act (*Law N° 20.720, Ley de reorganización y liquidación de empresas y personas*) on 29 October 2013, which was published in the Official Gazette on January 9, 2014 and became into effect on 9 October 2014. The new Bankruptcy Act eliminated the distinction between merchant and other debtors, and eliminated the classification of bankruptcies as negligent or fraudulent, while modifying the Chilean Criminal Code in order to recognise certain criminal offences related to the conduct of the business of the debtor prior to the declaration of its bankruptcy, among other changes.

Under the new Bankruptcy Act, there are two types of proceedings: liquidation proceedings, which are very similar to existing bankruptcy proceedings but headed by a liquidator rather than a síndico, and reorganisation proceedings. Reorganisation proceedings are more oriented toward the continuation of the

debtor's business and, therefore, allow the debtor to seek protection of the courts ("**Insolvency Protection**") for a term of 30 days, as from the date on which the reorganisation proceeding commenced, during which, among other effects, it cannot be put into liquidation proceedings, its assets cannot be foreclosed, the agreements entered into by it cannot be unilaterally terminated by the other party, the maturity of the indebtedness of the debtor cannot be accelerated or the securities granted by the debtor cannot be enforced by the creditor based on the debtor's insolvency. In case a creditor breaches this provision, its credit shall rank junior and will be paid after all the other debts of the debtor. This 30-day term could be extended for 30 or 60 days if supported by two or more creditors representing 30 per cent. or 50 per cent. of the debtors' unrelated liabilities, respectively.

Pursuant to the provisions of the new Bankruptcy Act, it is now possible for a debtor to commence a reorganisation procedure not only through a court process, but also through an out of court composition with its creditors, which may then be approved by the court through a simple process. Also, it is now possible for the debtor and its creditors to agree on a reorganisation proposal with different conditions for different categories of creditors (e.g., secured and unsecured), which must be expressly approved by the remaining creditors.

The new Bankruptcy Act additionally allows the debtor under Insolvency Protection to incur debt to finance its operations which cannot exceed 20 per cent. of the debt it had at the commencement of the procedure and which will rank senior with respect to the existing creditors (except for a few statutory preferences which will remain in force) in case the reorganisation agreement is not approved and the judge orders the liquidation of the debtor.

The new Bankruptcy Act amends claw-back period rules such that, generally, any transfer, encumbrance or other transaction executed or granted by the debtor within the two years immediately preceding the date of the commencement of the insolvency proceedings (*Procedimientos Concursales de Reorganización o de Liquidación*), may be revoked if both of the following circumstances are proven in trial, (i) the counterparty had knowledge of the debtor's poor business condition; and (ii) the act causes losses to the estate or alters the parity that should exist among the creditors, taking into consideration their preferences as set forth by the law.

Notwithstanding the above, the new Bankruptcy Act maintains certain specific cases in which any transfer, encumbrance or other transaction executed or granted within the year immediately preceding the date of the commencement of the insolvency proceedings (extendable to two years in certain events) may be revoked, based on objective grounds, such as pre-payments, payments of amounts owed on terms different than as originally agreed by the parties and the creation of security interests to guarantee pre-existing obligations.

Finally, the new Bankruptcy Act regulated for the first time cross-border insolvency issues, allowing the recognition in Chile of foreign bankruptcy or liquidation proceedings.

Natural phenomena such as earthquakes, tsunamis, the climactic phenomenon "El Niño" or floods may adversely affect the economy

Chile lies on the Nazca tectonic plate, making it one of the world's most seismically active regions. Chile has been adversely affected by powerful earthquakes in the past, including an 8.0 magnitude earthquake that struck Santiago in 1985 and a 9.5 magnitude earthquake in 1960 which was the strongest earthquake ever recorded.

On 27 February 2010, an 8.8 magnitude earthquake struck central Chile. The earthquake and its aftershocks, as well as tsunamis from adjacent coastal waters, caused severe damage to Chile's infrastructure, including roads, bridges, ports and Santiago's international airport. As a result of the earthquake and the tsunami that followed, 525 people died. Major earthquakes also struck in April 2014 near Iquique (8.0 magnitude), 1,092 miles north of Santiago, and in September 2015 near Coquimbo (8.4 magnitude), 285 miles northwest of Santiago. The damage to Chile's roads, ports and other infrastructure had an adverse impact on the Chilean economy, and in particular on export businesses that operate in the affected areas.

In addition, the climatic oceanic and atmospheric phenomenon known as "El Niño" causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Chile, Peru and Ecuador and various other effects in other parts of the world. The effects of El Niño, which typically occurs every two

to seven years, include, among other things, flooding and negative effects on fish populations and agriculture and, accordingly, this can have a negative effect on Chile's economy, which may materially adversely affect the Issuer's business, financial condition and results of operations.

Chile has different corporate disclosure and accounting standards to IFRS

Accounting, financial reporting and securities disclosure requirements in Chile differ in certain significant respects from those applied in other countries. There are also material differences between IFRS, New Chilean GAAP for Cooperatives (as defined below) and Old Chilean GAAP for Cooperatives (as defined below), respectively. The Issuer has not prepared financial statements in accordance with IFRS and, accordingly, cannot offer any assurance that the differences described in the section entitled "*Summary of Significant Differences between IFRS, New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives*" below are the most significant differences between the Issuer's financial statements and financial statements that would have been prepared under IFRS.

For 2016 and prior years, the Issuer prepared its financial statements in accordance with Old Chilean GAAP for Cooperatives. Beginning in 2017, in accordance with Circular letter No.162 issued by the SBIF on 19 August 2015, the Issuer began preparing its financial statements in New Chilean GAAP for Cooperatives, which differs in certain significant respects from Old Chilean GAAP for Cooperatives, including the accounting treatment of loans and renegotiations of written-off loans, among others. For a quantitative description of these effects and adjustments, see Note 2 to the Issuer's unaudited interim financial statements.

This Offering Circular includes financial information for the Issuer as of and for the six months ended 30 June 2017 and 30 June 2016 based on New Chilean GAAP for Cooperatives, which is not necessarily comparable with the financial information prepared under Old Chilean GAAP for Cooperatives for the Issuer as of and for the years ended 31 December 2016 and 31 December 2015 also included in this Offering Circular. The reviewed financial statements for the six months ending 30 June 2017 also include restated balance sheet information as of 31 December 2016 prepared in accordance with New Chilean GAAP for Cooperatives which are included in the Offering Circular in the full interim financial statements as of and for the six months ended 30 June 2017 in the section entitled "*Financial Information*" of this Offering Circular only.

For more information regarding the significant differences between IFRS, New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives, see the section entitled "*Summary of Significant Differences between IFRS, New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives*" below.

A change in the law governing the judicial recovery of overdue loans could adversely affect the Issuer's overall rate of recovery of overdue loans

The Chilean judicial system is constantly evolving to suit the needs of the population and is gradually incorporating the use of new technological tools as these facilitate the intervention of the courts. Recently, the Chilean Congress passed a bill amending the procedural and substantive regulation of the judicial reorganisation and settlement for individuals and businesses declared insolvent or bankrupt in accordance with Law No. 20,720 dated 10 October 2014. The main purposes of the aforementioned bill are: (a) to facilitate the negotiation and approval of the debtor's reorganisation agreements; (b) to improve the repayments of creditors in insolvency proceedings, creating a more effective and efficient process; and (c) to regulate the effects of cross-border insolvency proceedings. The effect of these laws on the Issuer's ability to recover overdue loans is not yet clear but any impediment to reclaim outstanding debt could have a detrimental impact on its business.

Changes in labour laws may adversely affect the Issuer

A labour reform law (the "**Labour Reform**") was discussed and approved by the Chilean Congress and entered into force on 1 April 2017. This introduced important amendments to the Chilean Labour Code, modifying the collective bargaining procedure, promoting union affiliation and empowering unions, which will have the ability to negotiate with employers the extension of benefits agreed on bargaining agreements to non-unionised employees, which, prior to the Labour Reform, was a decision made unilaterally by companies. The most relevant amendments introduced by the Labour Reform include: (i) a prohibition on the replacement of employees on strike, whether with internal or external employees; (ii)

depending on the size of the company and under certain conditions, the obligation to provide unions with financial information on a regular basis, as well as information regarding the remuneration of the employees; (iii) recognition of conditions agreed in past collective bargaining agreements as a minimum for any upcoming negotiation; and (iv) the regulation of new practices considered to be anti-union practices, as well as the amendment of the sanctions applicable to such practices. Changes in labour laws may have a materially adverse effect on the Issuer's business, financial condition or results of operations.

There is no assurance as to the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to Chile, its economy and banking industry

Facts, forecasts and statistics in this Offering Circular relating to Chile, Chile's economy and the Chilean banking and financial industry, including market share information, are derived from various official and other publicly available sources that the Issuer generally believes to be reliable. However, the Issuer cannot vouch for the quality and reliability of such official and other sources of materials. In addition, these facts, forecasts and statistics have not been independently verified by the Issuer and, therefore, the Issuer makes no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Chile and may not be complete or up-to-date. The Issuer has taken reasonable care in reproducing or extracting the information from such sources. However, because of possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other factors, these facts, forecasts or statistics may be inaccurate and may not be comparable from period to period or to facts, forecasts or statistics produced for other economies; investors should therefore not rely on such third-party information.

Risks relating to Notes

The Issuer's obligations under the Notes will be subordinated to certain statutory liabilities

Under Chilean bankruptcy law, the Issuer's obligations under the Notes are subordinated to certain statutory preferences. In the event of the Issuer's liquidation, such statutory preferences, including demand deposits, claims for salaries, wages, secured obligations, social security, taxes and court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the Notes.

No limitation on issuing pari passu securities

There is no restriction on the amount of securities or other liabilities which the Issuer or its subsidiaries (if any) may issue or incur and which rank *pari passu* with the Notes. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Noteholders on a winding up, administration or other insolvency procedure of the Issuer.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Notes may be redeemed prior to their stated maturity for taxation reasons

Under current Chilean laws, interest payments, premiums and all other payments deemed to be interest payments, if any, made to a Foreign Holder (as defined in "*Taxation – Chile Taxation*") in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4 per cent. The Issuer has agreed, subject to specific exceptions, to pay to the holders of the Notes additional amounts in respect of Taxes (as defined in the "*Terms and Conditions of the Notes*") as shall result in receipt by the holders of the Notes of such amounts as would have been received by them had no such withholding or deduction in respect of such Taxes been required. See "*Terms and Conditions of the Notes – Condition 8 (Taxation)*" and "*Taxation – Chile Taxation*". If the Issuer has or will become obliged to pay additional amounts with respect to a Series of Notes as provided or referred to in Condition 8 (*Taxation*) (in excess of the rate of withholding tax applicable to payments of interest on such Notes on the date on which agreement is reached to issue the first Tranche of such Notes) as a result of any change in, or amendment to, the laws or regulations of Chile, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, the Issuer shall be entitled to redeem the Notes of such Series in whole, but not in part, at their Early Redemption Amount (together with interest accrued to the date fixed for redemption), all as described in Condition 6(c) (*Redemption for Taxation Reasons*).

Notes may be subject to stamp duty under Chilean law

The issuance of the Notes is subject to a maximum 0.8 per cent. stamp tax which will be payable by the Issuer in accordance with the Conditions. If the stamp tax is not paid when due, the Issuer is obliged to pay the unpaid stamp tax plus inflation adjustments, interest and fines. Until such tax and any penalty are paid, Chilean courts will not enforce any action brought with respect to the Notes.

Under the Conditions, the Issuer has covenanted to pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of the Notes or any other document or instrument relating thereto.

Tax consequences of holding the Notes

Any potential investor should consult its own independent tax adviser for more information about the tax consequences of acquiring, owning and disposing of Notes in its particular circumstances.

In particular, Bearer Notes generally may not be offered or sold in the United States or to U.S. persons. Unless an exemption applies, a U.S. person holding a Bearer Note or related coupon will not be entitled to deduct any loss on the Bearer Note or related coupon and must treat as ordinary income any gain realised on the sale or other disposition (including the receipt of principal) of the Bearer Note or related coupon.

Fixed Rate Notes

The Issuer may issue Fixed Rate Notes. Such Notes will bear interest at a fixed rate of interest, which, unless otherwise specified in the relevant Pricing Supplement, remains constant during the life of the Notes. Any investors holding these Notes will be subject to the risk that any subsequent increases in market interest rates may adversely affect the real return on the Notes (and the value of the Notes).

Even where the terms of the Notes provide that the rate of interest periodically increases, an investor holding such Notes is subject to the risk that such increases in the rate of interest do not keep pace with any increases in market interest rates, with the consequence that the real return on the Notes (and the value of the Notes) will fall.

Where the terms of the Notes provide that the rate of interest periodically decreases, investors are subject to the risk that the revised rate of interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the rate of interest on the Notes may be greater than any reduction in market interest rates, with the consequence that the real return on the Notes (and the value of the Notes) will fall.

Floating Rate Notes

The Issuer may issue Floating Rate Notes. Such Notes will bear interest at a floating rate of interest, which will be subject to market fluctuations in interest rates. In addition, the floating rate of interest at any time may be lower than the rates on other Notes.

Zero Coupon Notes

The Issuer may issue Zero Coupon Notes. Such Notes will bear no interest and an investor will receive no return on the Notes until redemption. Any investors holding these Notes will be subject to the risk that the amortised yield in respect of the Notes may be less than market rates.

Risks related to Notes which are linked to "benchmarks"

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than the prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential Investor's Currency (as defined in "*Risks related to the market generally — Exchange rate risks and exchange controls*");
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Modification and waivers

The Conditions Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and/or vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The law governing the Conditions of the Notes may change

The Conditions are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Reliance on DTC, Euroclear and Clearstream, Luxembourg procedures

Notes issued under the Programme will be represented on issue by one or more Global Notes or Global Certificates that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or, in the case of Registered Notes, may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note and/or Global Certificate, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note or Global Certificate held through it. While the Notes are represented by a Global Note or Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes or Global Certificates, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note or Global Certificate.

Holders of beneficial interests in a Global Note or Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Transferability of the Notes may be limited under applicable securities laws

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States or to, or for the account or benefit of, a U.S. person other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under "*Subscription and Sale*" and "*Transfer Restrictions*". It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner's Notes be sold or transferred to a person designated by or acceptable to the Issuer.

Enforceability of Judgments

No treaty exists between the United Kingdom and Chile for the reciprocal enforcement of foreign judgments. Chilean courts, however, have enforced judgments rendered by English courts by virtue of the legal principles of reciprocity and comity, subject to the review by the Chilean courts of the relevant English judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without reviewing the merits of the subject matter of the case. To the extent any English judgment is obtained, the enforceability of such judgment by the Chilean courts will depend on fulfilling the above mentioned requirements and obtaining the relevant "exequatur" (i.e. recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at the relevant time, in addition to other factors. Therefore there can be no assurance that a Noteholder would be able to enforce in Chile any judgment obtained in the English courts in these circumstances.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

There may be no active trading market for the Notes

Although an application has been made to list on the Official List of the Irish Stock Exchange and to trade the Notes on the GEM, there is no assurance that such application will be accepted or that an active trading market for the Notes will develop or, if one does develop, that it will be liquid or maintained. If an

active trading market in the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected.

In addition, if the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. As a result of the above factors, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes. If the Notes are denominated in a currency other than the currency of the country in which the Noteholder is resident, the Noteholder is exposed to the risk of fluctuations in the exchange rate between the two aforementioned currencies. The Noteholder may also be exposed to a foreign exchange risk if the reference obligation is denominated, or based on prices, in a currency other than the currency in which the relevant Note is denominated.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Credit ratings may not reflect all risks

The long-term unsecured debt of the Issuer has been rated BBB (with positive outlook) by Fitch. Notes issued under the Programme are expected to be rated BBB by Fitch. Fitch is not established in the EEA and is not certified under the CRA Regulation and the rating it has given to the long-term unsecured debt of the Issuer and the expected rating to be assigned to Notes to be issued under the Programme are not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or

the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds this will be stated in the applicable Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to a Fiscal Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 6 September 2017 between the Issuer, The Bank of New York Mellon, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 6 September 2017 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a

Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. **No Exchange of Notes and Transfers of Registered Notes**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** Subject to Condition 2(f), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor; provided, however, that part of a Registered Note may not be transferred unless the nominal amount of the part transferred, and the nominal amount of the balance not transferred, are Specified Denominations. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of the Issuer's or a Noteholder's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)).

3. Status

The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Covenants

The Issuer covenants that, for so long as any Note or Coupon remains outstanding (as defined in the Agency Agreement):

- (a) **Negative Pledge:** it will not, and will ensure that none of its Subsidiaries will, create or have outstanding any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness without (a) at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (b) providing such other security for the Notes and Coupons as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

In these Conditions:

"Person" means any individual, company, corporation, limited partnership, limited liability company, firm, partnership, joint venture, association, organisation, joint stock company, trust, unincorporated organisation, government, state or any agency of a state or political subdivision thereof or any other entity, whether or not having separate legal personality;

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, any bond, note, debenture, debenture stock, loan stock, certificate or other security which for the time being is, or is capable of being, listed, quoted, dealt in or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

"Subsidiary" means, with respect to any corporation, partnership or other entity of which or in which such Person and/or its Subsidiaries own, directly or indirectly, more than 50 per cent. of the share capital or the combined voting power of all classes of voting stock.

- (b) **Mergers:** it will not consolidate with or merge with or into any other corporation or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all of its properties and assets to any person, unless:
- (i) the corporation formed by such consolidation or into which the Issuer is merged or the person which acquires by conveyance, transfer or lease all or substantially all of the properties and assets of the Issuer shall be a corporation organised and existing under the laws of the Republic of Chile and shall expressly assume, by a supplemental fiscal agency agreement and a deed of covenant, executed and delivered to the Fiscal Agent, in each case in a form satisfactory to the Fiscal Agent, the due and punctual payment of all sums expressed to be payable under all the outstanding Notes, Receipts and Coupons and

the performance of every covenant of these Conditions, the Agency Agreement and Deed of Covenant on the part of the Issuer to be performed or observed;

- (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing; and
- (iii) the Issuer shall have delivered to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer and an opinion of independent legal counsel, each stating that such consolidation, merger, conveyance, transfer or lease, such supplemental fiscal agency agreement and such deed of covenant comply with the foregoing provisions relating to such transaction.

For the purposes of this Condition 4(b), the consolidation, merger, conveyance, transfer or lease of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

For the avoidance of doubt, in case of any such consolidation, merger, conveyance, transfer or lease such successor corporation will succeed to and be substituted for the Issuer as obligor of the Notes, Receipts and Coupons with the same effect as if it had issued such Notes. Upon the assumption of its obligations by any such successor corporation in such circumstances, the Issuer (except in the case of a lease of all or substantially all of its assets, in which case the Issuer shall not be released from such obligations) will be discharged from all obligations under the Notes, the Receipts, the Coupons, the Agency Agreement and the Deed of Covenant.

(c) **Financial information:** it will

- (i) no later than 120 days after the end of each financial year of the Issuer deliver to any Noteholder upon such Noteholder's written request copies of the audited annual consolidated financial statements of the Issuer prepared in accordance with the then current accounting principles applicable to the Issuer, together with the corresponding financial statements for the preceding financial year, and each such annual financial statements of the Issuer shall be accompanied by a report of the Issuer's auditors thereon (in each case in English language);
- (ii) no later than 90 days after the end of the first nine months of the 2017 financial year of the Issuer and, thereafter, no later than 60 days after the end of (a) the first three months of each financial year of the Issuer, (b) the first six months of each financial year of the Issuer and (c) the first nine months of each financial year of the Issuer, deliver to any Noteholder upon such Noteholder's written request copies of the interim unaudited consolidated financial statements for each such period, prepared in accordance with the then current accounting principles applicable to the Issuer, together with the corresponding financial statements for the corresponding period of the previous financial year (in each case in English language); and
- (iii) arrange for all such financial statements to be filed and published in accordance with the listing rules of The Irish Stock Exchange plc.

Any written request for information should be directed to the Issuer at its office at Calle Agustinas, No. 1141, Santiago, Región Metropolitana, Republic of Chile.

- (d) **Provision of Information:** it will, during any period in which it is neither subject to section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder of Registered Notes which are "restricted securities" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933 (the "**Securities Act**") or to any prospective purchaser of such restricted securities designated by such holder upon the request of such holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. Any such

request for information should be directed to the Issuer at its office at Calle Agustinas, No. 1141, Santiago, Región Metropolitana, Republic of Chile.

5. **Interest and other Calculations**

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g).

(b) **Interest on Floating Rate Notes:**

- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(g). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest

Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"Applicable Maturity" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

- (e) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).
- (f) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
 - (ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
 - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.
- (g) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any

Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (i) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means, unless otherwise specified in the applicable Pricing Supplement:

- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of euro, a day on which the TARGET System is operating (a **"TARGET Business Day"**); and/or
- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual"** or **"Actual/Actual - ISDA"** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/365 (Sterling)"** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **"Actual/360"** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if **"30E/360" or "Eurobond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if **"30E/360 (ISDA)"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such

Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon;

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated;

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (j) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. **Redemption, Purchase and Options**

(a) **Redemption by Instalments and Final Redemption:**

- (i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the

nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

- (ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes:*

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.
- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

- (c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time, (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts with respect to such Notes as provided or referred to in Condition 8 (in excess of the rate of withholding tax applicable to payments of interest on such Notes on the date on which agreement is reached to issue the first Tranche of such Notes) as a result of any change in, or amendment to, the laws or regulations of a Relevant Taxing Jurisdiction (as defined below), or any change in the

application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

- (f) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.
- (g) **Purchases:** The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Any Notes so purchased may be held or resold (provided that such resale is outside the United States as defined in Regulation S under the Securities Act and is made in accordance with that Rule and otherwise in compliance with all applicable laws, or, in the case of any Notes resold pursuant to Rule 144A under that Act is only made in accordance with that Rule and otherwise in compliance with all applicable laws) or surrendered for cancellation, at the option of the Issuer.

- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with, a Bank nominated by such holder presenting such Bearer Note, receipts and/or Coupons, as the case may be. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
- (i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account nominated by such person shown in the Register in the relevant currency maintained by the payee with a Bank.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves

the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, and (v) such other agents as may be required by any stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unexpired Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unexpired Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unexpired Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unexpired Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

- (h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor

to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, fines, penalties, assessments or governmental charges of whatever nature (or interest on those taxes, duties, fines, penalties, assessments or other governmental charges of whatever nature) (collectively, "**Taxes**") imposed, levied, collected, withheld or assessed by, within or on behalf of the Republic of Chile or any successor jurisdiction in which the Issuer or any successor thereto may be incorporated (or any political subdivision or governmental authority therein or thereof having power to tax), or any other jurisdiction from or through which the Issuer makes any payment in respect of the Notes (or any political subdivision or governmental authority thereof or therein having power to tax) (each, a "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with a Relevant Taxing Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be

deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition.

The Issuer will pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of the Notes or any other document or instrument relating thereto.

9. **Prescription**

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. **Events of Default**

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

- (a) **Non-Payment:** (i) default is made for more than 14 days in the payment on the due date of interest in respect of any of the Notes or (ii) default is made in the payment on the due date of principal or premium (if any) in respect of any of the Notes; or
- (b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Agency Agreement which default is incapable of remedy or is not remedied within 60 days after written notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder (such written notice of such default shall be given by the Fiscal Agent to the Issuer immediately following notice of such default having been given to the Fiscal Agent by any Noteholder; however, any failure by the Fiscal Agent to immediately give such written notice of such default to the Issuer shall not prejudice the right of any Noteholder to accelerate the Notes); or
- (c) **Cross-Acceleration:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or in respect of all or a substantial part of the property, assets or revenues of the Issuer and is not discharged or stayed within 90 days; or
- (e) **Security Enforced:** a secured party takes possession of, or a receiver, manager or other similar officer is appointed over, all or a substantial part of the property, assets or revenues of the Issuer; or
- (f) **Winding-up:** the entry of an order for relief against the Issuer under any Bankruptcy Law by a court or regulatory entity having jurisdiction in the premises or a decree or order by a court or regulatory entity having jurisdiction in the premises adjudging the Issuer as bankrupt or insolvent under any Bankruptcy Law, or approving as properly filed a petition seeking reorganisation,

arrangement, adjustment or composition of or in respect of the Issuer under any Bankruptcy Law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official under any Bankruptcy Law of the Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs under any Bankruptcy Law, and in each case the continuance of any such decree or order unstayed and in effect for a period of 60 days; or

- (g) **Insolvency:** the consent by the Issuer to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganisation or relief under any Bankruptcy Law, or the consent by it to the filing of any such petition or to the appointment of a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official under any Bankruptcy Law of the Issuer or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Issuer in furtherance of any such action; or
- (h) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
- (i) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes.

In this Condition "**Bankruptcy Law**" means (i) articles 120 et seq. of the Chilean Banking Law (D.F.L. 3 of 1997, as amended), (ii) the Chilean "*Ley de Insolvencia y Reemprendimiento*" (Law No. 20,720, as amended) or (iii) any other applicable law that amends, supplements or supersedes the Chilean Banking Law and/or the *Ley de Insolvencia y Reemprendimiento*, and any applicable bankruptcy, insolvency, reorganisation or other similar law of any applicable jurisdiction.

11. **Meeting of Noteholders and Modifications**

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

- (b) **Modification of Agency Agreement:** The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. **Replacement of Notes, Certificates, Receipts, Coupons and Talons**

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. **Notices**

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. If and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange and the listing rules of the Irish Stock Exchange so require, all notices to Noteholders shall be deemed to be duly given if they are filed with the Companies Announcement Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. **Currency Indemnity**

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it, on the written demand of such recipient addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. **Governing Law and Jurisdiction**

- (a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Service of Process:** The Issuer irrevocably appoints TMF Global Services (UK) Limited of 6 St. Andrew Street, 5th Floor, London EC4A 3AE, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

1. **Initial Issue of Notes**

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Notes in the name of a nominee for The Depository Trust Company ("**DTC**") and delivery of the relevant Global Certificate to the Custodian for DTC, DTC will credit each participant with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

3. **Exchange**

3.1 **Temporary Global Notes**

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for Definitive Notes as defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or
- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Permanent Global Certificates

(a) *Unrestricted Global Certificates:*

If the Pricing Supplement states that the Notes are to be represented by an Unrestricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(a)(i) or 3.3(a)(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

(b) *Restricted Global Certificates:*

If the Pricing Supplement states that the Restricted Notes are to be represented by a Restricted Global Certificate on issue, the following will apply in respect of transfers of Notes held in DTC, Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by that Restricted Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System (except for DTC) and any such clearing system is

closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

- (ii) if such Notes are held on behalf of a Custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Restricted Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and this Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or
- (iii) if principal in respect of any Note is not paid when due; or
- (iv) with the Issuer's consent,

provided that, in the case of any transfer pursuant to paragraph 3.3(b)(i) or 3.3(b)(iv) above, the relevant Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out under "*Transfer Restrictions*".

3.4 **Partial Exchange of Permanent Global Notes**

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to any Partly Paid Notes.

3.5 **Delivery of Notes**

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

4. **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 **Payments**

4.1.1 No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h).

4.1.2 Payments of principal and interest in respect of Registered Notes registered in the name of, or in the name of a nominee for, DTC and denominated in a Specified Currency other than U.S. Dollars will be made or procured to be made by the Fiscal Agent in the Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Fiscal Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Issuer by the Fiscal Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of interest payments, on or prior to the third DTC business day after the DTC Record Date (as defined below under "*Record date in respect of Registered Notes*") for the relevant payment of interest and, in the case of payments or principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Fiscal Agent, after the exchange agent appointed by the Issuer pursuant to the terms of the Agency Agreement (the "**Exchange Agent**") has converted amounts in such Specified Currency into U.S. Dollars, will cause the Exchange Agent to deliver such U.S. Dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made. "**DTC business day**" means any day on which DTC is open for business.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be:

- 4.1.3 except in the case of Registered Notes to be cleared through DTC, on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January; and
- (a) in the case of Registered Notes to be cleared through DTC, on the 15th DTC business day before the due date for payment thereof (the "**DTC Record Date**").

4.2 **Prescription**

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 **Meetings**

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 **Cancellation**

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 **Purchase**

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 **Issuer's Option**

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg and/or DTC or any other Alternative Clearing System (as the case may be).

4.7 **Noteholders' Options**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

4.8 **Events of Default**

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 6 September 2017 to come into effect in relation to the whole or a part of such Global Note or one

or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.9 Notices

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note. Any such notice shall be deemed to have been delivered to Noteholders on the second day after the day on which such notice is delivered to the relevant clearing system. In addition, so long as the Notes are admitted to trading on, and listed on the Official List of, the Irish Stock Exchange and the listing rules of the Irish Stock Exchange so require, all notices to Noteholders shall be deemed to be duly given if they are filed with the Companies Announcement Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

5. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes (subject to the provisions of the relevant Pricing Supplement and relevant provisions of law) and shall have no further obligation to their holder in respect of them.

6. Electronic Consent and Written Resolution

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an "**Electronic Consent**" as defined in the Fiscal Agency Agreement) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons, Talons and Receipts whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Fiscal Agency Agreement) has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement

is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

FORM OF PRICING SUPPLEMENT

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC (AS AMENDED) FOR THE ISSUE OF NOTES DESCRIBED BELOW

Pricing Supplement dated [•]

Cooperativa del Personal de la Universidad de Chile Limitada
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$1,000,000,000
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS] – The Notes are not intended[, from 1 January 2018,]¹ to be offered, sold or otherwise made available to and[, with effect from such date,]² should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC (the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]³

Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 6 September 2017 [and the supplement to it dated [•]] ([together,]the "**Offering Circular**").] This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may be obtained from [address]].

[Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Offering Circular dated [original date] [and the supplement dated [date]] which are incorporated by reference in the Offering Circular.]⁴

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.]

- | | | |
|----|----------------------|--|
| 1. | Issuer: | Cooperativa del Personal de la Universidad de Chile Limitada |
| 2. | (i) Series Number: | [•] |
| | (ii) Tranche Number: | [•] |

¹ Do not include this date reference in pricing supplements for offers concluded on or after 1 January 2018.

² Do not include this date reference in pricing supplements for offers concluded on or after 1 January 2018.

³ Legend only required in Pricing Supplements for Offers concluded on or after 1 January 2018. Legend may be included in Pricing Supplements for offers concluded before 1 January 2018 at the option of the parties.

⁴ Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.

- (iii) [Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the *[insert description of the Series]* on *[insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about *[insert date]]*].]*
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount:
- [(i) Series: [•]
- [(ii) Tranche: [•]]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. (i) Specified Denominations: [•][and integral multiples of [•] in excess thereof, up to and including [•]]
- (ii) Calculation Amount: [•]
7. (i) Issue Date: [•]
- (ii) Interest Commencement Date: [*Specify*/Issue Date/Not Applicable]
8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9. Interest Basis: [•][per cent. Fixed Rate]
[[*specify reference rate*] +/- [•]% Floating Rate]
[Zero Coupon]
[Other (*specify*)]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Instalment]
[Partly Paid]
[Other (*specify*)]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
[Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)][Not Applicable]
13. [(i) Status of the Notes: [Senior]
- [(ii) Date [Board] approval for issuance of Notes obtained: [•]]
- (N.B Only relevant where Board (or similar) authorisation is required for the particular tranche*

of Notes)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions *[Applicable/Not Applicable]*
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
 - (ii) Interest Payment Date(s): [•] in each year
 - (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
 - (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]/[Not Applicable]
 - (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA) / *specify other*]
 - (vi) [Determination Dates: [•] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
 - (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
15. Floating Rate Note Provisions *[Applicable/Not Applicable]*
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Period(s): [•][[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
 - (ii) Specified Interest Payment Dates: [[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment[, as the Business Day Convention in (iv) below is specified to be Not Applicable]]]
 - (iii) Interest Period Date: [Not Applicable]/ [•][in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
 - (iv) First Interest Payment Date: [•]
 - (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)] [Not Applicable]
 - (vi) Business Centre(s): [•]

- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [•]
- (ix) Screen Rate Determination:
- Reference Rate: [LIBOR/EURIBOR/[•]]
 - Interest Determination Date(s): [•]
 - Relevant Screen Page: [•]
 - Reference Banks: [•]
- (x) ISDA Determination:
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
 - ISDA Definitions [2000/2006]
- (xi) Linear Interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)
- (xii) Margin(s): [+/-][•]% per annum
- (xiii) Minimum Rate of Interest: [•] per cent. per annum
- (xiv) Maximum Rate of Interest: [•] per cent. per annum
- (xv) Day Count Fraction: [•]
- (xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Amortisation Yield: [•] per cent. per annum
 - (ii) Day Count Fraction in relation to Early Redemption Amounts: [[30/360][Actual/360][Actual/365][Actual-Actual-ICMA]][*specify other*]
 - (iii) Any other formula/basis of determining amount payable: [•]

PROVISIONS RELATING TO REDEMPTION

17. Call Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount /specify other/see Appendix
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•] days
18. Put Option [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount/specify other/see Appendix
- (iii) Notice period: [•] days
19. Final Redemption Amount of each Note [•] per Calculation Amount
20. Early Redemption Amount
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [•]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:]
- [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for

Definitive Notes on [•] days' notice]

(Note: The exchange upon notice should not be expressed to be applicable if the Specified Denomination (at paragraph 6 above) of the Notes includes language to the following effect: "[and integral multiples of [•] in excess thereof, up to and including [•]]".)

[Registered Notes:]

[Unrestricted Global Certificate ([U.S.\$/€][•] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]

[Restricted Global Certificate ([U.S.\$][•] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg]

[Unrestricted Global Certificate exchangeable for unrestricted Definitive Certificates in the limited circumstances described in the Unrestricted Global Certificate]

[Restricted Global Certificate exchangeable for restricted Definitive Certificates in the limited circumstances described in the Restricted Global Certificate]

- | | | |
|-----|---|--|
| 22. | Financial Centre(s) or other special provisions relating to payment dates: | [Not Applicable/give details]. <i>[Note that this paragraph relates to the date of payment, and not the end dates of interest periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(vi) relates]</i> |
| 23. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [No/Yes. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made.] |
| 24. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details] |
| 25. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/give details] |
| 26. | Other terms or special conditions: | [Not Applicable/give details] |

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. *[(Relevant third party information) has been extracted from (specify source)].* The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from

information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. **Listing and Trading**

[Application has been made by the Issuer (or on its behalf) for the Notes to be listed on *[specify relevant market - note this must not be a regulated market]* with effect from [•].]

Application is expected to be made by the Issuer (or on its behalf) for the Notes to be listed on *[specify relevant market - note this must not be a regulated market]* with effect from [•].

[Not Applicable.]

(Where documenting a fungible issue indicate that original Notes are already admitted to trading.)
2. **[Ratings]**

Ratings:

The Notes to be issued [have been/are expected to be] rated:

[[Fitch: [•]]]

[[Other]: [•]]]

[The Notes have not been specifically rated.]

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided.]

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but the rating it has given to the Notes is endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and is not certified under Regulation (EU) No

1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and [its/their] affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

4. **[Fixed Rate Notes - Yield]**

Indication of Yield: [•]
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5. **OPERATIONAL INFORMATION**

ISIN [(Unrestricted Notes)]: [•]

[ISIN (Restricted Notes): [•]]

Common Code [(Unrestricted Notes)]: [•]

[Common Code (Restricted Notes): [•]]

[CUSIP [(Unrestricted Notes)]: [•]]

[CUSIP (Restricted Notes): [•]]

Any clearing system(s) other than [DTC,] Euroclear Bank SA/NV and Clearstream Banking, SA and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [•]

6. **DISTRIBUTION**

(i) Method of distribution: [Syndicated/Non-syndicated]

(ii) If syndicated, names of Managers: [Not Applicable/give names/commitments]

(iii) Stabilisation Manager(s) (if any): [Not Applicable/give names]

(iv) If non-syndicated, name of Dealer: [Not Applicable/give name]

(v) U.S. Selling Restrictions: [Reg. S Compliance Category 2; [Rule 144A;] TEFRA C/ TEFRA D/ TEFRA not applicable]

- | | | |
|-------|----------------------------------|--|
| (vi) | Additional selling restrictions: | [Not Applicable/ <i>give details</i>] |
| (vii) | Use of Proceeds: | [[•]/The net proceeds from the issue of the Notes will be applied by the Issuer for general corporate purposes.] |

DESCRIPTION OF THE ISSUER

History

The issuer's legal name is Cooperativa del Personal de la Universidad de Chile Limitada and its commercial name is Coopeuch Ltda. (the "**Issuer**"). It was incorporated by a public deed dated 31 October 1967 as a savings and loan credit union with indefinite duration, variable capital and an unlimited number of members, with the purpose of granting credits to employees of the University of Chile and helping them to manage their money.

The Issuer received its permission to function as a savings and loan credit union by Resolution No. 122 dated 29 January 1968 of the Ministry of Economy, Development and Reconstruction.

As a financial institution, the Issuer is regulated by the Central Bank of Chile and the Cooperative Department of the Ministry of Economy, Development and Reconstruction (DECOOP). In addition, as a savings and loan credit union, the Issuer has been regulated by the Chilean Superintendence of Banks and Financial Institutions (the "**SBIF**") since the late 1970s.

During the 1980s, the Issuer started to expand its operations by accepting members other than employees of the University of Chile and opening its first branch outside of Santiago, in the city of Concepción. Since then, the Issuer has experienced continuous growth in terms of the number of branches opened and operations. As of 31 December 2016, the Issuer had 83 branches across Chile. Currently, the Issuer is independent from the University of Chile save for the requirement that two of its directors must be current or former employees of the university.

In 1997 the Issuer started offering savings accounts and in 1998 the Issuer obtained the authorisation of the Ministry of Housing to operate savings accounts for housing subsidies' purposes as required by such Ministry.

In 2000, the Issuer was authorised to issue credit cards. In addition, the Issuer received national ratings and, in 2003, the Issuer received international ratings. In 2004 the Issuer issued its first bond targeted at domestic institutional investors and, in 2005, it issued dematerialised time deposits in book-entry form for the first time, both of which made the Issuer the first savings and loan credit union in Chile to make such issuances.

The Issuer is currently Chile's leading savings and loan credit union by assets, representing 82.02 per cent. of total assets, and 83.73 per cent. of total gross loans, of the savings and loan credit unions supervised by the SBIF as of 31 December 2016, and also one of the largest savings and loan credit unions in Latin America by total assets as of 31 December 2015⁵. In Chile, the Issuer has a market share in the instalment consumer loans of 6.00 per cent. as of 31 December 2016 and, based on management's estimations, is the financial institution with the second highest number of savings accounts in Chile with 694,544 as of 31 December 2016⁶, which corresponds to 612,192 clients.

Savings and loan credit unions differ from banks and other financial institutions by granting credits only to their member-shareholders. However, savings and loans credit unions can offer time and demand deposits and savings accounts to non-members. As of 31 December 2016, 220,787 members (which amounts to approximately 33 per cent. of the total number of members of the Issuer) had consumer loans with the Issuer, and 200,104 members (or approximately 30 per cent. of the total number of members of the Issuer) and 412,088 non-members had savings accounts with the Issuer.

⁵ According to the DGRV (*Die Genossenschaften Confederacion Alemana de Cooperativas*), "*Datos y Ranking de Cooperativas de Ahorro y Credito en America Latina y el Caribe*", http://www.dgrv.org/docs/266.CifrasCACsAL_12_15_V4_10_16.pdf

⁶ According to management's estimations based on data from the *Superintendencia de Bancos e Instituciones Financieras Chile* in respect of the number of savings accounts in Chilean banks, <http://www.sbif.cl/sbifweb/servlet/InfoFinanciera?indice=4.1&idCategoria=564&tipocont=905>.

The following tables set out certain key financial information for the Issuer as of and for the years ended 31 December 2016 and 31 December 2015 and as of and for the six months ended 30 June 2017 and 30 June 2016.

| BALANCE SHEET | Prepared under Old Chilean GAAP for Cooperatives | | |
|---|--|------------------|---------------|
| | As of 31 December | | |
| | 2016 | 2015 | Variation |
| | CLP\$ million | | % |
| ASSETS | | | |
| Cash and banks | 32,981 | 22,412 | 47.15% |
| Loans and receivables | | | |
| Commercial | 24,769 | 23,121 | 7.1% |
| Consumer | 867,781 | 817,624 | 6.1% |
| Other current loans | 355,818 | 366,310 | (2.9)% |
| Overdue portfolio | 14,822 | 7,387 | 100.7% |
| Total loans and receivables | 1,263,190 | 1,214,442 | 4.01% |
| Less: Allowance for loan losses | (69,840) | (67,047) | 4.17% |
| Total net loans and receivables | 1,193,350 | 1,147,395 | 4.01% |
| Investments: | | | |
| Other financial investments | 121,122 | 85,768 | 41.22% |
| Other non-financial investments | 434 | 458 | (5.22)% |
| Total investments | 121,556 | 86,226 | 40.97% |
| Other assets | 15,816 | 18,376 | (13.93)% |
| Property, plant and equipment | 7,753 | 3,030 | 155.93% |
| TOTAL ASSETS | 1,371,456 | 1,277,438 | 7.36% |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Deposits and other obligations | | | |
| Deposits | 604,795 | 515,191 | 17.39% |
| Other on demand and term deposits | 32,588 | 32,337 | 0.77% |
| Total deposits and other obligations | 637,382 | 547,528 | 16.41% |
| Financial liabilities (Bonds) | 256,107 | 265,393 | (3.50)% |
| Financial liabilities with Chilean financial institutions | 19,305 | 26,587 | (27.39)% |
| Other obligations | 703 | 953 | (26.31)% |
| Other liabilities | 6,106 | 5,707 | 6.99% |
| Total liabilities | 919,602 | 846,168 | 8.68% |
| Equity | | | |
| Capital and reserves | 408,600 | 394,628 | 3.54% |
| Revaluation accounts | 564 | | |
| Net income for the year | 42,690 | 36,643 | 16.50% |
| Total equity | 451,853 | 431,271 | 4.77% |
| TOTAL LIABILITIES AND EQUITY | 1,371,456 | 1,277,438 | 7.36% |

| BALANCE SHEET | Prepared under New Chilean GAAP for Cooperatives | | |
|--|--|------------------|--------------|
| | As of 30 June | | |
| | 2017 | 2016 | Variation |
| | CLP\$ million | | |
| ASSETS | | | |
| Cash and Banks | 34,229 | 27,208 | 25.80% |
| Loans and receivables | | | |
| Commercial | 27,691 | 24,662 | 12.28% |
| Consumer | 917,712 | 824,440 | 11.31% |
| Mortgage | 372,888 | 365,136 | 2.12% |
| Total loans and receivables | 1,318,292 | 1,214,238 | 8.57% |
| Less: Allowance for loan losses | (68,947) | (63,886) | 7.92% |
| Total net loans and receivables | 1,249,344 | 1,150,352 | 8.61% |
| Instruments available for sale | 115,118 | 113,337 | 1.57% |
| Instruments held for trading | 9,202 | 0 | |
| Investments in companies | 28 | 30 | (6.67)% |
| Intangible assets | 5,448 | 6,350 | (14.20)% |

Prepared under New Chilean GAAP for Cooperatives

| BALANCE SHEET | | As of 30 June | | |
|---|------------------|------------------|---------------|--|
| | 2017 | 2016 | Variation | |
| Property, plant and equipment | 8,655 | 8,198 | 5.57% | |
| Receivable tax..... | 239 | 128 | 86.72% | |
| Other assets..... | 10,446 | 10,151 | 2.91% | |
| TOTAL ASSETS | 1,432,709 | 1,315,754 | 8.89% | |
| LIABILITIES AND EQUITY | | | | |
| Liabilities | | | | |
| Savings account | 316,276 | 287,324 | 10.08% | |
| Time deposits..... | 358,134 | 279,597 | 28.09% | |
| Total deposits and other term borrowings | 674,410 | 566,921 | 18.96% | |
| Other on demand and term deposits..... | 16,111 | 12,759 | 26.27% | |
| Total deposits and other obligations | 690,521 | 579,680 | 19.12% | |
| Debt instruments issued | 254,516 | 257,694 | (1.23)% | |
| Financial liabilities..... | 7,744 | 33,219 | (76.69)% | |
| Provisions | 40,805 | 37,048 | 10.14% | |
| Income tax payable | 494 | 304 | 62.50% | |
| Other liabilities | 21,767 | 14,899 | 46.10% | |
| Total liabilities | 1,015,847 | 922,844 | 10.08% | |
| Equity | | | | |
| Paid-in capital | 303,486 | 281,472 | 7.82% | |
| Cumulative reserves..... | 112,911 | 111,361 | 1.39% | |
| Surplus from prior period..... | 0 | 0 | 0% | |
| Valuation reserve | 465 | 77 | 503.90% | |
| Profit for the year..... | 32,496 | 29,832 | 8.93% | |
| Less readjustment of quota subscriptions..... | (3,579) | (4,744) | (24.56)% | |
| Less provisions for distributions on paid-in capital and surplus..... | (28,917) | (25,088) | 15.26% | |
| Total equity | 416,862 | 392,910 | 6.10% | |
| TOTAL LIABILITIES AND EQUITY | 1,432,709 | 1,315,754 | 8.89% | |

| PROFIT & LOSS | Prepared under Old Chilean GAAP for Cooperatives | | |
|---|--|----------------|---------------|
| | For the year ended 31 December | | |
| | 2016 | 2015 | Variation |
| | <i>CLP\$ million</i> | | <i>%</i> |
| Operating income | | | |
| Interest and readjustment income | 193,625 | 188,854 | 2.53% |
| Commissions income | 21,428 | 21,725 | (1.37)% |
| Other operating income | 726 | 1,360 | (46.63)% |
| Total operating income..... | 215,779 | 211,940 | 1.81% |
| Interest and readjustment expenses | (38,390) | (41,599) | (7.71)% |
| Gain (loss) on revaluation of investments | 355 | (534) | (166.52)% |
| Gain (loss) on foreign exchange | 193 | (9) | (2,347.67)% |
| Commissions expenses | (1,760) | (2,026) | (13.13)% |
| Other operating expenses | (36) | (47) | (22.75)% |
| Gross margin..... | 176,142 | 167,726 | 5.02% |
| Staff remuneration and expenses | (52,321) | (47,689) | 9.71% |
| Administrative and other expenses | (25,733) | (26,199) | (1.78)% |
| Depreciation and amortisation | (4,962) | (3,018) | 64.39% |
| Net margin..... | 93,127 | 90,820 | 2.54% |
| Provisions for assets at risk..... | (51,246) | (51,340) | (0.18)% |
| Recovery of loans receivable written off | 14,179 | 13,739 | 3.21% |
| Net operating income..... | 56,060 | 53,218 | 5.34% |
| Non-operating income | 947 | 577 | 64.20% |
| Non-operating expenses | (1,914) | (1,584) | 20.85% |
| Inflation adjustments | (11,551) | (14,857) | (22.25)% |
| Net Income before tax..... | 43,542 | 37,354 | 16.56% |
| Income tax expense..... | (852) | (712) | 19.79% |
| NET INCOME FOR THE YEAR | 42,690 | 36,643 | 16.50% |

| PROFIT & LOSS | Prepared under New Chilean GAAP for Cooperatives | | |
|--|--|-----------------|---------------|
| | For the six-month period ended 30 June | | |
| | 2017 | 2016 | Variation |
| | CLP\$ million | | % |
| Interest and readjustment income..... | 107,209 | 98,327 | 9.03% |
| Interest and readjustment expense..... | (18,929) | (19,531) | -3.08% |
| Net Interest Margin | 88,280 | 78,796 | 12.04% |
| Commissions income..... | 9,381 | 6,868 | 36.59% |
| Commissions expense..... | (1,164) | (824) | 41.26% |
| Net profit from financial operations..... | 146 | 1,061 | (86.24)% |
| Other operating income..... | 239 | 622 | (61.58)% |
| Total Operating Income | 96,882 | 86,523 | 11.97% |
| Provisions for assets at risk & Recovery of loans receivable written off..... | (15,387) | (14,801) | 3.96% |
| Net Operating Income | 81,495 | 71,722 | 13.63% |
| Staff remuneration and expenses..... | (24,931) | (24,841) | 0.36% |
| Administrative and other expenses | (19,720) | (13,174) | 49.69% |
| Depreciation and amortisation | (2,614) | (2,361) | 10.72% |
| Other operating expenses | (1,225) | (1,204) | 1.74% |
| Total Operating Expenses | (48,490) | (41,580) | 16.62% |
| Profit Before Tax | 33,005 | 30,142 | 9.50% |
| Income tax expense..... | (509) | (310) | 64.19% |
| Profit For The Period | 32,496 | 29,832 | 8.93% |
| Other comprehensive income..... | 465 | 77 | 503.90% |
| Total Comprehensive Surplus for the Period | 32,961 | 29,909 | 10.20% |

| | Prepared under Old Chilean GAAP for Cooperatives | | Prepared under New Chilean GAAP for Cooperatives | |
|---|--|-----------|---|-----------|
| | As of and for the year ended 31 December | | As of and for the six- month period ended 30 June | |
| | 2016 | 2015 | 2017 | 2016 |
| FINANCIAL RATIOS | | | | |
| Gross Loans / Total Deposits | 198.18% | 221.80% | 190.91% | 209.47% |
| Net Loans / Total Assets | 87.01% | 89.82% | 87.20% | 87.43% |
| Total Investments / Total Assets | 8.86% | 6.75% | 8.68% | 8.62% |
| ROAA | 3.12% | 2.80% | 3.75% | 2.79% |
| ROAE | 10.51% | 9.47% | 12.94% | 9.28% |
| Efficiency | 47.13% | 45.85% | 50.05% | 48.06% |
| Core Capital / Risk Weighted Assets | 41.55% | 40.89% | 36.38% | 38.43% |
| Core Capital / Total Assets | 32.91% | 33.76% | 29.04% | 30.31% |
| Core Capital (CLP million) | 451,289 | 431,271 | 416,095 | 396,388 |
| Risk Weighted Assets (CLP million) | 1,086,256 | 1,054,738 | 1,143,654 | 1,031,348 |
| OPERATIONAL INDICATORS | | | | |
| Members | 662,092 | 637,330 | 674,191 | 649,753 |
| Branches | 83 | 84 | 83 | 83 |
| Employees | 1,983 | 1,963 | 2,022 | 1,967 |

The principal place of business of the Issuer is Calle Agustinas, No. 1141, Santiago, Región Metropolitana, Chile. The Issuer's telephone number is +56-600-200-1200 and the Issuer's website is www.coopeuch.cl. None of the information contained on the Issuer's website is incorporated by reference into, or forms part of, this Offering Circular.

Member ownership

The Issuer is a member owned and managed financial institution, (a total of 662,092 as of 31 December 2016). In 2016 the member base increased by 24,762 (approximately 4 per cent. compared to 2015).

The Issuer's target market of members are middle-low and low income individuals. As of 31 December 2016, 39 per cent. of the total members of the Issuer were middle-low income individuals (which encompasses those who earn between CLP\$480,000 and CLP\$1,440,000 per month), and 42 per cent. of the members were low income individuals (which encompasses people who earn less than CLP\$480,000 per month).

As of 31 December 2016, 72 per cent. of the Issuer's member base was located outside of the Santiago Metropolitan Region. The following table sets out the distribution of the members by geography.

| Geographic distribution | | Percentage of total number of members |
|------------------------------------|----------------------|---|
| Norte Grande | Regions 1, 2 and 15 | 9% |
| Norte Chico | Regions 3 and 4 | 8% |
| Quinta Región | Region 5 | 12% |
| Santiago Metropolitan Region | Region 13 | 28% |
| Centro Sur | Regions 6 and 7 | 11% |
| Octava Región | Region 8 | 13% |
| Sur | Regions 9, 10 and 14 | 9% |
| Austral | Regions 11 and 12 | 10% |
| TOTAL | | 100% |

As of 31 December 2016, the average age of the members was 48 years old, and most of the members were women (56 per cent.), who account for 66 per cent. of the members with a savings account, 74 per cent. of the members with a time deposit, and 63 per cent. of the members with a consumer loan.

In order to be a member of the Issuer, one must subscribe monthly a minimum of ten and a maximum of 100 shares, each at a price of CLP\$246 per share as of 31 December 2016, which is equivalent to a monthly contribution between CLP\$2,460 and CLP\$24,600 respectively.

Due to the maximum limit on the monthly subscription of shares, the Issuer's capital is fairly distributed and no member has a significant participation in the Issuer. As of 31 December 2016, the equity was

divided into 1,156,698,582 shares, and the member who had the largest participation had 0.1067 per cent. of the total share capital.

The following table sets out the distribution of the members according to the range of accumulated share capital as of 31 December 2016.

| Range of Capital CLP\$ | Number of members | Percentage of members | Capital CLP\$ million | Percentage of the capital |
|-----------------------------------|--------------------------|------------------------------|------------------------------|----------------------------------|
| from 0 to 500,000..... | 546,144 | 82.49% | 58,524 | 20.02% |
| from 500,000 to 1 million | 48,530 | 7.33% | 34,221 | 11.71% |
| from 1 million to 5 million..... | 61,480 | 9.29% | 128,796 | 44.06% |
| from 5 million to 10 million..... | 3,921 | 0.59% | 26,277 | 8.99% |
| more than 10 million..... | 2,017 | 0.30% | 44,516 | 15.22% |
| Total..... | 662,092 | 100.00% | 292,333 | 100.00% |

The Issuer's shares cannot be traded on any stock exchange market, so members must make requests to the Issuer in order to withdraw all or part of their investment, and according to the Central Bank of Chile's regulations, any withdrawals of capital must be less than any contributions of capital in the same month. In addition, members who withdraw their total capital may not have existing debts with the Issuer.

Regarding the distribution of dividends, a portion of the dividends is distributed in proportion to the average number of shares held by each member during the year and another portion is distributed according to the savings and credit products that each member has with the Issuer.

Strengths of the Issuer

Business model that generates financial inclusion and a large customer base

Cooperatives are empowered by law in Chile to make deductions from their members' payroll in order to secure the repayment of consumer loans granted in instalments, as well as the payment of their shares or for savings purposes. The current limit for the payroll deduction is 25 per cent. of the worker's compensation.

As a result, the Issuer holds agreements with different companies in the public and private sectors, whose employees have access to the Issuer's financial products, thereby providing financial inclusion for people who would otherwise not have access to such products, due to limited access to the financial system for individuals in the middle-low and low income segments. As of 31 December 2016, there were 3,513 agreements with employers that correspond to 367,902 members of the Issuer, of which 19.36 per cent. were employees in the private sector and 80.64 per cent. were public sector employees.

As of 31 December 2016, the balance of consumer loans granted under such agreements and for which repayment of instalments was done by payroll deduction represented 83.72 per cent. of total gross consumer loans (57.51 per cent. of total gross loans). Employees under such agreements can also agree that a payroll deduction be made for savings purposes. This method of saving represented 26.52 per cent. of the balance of savings accounts, and members who work for an employer under agreement get the benefit of making their monthly payment of shares by payroll deduction. This resulted in 61.24 per cent. of the paid capital coming from payroll deduction.

Sustainable and high level of capitalisation

The Issuer's capital increases every month due to the contributions made by its members.

This allows the Issuer to maintain a high ratio of regulatory capital (which consists only of core equity tier 1 capital due to the Issuer's business model) to risk-weighted assets net of required provisions, which was 41.55 per cent. as of 31 December 2016. This value is well above the financial system average for Chile of 13.78 per cent. according to SBIF data and the required level of 10 per cent. set for cooperatives by the SBIF and the Central Bank of Chile. Since 2011, the Issuer's capital adequacy ratio has ranged between 29.17 per cent. and 41.55 per cent. and, since 2000, it has never been below 18.20 per cent.

Diversified sources of funding

As of 31 December 2016, the Issuer had diversified funding sources consisting of:

- deposits and other obligations: 46.47 per cent.;
- equity: 32.95 per cent.;
- bonds: 18.67 per cent.;
- loans from financial institutions: 1.41 per cent; and
- other liabilities and other obligations: 0.50 per cent.

The following table sets out the evolution of the source of funding of the Issuer for the date indicated.

| SOURCE OF FUNDING | Prepared under Old Chilean GAAP for Cooperatives | | |
|---|--|------------------|--------------|
| | As of 31 December | | Variation |
| | 2016 | 2015 | |
| | CLP\$ million | | % |
| Deposits | 604,795 | 515,191 | 17.39% |
| Other on demand and term deposits | 32,587 | 32,337 | 0.78% |
| Bonds | 256,107 | 265,393 | (3.50)% |
| Loans from Financial Institutions | 19,305 | 26,587 | (27.39)% |
| Other Liabilities & Other Obligations | 6,809 | 6,660 | 2.23% |
| Equity | 451,853 | 431,271 | 4.77% |
| TOTAL | 1,371,456 | 1,277,438 | 7.36% |

| SOURCE OF FUNDING | Prepared under New Chilean GAAP for Cooperatives | | |
|--|--|------------------|--------------|
| | As of 30 June | | Variation |
| | 2017 | 2016 | |
| | CLP\$ million | | % |
| <i>Time Deposits</i> | 358,134 | 279,597 | 28.09% |
| <i>Savings Account</i> | 316,276 | 287,324 | 10.08% |
| Total Deposits | 674,410 | 566,921 | 18.96% |
| Other on demand and term deposits | 16,111 | 12,759 | 26.27% |
| Debt Instruments Issued | 254,516 | 257,694 | (1.23)% |
| Financial Liabilities | 7,744 | 33,219 | (76.69)% |
| Provisions, Income Tax Payable & Other Liabilities | 63,066 | 52,251 | 20.70% |
| Equity | 416,862 | 392,910 | 6.10% |
| TOTAL | 1,432,709 | 1,315,754 | 8.89% |

As of 31 December 2016, the total balance of deposits included time deposits of CLP\$306,600 million and savings accounts of CLP\$298,194 million. The balance of the saving accounts was distributed across 694,544 accounts as of 31 December 2016 which correspond to 612,192 clients. Of these, 200,104 were members (which amounted to approximately 30 per cent. of the total number of members of the Issuer) and 412,088 were non-members. According to management's estimates, this makes the Issuer the second largest financial institution in Chile by number of savings accounts.

The Issuer is currently the only cooperative in Chile that has accessed the capital markets (through the issuance of domestic bonds since 2004) in order to pursue a diversification strategy for its funding. The Issuer is also the only cooperative in Chile that has had access to institutional funding through the issuance of term deposits in book-entry form.

National coverage and a close relationship with its customers

With 83 branches across Chile, the Issuer has presence in all of Chile's regions, allowing it to build a long-term relationship with members nationwide.

In order to be closer to its members, in 2016 the Issuer started to set up offices within the companies with which it has payroll agreements (as of 30 June 2017, the Issuer had four such offices), and in 2017 the

Issuer began implementing an electronic funds transfer project, which would allow its members to make and receive payments online.

The following table sets out the distribution of branches as of 31 December 2016.

| Geographic distribution | | Branches |
|------------------------------------|----------------------|-----------------|
| Norte Grande | Regions 1, 2 and 15 | 7 |
| Norte Chico..... | Regions 3 and 4 | 8 |
| Quinta Región..... | Region 5 | 11 |
| Santiago Metropolitan Region | Region 13 | 16 |
| Centro Sur..... | Regions 6 and 7 | 12 |
| Octava Región | Region 8 | 10 |
| Sur | Regions 9, 10 and 14 | 10 |
| Austral | Regions 11 and 12 | 9 |
| Total..... | | 83 |

Solid corporate governance

The Issuer follows the recommendations of the SBIF in relation to corporate governance. The Issuer's corporate governance is currently headed by the General Board of Members, the Board of Directors and their respective committees, in addition to the Supervisory Board and the Credit Committee. The administration is made up of the General Management, to which five Divisional Managers report.

The Board of Directors of the Issuer strengthens its corporate governance by involving its advisers in various committees that address issues relevant to the organisation and that define major institutional policies. The Board of Directors is composed of seven members and three deputies that are elected by the Members at the General Meeting of Members. Among its principal functions is to establish the strategic guidelines of the business and to monitor the risks and results related to different areas of the business.

The function of the Supervisory Board is to oversee the accounting and inventory of the Issuer, to check the cash position, to verify compliance with the regulations governing the granting of social benefits, and to investigate any complaint received from any of the Issuer's partners. It is composed of three members and three deputies holding their functions for three years.

Finally, the Credit Committee has to ensure that loan applications comply with the regulations, manuals and standards, approved by the Board of Directors, and may oversee or rectify applications that do not comply with these rules. This Committee is made up of three members serving two-year terms.

Corporate Social Responsibility

The Issuer has always promoted varied social, educational and solidarity programmes for the benefit of both its members and the community in general. Such initiatives are closely related to the concept of Corporate Social Responsibility. The Issuer's values include cooperation, solidarity and teamwork and aim to inspire the Issuer's employees in their various fields of work.

In 2006, the Issuer created a foundation under the "Coopeuch" brand, with the purpose of promoting the educational and social programmes that the Issuer had been promoting for several years nationwide.

The foundation carries out seven programs which are divided into the following categories.

- Financial education: this is carried out through three programmes, an educational web portal "Coopeuch Educa", a corporate volunteer scheme, and support provided to school cooperatives;
- Culture and Education: the Issuer has sponsored more than 40 schools throughout Chile, improving the material and infrastructure conditions of vulnerable establishments. Public libraries have also been sponsored by improving the infrastructure and services offered in order to turn them into meeting centres for the community. To date, 11 reading centres have been sponsored, thus bringing the culture closer to 300,000 users throughout the country;
- Sponsorship of youth orchestras: this has benefited more than 20 groups and more than 900 young people through the purchase and repair of instruments as well as teachers for the classes;

- Scholarships for higher studies: in the last 26 years, more than 300 scholarships have been awarded to members and children of members.

Business Overview

The Issuer is a savings and loan credit union with 50 years of operations in Chile. The Issuer is regulated by the SBIF, the Central Bank of Chile and the Cooperative Department of the Ministry of Economy, Development and Reconstruction.

The Issuer can grant credits only to its member-shareholders (the Issuer had 662,092 members as of 31 December 2016). However, the Issuer can offer time and demand deposits and savings accounts to non-members.

The Issuer's target market is middle-low and low income individuals (who belong to segments of the socio-economic groups C2 and C3 and the superior level of segment D; such socio-economic groups are categorised by the "*Asociación Investigadores de Mercado*"). The Issuer can access these segments because it is allowed by the General Law on Cooperatives to make payroll deductions to its members for the repayment of instalments on consumer loans, savings and payment of their shares which has to be done on a monthly basis. As of 6 January 2016, the legal limit for the payroll deduction was increased to 25 per cent. of a worker's compensation (up from 15 per cent. previously).

For this reason the Issuer has developed a business model that it believes differentiates it from its competitors by reaching agreements with different companies in the public and private sectors. These agreements allow those employees to have access to the Issuer's financial products, thereby providing financial inclusion for this socio-economic group. The increase in the limit for payroll deductions from 15 to 25 per cent. should allow the Issuer to further provide financial inclusion to this group. As of 31 December 2016, the Issuer had 3,513 such agreements and the balance of consumer loans granted under such agreements and associated with the repayment of instalments by payroll deductions represents 83.72 per cent. of total consumer loans.

In order to serve its members and customers, the Issuer had as of 31 December 2016 a total of 83 branches across Chile of which 67 were located outside of the Santiago Metropolitan Region. All of the branches are operated under the "Coopeuch" brand name. In addition, in 2016 the Issuer began to service its customers through offices within the companies with which it has agreements to promote loan repayment through payroll deductions. The Issuer also grants access to its customers to make i) repayments of instalments, ii) monthly payments for the subscription of shares, and iii) deposits to their savings accounts, through automatic charges in their current account held in a commercial bank.

Description of the business

The Issuer offers the following credit and non-credit products and services to its retail customers.

| Type of Products | | Type of Client | |
|------------------|---------------------|-------------------------|--------------------|
| Deposits | Time deposits | Members and non-members | Retail & Wholesale |
| | Demand deposits | | Retail |
| | Savings accounts | | |
| Loans | Consumer | Members only | Retail |
| | Mortgage | | |
| | Commercial | | |
| | Credit Card | | |
| Other | Insurance brokerage | Members only | Retail |

Deposit products

The Issuer offers demand and time deposit accounts in Chilean pesos, and savings accounts in Chilean pesos unadjusted by inflation and Chilean pesos adjusted by inflation. Savings accounts bear interest at a fixed rate, and time deposits bear interest at a fixed rate and have terms of a minimum of seven days. Demand deposits do not bear interest.

The following table sets out key information related to deposits as of the dates indicated.

| Deposits | Prepared under Old Chilean GAAP for Cooperatives | | | Prepared under New Chilean GAAP for Cooperatives | | |
|---|---|----------------|---------------|---|----------------|---------------|
| | As of 31 December | | | As of 30 June | | |
| | 2016 | 2015 | Variation | 2017 | 2016 | Variation |
| | CLP\$ million | | % | CLP\$ million | | % |
| Time Deposits | | | | | | |
| Members | 109,016 | 94,799 | 15.00% | 114,551 | 101,856 | 12.46% |
| Non-members | 197,584 | 143,971 | 37.2% | 243,583 | 177,741 | 37.04% |
| Total Time Deposits | 306,600 | 238,770 | 28.41% | 358,134 | 279,597 | 28.09% |
| Savings Accounts | | | | | | |
| Members | 144,190 | 134,409 | 7.28% | 152,733 | 138,813 | 10.03% |
| Non-members | 154,005 | 142,012 | 8.44% | 163,543 | 148,510 | 10.12% |
| Total Savings Accounts | 298,195 | 276,421 | 7.88% | 316,276 | 287,324 | 10.08% |
| TOTAL DEPOSITS | 604,795 | 515,191 | 17.39% | 674,410 | 566,921 | 18.96% |
| Other on demand and term deposits | 32,588 | 32,337 | 0.78% | 16,111 | 12,759 | 26.27% |
| TOTAL DEPOSITS AND OTHER OBLIGATIONS | 637,382 | 547,528 | 16.41% | 690,521 | 579,680 | 19.12% |

As of 31 December 2016, total deposits and other obligations totaled CLP\$637,382 million (CLP\$547,528 million as of 31 December 2015). As of 31 December 2016 and 31 December 2015, savings accounts represented 46.78 per cent. and 50.49 per cent. of the total amount of deposits and other obligations, respectively, time deposits represented 48.10 per cent. and 43.61 per cent., respectively, and other on demand and time deposits represented 5.11 per cent. and 5.91 per cent., respectively.

The balance of savings accounts as of 31 December 2016 consisted of 48.35 per cent. from members and 51.65 per cent. of non-members. (48.62 per cent. and 51.38 per cent., respectively, as of 31 December 2015) and the balance of time deposits consisted of 35.56 per cent. from members and 64.44 per cent. from non members (39.70 per cent., and 60.3 per cent. as of 31 December 2015).

Loan Products

From its inception, the Issuer has promoted consumer loans repayable in instalments by payroll deductions. Consumer loans account for 68.70 per cent. of total gross loans, excluding the overdue portfolio, as of 31 December 2016, and consumer loans subject to payroll deduction for the repayment of the instalments represented 83.72 per cent. of total gross consumer loans, and 57.51 per cent. of the total gross loans (compared to 67.33 per cent., 82.71 per cent. and 55.69 per cent., respectively, as of 31 December 2015).

Net loans operations increased by 4.01 per cent. as of 31 December 2016. At such date net loans represent 87.01 per cent. of total assets, a decrease of 2.81 per cent. compared to 31 December 2015.

The following tables sets out key information related to loan products as of the dates indicated.

| Loans | Prepared under Old Chilean GAAP for Cooperatives | | |
|--|--|------------------|--------------|
| | As of 31 December | | |
| | 2016 | 2015 | Variation |
| | CLP\$ million | | % |
| <i>Loans and receivables</i> | | | |
| Commercial | 24,769 | 23,121 | 7.1% |
| Consumer | 867,781 | 817,624 | 6.1% |
| Other current loans | 355,818 | 366,310 | (2.9)% |
| Overdue portfolio | 14,822 | 7,387 | 100.7% |
| Total gross loans | 1,263,190 | 1,214,442 | 4.01% |
| <i>Less: Allowance for loan losses</i> | <i>(69,840)</i> | <i>(67,047)</i> | <i>4.17%</i> |
| TOTAL NET LOANS | 1,193,350 | 1,147,395 | 4.01% |

| Loans | Prepared under New Chilean GAAP for Cooperatives | | |
|--|--|------------------|--------------|
| | As of 30 June | | |
| | 2017 | 2016 | Variation |
| | CLP\$ million | | % |
| <i>Loans and receivables</i> | | | |
| Commercial | 27,691 | 24,662 | 12.28% |
| Consumer | 917,712 | 824,440 | 11.31% |
| Repayment of instalment by payroll deduction | 765,952 | 682,191 | 12.28% |
| Direct repayment of instalment | 140,145 | 133,369 | 5.08% |
| Credit cards | 11,615 | 8,880 | 30.80% |
| Mortgage | 372,888 | 365,136 | 2.12% |
| Total gross loans | 1,318,291 | 1,214,238 | 8.57% |
| <i>Less: Allowance for loan losses</i> | <i>(68,947)</i> | <i>(63,886)</i> | <i>7.92%</i> |
| TOTAL NET LOANS | 1,249,344 | 1,150,352 | 8.61% |

Consumer loans

The Issuer's business approach to consumer loans is based on agreements with companies, whose employees authorise payroll deductions for the repayment in instalments.

Consumer loans are repayable in instalments over terms of up to 84 months. As of 31 December 2016, the Issuer had outstanding consumer loans of CLP\$867,781 million, excluding the overdue portfolio, representing 68.70 per cent. of total gross loans. This balance is made up of 83.72 per cent. of loans repayable by payroll deduction of the instalments, the rest of the balance is repayable directly.

As of 31 December 2015, the Issuer had outstanding consumer loans of CLP\$817,624 million, excluding the overdue portfolio, representing 67.33 per cent. of total loans.

This positions the Issuer with the seventh highest balance of consumer loans among the financial institutions in Chile that grant consumer loans⁷, representing 6.00 per cent. of the total balance of the financial system according to SBIF data. The consumer loan portfolio is made up of 220,787 members, representing 33.35 per cent. of the total of members of the Issuer as of 31 December 2016 compared to 34.47 per cent. as of 31 December 2015.

Additionally the Issuer has provided credit cards to members since 2001 and, according to the SBIF, as of 31 December 2016, the Issuer had 51,342 credit cards outstanding (compared to 58,507 as of 31 December 2015). At such date, the total gross outstanding balance on credit cards, which is included in the balance of consumer loans described above, was CLP\$6,665 million (compared to CLP\$6,336 million as of 31 December 2015), and the purchase volume cash advances and charges for contracted services for the month of December 2016 was CLP\$2,337 million.

The Issuer operates credit cards only under the MasterCard brand, and earns interest on outstanding credit card balances, late fees on overdue payments, transaction commissions from merchants and fees from cardholders.

Other current loans

As of 31 December 2016, the Issuer had CLP\$355,818 million of other current loans outstanding, excluding the overdue portfolio, representing 28.17 per cent. of total gross loans. As of 31 December 2015, the Issuer had CLP\$366,310 million of other current loans outstanding, excluding the overdue portfolio, representing 30.16 per cent. of total gross loans. Other current loans are made up primarily of mortgage loans.

Mortgage loans are denominated in UF and bear interest at a fixed rate. These loans have maturities of up to 30 years. The minimum amount of credit is 400 UF, which is equivalent to approximately CLP\$11 million. The following table sets out the range the mortgage loans (denominated in UF) by range of the outstanding balance as of 31 December 2016.

⁷ According to the SBIF (<http://www.sbif.cl/sbifweb/servlet/InfoFinanciera?indice=C.D.A&idContenido=15957>).

| Range of mortgage loans (UF) | Percentage of total mortgage loans |
|-------------------------------------|---|
| from 400 to 499 | 7% |
| from 500 to 749 | 17% |
| from 750 to 999 | 19% |
| from 1,000 to 1,499 | 27% |
| from 1,500 to 1,999 | 15% |
| more than 2,000 | 15% |
| Total | 100% |

As of 31 December 2016, the accumulated loan-to-value ratio of the Issuer's mortgage loans was 71.3 per cent. (compared to 77.4 per cent. as of 31 December 2015). This means that the Issuer's mortgage loans should cover not only the possible recovery of the loan, but also any possible expenses that can arise in the process of disposal of the collateral.

Approximately 20 per cent. of the balance of mortgage loans as of 31 December 2016 had a housing subsidy, which is direct non-repayable financial aid, given by the Government of Chile to those families that cannot fully finance their first home (the commercial value of the property may not exceed 2,000 UF). One of the requirements to apply for this subsidy is to have a specific savings account, with a balance between 30 to 80 UF (depending on the socio-economic classification of the applicant).

Commercial loans

As of 31 December 2016, the total outstanding of commercial loans was CLP\$24,769 million, excluding the overdue portfolio (compared to CLP\$23,121 million as of 31 December 2015).

This line of business includes micro-enterprises with annual sales of up to 3,600 UF (approximately CLP\$96 million) and small enterprises with annual sales ranging from 3,600 UF to 25,000 UF (approximately CLP\$665 million). This segment also includes persons engaged in a commercial activity.

Insurance brokerage

As of 31 December 2016, the total fees income from insurance brokerage was CLP\$15,259 million compared to CLP\$16,136 million as of 31 December 2015.

These fees came from the intermediation services of insurance for the following types of insurance.

| Type of insurance | Benefit |
|-------------------------------------|---|
| Unemployment | Provides compensation in case of involuntary unemployment of the insured |
| Disease..... | Provides compensation in case of cancer diagnosis, stroke, coronary disease requiring surgery, myocardial infarction, chronic renal failure and transplants |
| Health insurance | Protection against hospitalisation caused by accident or illness |
| Credit life and 2/3 disability..... | Coverage in case the insured suffers a disability greater than 66 per cent. of their physical or intellectual capacity or death |
| Fire and earthquake..... | Provides complete protection against damage caused by a fire or earthquake |
| Fraud..... | Legal defence against loss, theft of cheques, identity documents or debit cards |
| Study protection..... | Guarantees compensation that allows the relatives of the insured to continue with their studies |

The main insurance companies that underwrite the risks are BCI Seguros Generales S.A. (property insurance) and Banchile Seguros de Vida S.A. (life insurance).

Loan portfolio

As of 31 December 2016, the Issuer's gross loan portfolio, including the overdue portfolio with a balance of CLP\$14,822 million, reached CLP\$1,263,190 million, an increase of 4.01 per cent. compared to the previous year (31 December 2015: CLP\$1,214,442). The biggest increase was in commercial loans with a growth of 7.13 per cent., followed by consumer loans with a growth of 6.13 per cent. compared to the previous year. Other current loans decreased by 2.86 per cent. compared to the previous year.

As of 31 December 2016, the loan portfolio consisted of consumer loans (68.70 per cent.) other current loans (28.17 per cent.) commercial loans (1.96 per cent.) and overdue portfolio (1.17 per cent.) (compared to 67.33, 30.16, 1.90 and 0.61, respectively, as of 31 December 2015).

The principal method of repayment of consumer loans is by payroll deduction and this applies to 83.72 per cent. of the balance of consumer loans as of 31 December 2016. The employees who work for an employer under agreement with the Issuer in the public sector and who have a consumer loan accounted for 68.95 per cent. of total consumer loans.

Portfolio Risk

The main credit risk criteria include models for allowances for loan losses, ratings system and delinquency classifications:

Allowances for loan losses

The allowances required to cover the risk of loan losses are calculated and made on a monthly basis, in accordance with the standards prescribed by the SBIF, which requires certain methods or models to be used, based on the individual and collective assessment of the borrowers, in order to allow for loan losses.

(a) Individual assessment

The individual evaluation applies to loans that are greater than 2,000 UF (approximately CLP\$53 million), where the debtors are categorised by credit rating according to the probability of loss expected. This is done in order to determine the rate of allowances for loan losses that applies to the loans.

For the effects of creating the allowances, loans must be classified either as Normal Risk or as Above Normal Risk.

The Normal Risk portfolio is composed of borrowers who are current on their payment obligations, show no sign of deterioration in their credit quality and do not have amounts due more than 30 days. The classifications assigned to this portfolio are categories A and B.

The borrowers classified in the aforementioned categories are allocated the following percentages of allowances for loan losses, which are applied to the outstanding balance, which is composed of placements and contingent loans:

| Risk rating | Allowance for loan losses (Percentage) |
|--------------------|---|
| A1 | 0.050% |
| A2 | 0.195% |
| A3 | 2.651% |
| B | 7.365% |

The Above Normal Risk portfolio is composed of borrowers with insufficient ability to repay their debts in full.

For the purposes of establishing allowances for loan losses, the table below sets out the expected loss percentages of each borrower according to risk rating.

| Risk rating | Expected loss percentage | Allowance for loan losses (Percentage) |
|--------------------|---------------------------------|---|
| C1 | Up to 3% | 2% |
| C2 | More than 3% and up to 19% | 10% |
| C3 | More than 19% and up to 29% | 25% |
| C4 | More than 29% and up to 49% | 40% |
| D1 | More than 49% and up to 79% | 65% |
| D2 | More than 79% | 90% |

Due to changes in the classification of the debtor's credit rating from "B" to a higher risk category such as "C1", debtors must maintain the higher rate of allowance.

(b) Collective assessment

The group evaluation applies to groups of loans and analyses a large number of individual operations of small amounts. In order to calculate the necessary and sufficient provisions to cover the losses associated with the payment behaviour of the debtors, the Issuer uses expected loss models. For this purpose, the loan portfolio is segmented into homogeneous groups and the probability of default and the loss factor are determined by means of estimates associated with the probability of default for each group. The groups that are evaluated are:

- employees from the public sector who repay their instalments of consumer loans by payroll deductions;
- employees from the private sector who repay their instalments of consumer loans by payroll deductions;
- direct payment for the repayment of instalments of consumer loans;
- renegotiated consumer loans;
- credit cards; and
- commercial loans.

For the mortgage segment, in December 2016 the Issuer adopted the regulatory standards known as B-1 made by the SBIF for allowances for mortgage loan losses of banks and savings and loan credit unions. Important changes in this procedure include:

- the implementation of a standard model for mortgage loan allowances, impacting those sections of loan to value which are higher than 80 per cent.;
- a change to the definition of "default": 90 days of default for mortgage loans or 60 days of default in the case of restructured loans; and
- in order for the loan not to be considered in default, the borrower must now display "good" payment behaviour for four consecutive months and not publish any negative information to the Chilean financial system; and
- some parameters such as "probability default" and "loss given default" are now estimated according to the behaviour of the portfolio during the last five years.

Savings and loan credit unions have had to comply with this rule since January 2017, but the Issuer voluntarily decided to start complying with it in December 2016. As a result, the Issuer's regulatory allowances were increased by CLP\$4,691 million. As of 31 December 2016, the Issuer's regulatory allowances for loan losses were CLP\$67,340 million in total (compared to CLP\$64,474 million as of 31 December 2015)), which resulted in a ratio of allowances to loan losses of 5.33 per cent. compared to 5.31 per cent. as of 31 December 2015 and for which the Issuer applied the prior standards for mortgage loan provisions.

Delinquencies and Charge-off classifications

The table below shows delinquencies and charge-off classifications that correspond to products offered by the Issuer.

| Products | Current Portfolio | Delinquencies | Charge-offs |
|-------------|-------------------|---------------|----------------|
| Consumer | 1-89 days | 90-179 days | Over 180 days |
| Credit Card | 1-75 days | 76-179 days | Over 180 days |
| Mortgage | 1-90 days | 91-1,439 days | Over 48 months |
| SMEs | 1-89 days | 90-719 days | Over 720 days |

Main risk ratios

In addition, the Issuer is allowed to allocate voluntary allowances for loan losses. The voluntary allowances allocated by the Issuer was a nominal amount of CLP\$2,500 million as of each of 31 December 2016 and 31 December 2015. Regulatory and additional provisions were CLP\$69,840 in total as of 31 December 2016, an increase of 4.17 per cent. compared to the total as of 31 December 2015.

As of 31 December 2016, the non-performing loan ("NPL") to total gross loans ratio (the "NPL Ratio") decreased to 4.27 per cent. of the total portfolio, compared to 4.68 per cent. as of 31 December 2015 due to a decrease in default levels in consumer, commercial and mortgage loans in 2016.

As of 31 December 2016, the loan loss allowance to NPL ratio (the "NPL Coverage Ratio"), without considering additional provisions, reached 124.71 per cent. compared to 113.48 per cent. in the previous year, in line with the increase in provisions based on the new calculation models, but to a greater extent given the improvement in the default ratio.

As of 31 December 2016, the charge-off ratio reached 0.35 per cent. of the total portfolio compared to 0.43 per cent. as of 31 December 2015. The decrease in this ratio was mainly due to the decrease in the consumer charge-offs which was 0.49 per cent. as of 31 December 2016 compared to 0.57 per cent. as of 31 December 2015. The other important factor that contributed to this decrease was the change in the risk models of commercial loans in December 2015, which increased the charge-offs to 2.48 per cent. As of 31 December 2016 commercial loan charge-offs decreased to 0.44 per cent. and as of 30 June 2017 they decreased to 0.10 per cent.

The renegotiated loans as of December 2016 decreased to 2.07 per cent. compared to 2.67 per cent. for the previous year.

The following table sets out key information related to the above-mentioned risk ratios as of the dates indicated.

| Risk Ratios | As of 31 December | | As of 30 June | |
|---|-------------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2017 | 2016 |
| Allowances for loan losses / Total Loans | 5.33% | 5.31% | 5.23% | 5.26% |
| Allowances for consumer loan losses / Consumer loans ... | 6.63% | 7.31% | 6.46% | 7.12% |
| Allowances for mortgage loan losses / Mortgage loans | 2.27% | 1.11% | 1.96% | 1.18% |
| Allowances for commercial loan losses / Commercial loans..... | 6.91% | 2.78% | 8.63% | 3.53% |
| Total NPL Ratio | 4.27% | 4.68% | 3.42% | 4.66% |
| Consumer NPL Ratio | 3.03% | 3.28% | 2.96% | 3.13% |
| Mortgages NPL Ratio | 7.45% | 7.78% | 4.49% | 8.05% |
| Commercial NPL Ratio | 4.89% | 6.62% | 4.21% | 5.56% |
| Total Coverage NPL Ratio | 124.71% | 113.48% | 152.98% | 112.88% |
| Consumer Coverage NPL Ratio | 218.99% | 222.87% | 218.27% | 227.16% |
| Mortgages Coverage NPL Ratio | 30.44% | 14.24% | 43.54% | 14.68% |
| Commercial Coverage NPL Ratio | 141.16% | 41.97% | 205.00% | 63.43% |
| Total Charge-offs Ratio | 0.35% | 0.43% | 0.28% | 0.30% |
| Consumer Charge-offs | 0.49% | 0.57% | 0.40% | 0.42% |
| Mortgages Charge-offs | 0.02% | 0.01% | 0.00% | 0.02% |
| Commercial Charge-offs | 0.44% | 2.48% | 0.10% | 0.28% |
| Total Renegotiated Loans | 2.07% | 2.67% | 1.96% | 2.34% |
| Consumer renegotiated | 2.61% | 3.51% | 2.45% | 3.01% |
| Mortgages renegotiated | 0.91% | 0.95% | 0.88% | 0.99% |
| Commercial renegotiated | 0.17% | 0.24% | 0.08% | 0.20% |

Funding

As a savings and loan credit union, the Issuer can accept deposits from the public, including members and non-members. The Issuer also has access to funding from institutional investors and has accessed the capital markets to expand its sources of funding.

The following table sets out the source of funding of the Issuer as of the dates indicated.

| | Prepared under Old Chilean GAAP for Cooperatives | | | Prepared under New Chilean GAAP for Cooperatives | | |
|---|---|------------------|--------------|---|------------------|---------------|
| | As of 31 December | | | As of 30 June | | |
| | 2016 | 2015 | Variation | 2017 | 2016 | Variation |
| | CLP\$ million | | % | CLP\$ million | | % |
| Loans from Financial Institutions | 19,305 | 26,587 | (27.39)% | 7,744 | 33,219 | (76.69)% |
| Institutional Time Deposits | 135,549 | 87,567 | 54.79% | 179,461 | 118,581 | 51.34% |
| Bonds | 256,107 | 265,393 | (3.50)% | 254,516 | 257,694 | (1.23)% |
| Total Wholesale Funding | 410,960 | 379,547 | 8.28% | 441,721 | 409,494 | 7.87% |
| Retail Time Deposits | 171,052 | 151,203 | 13.13% | 178,673 | 161,015 | 10.97% |
| Savings Accounts | 298,194 | 276,420 | 7.88% | 316,276 | 287,323 | 10.08% |
| Other on Demand and time Deposits | 32,588 | 32,337 | 0.78% | 16,111 | 12,759 | 26.27% |
| Total Retail Funding | 501,834 | 459,961 | 9.10% | 511,060 | 461,097 | 10.84% |
| Other Liabilities | 6,809 | 6,660 | 2.23% | 63,066 | 52,251 | 20.70% |
| Equity | 451,853 | 431,271 | 4.77% | 416,862 | 392,910 | 6.10% |
| Total Funding | 1,371,455 | 1,277,438 | 7.36% | 1,432,709 | 1,315,754 | 8.89% |

Wholesale Funding

Wholesale funding is composed of bank, institutional and bond financing. Wholesale funding represented 29.97 per cent. of the total funding of the Issuer as of 31 December 2016 (compared to 29.71 per cent. in the year ending 31 December 2015).

Bank funding has been declining since the Issuer now has greater access to the capital markets. As of 31 December 2016, the balance of bank financing was CLP\$19,305 million, a decrease of 27.39 per cent. compared to the previous year and represented 1.41 per cent. of total funding compared to 2.08 per cent. as of 31 December 2015.

Funding from institutional investors began in 2005 with the issuance of CLP\$50,000 million of term deposits in book-entry form. As of 31 December 2016, the Issuer had a balance of CLP\$135,549 million, an increase of 54.79 per cent. compared to the balance of the year ending 31 December 2015. This represented 9.88 per cent. of the total funding (compared to 6.85 per cent. in the year ending 31 December 2015).

Since 2004 the Issuer has accessed the domestic capital markets by issuing bonds. The first domestic bond was an issuance of CLP\$28,000 million notes due 2009. In 2009, the Issuer issued two series of bonds, one denominated in CLP\$ due 2014 in a total principal amount of CLP\$40,000 million, and the other denominated in UF at 20 years' maturity in a total principal amount of 3 million UF. In 2013 a new institutional bond of 2 million UF was successfully placed, with a maturity of 21 years. In 2014, a new issue was made for a total of 3 million UF and a maturity of 25 years. The latest domestic bond was issued in 2015 with a maturity of 25 years in a total principal amount of UF 3 million.

As of 31 December 2016, the Issuer had a balance of outstanding bonds of CLP\$256,107 million, a decrease of 3.50 per cent. compared to the year ending 31 December 2015 due to the six-monthly amortisations of the principal, and represented 18.67 per cent. of the total funding (compared to 20.78 per cent. in the year ending 31 December 2015).

Retail Funding

Through its 83 branches as of 31 December 2016 the Issuer promotes three different products to member and non-member clients: savings accounts, time and other on demand and term deposits. The balance of the retail funding represented 36.59 per cent. of the total funding of the Issuer as of 31 December 2016 (compared to 36.01 per cent. in the year ending 31 December 2015).

As of 31 December 2016, the balance of savings accounts was CLP\$298,194 million, which increased by 7.88 per cent. compared to 31 December 2015. This represented 21.74 per cent. of total funding (compared to 21.64 per cent. in the year ending 31 December 2015). As of 31 December 2016, there were 612,192 people with savings accounts accounting for an increase of 5.14 per cent. compared to the year

ending 31 December 2015. Of these 200,104 were members of the Issuer (which amounted to approximately 30 per cent. of the total number of members of the Issuer) and 412,088 were non-members.

As of 31 December 2016, the balance of retail time deposits was CLP\$171,052 million, an increase of 13.13 per cent. compared to the year ending 31 December 2015. Retail time deposits represented 12.47 per cent. of total funding (compared to 11.84 per cent. in the year ending 31 December 2015).

Other on demand and term deposits had a balance of CLP\$32,588 million as of 31 December 2016, an increase of 0.78 per cent. compared to the year ending 31 December 2015. As of 31 December 2016 and 2015, other on demand and term deposits represented 2.38 per cent. of total funding.

Total deposits (retail and wholesale time deposits, savings accounts and other on demand and term deposits), increased by 16.41 per cent. in the year ended 31 December 2016 compared to the year ended 31 December 2015. The gross loans to deposits ratio ("**LTD**") for the year ended 31 December 2016, was 198.18 per cent., 23.62 percentage points less than for the year ending 31 December 2015 in which the LTD was 221.80 per cent.

Equity

The equity of the Issuer increases on a monthly basis due to its business model in which the members of the Issuer have to subscribe monthly for a minimum of ten and a maximum of 100 shares, each at a price of CLP\$246 per share as of 31 December 2016, which is equivalent to monthly contributions between CLP\$2,460 and CLP\$24,600 respectively.

As of 31 December 2016, the balance of the equity was CLP\$451,853 million, an increase of 4.77 per cent. compared to the year ending 31 December 2015, and represented 32.95 per cent. of the total funding of the Issuer (compared to 33.76 per cent. in the year ending 31 December 2015).

Regulatory Framework

The Issuer is subject to the General Banking Law, the General Law on Cooperatives, the regulations of the Central Bank of Chile (Chapter III.C.2 of the Compendium of Financial Rules) and, as a savings and loan credit union with an equity higher than 400,000 UF, the Issuer is also subject to SBIF's regulations (Circular No. 108 of 2003) in matters of:

- credit risk management;
- financial risk management and treasury operations;
- operational risk management;
- management of business strategy and capital management;
- management of the quality of attention to users and transparency of information;
- prevention of money laundering and financing of terrorism;
- management of the Internal Audit function and role of the Audit Committee; and
- solvency and liquidity.

Capital Adequacy

The Issuer also has to comply with the Basel capital adequacy ratio according to SBIF's Circular No. 108 of 2003, and Chapter III.C.2 of the Central Bank of Chile. This rule requires cooperatives to maintain a Basel capital adequacy ratio higher than or equal to 10 per cent. The capital adequacy ratio refers to the ratio of regulatory capital (which is core equity tier 1 capital for the Issuer due to its business model) to risk-weighted assets.

The capital adequacy ratio of the Issuer at the end of the 2016 financial year reached 41.55 per cent., an increase of 66 basis points compared to the year ending 31 December 2015, which is well above the required limit of 10 per cent. This was achieved due to the Issuer's business model based on the

subscription of between 10 and 100 shares by its members on a monthly basis. This requirement is set out in the agreement that each member enters into in order to become a member of the Issuer. Since 2011 the Issuer's capital adequacy ratio has ranged between 29.17 per cent. and 41.55 per cent. and, since 2000, it has never been below 18.20 per cent.

Management

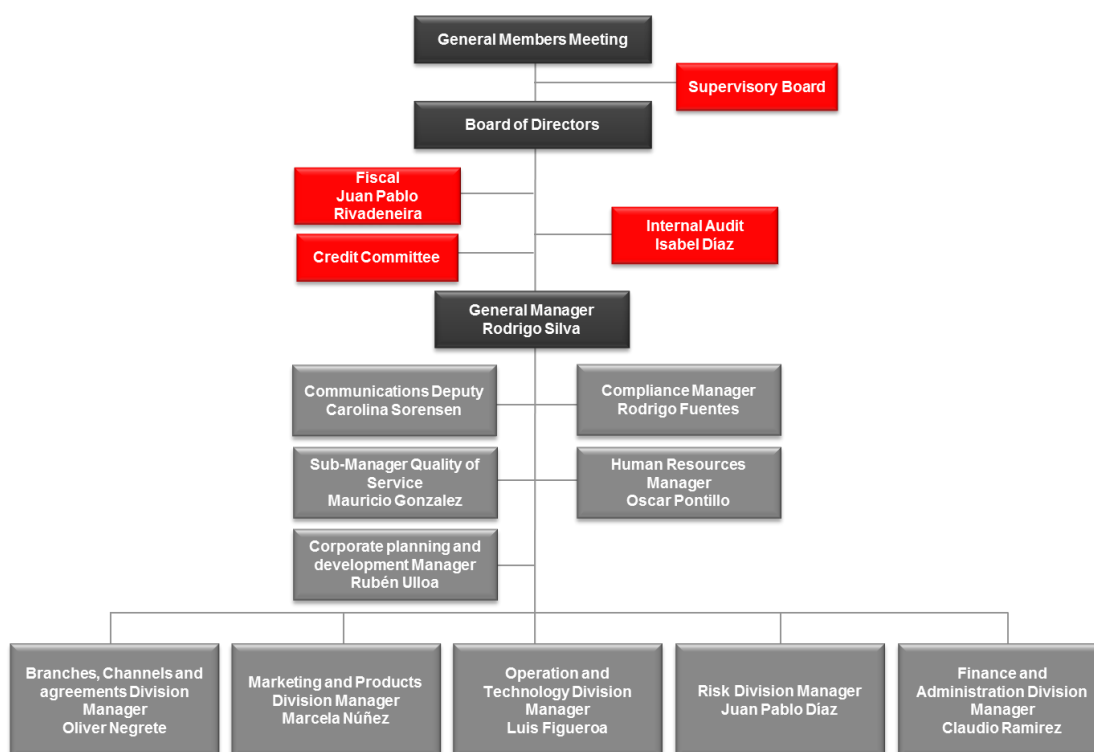
The Issuer is managed by its General Manager, accompanied by a team of Division Managers and first report Managers who cover the structural lines of the Issuer.

The Division Managers report directly to the General Manager and they cover the following divisions:

- Branches, Channels and Agreements Division;
- Marketing and Products Division;
- Operations and Technology Division;
- Risk Division; and
- Finance and Administration Division.

These divisions are supported in their daily work by the Fiscal Management and the Internal Audit Management that report directly to the Board of Directors and by management areas that report to the General Manager, Human Resources, Corporate Planning and Development, Compliance, Communication and Quality of Service Management.

The following chart describes the main managers of the Issuer as of the date of this Offering Circular:



Directors

The Issuer's top management function is exercised by the General Meeting of Members, which meets ordinarily once a year and which makes decisions according to an absolute majority of votes present (each member holds one vote).

The General Meeting of Members elects seven members who constitute the Board of Directors, which is responsible for defining the Issuer's general policies, appointing and / or ratifying the General Manager and designating the Credit Committee. Its members are initially elected to three-year terms in office, with terms ending in a staggered way to provide stability to the management of the Issuer.

The requirements that all directors must comply with are as follows:

- (a) they must have been a member of the Issuer for more than five years;
- (b) be over 25 years old and not more than 75 years old;
- (c) not to have been convicted of a felony;
- (d) not have been in default for a period equal to or more than 90 days;
- (e) have a good financial history;
- (f) have a professional title or have had a management position for at least five years in a company or institution with more than 200 employees;
- (g) has never had any direct debt granted by the Issuer and claimed in judicial proceedings;
- (h) not be an active member of the board of a union or any political parties;
- (i) not be a member of the board of directors of another credit union; and
- (j) not be dependent on or provide services of any kind to companies operating in the same sector or business as the Issuer.

Additionally, according to the Issuer's bylaws, two of its directors must be working or be retired from the University of Chile (if they are retired, they must have worked for a minimum of five years in the University of Chile) and two directors must have had a manager or director position for at least two years in a financial institution regulated by the SBIF or in an institution regulated by the Superintendence of Securities and Insurance (SVS).

The General Meeting of Members also elects the members of the Supervisory Board, which is responsible for overseeing the Issuer's operations.

Finally, the Credit Committee, which is appointed by the Board of Directors, controls that loan applications comply with the regulations, policies and procedures approved by the Board of Directors.

As of the date of this Offering Circular, the Issuer's Board of Directors was as follows:

| Board Members | Risk Committee | Audit Committee | Assets & Liabilities Committee | New Business Committee | Human Resources Committee | Service Experience & Corporate Affairs Committee | Prevention of Money Laundering Terrorist Financing Committee |
|--|-----------------------|------------------------|---|-------------------------------|----------------------------------|---|---|
| Siria Jeldes Chang (Chairman) | M | M | | | C | C | |
| Andrés Reinstein Álvarez, (Vice Chair)..... | M | | C | C | | | |
| Edith Sánchez Meza (Secretary) | | | | | | M | M |
| Sergio Zúñiga Astudillo.... | | M | | | M | | C |
| Erik Haindl Rondanelli | C | | M | M | | | |
| Alejandro Quintana Hurtado..... | | C | | M | | | |
| Carlos González Cáceres | | | M | | | M | M |

M = Member

C = Chairman

Siria Jeldes Chang, Chairman

She assumed the presidency of the Board of Directors in 2015. She was named one of the 10 most influential CEOs in Latin America⁸ and has been named three times among the country's 100 women leaders⁹. She is vice-president of the Cooperatives' Business Forum, an organisation that groups together the main cooperatives in the country. She is part of the Gender Committee of the Associativity and Social Economy Division of the Ministry of Economy, Development and Tourism and the Public and Private Consultative Council of the same Ministry. She is a member of the Board of Directors of "Cooperativa de Las Américas" and is also chair of the Coopeuch Foundation Board of Directors.

Andrés Reinstein Álvarez, Vice-Chairman

He is an economist with a Master's degree at the University of Chicago. He has taught at the University of Chile and the Pontificia Universidad Católica of Chile. He served as a partner in the consulting firm Zahler & Co. and as manager of International Analysis of the Central Bank of Chile, as adviser to the Comisión Nacional del Cobre and adviser to the Ministry of Finance.

Edith Sánchez Meza, Secretary

She is a public accountant and auditor. She has worked for 40 years in the Comptroller's Office of the University of Chile, of which the last 27 years were spent as assistant in the Department of Inspection and Audit. She is also a member of the Credit Committee and Supervisory Board.

Erik Haindl Rondanelli, Director

He is an industrial civil engineer with a Master's Degree in Industrial Engineering at the University of Chile, a Master's degree and a Ph.D. (C) in Economics at the University of Chicago. He has been a member of the IMF fiscal panel, a consultant to the World Bank and a professor and director of the Institute of Economics at the University of Chile. He heads the Institute of Economics of the Gabriela Mistral University and is Dean of the Faculty of Business, Engineering and Digital Arts of the same university.

Sergio Zúñiga Astudillo, Director:

He is an auditor, with a degree in Financial Administration and Social Security Systems. Since 1973 he has been working at the University of Chile as Chief Budget Officer and Head of the Personnel Remuneration Unit. He is also member of the Credit Committee and the Issuer's Supervisory Board.

Alejandro Quintana Hurtado, Director

He is an attorney and the main partner and founder of Grasty, Quintana, Majlis & Cía. His career has focused on business, financial, corporate and insurance matters. He is director of the company AutoClub S.A., Director of the World Council Automobile Mobility (FIA), Director of Legalchile and adviser of WWF Chile. He is also a member of the Chilean Bar Association and the New York State Bar Association.

Carlos González Cáceres, Director

He is a commercial engineer, auditor and a graduate in Economic Sciences at the University of Chile. He has extensive experience in financial systems, performing supervisory, consulting and management functions in Chile and other countries in Latin America. He has served as the Issuer's Risk Manager and as independent consultant of the Inter-American Development Bank (IDB) and World Bank in matters of supervision and risk. He is president of Agroleasing S.A. and a consultant in CGC Consulting and Analytics & Collections Chile.

The business address of each director is Calle Agustinas, No. 1141, Santiago, Región Metropolitana, Chile.

⁸ According to the *América Economía* Magazine No. 343, 18 June 2007.

⁹ In 2015 and 2016, according to http://www.me.cl/article/detail/premio_100_mujeres_lideres/358 and, in 2008, according to <http://www.economiaynegocios.cl/noticias/noticias.asp?id=56597>.

Committees

Risk Committee

This committee is composed of the President of the Board of Directors, two directors, the General Manager, the Risk Division Manager and the external consultant Luis Morales Fernández (consultant in organisational strategies, customer management, risk and human resources), who has over 25 years of management experience in companies in various economic sectors such as energy, services, agroindustry and finance.

The function of this committee function is to monitor the Issuer's overall risk in its different aspects, through the review, monitoring and control of the Issuer's different products. Furthermore, its mission is to propose measures and policies aimed at adequate risk management, which must then be ratified by the Board of Directors.

Audit Committee

This committee is composed of the President of the Board of Directors, two directors, the Internal Audit Manager, the Fiscal Manager and the external consultant Leon Cohen Delpiano (Executive Director of the consulting firm Cohen & Asociados and Consultant of the World Bank in Risk-Based Supervision).

The objective of this committee is to ensure the correct application of the internal control systems that allow the fulfillment of the Issuer's strategic objectives and compliance with its regulations, policies, rules and procedures. In addition, it must reinforce and support the role of the Issuer's Internal Audit Management in its independent role of management, ensuring the safeguarding of the organisation's assets and computer systems, process efficiency and reliability and integrity of the financial and operational information to ensure that the registration of operations is timely, complete and adequate.

Assets & Liabilities Committee

This committee is composed of three directors, the General Manager, the Finance and Administration Division Manager, the Risk Division Manager, the external consultant Raphael Bergoeing Vela (Vice-President of the National Productivity Commission and researcher at the Centre for Public Studies) and members of the administration of relevant areas that are covered by this committee.

This committee is in charge of approving the financial strategies, which must be evaluated, controlled and monitored. To achieve this, limits and alerts on risk indicators are established by this committee. Its objective is to monitor financial risks, as well as the evolution of financial markets and monetary policy.

New Business Committee

This committee is composed of the President of the Board of Directors, three directors, the General Manager, the Corporate Planning and Development Manager and the Deputy Manager of Strategic Planning.

This committee analyses opportunities for new business that are not addressed by the Issuer's overall strategy (and which may require feasibility studies). For new business products or ventures, this committee's function is to understand in detail the steps to be taken, the way in which they will be taken and the main financial impact on the Issuer.

Human Resources Committee

This Committee is made up of the President of the Board of Directors, the Secretary of the Board of Directors, the General Manager and the Personnel Development Manager.

This committee analyses the strategic topics for management of people, which allow the creation of value and improve the fulfillment of the Issuer's objectives; it develops a culture of performance and recognition, strengthening the good working climate that increases commitment and a sense of belonging of employees, reinforcing at all times the cooperative values as a hallmark of the Issuer's culture.

Service Experience & Corporate Affairs Committee

This committee is composed of two directors, the General Manager and members of the management of the relevant areas that are covered by in the committee.

This committee focuses on reviewing the overall strategies of experience and quality of service, monitoring key indicators and service experience initiatives. In addition, it reviews the global communications strategy and the institutional relationship with stakeholders, seeking to strengthen corporate reputation.

Prevention of Money Laundering, Financing of Terrorism and Bribery Committee

Three directors, the General Manager and the Deputy Manager of Compliance, are responsible for defining, managing and supervising the strategic and control objectives related to the prevention of money laundering, terrorism financing and bribery, as well as promoting all actions necessary to prevent the Issuer from being used as a means to legitimise assets arising from illicit operations, to be a channel for the financing of terrorist activities or to be involved in bribery or transactions related to bribery.

Potential Conflicts of Interest

There are no potential conflicts of interest between any duties to the Issuer of the directors listed above and their private interests and/or other duties.

Material Litigation

In the ordinary course of business the Issuer is involved in litigation and other dispute resolution proceedings. The Issuer is not engaged in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which might have or have had during the 12 months prior to the date of this Offering Circular a material adverse effect on the Issuer's financial position or profitability.

Recent Developments

An extraordinary meeting of members was held on 24 June 2017 where members of the Issuer agreed to amend certain aspects of the bylaws of the Issuer.

The amendments include changing the name of the Issuer to "Coopeuch", a restriction on individual members holding more than 10 per cent. of the stock of the Issuer, eliminating the concept of "Deputy Directors", amendments to the conditions required to become a Director and limiting the re-election of Directors, establishing "Delegates" who will represent the interests of members at ordinary and extraordinary meetings and certain amendments to the rules governing the Supervisory Board and Credit Committee.

The amendments will come into force on 1 July 2018.

On 13 July 2017, the Issuer entered into a UF/CLP swap transaction for a total amount of UF951,508 (approximately CLP\$25,300 million) and a maturity of five years. The aim of this transaction was to convert certain UF-denominated debt of the Issuer to Chilean Pesos in order to manage inflation risk and its impact on the Issuer's income statement and balance sheet.

EXCHANGE CONTROLS IN CHILE

Pursuant to Article 39 of Law No. 18,840 (the Central Bank Act), any person or entity may freely execute any foreign exchange transaction unless the Central Bank of Chile imposes a restriction or limitation to such foreign exchange transaction. Currently, there is no filing, registration or approval to be made or obtained with respect to the Notes to be issued by the Issuer.

The Central Bank of Chile is the entity responsible for monetary policies and exchange controls in Chile. Chilean issuers are authorised to offer securities internationally provided they comply with, among other things, the provisions of Chapter XIV of the Compendium of Foreign Exchange Regulations of the Central Bank of Chile ("**Chapter XIV**"). In accordance with the regulations issued by the Central Bank of Chile, which are included in Chapter XIV, any international issue of bonds in an aggregate amount exceeding US\$1,000,000 must be registered and dated by the Central Bank of Chile or by a bank or other entity authorised by the Central Bank of Chile to participate in the Formal Exchange Market (*Mercado Cambiario Formal*) before the proceeds from the issuance can be remitted to Chile and received by the issuer or simultaneously with the remittance into Chile of such proceeds. If the issuer opts to receive the proceeds of the issue outside of Chile, it must report this to the Central Bank of Chile directly or through a Formal Exchange Market entity during the first ten calendar days of the month following the one in which the proceeds were received.

Pursuant to the current regulations contained in Chapter XIV, although no prior authorization from the Central Bank of Chile is required to effect payments in foreign currency abroad, such payments are required to be made through the Formal Exchange Market and disclosed to the Central Bank of Chile. The participant of the Formal Exchange Market involved in the transfer must provide certain information to the Central Bank of Chile. Notwithstanding the foregoing, purchases of foreign currency in connection with such payments can be made either in the Formal or in the Informal Exchange Market (*Mercado Cambiario Informal*).

If payments are made by a Chilean entity outside Chile using foreign currency held abroad, relevant information should be provided to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first ten days of the month following the date on which the payment was made. As of this date, under Chapter XIV, payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made.

There can be no assurance that the Issuer or any other entity will be able to purchase foreign currency in the Informal Exchange Market or in the Formal Exchange Market at the time or in the amounts required to effect any payment due pursuant to the Notes. Any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired the Notes. There can be no assurance that further Central Bank of Chile regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent the Issuer or any other entity, from acquiring foreign currency or that further restrictions applicable to the Issuer or any other entity will not affect the Issuer's or any other entity's ability to remit foreign currency for payment of interest or principal on the Notes.

The above is a summary of the Central Bank of Chile's regulations applicable with respect to the Notes, as in force and effect as of the date of this Offering Circular. There can be no assurance that restrictions will not be imposed in the future, nor can there be any assessment of the duration or impact of such restrictions if imposed. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV, a copy of which is available from the Issuer upon request.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or an Alternative Clearing System as agreed between the Issuer and the relevant Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Registered Notes to be represented by an Unrestricted Global Certificate or a Restricted Global Certificate. Each Unrestricted Global Certificate or a Restricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg will have an ISIN and a Common Code.

The Issuer, and a relevant U.S. agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate. Each such Restricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under "*Transfer Restrictions*". In certain circumstances, as described below in "*Transfers of Registered Notes*", transfers of interests in a Restricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes held within the DTC system. Investors in Notes of such Tranche may hold their beneficial interests in an Unrestricted Global Certificate only through Clearstream, Luxembourg or Euroclear. Investors may hold their beneficial interests in a Restricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Pricing Supplement, and, in the case of Notes initially represented by a Restricted Global Certificate, in minimum amounts of U.S.\$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.\$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in U.S. dollars of principal and interest in respect of a Restricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than U.S. dollars in respect of Notes evidenced by a Restricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the record date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Exchange Agent will convert amounts in such currency into U.S. dollars and deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes **provided that** any such transfer made on or prior to the expiration of the distribution compliance period (as used in "*Subscription and Sale*") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Fiscal Agent of details of that account at either Euroclear or Clearstream, Luxembourg or DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to the Registrar or any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and/or DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Fiscal Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in

DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Fiscal Agent, the Custodian, the relevant Registrar receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "*Transfer Restrictions*".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form—Exchange—Restricted Global Certificates*" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form—Exchange—Unrestricted Global Certificates*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion,

authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

- (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and
- (ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the United States, secondary market generally are required to settle within three business days ("T+3"), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Registered Notes in the United States on the date of pricing or the next succeeding business days until the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and purchasers of Notes who wish to trade Notes between the date of pricing and the relevant Issue Date should consult their own adviser.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes within the United States pursuant to Rule 144A, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that:

1. It is not an affiliate of the Issuer or acting on behalf of the Issuer, and it is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.
2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.
3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend in or substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT, IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR REALES OF THE NOTES.

4. It understands that the Issuer, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
5. It acknowledges that neither the Issuer nor the Dealers, nor any person representing the Issuer, or the Dealers have made any representation to it with respect to the Issuer or the offering or sale of any Restricted Notes, other than the information contained in this Offering Circular, which Offering Circular has been delivered to it and upon which it is relying in making its investment decision with respect to the Restricted Notes. It also acknowledges it has had access to such financial and other information concerning the Issuer as it deemed necessary in connection with its decision to purchase any of the Restricted Notes, including an opportunity to ask questions of, and request information from the Issuer and the Dealers.

6. It is purchasing the Restricted Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state or other securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Restricted Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.
7. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Unrestricted Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Circular and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
2. It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.
3. It understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

"THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") AND MAY NOT BE OFFERED AND SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER COMPLETION OF THE DISTRIBUTION OF AN IDENTIFIABLE TRANCHE OF WHICH SUCH NOTES FORM A PART, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S, OR RULE 144A OR OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S."
4. It understands that the Issuer, each Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.
5. It understands that the Unrestricted Notes will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a

Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

TAXATION

The following is a general description of certain material Republic of Chile and US tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. This summary does not take into account or discuss specific double taxation treaties, the individual circumstances, and financial situation or investment objectives of an investor in the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the countries of their respective citizenship, residence or domicile of which they are resident for tax purposes and the tax laws of the Republic of Chile of including, but not limited to, the consequences of acquiring, holding, disposing or redeeming of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date, including changes which could have retroactive effect.

Chile Taxation

The following is a general overview of the principal consequences under Chilean tax law with respect to an investment in the Notes made by a Foreign Holder (as defined below). It is based on the tax laws, regulations, rulings and decisions of Chile available in effect as of the date of this Offering Circular. All of the foregoing may be subject to change.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign investors, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another law. In addition, the Chilean tax authorities enact rulings and regulations of either general or specific application and interpret the provisions of Chilean tax law. Chilean tax law may not be assessed retroactively against taxpayers who act in good faith relying on such rulings, regulations or interpretations; however, Chilean tax authorities may change their rulings, regulations or interpretations prospectively. For the purposes of this overview, the term "**Foreign Holder**" means either:

- (a) in the case of an individual, a person who is not resident or domiciled in Chile (for purposes of Chilean taxation, (i) an individual holder is resident in Chile if he or she has remained in Chile for more than six months in one calendar year, or a total of more than six months in two consecutive fiscal years and (ii) an individual is domiciled in Chile if he or she resides in Chile with the actual or presumptive intent of staying in Chile (such intention to be evidenced by circumstances such as the acceptance of employment in Chile or the relocation of one's family to Chile)); or
- (b) in the case of a legal entity, a legal entity that is not organised under the laws of Chile, unless the Notes are assigned to a branch or a permanent establishment of such entity in Chile.

Under the *Ley de Impuesto a la Renta* (the "**Income Tax Law**"), interest payments, premiums and all other payments if deemed to be interest payments, if any, made to a Foreign Holder in respect of the Notes will generally be subject to a Chilean withholding tax currently at the rate of 4 per cent. Under existing Chilean law and regulations, a Foreign Holder will not be subject to any Chilean taxes in respect of payments of principal made by the Issuer with respect to the Notes. The Issuer has agreed, subject to specific exceptions, to pay to the holders of the Notes additional amounts in respect of Taxes (as defined in the "*Terms and Conditions of the Notes*") in order that the interest that the Foreign Holders receive, net of such Taxes, equals the amount which would have been received by such Foreign Holders in the absence of such Taxes. See Condition 8 (*Taxation*) in the "*Terms and Conditions of the Notes*".

The Income Tax Law provides that a Foreign Holder is subject to income tax on his or her Chilean source income. For this purpose, Chilean source income means earnings from activities performed in Chile or from the sale, disposition or other transactions in connection with assets or goods located in Chile. Article No. 11 of the Income Tax Law states that, for this purpose, notes will be considered as located in Chile if they are issued in Chile by taxpayers domiciled or resident in Chile. By interpreting this provision a contrario sensu, any capital gain to be realized in the sale or disposition of notes issued outside of Chile by a taxpayer domiciled or resident in Chile should not be considered as a Chilean sourced income. Therefore, any capital gains realised on the sale or other disposition by a Foreign Holder of the Notes should not be subject to any Chilean income taxes. This interpretation has been confirmed by the Chilean tax authority by means of Ruling No. 604 of 2015.

A Foreign Holder will not be liable for estate, gift, inheritance or similar taxes with respect to its holdings unless the Notes held by a Foreign Holder are either located in Chile at the time of such Foreign Holder's death, or, if the Notes are not located in Chile at the time of a Foreign Holder's death, if such Notes were purchased or acquired with cash obtained from Chilean sources. A Foreign Holder will not be liable for Chilean stamp, registration or similar taxes.

The issuance of the Notes is subject to a maximum 0.8 per cent. stamp tax which will be payable by the Issuer. If the stamp tax is not paid when due, the Company is obliged to pay the unpaid stamp tax plus inflation adjustments, interest and fines. Until such tax and any penalty are paid, Chilean courts will not enforce any action brought with respect to the Notes.

Under the Conditions, the Issuer has covenanted to pay when due any present or future stamp, transfer, court or documentary taxes or any other excise or property taxes, charges or similar levies imposed by the Republic of Chile (or any political subdivision or governmental authority thereof or therein having power to tax) with respect to the initial execution, delivery or registration of the Notes or any other document or instrument relating thereto.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of Chile) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Additionally, Notes that are not treated as equity for U.S. Federal income tax purposes and that have a fixed term that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions of the Notes — Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

Subject to the terms and on the conditions contained in a dealer agreement dated 6 September 2017 (the "**Dealer Agreement**") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they made to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States of America

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this section of the Offering Circular have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Treasury regulations promulgated thereunder.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or, in the case of Notes sold in Bearer form, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

If agreed between the Issuer and the relevant Dealers in relation to the relevant series of Notes in registered form, Dealers may arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

From 1 January 2018, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (i) the expression "retail investor" means a person who is one (or more) of the following:
 - (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
 - (b) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (c) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (ii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring,

holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Chile

Each Dealer has acknowledged that the Notes have not been and will not be registered with the Chilean banking regulator (*Superintendencia de Bancos e Instituciones Financieras*) or with the Chilean stocks and values regulator (*Superintendencia de Valores y Seguros*). Each Dealer has agreed that the Notes may not be offered or sold in the Republic of Chile except in circumstances which do not constitute a public offering under Law 18,045, nor under any other applicable Chilean laws and regulations.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed that:

- i. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap 571) of Hong Kong other than (a) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that ordinance; and
- ii. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that ordinance.

Japan

Each Dealer has acknowledged that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than

(i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Covered Bonds pursuant to an offer made under Section 275 of the SFA, except:

- (a) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular or any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement therefore in all cases at its own expense.

GENERAL INFORMATION

1. It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the GEM will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or around 6 September 2017. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.
2. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by the management board (*Consejo de Administración*) of the Issuer in a meeting held on 11 January 2017.
3. There has been no significant change in the financial or trading position of the Issuer since 30 June 2017 and no material adverse change in the financial position or prospects of the Issuer since 31 December 2016.
4. Neither the Issuer nor any of its subsidiaries (if any) is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer.
5. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: *"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code"*.
6. Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). In addition, the Issuer may make an application with respect to any Notes to be accepted for trading in book-entry form by DTC. Acceptance by DTC of Notes of each Tranche issued by the Issuer will be confirmed in the relevant Pricing Supplement. The Common Code, the International Securities Identification Number (ISIN), the Committee on Uniform Security Identification Procedure (CUSIP) number and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the applicable Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg and the address of DTC is 55 Water Street, New York, New York 10041 USA. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.
7. The issue price and the amount of the relevant Notes will be determined, before filing of the applicable Pricing Supplement for each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
8. For so long as Notes may be issued pursuant to this Offering Circular, physical copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of the Issuer and the Fiscal Agent:
 - the Agency Agreement (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);
 - the Deed of Covenant;
 - the constitutional documents of the Issuer;
 - the published annual reports and audited financial statements of the Issuer for the two financial years most recently ended 31 December; and

- a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.
9. This Offering Circular and the Pricing Supplement for Notes that are listed on the Official List and admitted to trading on the GEM will be published on the website of the Irish Stock Exchange (www.ise.ie). The website of the Irish Stock Exchange does not form any part of the contents of this Offering Circular.
 10. PricewaterhouseCoopers Consultores Auditores SPA of Av. Andres Bello 2711 – piso 5, Las Condes – Santiago, Chile and a member of Colegio de Contadores de Chile A.G. (*Chilean Association of Accountants*) have audited, and rendered unqualified audit reports on, the financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016, and reviewed the financial statements of the Issuer as of and for the six months ended 30 June 2017 and rendered a review report thereon.
 11. Copies of the latest annual report and audited financial statements of the Issuer and the latest unaudited interim financial statements of the Issuer may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Issuer and the Fiscal Agent during normal business hours, so long as any of the Notes is outstanding.
 12. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the GEM.
 13. Certain of the Dealers and their affiliates have engaged, are currently engaged and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer in the ordinary course of business. Such persons may have received, or may continue to receive, customary compensation. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its agencies. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS, NEW CHILEAN GAAP FOR COOPERATIVES AND OLD CHILEAN GAAP FOR COOPERATIVES

Significant Differences between IFRS and New Chilean GAAP for Cooperatives

As of 1 January 2017, savings and loan credit unions must apply the regulatory accounting framework described in the Accounting Standards Compendium (the "**Compendium**") issued by the SBIF, in accordance with Circular letter No.162 issued by the SBIF on 19 August 2015 ("**New Chilean GAAP for Cooperatives**"). Any accounting matters not dealt with by the Compendium must be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (IASB), and adopted by the Chilean Accountants College A.G. The principles of New Chilean GAAP for Cooperatives and IFRS differ in certain significant respects. The Issuer has not prepared a quantitative reconciliation of specific differences between New Chilean GAAP for Cooperatives and IFRS. Had such an effort been undertaken, other potentially significant differences might have been identified and disclosed herein.

The following paragraphs summarise the areas in which differences between New Chilean GAAP for Cooperatives and IFRS could be significant to the Issuer's financial position and results of operations as of 30 June 2017. The Issuer has not prepared financial statements in accordance with IFRS and, accordingly, cannot offer any assurance that all existing differences have been identified. In addition, the Issuer cannot estimate the net effect that applying IFRS would have on the Issuer's financial position, results of operations or any component thereof. As a result, it may be that, for example, the total shareholders' equity, prepared on the basis of New Chilean GAAP for Cooperatives, is materially different from the total shareholders' equity that would have been prepared under IFRS. Differences in the presentation of the financial statements as well as differences in the information provided in the notes to the financial statements have not been reported.

As stated above, New Chilean GAAP for Cooperatives, as prescribed by the Compendium differs in certain respects from IFRS. The differences are:

Loan loss allowances

The allowance for loan losses under New Chilean GAAP for Cooperatives is calculated using models which are in accordance with IFRS for loans collectively evaluated for impairment. The individually significant loans are provisioned for using prescribed percentages as required by the SBIF. Under IFRS, the allowance for loan losses established for individually significant loans is calculated by using an incurred loss model as required by IFRS International Accounting Standard 39, Financial Instruments ("**IAS 39**").

Allowance for contingencies on off-balance sheet items

In accordance with New Chilean GAAP for Cooperatives, provisions are recognised on off-balance sheet amounts including unrestricted lines of credit, other contingent loans and other guarantees, prescribing specific rules for calculation of such provisions. Under IFRS, the recognition of contingencies provisions on off-balance sheet items is not permitted by IAS 39 or IAS 5, "Contingent assets and liabilities".

Suspension of recognition of income on an accrual basis

Under New Chilean GAAP for Cooperatives, the Issuer does not recognise income on an accrual basis for certain loans included in the impaired portfolio. Under IFRS, this is not permitted and interest must be recognised based on the effective interest rate.

Assets received in lieu of payment

The Compendium requires that the initial recorded value of assets received in lieu of payment should be the value agreed upon with a borrower as a result of the loan settlement, or the value awarded in an auction, as applicable. These assets are required to be written off one year after their acquisition, if these assets have not been previously disposed of. IFRS requires that assets received in lieu of payment should initially be accounted for at fair value. Subsequent measurement depends on the classification provided for that type of asset.

Significant Differences between IFRS and Old Chilean GAAP for Cooperatives

The following paragraphs summarise the areas in which differences between Old Chilean GAAP for Cooperatives and IFRS could be significant to the Issuer's financial position and results of operations as of 31 December 2016. The Issuer has not prepared financial statements in accordance with IFRS and, accordingly, cannot offer any assurance that all existing differences have been identified. In addition, the Issuer cannot estimate the net effect that applying IFRS would have on the Issuer's financial position, results of operations or any component thereof. As a result, it may be that, for example, the total shareholders' equity, prepared on the basis of Old Chilean GAAP for Cooperatives, is materially different from the total shareholders' equity that would have been prepared under IFRS. Differences in the presentation of the financial statements as well as differences in the information provided in the notes to the financial statements have not been reported.

As stated above, Old Chilean GAAP for Cooperatives differs in certain respects from IFRS. The significant differences are:

Price Level Restatement

Pursuant IAS 29 "Financial Information in Hyperinflationary Economies", a price level restatement must be applied only when an entity's functional currency is that of a hyperinflationary economy (defined as an economy experiencing 100 per cent. inflation in three years).

Since the Chilean economy does not meet these requirements, the price level restatement had to be eliminated as of 1 January 2017. Pursuant to the provisions of the Compendium, the price level restatement recognised until 31 December 2016 was not reversed.

Currency of Presentation

Pursuant to Old Chilean GAAP for Cooperatives, amounts presented in the Issuer's financial statements are expressed in constant Chilean pesos. Pursuant to IFRS, all Chilean peso amounts or later must be expressed in nominal Chilean pesos, except in the case of hyperinflationary economy, considering there is no change in functional currency.

Allowance for loan losses

Allowance for loan losses under Old GAAP was previously recognised under specific instructions issued by the SBIF. The impairment approach under IAS 39 "Financial Instruments" differs from Old Chilean GAAP for Cooperative. General loan loss provisions are no longer permitted and impairment losses can only be provided for when there is objective evidence of an incurred loss.

Valuation at amortized cost of financial instruments, except those measured at fair value

Loans and other financial instruments, except those measured at fair value, were recognised by using a nominal interest rate method under Old Chilean GAAP for Cooperatives. Under IFRS, financial instruments (except those measured at fair value) are measured at amortized cost is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization (calculated using the effective interest rate method) of any difference between that initial amount and the maturity amount and minus any reduction for impairment. The effective interest rate is the rate which exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Post-employment benefit provision

Under Old Chilean GAAP for Cooperatives, severance compensation that the Issuer had to pay to employees was provisioned by applying the present value method of the benefit's accrued cost, with a real annual discount rate. Under IFRS, the obligation of the post-employment benefit plan is measured by using the projected unit credit method, which includes variables such as employee turnover rate, expected wage growth and the probability of use of this benefit, discounted at the current rate for long term investments as per IAS 19 "Employee Benefits" requirements.

Renegotiations of written-off loans

Under Old Chilean GAAP for Cooperatives, when a renegotiation of written-off loans was made, a loan recovery was recognised. Under IFRS, any renegotiation of a loan already written-off does not give rise to recognition of income, as long as the operation continues under an impaired classification; accordingly, payments received are treated as recoveries of written-off loans.

Consequently, the renegotiated loan is recognised if it is no longer considered to have an impaired condition. The same criterion must be followed in case a loan is granted to pay a written-off loan.

Provision for reimbursement of insurance premiums

Under Old Chilean GAAP for Cooperatives, no provisions were required to be recognised in connection with the future reimbursement of insurance premiums related to policy waivers and loan prepayments. Under IFRS, a provision has to be recognised based on the payment and collection records of the products portfolio that originated such commissions.

Significant Differences between New Chilean GAAP for Cooperatives and Old Chilean GAAP for Cooperatives

The following is a description of the principal effects or adjustments arising from the adoption of New Chilean GAAP for Cooperatives. Previously, the financial statements of the Issuer had been prepared in accordance with accounting standards contained in the Updated Compilation of Standards issued by the SBIF that apply to savings and loan credit unions valid until 31 December 2016 ("**Old Chilean GAAP for Cooperatives**"). For a quantitative description of these effects and adjustments, see Note 2 to the Issuer's interim financial statements.

Price Level Restatement

Pursuant to the Compendium and IAS 29 "Financial Information in Hyperinflationary Economies", a price level restatement must be applied only when an entity's functional currency is that of a hyperinflationary economy (defined as an economy experiencing 100 per cent. inflation in three years).

Since the Chilean economy does not meet these requirements, the price level restatement had to be eliminated as of 1 January 2017. Pursuant to the provisions of the Compendium, the price level restatement recognised until 31 December 2016 was not reversed.

Currency of Presentation

Pursuant to Old Chilean GAAP for Cooperatives, amounts presented in the Issuer's financial statements for the years ending 31 December 2015 and 31 December 2016 are expressed in constant Chilean pesos. Pursuant to New Chilean GAAP for Cooperatives, all Chilean peso amounts as of and for any period ended 1 January 2017 or later must be expressed in nominal Chilean pesos.

Loans

Unless otherwise specified, all references herein to loans are to loans before deductions for loan loss allowances.

Overdue loans include only the portion of principal and interest that is overdue for 90 or more days and do not include the instalments of the loans that are not overdue or that are overdue for fewer than 90 days, unless (i) any portion of the loan is overdue for 180 days or more, in which case the entire loan is considered past due, or (ii) legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan, in which case the entire loan is considered past due within 90 days of initiation of such proceedings.

The Issuer presents information on "delinquent" loans only as of 30 June 2017 based on the instructions set forth in the Compendium. "Delinquent" loans are loans in respect of which the Issuer has evidence indicating that the borrower will not perform its payment obligations in accordance with the terms and conditions of the loan. For purposes of assessing the Issuer's loan portfolio, the Issuer assesses certain loans on an individual basis and other loans on a collective basis. The Issuer performs individual assessments of loans that the Issuer considers significant relative to the Issuer's loan portfolio, based on

the amount of the loan, its size, complexity and the credit profile of the borrower. The Issuer's individually assessed loans are considered delinquent loans when they are classified as C or D loans according to the categories set forth by the SBIF.

The Issuer assesses on a collective basis all of its loans that it does not assess individually, grouping them according to certain common characteristics such as the amount of the loan and the borrower's credit profile. Generally, the Issuer performs collective assessments for low value individual operations. The Issuer's collectively assessed loans are delinquent loans when (i) they are 90 days or more overdue or (ii) they are restructured past due loans until it reclassifies them as performing loans based on the Issuer's periodic reassessment of such loans.

Post-employment benefit provision

Until 31 December 2016, severance compensation that the Issuer had to pay to employees was provisioned by applying the present value method of the benefit's accrued cost, with a real annual discount rate. From 1 January 2017 onwards, the obligation of the post-employment benefit plan is measured by using the projected unit credit method, which includes variables such as employee turnover rate, expected wage growth and the probability of use of this benefit, discounted at the current rate for long term investments as per IAS 19 "Employee Benefits" requirements.

Renegotiations of written-off loans

Until 31 December 2016, when a renegotiation of written-off loans was made, recording a loan recovery was allowed. From 1 January 2017 onwards, any renegotiation of a loan already written-off does not give rise to recognition of income, as long as the operation continues under an impaired classification. Therefore, effective payments received are treated as recoveries of written-off loans.

Consequently, the renegotiated loan is recognised if it is no longer considered to have an impaired condition, or if any income from that loan is recovered. The same criterion must be followed in case a loan is granted to pay a written-off loan.

Provision for reimbursement of insurance premiums

Until 31 December 2016, no provisions were required to be recognised in connection with the future reimbursement of insurance premiums related to policy waivers and loan prepayments. The Issuer has established a provision to comply with IFRS, based on the payment and collection records of the products portfolio that originated such commissions.

Suspension of interest on accrual basis

Until 31 December 2016, recognition of interest income and readjustments took into account the suspension of accrual in the following ways:

- (a) starting on the date on which a credit, partial payment or unpaid instalment is 90 days due and until all amounts due are paid or renegotiated;
- (b) suspension of accrual of loans classified in the D1 and D2 categories, from the classification date and until they are reclassified in a risk category lower than C4;
- (c) for credits that have been classified during one year as being in the C4 category, accrual is suspended starting on the date on which a year has passed and until they are reclassified in a lower risk category.

From 1 January 2017 onwards, recognition of interest on an accrual basis is suspended for non-performing loans included in the impaired portfolio in accordance with the following:

| Loans subject to suspension | Suspended |
|---|--|
| Individual evaluation: Loans classified in the D1 and D2 categories | Accrual is suspended by the sole fact of the loan being in the impaired portfolio |
| Individual evaluation: Loans classified in the C1 and C4 categories | Accrual is suspended due to the loans having been in the impaired portfolio for three months |

| | |
|--|---|
| Group evaluation: Any loans, except for those with collateral reaching at least 80 per cent. | Accrual is suspended when payment of the loan or one of its instalments has been overdue for six months |
|--|---|

FINANCIAL INFORMATION

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COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

Condensed interim financial statements

June 30, 2017

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MCh\$ - Millions of Chilean pesos





REPORT OF INDEPENDENT AUDITORS
(Free translation from the original in Spanish)

Santiago, August 25, 2017

Chairman and Members of the Board of Directors
Cooperativa del Personal de la Universidad de Chile Limitada

We have reviewed the accompanying condensed financial information of Cooperativa del Personal de la Universidad de Chile Limitada which compromise the condensed interim statement of financial position as of June 30, 2017, and the related condensed interim statements of income and cash flows for the six-month periods ended June 30, 2017 and 2016 and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial information of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with the accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives. This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of financial statements in accordance with the applicable framework for the preparation and presentation of financial information.

Auditor's responsibilities

Our responsibility is to perform our review in accordance with generally accepted auditing standards in Chile applicable for the review of financial information. A review of financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial information, for them to be in conformity with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

PRICEWATERHOUSE COOPERS

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

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COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
As of June 30, 2017 and December 31, 2016
(In millions of Chilean pesos)

| | June 30, 2017 | December 31, 2016 |
|---|------------------|----------------------|
| | MCh\$ | MCh\$ |
| ASSETS | | |
| Cash and bank deposits | 34,229 | 32,995 |
| Instruments held for trading | 9,202 | 6,001 |
| Loans and accounts receivable from customers | 1,249,344 | 1,199,840 |
| Instruments available-for-sale | 115,118 | 115,121 |
| Investments in companies | 28 | 26 |
| Intangible assets | 5,448 | 5,865 |
| Property, plant and equipment | 8,655 | 8,472 |
| Receivable taxes | 239 | 247 |
| Other assets | 10,446 | 7,155 |
| TOTAL ASSETS | 1,432,709 | 1,375,722 |
| LIABILITIES | | |
| Deposits and other demand liabilities | 16,111 | 14,496 |
| Deposits and other term borrowings | 674,410 | 604,795 |
| Financial liabilities | 7,744 | 20,007 |
| Debt instruments issued | 254,516 | 256,107 |
| Income tax payable | 494 | 846 |
| Provisions | 40,805 | 55,054 |
| Other liabilities | 21,767 | 18,609 |
| TOTAL LIABILITIES | 1,015,847 | 969,914 |
| EQUITY | | |
| Paid-in capital | 303,486 | 292,333 |
| Cumulative reserves | 112,911 | 112,911 |
| Surplus from prior period | - | - |
| Valuation reserve | 465 | 564 |
| Profit for the year | 32,496 | 42,690 |
| Less: | | |
| Readjustment of quota subscriptions | (3,579) | - |
| Provisions for distributions on paid in capital and surplus | (28,917) | (42,690) |
| TOTAL EQUITY | 416,862 | 405,808 |
| TOTAL LIABILITIES AND EQUITY | 1,432,709 | 1,375,722 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the six-month periods ended June 30, 2017 and 2016
(In millions of Chilean pesos)

| | June 30, 2017 MCh\$ | June 30, 2016 MCh\$ |
|---|---------------------------|---------------------------|
| Interest and readjustment income | 107,209 | 98,327 |
| Interest and readjustment expense | (18,929) | (19,531) |
| Interest and readjustment income, net | 88,280 | 78,796 |
| Fee and commission income | 9,381 | 6,868 |
| Fee and commission expense | (1,164) | (824) |
| Fee and commission income, net | 8,217 | 6,044 |
| Net profit from financial operations | 146 | 1,061 |
| Other operating income | 239 | 622 |
| Total operating income | 96,882 | 86,523 |
| Provision for credit risk | (15,387) | (14,801) |
| NET OPERATING INCOME | 81,495 | 71,722 |
| Staff compensation and related expenses | (24,931) | (24,841) |
| Administrative expenses | (19,720) | (13,174) |
| Depreciation, amortization and impairment | (2,614) | (2,361) |
| Other operating expenses | (1,225) | (1,204) |
| TOTAL OPERATING EXPENSES | (48,490) | (41,580) |
| Profit before tax | 33,005 | 30,142 |
| Income tax | (509) | (310) |
| PROFIT FOR THE PERIOD | 32,496 | 29,832 |
| Items that can be subsequently reclassified to profit for the period | | |
| Other comprehensive income | 465 | 77 |
| Valuation of available-for-sale instruments | 465 | 77 |
| TOTAL COMPREHENSIVE SURPLUS FOR THE PERIOD | 32,961 | 29,909 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the six-month periods ended June 30, 2017 and 2016
(In millions of Chilean pesos)

| | Paid in capital MCh\$ | Cumulative reserves MCh\$ | Valuation reserve Available for sale investments MCh\$ | Retained earnings MCh\$ | Previous period surplus provision MCh\$ | Current period surplus provision MCh\$ | Readjustment of quota subscriptions MCh\$ | Total equity MCh\$ |
|--|-----------------------------|---------------------------------|---|-------------------------------|---|--|--|--------------------------|
| Balance as of January 1, 2017 | 292,333 | 112,911 | 564 | 42,690 | (42,690) | - | - | 405,808 |
| Quota subscription and payment of the period | 11,153 | - | - | - | - | - | - | 11,153 |
| Valuation of available for sale instruments | | | (99) | | | | | (99) |
| Profit for the period | | | | 32,496 | | (28,917) | (3,579) | - |
| Balance as of June 30, 2017 | 303,486 | 112,911 | 465 | 75,186 | (42,690) | (28,917) | (3,579) | 416,862 |

| | Paid in capital MCh\$ | Cumulative reserves MCh\$ | Valuation reserve Available for sale investments MCh\$ | Retained earnings MCh\$ | Previous period surplus provision MCh\$ | Current period surplus provision MCh\$ | Readjustment of quota subscriptions MCh\$ | Total equity MCh\$ |
|--|-----------------------------|---------------------------------|---|-------------------------------|---|--|--|--------------------------|
| Balance as of January 1, 2016 | 270,898 | 111,361 | - | 35,610 | (35,610) | - | - | 382,259 |
| Remnant paid | - | - | - | (35,610) | 35,610 | - | - | - |
| Quota subscription and payment of the period | 10,575 | - | - | - | - | - | - | 10,575 |
| Valuation of available for sale instruments | | | 77 | | | | | 77 |
| Profit for the period | - | - | - | 29,832 | | (25,088) | (4,744) | - |
| Balance as of June 30, 2016 | 281,473 | 111,361 | 77 | 29,832 | 35,610 | (25,088) | (4,744) | 392,911 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017 AND 2016
(In millions of Chilean pesos)

| | June 30, 2017 | June 30, 2016 |
|--|------------------|------------------|
| | MCh\$ | MCh\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net profit for the year | 32,496 | 29,832 |
| Charges (credits) to profit that do not represent cash flows | | |
| Depreciation and amortization | 2,614 | 2,361 |
| Provisions for credit risk | 23,125 | 22,325 |
| Income tax | 509 | 310 |
| Fair value of trading instruments | - | (355) |
| Increase in other assets and liabilities | (4,356) | (5,987) |
| Net changes in interest, readjustment and commission accrued on assets and liabilities | (5,601) | (6,819) |
| Changes in assets and liabilities affecting operating cash flows | | |
| Increase in loans and receivables | (68,746) | (45,020) |
| Increase in deposits | 70,522 | 68,111 |
| Increase (decrease) in other demand and term deposits | 3,302 | (4,265) |
| Net cash flows from operating activities | 53,865 | 60,493 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in trading and available-for-sale investments | (2,313) | (28,285) |
| Purchase of property, plant and equipment and others | (972) | (2,638) |
| Purchase of intangible assets and construction in progress | (1,879) | (2,966) |
| Net cash flows used in investing activities | (5,164) | (33,889) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in financial liabilities with Chilean financial institutions | - | 17,000 |
| Decrease in financial liabilities with Chilean financial institutions | (12,000) | (9,000) |
| Decrease in financial liabilities (bonds) | (3,909) | (3,849) |
| Decrease in other obligations | (21) | (307) |
| Quota subscription and payment | 11,153 | 10,575 |
| Surplus paid | (42,690) | (35,610) |
| Net cash flows used in financing activities | (47,467) | (21,191) |
| TOTAL NET POSITIVE CASH FLOWS FOR THE PERIOD | 1,234 | 5,413 |
| EFFECT OF INFLATION ON CASH AND CASH EQUIVALENTS | - | - |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD | 1,234 | 5,413 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | 32,995 | 21,795 |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | 34,229 | 27,208 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

NOTE 1. COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or the "Cooperative") is a legal entity incorporated by Constitution Law 1 dated October 31, 1967, which was subscribed to a public deed dated December 6, 1967. The Ministry of Economic Affairs, Development and Tourism authorized its creation and approved its bylaws in Decree 122 dated January 29, 1968, published in the Official Gazette 26,970 dated February 16, 1968. Its legal address is 1141, Agustinas Street, Santiago, Chile.

Coopeuch Ltda. is a savings and loans cooperative with an indefinite legal duration. It has variable capital stock and an unlimited number of shareholders. The Cooperative's equity belongs to the shareholders and is divided into capital shares expressed in Chilean pesos.

The Cooperative's purpose is to perform any transactions permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties, as well as to promote the Cooperative's principles and values among its members and promote their personal and financial well-being.

The Cooperative is subject to supervision and control by the Department of Cooperatives (hereinafter "Decoop") of the Ministry of Economic Affairs, Development and Tourism. Furthermore, according to Article 87 of General Cooperative Law, those Savings and Loans Cooperatives whose equity exceeds UF 400,000 are also subject to supervision and control by the Superintendency of Banks and Financial Institutions (hereinafter "SBIF") with respect to the economical transactions that fulfill to comply with its purpose.

NOTE 2. ACCOUNTING CHANGES

The SBIF, through Circular letter No.162 issued on August 19, 2015, instructed the application of the regulatory accounting framework described in the "Accounting Standards Compendium" which Cooperatives started applying on January 1, 2017, in the context of the project of convergence to International Financial Reporting Statements ("IFRS"). The retrospective cumulative effects of the accounting change determined as of December 31, 2016 were directly recorded to retained earnings and implied an increasing net credit of MCh\$ 302.

The summary of the main changes to accounting criteria applied from January 1, 2017 is included below:

a) Price-level restatement:

As of December 31, 2016, paid-in capital, reserves, retained earnings, property, plant and equipment and other non-monetary balances were presented updated according to the variation of the Consumer Price Index (IPC).

Starting January 1, 2017, price-level restatement is no longer recognized since Chilean economy is not considered hyperinflationary, in accordance to the International Accounting Standard ("IAS") 29 "Financial reporting in hyperinflationary economies". Price-level restatement recognized until December 31, 2016, transition date to the new standards, was not reversed. The amounts of price-level restatement that were applied to paid-in capital and reserves were reversed against equity as a part of the first-adoption adjustment.

In addition, Coopeuch has readjusted the value of shares of its partners, as per the variation of the Unidad de Fomento between December 31, 2015 and 2016, following the requirements of the General Law of Cooperatives.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

b) Employment benefit provision

Until December 31, 2016, severance compensation that the Company must pay to employees was provisioned by applying the present value method of the benefit's accrued cost, based on a real annual discount rate. Starting January 1, 2017, the obligation of the post-employment benefit plan is measured by using the projected unit credit method, which includes variables such as employee turnover rate, expected wage growth and the probability of use of this benefit, discounted at the current rate for long term investments as per IAS 19 "Employee Benefits" requirements.

In addition, from January 1, 2017 onwards, the Cooperative recognizes a liability related to seniority bonus. The calculation of this obligation includes variables such as employee turnover, mortality rates and retirement ages discounted at the current rate for long-term investments as per IAS 19 requirements.

c) Property, plant and equipment and intangibles:

Until December 31, 2016, property, plant and equipment were presented at restated cost and net of accumulated depreciation. From January 1, 2017 onwards, property, plant and equipment and intangibles valued at historical cost, including the price-level restatement recognized until December 31, 2016. In the case of real estate, the Cooperative chose to use the fair value of such assets based on independent appraisals as attributed cost, as established by the Compendium of Standards.

d) Impaired portfolio:

From January 1, 2017 onwards, the concept of impaired portfolio is considered, comprising loans with borrowers on which there is concrete evidence that they will not comply with any of their obligations under the agreed payment conditions, irrespective of the possibility of recovering the amounts through collateral, by means of the execution of legal collection actions or negotiating different conditions.

Accordingly, Cooperatives must include loans in the impaired portfolio and keep them there until a normalization of their capacity and payment conduct is observed, without prejudice to proceed to write-off loans individually assessed.

e) Interest income and readjustments:

Until December 31, 2016, interest income and readjustments were calculated based on the nominal rate. Starting January 1, 2017, interest income and readjustments are recognized based on the effective interest rate method. The effective interest rate method is a procedure of calculating the amortized cost of a financial instrument by discounting the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the instrument.

f) Suspension of interest on accrual basis:

Until December 31, 2016, recognition of interest income and readjustments considered the suspension of accrual under the following principles:

- Starting on the date in which a credit, partial payment or unpaid installment is 90 days due and until all amounts due are paid or renegotiated.
- Suspension of accrual of loans classified in D1 and D2 categories, from the classification date and until they are reclassified in a risk category lower than C4.
- For credits that have been classified during one year as C4 category, accrual is suspended starting on the date in which a year has passed and until they are not reclassified to a lower risk category.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

Starting on January 1, 2017, recognition of interest on accrual basis is suspended for non-performing loans included in the impaired portfolio, as described below:

| | |
|---|---|
| Individual assessment: Loans classified in categories D1 and D2 | Classified in the default portfolio. |
| Individual assessment: Loans classified in categories C1 to C4 | Classified in the default portfolio for three months. |
| Group assessment: Any loan, except for those with collaterals that reach at least 80%. | When the loan or one installment is due for 6 months. |

Nevertheless, in the case of loans subject to individual assessment, the recognition of interest and readjustments of loans may be maintained under normal payment process circumstances and that correspond to obligations whose flows are independent, as it might occurs in the case of project financing.

g) Loans write-off:

Until December 31, 2016, the term required by the SBIF to recognize write-offs for the overdue portfolio was since its classification to the overdue portfolio. The overdue portfolio represented loans or loan installments that matured in the payment of capital or interests for 90 days or longer.

Starting January 1, 2017, write-off of loans and accounts receivable, other than leasing operations, is performed in the following circumstances, whichever occurs first:

- The Cooperative, based on all information available, concludes that recovery is considered remote.
- When a loan without executive title completes 90 days since it was recorded in the asset.
- On the maturity of limitation of actions to demand collection through executive action or at rejection or abandonment of the implementation of the title by executed judicial decision.
- When the period outstanding of an operation reaches the write off term shown below:

| Loan type | Term |
|---|-------------|
| Consumer loans with or without collateral | 6 months |
| Other operations without collateral | 24 months |
| Commercial loans with collateral | 36 months |
| Housing mortgage loans | 48 months |

The term corresponds to the time elapsing since the date in which the payment of all or part of the obligation in arrears becomes enforceable.

h) Renegotiations of written off loans:

Until December 31, 2016, when a renegotiation of written off loans was made, it was allowed to record a loan recovery.

Starting from January 1, 2017, any renegotiation of a loan already written-off does not give rise to the recognition of an income, as long as the operation continues under an impaired classification, therefore, effective payments received are treated as recoveries of written-off loans.

Consequently, the renegotiated loan is recognized if it is no longer considered with an impaired condition, and also recognizing the income from the capitalization as recovery of written-off loans.

The same criterion must be followed in case a loan is granted to pay a written-off loan.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

i) Provision for reimbursement of insurance premiums:

Until December 31, 2016, the Cooperative did not recognize any provisions related to the future reimbursements of insurance premiums related to policy waivers and loan prepayments. The Cooperative has established a provision to comply with the IFRS requirements, based on the payment and collection records of the products portfolio that originated such commissions.

i) First-time adoption effects:

The summary of retrospective cumulative effects derived from the application of these new accounting criteria as of December 31, 2016 is shown below:

| | December 31, 2016 under Old GAAP for Cooperatives | Reclassifications for presentation purposes | Closing balance | Adoption adjustments | December 31, 2016 under New GAAP por Cooperatives |
|--|--|---|--------------------|-------------------------|--|
| ASSETS | | | | | |
| Cash and deposits in banks | 32.980 | 15 | 32.995 | 0 | 32.995 |
| Trading instruments | 0 | 6.001 | 6.001 | 0 | 6.001 |
| Loans and account receivables from customers | 1.193.350 | 5.130 | 1.198.480 | 1.360 (d-f) | 1.199.840 |
| Available-for-sale instruments | 121.122 | (6.001) | 115.121 | 0 | 115.121 |
| Investment in companies | 434 | (408) | 26 | 0 | 26 |
| Intangible assets | 0 | 6.167 | 6.167 | (302) (a-c) | 5.865 |
| Property, plant and equipment | 7.753 | | 7.753 | 719 (a-c) | 8.472 |
| Receivable taxes | | 247 | 247 | 0 | 247 |
| Other assets | 15.817 | (8.651) | 7.166 | (11) (a) | 7.155 |
| TOTAL ASSETS | 1.371.456 | 2.500 | 1.373.956 | 1.766 | 1.375.722 |
| LIABILITIES | | | | | |
| Deposits and other demand liabilities | 32.587 | (18.091) | 14.496 | 0 | 14.496 |
| Deposits and other term borrowings | 604.795 | 0 | 604.795 | 0 | 604.795 |
| Financial liabilities | 20.007 | 0 | 20.007 | 0 | 20.007 |
| Debt instruments issued | 256.107 | 0 | 256.107 | 0 | 256.107 |
| Provisions | 0 | 49.932 | 49.932 | 5.122 (b-i) | 55.054 |
| Income tax payable | 0 | 846 | 846 | 0 | 846 |
| Other liabilities | 6.106 | 12.503 | 18.609 | 0 | 18.609 |
| TOTAL LIABILITIES | 919.602 | 45.190 | 964.792 | 5.122 | 969.914 |
| EQUITY | | | | | |
| Paid-in-capital | 292.333 | 0 | 292.333 | 0 | 292.333 |
| Retained earnings | 116.267 | 0 | 116.267 | (3.356) (a)(*) | 112.911 |
| Reserves | 564 | 0 | 564 | 0 | 564 |
| Surplus for the year | 42.690 | | 42.690 | 0 | 42.690 |
| Less: | | | | | |
| Provision for equity interest and surplus | 0 | (42.690) | (42.690) | 0 | (42.690) |
| TOTAL EQUITY | 451.854 | (42.690) | 409.164 | (3.356) | 405.808 |
| TOTAL LIABILITIES AND EQUITY | 1.371.456 | 2.500 | 1.373.956 | 1.766 | 1.375.722 |

(*) Includes MCh\$302 related to the effect in equity of adoption of the Compendium issued by the SBIF.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

Accounting changes described in note 2 (e), (g) and (h) have prospective application, therefore these have not been included in the first adoption adjustments.

During the period ended June 30, 2017, there have been no other accounting changes that may affect the presentation of these consolidated financial statements.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a) Basis of preparation

As set forth in the Compendium of Accounting Standards issued by the SBIF, regulatory body that, in accordance with Article No. 15 of the General Banking Act, is empowered to provide accounting standards of general application to entities subject to its supervision. The Savings and Loans Cooperatives must use the accounting principles set forth by that the SBIF and in all matters not covered by these and where not contrary to its instructions, should apply the generally accepted accounting criteria in accordance with the technical standards issued by the Chilean Institute of Accountants, which are generally consistent with IFRS as issued by the IASB. In case of any discrepancy between these generally accepted accounting principles and the instructions issued by the SBIF, the latter will prevail.

For comparability purposes, figures presented for the period ended June 30, 2016 were included in a basis consistent with those presented for June 30, 2017.

The Interim Financial Statements of the Cooperative, for the period ended June 30, 2017 were approved for issuance in accordance with the Management on August 25, 2017.

b) Basis of measurement

The financial statements have been prepared on the basis of historic costs except for the following:

- Held for trading instruments measured at fair value, through profit or loss.
- Available-for-sale instruments measured at fair value, through other comprehensive income.

c) Operating segments

Operating segments are determined on the basis of the different business units which provide products and services subject to risks and returns different from another operating segment. Management has defined that the Cooperative has a single reporting segment "Persons".

d) Functional and presentation currency

The Cooperative has defined the Chilean peso as its functional currency. All the information presented herein is stated in Chilean pesos and has been rounded to the closest million unit.

e) Transactions in foreign currency

The Cooperative's functional currency is the Chilean peso; consequently, all balances and transactions denominated in currencies other than the peso are considered to be denominated in "foreign currency".

The Cooperative's assets and liabilities in foreign currency are translated to the exchange rate of the functional currency as of the date of the Statement of financial position. All differences are debited or credited against income.

As of June 30, 2017 the Cooperative applied the exchange rate of Ch\$663.21 per US\$1.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

f) Recognition and measurement of financial assets and liabilities

The Cooperative recognizes loans to customers, trading and investment securities, deposits, debt issued and other financial assets or liabilities on the trade date. Purchases and sales of financial assets performed on a regular basis are recognized as of the trade date on which the Cooperative committed to purchase or sell the asset. The measurement criteria of assets and liabilities recorded in the accompanying statement of financial position are the following:

(i) Assets and liabilities measured at amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate method is a procedure of calculating the amortized cost of a financial instrument by discounting the expected future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the instrument.

(ii) Assets measured at fair value

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. . The fair value must reflect what the Cooperative would receive or pay when trading the instrument in the market, excluding the cost of sales or transfer.

When available, the Cooperative estimates the fair value of an instrument using quoted prices in an active market for that instrument. A market is considered active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Cooperative establishes fair value using a valuation technique. These valuation techniques include the use of recent market transactions between knowledgeable, willing parties in an arm's length transaction, if available, as well as references to the fair value of other instruments that are substantially the same, discounted cash flows and options pricing models.

Consequently, the Cooperative maintains all the financial instruments valued at market according to the current regulations, with their proper representation in the financial statements.

In order to increase the consistency and comparability of the fair value measurements and related information to disclose, the Cooperative uses and discloses hierarchies of the fair value that classify the inputs used in the valuation techniques to measure the fair value in three levels. The fair value hierarchy gives the highest priority to the instruments traded in active markets, where the "market price" is directly taken from the transactions of the day for identical assets (Level 1 inputs) and the lowest priority is for those instruments whose market value is obtained through the use of valuation techniques, statistics or econometrics (Level 3 inputs). The Level 2 inputs are instruments whose market value is obtained by "approximation" of the value of financial instruments that are traded actively in the market.

Financial instruments measured at fair value are described as follows:

Available-for-sale financial instruments: A financial asset classified as available-for-sale is initially recognized at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, subsequently measured at their fair value based on market prices or valuation models. Unrealized gains or losses as a result of fair value adjustments are recorded in "Other comprehensive income" within Equity. When these investments are sold, the cumulative fair value adjustment existing within equity is recorded directly in income under "Net financial operating income". Interest and indexations of available-for-sale instruments are included in the line item "Interest and readjustments".

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

- Held for trading instruments: Financial assets held-for-trading consist of securities acquired when a have short-term profit-generating pattern exists for an instrument or portfolio. Financial assets held-for-trading are stated at their fair market value as of the Statement of Financial Position date. Gains or losses from their fair market value adjustments, as well as gains or losses from trading activities, are included in "Gains (losses) from financial operations" in the Statement of Comprehensive Income.

g) Loans and accounts receivable from the customers

Loans are non-derivative financial assets with fixed or determined collection that are not quoted in an active market and that the Cooperative has no intention of selling immediately or in the short term.

Loans are initially measured at fair value plus the direct transaction costs and they are subsequently measured at amortized cost using the effective rate method. Impairment is recognized through the recognition of credit risk provisions as described in Note 3 r).

Loans and accounts receivable from customers are presented net of such credit risk provisions and in the case of contingent loans, they are shown in liabilities under "Provisions".

h) Contingent loans

Contingent loans are all those operations or commitments in which the Cooperative is exposed to a credit risk when making a commitment before third parties, in the occurrence of a future event, to perform a payment or disbursement that must be recovered from its customers, similar to guarantees granting, issuance or confirmation of letters of credit, issuance of performance bonds, lines of credit of immediate availability, etc.

Contingent loans are not recorded as assets. However, in order to mitigate the credit risk, an impairment provision for the eventual loss, and release if applicable, is recognized in the line item "Credit risk provisions" of the comprehensive income statement.

In order to calculate the provisions on contingent loans, as set forth by Chapter B-1 of the Compendium of Accounting Standards issued by the SBIF, the amount of exposure that must be considered shall be equivalent to the percentage of the amounts of contingent loans indicated below:

| Type of contingent loan | Exposure |
|--|----------|
| Free disposal lines of credit | 35% |
| College education loans, Law N° 20.027 | 15% |
| Other credit commitments | 100% |
| Other contingent credits | 100% |

However, in the case of operations performed with customers with overdue loans, exposure shall be equivalent to 100% of its contingent loans.

i) Charge-offs

Generally, the charge-offs are produced when the contractual rights on cash flows end. In case of loans, even if the above does not happen, it will proceed to charge-offs the respective asset balances. The charge-off refers to the derecognition of the assets in the Statement of Financial Position, related to the respective transaction and, therefore, the part that could not be past-due if a loan is payable in installments, or a lease. The charge-off must be to make using credit risk provisions constituted, whatever the cause for which the charge-off was produced.

Charge-off loans to customers, other than leasing operations, shall be made in accordance to the following circumstances occurs:

- a) The Cooperative, based on all available information, concludes that will not obtain any cash flow of the credit recorded as an asset.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

- b) When the debt (without “executive title”, a collectability category pursuant to local law) meets 90 days since it was recorded as an asset.
- c) At the time the term set by the statute of limitations runs out and as result legal actions are precluded in order to request payment through executive trial or upon rejection or abandonment of title execution issued by judicial and nonrecourse resolution.
- d) When past-due term of a transaction complies with the following:

| <u>Lending type</u> | <u>Term</u> |
|---|-------------|
| Consumer loans with or without collateral | 6 months |
| Other operations without collateral | 24 months |
| Commercial loans with collateral | 36 months |
| Mortgage loans for housing | 48 months |

The term represents the time elapsed since the date on which payment of all or part of the obligation in default became due.

j) Loan loss recoveries

Cash recoveries on charge-off loans are recorded directly in income in the Statement of Comprehensive Income, as a reduction of the “Provisions for Loan Losses” item.

k) Income and expenses on interests and adjustments

Interest income and expenses are recognized in the income statement using the effective interest rate method.

Readjustments mainly correspond to the indexation related to the variation of the Unidad de Fomento (UF), whose value is Ch\$26,665.09 as of June 30, 2017.

The Cooperative has suspended the recognition of interest income and readjustments for its impaired loans and accounts receivable with customers in the statement of income, which are only recorded once received. Suspension occurs in the following cases:

| Loans subject to suspension | Suspended |
|--|---|
| Individual evaluation: Loans classified in D1 and D2 categories | Accrual is suspended by the sole fact of being in the impaired portfolio. |
| Individual evaluation: Loans classified in C1 and C4 categories | Accrual is suspended due to having been three months in the impaired portfolio. |
| Group evaluation: Any loans, except for those with collateral reaching at least 80%. | Accrual is suspended when payment of the loan or one of its installments has been overdue for six months. |

l) Commission income and expenses

Commission income and expenses are recognized in the income statements based on different criteria according to their nature. The most significant ones are:

- Commissions earned from a single act are recognized once the act has taken place.
- Commissions earned from transactions or services provided over a longer period of time are recognized over the life of the transactions or services.
- Commissions which are linked to financial assets or liabilities, which are recognized upon collection.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

m) Impairment

(i) Financial assets

A financial asset is evaluated at the reporting date to determine whether there is objective evidence of loss events that may originate an impairment in the future value of the asset.

An impairment loss for financial assets recorded at amortized cost is calculated as the difference between the carrying amount of the assets and the current value of the estimated cash flows, discounted at the original effective interest rate.

An impairment loss in relations to available-for-sale instruments is calculated using its fair value, considering fair value changes already recognized in other comprehensive income. All impairment losses are recognized in income and any amounts previously recognized in equity in relation to an available-for sale financial asset is transferred to the statement of comprehensive income.

The reversal of an impairment loss occurs only if this can be objectively related to an event occurred after it was recognized.

(ii) Non-financial assets

The carrying amount of the Cooperative's non-financial assets, excluding deferred taxes, are reviewed at each reporting date, to determine whether there is any evidence of impairment. If such indication exists, the recoverable amount of the asset is then estimated.

n) Investment in companies

The investments in companies recorded in the financial statements as of June 30, 2017 are those in which the Cooperative has not significant influence, and these are presented at cost.

o) Intangible assets and Software

The intangible assets held by the Cooperative as of June 30, 2017, are presented at cost, less any accumulated amortization according to the remaining useful life of the asset.

The subsequent disbursements are capitalized when it increases the future economic benefit for the specific asset.

Estimated useful live are as follows:

| | |
|----------|---------|
| Software | 4 years |
|----------|---------|

p) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes expenses that have been directly attributed to the acquisition of the asset.

When part of an item of fixed assets has a different useful life, they are recorded as separate items (significant components of fixed assets).

Depreciation is recognized in the statement of comprehensive income based on the method of straight-line depreciation over the useful lives of each part of an item of fixed assets.

The estimated useful lives are as follows :

| | |
|--------------------------------|----------|
| Own building and offices | 10 years |
| Computer equipment | 4 years |
| Furniture | 3 years |
| Machines and equipment | 2 years |
| Refurbishing of leased offices | 5 years |

The methods of depreciation, useful lives and residual values are calculated on each reporting date.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

q) Statements of cash flows

The indirect method has been used in the preparation of the consolidated statement of cash flows by which, starting from the Cooperative's income, non-monetary transactions are added as well as inflows and outflows associated with investing and financing activities.

The following concepts have been taken into account in the preparation of the consolidated statement of cash flows:

- (i) Cash and cash equivalents correspond to "Cash and Bank Deposits"
- (ii) Operating activities: related to normal activities carried out by the Cooperative and other activities that cannot be classified as of investing or financing.
- (iii) Investing activities: relate to the acquisition, disposal or disposition by other means of long-term assets and other investments not included in cash and cash equivalents.
- (iv) Financing activities: correspond to activities that produce changes in the size and composition of equity and liabilities that are not part of operating and investing activities.

r) Allowance for credit risk

The allowances required to cover the risk of loan losses, including contingent loans, are calculated and made on a monthly basis, in accordance with the standards defined by the SBIF.

In accordance with the SBIF requirements, certain methods or models are used, based on the individual and collective assessment of the borrowers, in order to recognize credit risk allowances.

s) Individual Assessment

The individual evaluation of the borrowers is necessary when it involves companies which, due to their size, complexity or level of exposure with the entity, are required to be known and analyzed in detail.

The analysis of the borrowers is focused on their capacity and availability to comply with their credit obligations by means of sufficient and reliable information, and analyzing their credits in matters of guarantees, terms, interest rates, currency, readjustment, etc.

For the effects of creating the provisions, loans must be classified in their corresponding risk category,,: Normal Risk and Above Normal Risk.

Loan Portfolio in Normal Risk

The Loan Portfolio in Normal Risk includes those borrowers whose payment capacity allows them to comply with their obligations in the contractually agreed terms, and accordingly, this category includes only those borrowers which strength makes unnecessary to perform an assessment of the loan recoveries in relation with the guarantees.

In addition, and because this category reflects the payment capacity of each borrower, partners with a significant worsening of their payment capacity with the Cooperative or third parties, and showing, for example, classifications in the overdue portfolio, recurring default or in renegotiations involving interest capitalizations, even though the loans are fully covered with guarantees.

Normal risk portfolio is composed by borrowers who are up to date on their payment obligations and show no sign of deterioration in their credit quality and that do not present arrears over 30 days. The classifications assigned to this portfolio are categories A and B.

Categories A1 to A3: These categories includes borrowers with no apparent risks, whose ability to pay would continue to be good against unfavorable business, economic or financial situations. The classification in these categories will be made based on the relative strength of the borrowers, established according to the methods used by the Cooperative.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

Category B: This category includes borrowers having sufficient credit quality but its ability to pay could be deteriorated in presence of adverse economic conditions. The borrower has a certain amount of flexibility to meet its financial obligations, but this is variable, i.e.: its ability to pay presents vulnerabilities to cyclical fluctuations in the economy or markets in which it participates. Among other, it is considered the borrowers' behavior evidenced in other systems and available information referring to delinquencies, claims, social security debts, labor or tax penalties. The borrower do not present significant current situations above mentioned at the moment of the classification.

The borrowers classified in the aforementioned categories are allocated to the following percentages of provision, which will be applied to the balance exposed at risk of each partner, which is composed of all its placements and contingent loans:

| Category | % Provision |
|----------|-------------|
| A1 | 0.0500 |
| A2 | 0.1952 |
| A3 | 2.6514 |
| B | 7.3645 |

Loan portfolio in Risk above Normal

In this segment, borrowers with insufficient payment capacity will be located in the current situation. The categories composing this portfolio correspond to a classification based on the level of expected loss of commercial loans and commercial leasing operations of the client as a whole, measured according to the methodology used by the Cooperative.

For purposes of establishing provisions, the following percentage associated with the expected loss percentages of each borrower shall be applied to the credits:

| Classification | Expected loss percentage | Provision |
|----------------|-----------------------------|-----------|
| C1 | Up to 3% | 2% |
| C2 | More than 3% and up to 19% | 10% |
| C3 | More than 19% and up to 29% | 25% |
| C4 | More than 29% and up to 49% | 40% |
| D1 | More than 49% and up to 79% | 65% |
| D2 | More than 79% | 90% |

ii) Collective assessment

Collective assessment of loans applies when a large number of low-value individual operations are examined together. This type of assessment may include consumer loans, mortgages, and commercial loans with small businesses. The group evaluations, as well as the criteria to apply them, should be consistent with those made for the granting of credits.

To evaluate its credit portfolio, the Cooperative uses internal valuation methods appropriate to its type of portfolio. These internal evaluation methods and expected loss models were approved by the Board of Directors.

In order to recognize the necessary and sufficient provisions to cover the losses associated with the payment behavior of the partners and calculate the provisions using the expected loss models, the portfolios were segmented into homogeneous groups and, through technically developed estimates, the probability of default (PD) and the loss given default (LGD) for each group. The estimation of these parameters considers a historical record of five years, in order to cover possible recessive periods and to strengthen the estimation of such parameters, as established in the best regulatory practices on modeling. It is also considered the incorporation of new information and analysis of new parameters affecting the nature of the segment.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

The following segments were considered:

- State payroll discounts
- Private payroll discounts
- Direct payment
- Renegotiated
- Credit card
- Commercial

For the mortgage segment, the Cooperative adopted the standard guidance established by the SBIF for financial institutions.

s) Additional allowances

As of June 30, 2017, the Cooperative maintains additional allowances for its loans portfolio amounting to MCh\$2,500, which consider the expected impairment of such portfolio. The calculation of allowance is made based on the Cooperative's historical experience and considering adverse macroeconomic prospects or circumstances that may affect a sector, industry or group of borrowers or projects.

t) Provisions and contingent liabilities

Provisions are liabilities about which there is uncertainty about their amount or maturity. These provisions are included in the statement of financial position when the following requirements are met:

- It is a current obligation as a result of past events and, as of the date of the financial statements, it is probable that the Cooperative will have to disburse resources to settle the obligation and the amount of these resources can be measured reliably.
- A contingent asset or liability is any obligation arising from past events whose existence will be confirmed only if one or more future uncertain events occur and which are not under the Cooperative's control.

u) Leases

As of June 30, 2017, the Cooperative acts as a lessee and classified its agreements as operating leases. An operating lease is recognized as an expense on a straight-line basis for the duration of the lease, which starts when the lessee controls the physical use of the property.

v) Employee Benefits

The Cooperative has agreed compensation payments to its staff for years of service, for which provisions have been recognized, as indicated in note 2 b) of this report.

w) Tax regime

As per article N°17 of Decree-Law N°824, cooperatives are exempt of the corporate income tax, except for the part of the surplus that corresponds to operations performed with natural or legal persons, that are not partners. Consequently, the Cooperative does not recognize deferred taxes.

Current taxes have been calculated using the corporate income tax rate established in Law N°20,780, published on September 29, 2014.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

x) Use of estimates in the financial statements

The preparation of the financial statements according to the accounting standards set forth by the SBIF requires management to perform estimates and assumptions that affect the reported balances of assets and liabilities, as well as the assets, liabilities, revenue and expense balances presented. Real results may differ from these estimates.

y) Seasonality of the Intermediate Period:

Due to the nature of its business, the Cooperative's activities do not have a cyclical or seasonal character.

z) New Accounting Pronouncements

The following new Standards and Interpretations have been issued but have not become in full force and effect as of June 30, 2017 (the Cooperative is currently evaluating the potential impact of adopting these new pronouncements:

IFRS 9 "Financial instruments" - The IASB has published the full version of IFRS 9 which substitutes the guidelines for the application of IAS 39. This final version includes requirements related to the classification and measurement of financial assets and liabilities and a form of expected loan loss that replaces the current form of incurred impairment loss. The hedge accounting part of this final version of IFRS 9 had already been published in November 2013. Its early adoption is permitted. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenues from Contracts with Clients" - Published on May 2014. This standard establishes the guidance that an entity must apply for the presentation of useful information to the users of the financial statements regarding the nature, amount, timing and uncertainty of the revenues and cash flows derived from agreements executed with clients. Therefore, the basic principle is that an entity will recognize the revenues that represent the transfer of goods or services promised to customers in an amount that reflects the consideration that the entity expects to be entitled to exchange for those goods or services. Its application supersedes IAS 11 "Construction Contracts"; IAS 18 "Ordinary Revenue"; IFRIC 13 "Customer loyalty programs"; IFRIC 15 "Contracts for the construction of real estate"; IFRIC 18 "Transfers of Assets from Customers"; and SIC-31 "Revenue - Barter Transactions Involving Advertising Services. Its early application is permitted. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 "Leases" - Published in January 2016. It establishes the principle for the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces current IAS 17 and introduces a single lease accounting model and requires a tenant or lessee to recognize the assets and liabilities of all leases executed for more than 12 months, unless the underlying asset is of a low value. The purpose is to ensure that lessees and lessors provide relevant information in a way that faithfully represents the transactions. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, its early application is permitted for entities applying IFRS 15 or before the date of the initial application of IFRS 16.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019

In accordance with the Compendium of Accounting Standards, these standards will not be applied as long as the SBIF does not approve that this standard will become a mandatory for all financial institutions.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

NOTE 4. RELEVANT FACTS

For the period ended Jun 30, 2017 the Cooperative does not present relevant facts that have to be disclosed.

NOTE 5- TRADING INSTRUMENTS

As of June 30, 2017 and December 31, 2016, the detail of financial instruments designated as financial instruments held for trading is as follows:

| | June 30, 2017 MCh\$ | December 31, 2016 MCh\$ |
|------------------------------------|------------------------|----------------------------|
| Investments in mutual funds | | |
| Funds managed by third parties | 9,202 | 6,001 |
| Total | 9,202 | 6,001 |

NOTE 6 – AVAILABLE-FOR-SALE INSTRUMENTS

As of June 30, 2017 and December 31, 2016, the instruments designated as available-for-sale are detailed as follows:

| | June 30, 2017 MCh\$ | December 31, 2016 MCh\$ |
|---|------------------------|----------------------------|
| Investments quoted in active markets: | | |
| Government and Central Bank: | | |
| Central Bank instruments | 42,213 | 42,721 |
| Instruments of the General Treasury of the Republic | 72,905 | 72,400 |
| Total | 115,118 | 115,121 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

NOTE 7: LOANS AND ACCOUNTS RECEIVABLE FROM CUSTOMERS

As of June 30, 2017 and December 31, 2016, the composition of the loans portfolio is as follows:

| | ASSETS BEFORE PROVISIONS | | | RECORDED PROVISIONS | | | Net assets MCh\$ |
|--|------------------------------|--------------------------------|------------------|-----------------------------------|------------------------------|----------------|---------------------|
| | Normal portfolio MCh\$ | Impaired portfolio MCh\$ | Total MCh\$ | Individual provisions MCh\$ | Group provisions MCh\$ | Total MCh\$ | |
| As of June 30, 2017 | | | | | | | |
| Commercial loans: | | | | | | | |
| Commercial loans | 14,217 | 4,829 | 19,046 | 1,366 | 250 | 1,616 | 17,430 |
| Loans with CORFO funding or guarantee | 7,042 | 1,028 | 8,070 | 118 | 645 | 763 | 7,307 |
| Student loans | 569 | 6 | 575 | - | 10 | 10 | 565 |
| Subtotal | 21,828 | 5,863 | 27,691 | 1,484 | 905 | 2,389 | 25,302 |
| Mortgage loans: | | | | | | | |
| Other mortgage loans | 325,673 | 47,215 | 372,888 | - | 7,294 | 7,294 | 365,594 |
| Subtotal | 325,673 | 47,215 | 372,888 | - | 7,294 | 7,294 | 365,594 |
| Consumer loans: | | | | | | | |
| Consumer loans in installments, direct payment | 106,640 | 33,505 | 140,145 | - | 32,464 | 32,464 | 107,681 |
| Consumer loans in installments through payroll discounts | 747,753 | 18,199 | 765,952 | - | 25,953 | 25,953 | 739,999 |
| Credit cards | 11,062 | 553 | 11,615 | - | 847 | 847 | 10,768 |
| Subtotal | 865,455 | 52,257 | 917,712 | - | 59,264 | 59,264 | 858,448 |
| Total | 1,212,956 | 105,335 | 1,318,291 | 1,484 | 67,463 | 68,947 | 1,249,344 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

| <u>As of December 31, 2016</u> | ASSETS BEFORE PROVISIONS | | | PROVISIONS RECORDED | | | Net assets MCh\$ |
|--|---------------------------|-----------------------------|------------------|--------------------------------|---------------------------|----------------|---------------------|
| | Normal portfolio MCh\$ | Impaired portfolio MCh\$ | Total MCh\$ | Individual provisions MCh\$ | Group provisions MCh\$ | Total MCh\$ | |
| Commercial loans: | | | | | | | |
| Commercial loans | 17,916 | - | 17,916 | 959 | 242 | 1,201 | 16,715 |
| Loans with CORFO funding or guarantee | 7,820 | - | 7,820 | 55 | 503 | 558 | 7,262 |
| Student loans | 477 | - | 477 | - | 8 | 8 | 469 |
| Sub total | 26,213 | - | 26,213 | 1,014 | 753 | 1,767 | 24,446 |
| Housing loans: | | | | | | | |
| Other mortgage loans for housing | 368,869 | - | 368,869 | - | 8,609 | 8,609 | 360,260 |
| Sub total | 368,869 | - | 368,869 | - | 8,609 | 8,609 | 360,260 |
| Consumer loans: | | | | | | | |
| Consumer loans in installments with direct payment | 135,014 | - | 135,014 | - | 31,288 | 31,288 | 103,726 |
| Consumer loans in installments through payroll discounts | 728,993 | - | 728,993 | - | 26,197 | 26,197 | 702,796 |
| Credit cards | 9,623 | - | 9,623 | - | 1,011 | 1,011 | 8,612 |
| Sub total | 873,630 | - | 873,630 | - | 58,496 | 58,496 | 815,134 |
| Total | 1,268,712 | - | 1,268,712 | 1,014 | 67,858 | 68,872 | 1,199,840 |

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) (Millions of Chilean Pesos - MCh\$)

NOTE 8 – DEPOSITS AND OTHER TERM BORROWINGS

At June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

| | June 30, 2017 MCh\$ | December 31, 2016 MCh\$ |
|-----------------------------------|------------------------|----------------------------|
| Partner term deposits | 114,551 | 109,016 |
| Third party term deposits | 243,583 | 197,584 |
| Partner term savings accounts | 152,733 | 144,190 |
| Third party term savings accounts | 163,543 | 154,005 |
| Total | 674,410 | 604,795 |

NOTE 9 – DEBT INSTRUMENTS ISSUED

At June 30, 2017 and December 31, 2016, the composition of this caption is as follows:

| | June 30, 2017 MCh\$ | December 31, 2016 MCh\$ |
|--------------|------------------------|----------------------------|
| Bonds | 254,516 | 256,107 |
| Total | 254,516 | 256,107 |

Debt instruments issued at June 30, 2017 is detailed as follows:

| Series | Amount MM\$ | Term | Effective Interest rate | Issuance date | Maturity date | Currency |
|--------------|----------------|----------|-------------------------------|------------------|------------------|----------|
| B2 | 56,279 | 20 Years | 4,60% Annual | 06-01-2009 | 06-01-2029 | UF |
| C | 44,880 | 21 Years | 3,85% Annual | 07-10-2013 | 07-10-2034 | UF |
| D2 | 72,835 | 25 Years | 3,80% Annual | 05-05-2014 | 05-05-2039 | UF |
| E2 | 80,522 | 25 Years | 3,50% Annual | 03-01-2015 | 03-01-2040 | UF |
| Total | 254,516 | | | | | |

NOTE 10 – Subsequent events

At July 13, 2017, the Cooperative entered into a cash flow hedge (Cross Currency Swap UF fixed / fixed CLP) with a nominal amount of UF 951.508 in a five year term.

There are no other events that may significantly affect the presentation of the same in the period between June 30, 2017 and the date of issuance of the present financial statements.

Eric Urrutia Martínez
Chief Accountant

Rodrigo Silva Iñiguez
General Manager

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA

Annual Financial statements

As of December 31, 2016 and 2015

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MCh\$ - Millions of Chilean pesos



INDEPENDENT AUDITORS' REPORT
(Translation from the original in Spanish)

Santiago, January 31, 2017

Chairman and Members of the Board of Directors
Cooperativa del Personal de la Universidad de Chile Limitada

We have audited the accompanying financial statements of Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter the “Cooperative”), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of income and cash flows for the years then ended and the related notes to the financial statements.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives. This responsibility includes the design, implementation and maintenance of a relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant for the preparation and fair presentation of the financial statements of the Cooperative in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Santiago, January 31, 2017
Cooperativa del Personal de la Universidad de Chile Limitada
2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Cooperativa del Personal de la Universidad de Chile Limitada as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

Emphasis of Matter

As indicated in Note 18, on August 19, 2015 the Superintendence of Banks and Financial Institutions issued Circular letter No. 162 applicable to Savings and Loans Cooperatives. According to this circular, financial statements from 2017 onwards should be prepared according to the "Accounting Standards Compendium", issued by the Superintendence of Banks and Financial Institutions to cooperatives. Any accounting matters not dealt with by this compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31,
2016 AND 2015
(In millions of Chilean pesos - MCh\$)

| | <u>2016</u> <u>MCh\$</u> | <u>2015</u> <u>MCh\$</u> |
|--|---|---|
| <u>ASSETS</u> | | |
| Cash and banks | <u>32,980.5</u> | <u>22,412.1</u> |
| Loans and receivables | | |
| Commercial loans | 24,769.1 | 23,121.2 |
| Consumer loans | 867,781.4 | 817,624.2 |
| Other current loans | 355,817.6 | 366,309.5 |
| Overdue portfolio | <u>14,822.2</u> | <u>7,387.0</u> |
| Total loans and receivables | <u>1,263,190.3</u> | <u>1,214,441.9</u> |
| Less: Allowance for loan losses | <u>(69,840.4)</u> | <u>(67,046.6)</u> |
| Total net loans and receivables | <u>1,193,349.9</u> | <u>1,147,395.3</u> |
| Investments: | | |
| Other financial investments | 121,122.1 | 85,767.5 |
| Other non-financial investments | <u>434.3</u> | <u>458.2</u> |
| Total investments | <u>121,556.4</u> | <u>86,225.7</u> |
| Other assets | <u>15,815.5</u> | <u>18,375.8</u> |
| Property, plant and equipment | <u>7,753.4</u> | <u>3,029.5</u> |
| TOTAL ASSETS | <u>1,371,455.7</u> | <u>1,277,438.4</u> |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31,
2016 AND 2015

(In millions of Chilean pesos - MCh\$)

| | <u>2016</u> MCh\$ | <u>2015</u> MCh\$ |
|--|-----------------------------|-----------------------------|
| <u>LIABILITIES AND EQUITY</u> | | |
| Liabilities | | |
| Deposits and other obligations | | |
| Deposits | 604,794.5 | 515,190.6 |
| Other on demand and term deposits | <u>32,587.6</u> | <u>32,337.1</u> |
| Total deposits and other obligations | <u>637,382.1</u> | <u>547,527.7</u> |
| Financial liabilities (Bonds) | <u>256,106.8</u> | <u>265,393.2</u> |
| Financial liabilities with financial institutions and others | | |
| Financial liabilities with Chilean financial institutions | 19,304.6 | 26,586.6 |
| Other obligations | <u>702.6</u> | <u>953.4</u> |
| Total loans payable to financial institutions and others | <u>20,007.2</u> | <u>27,540.0</u> |
| Other liabilities | <u>6,106.2</u> | <u>5,707.0</u> |
| Total liabilities | <u>919,602.3</u> | <u>846,167.9</u> |
| Equity | | |
| Capital and reserves | 408,599.7 | 394,627.6 |
| Revaluation accounts | 564.2 | - |
| Net income for the year | <u>42,689.5</u> | <u>36,642.9</u> |
| Total equity | <u>451,853.4</u> | <u>431,270.5</u> |
| TOTAL LIABILITIES AND EQUITY | <u>1,371,455.7</u> | <u>1,277,438.4</u> |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In millions of Chilean pesos - MCh\$)

| | <u>2016</u> MCh\$ | <u>2015</u> MCh\$ |
|---|-----------------------------|-----------------------------|
| Operating income | | |
| Interest and readjustment income | 193,624.8 | 188,854.2 |
| Commissions income | 21,428.3 | 21,724.9 |
| Other operating income | 726.0 | 1,360.4 |
| Total operating income | 215,779.1 | 211,939.5 |
| Less: | | |
| Interest and readjustment expense | (38,389.7) | (41,598.5) |
| Gain (loss) on revaluation of investments | 355.1 | (533.8) |
| Gain (loss) on foreign exchange | 193.3 | (8.6) |
| Commissions expense | (1,759.6) | (2,025.6) |
| Other operating expenses | (36.0) | (46.6) |
| Gross margin | 176,142.2 | 167,726.4 |
| Staff remuneration and expenses | (52,321.1) | (47,689.1) |
| Administrative and other expenses | (25,733.0) | (26,199.2) |
| Depreciation and amortization | (4,961.5) | (3,018.2) |
| Net margin | 93,126.6 | 90,819.9 |
| Provisions for assets at risk | (51,245.9) | (51,340.4) |
| Recovery of loans receivable written off | 14,179.3 | 13,738.8 |
| Net operating income | 56,060.0 | 53,218.3 |
| Non-operating income | | |
| Non-operating income | 947.1 | 576.8 |
| Non-operating expenses | (1,914.3) | (1,584.0) |
| Inflation adjustments | (11,551.0) | (14,856.7) |
| Net Income before tax | 43,541.8 | 37,354.4 |
| Income tax expense | (852.3) | (711.5) |
| NET INCOME FOR THE YEAR | 42,689.5 | 36,642.9 |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In millions of Chilean pesos - MCh\$)

| | <u>2016</u> MCh\$ | <u>2015</u> MCh\$ |
|--|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the year | 42,689.5 | 36,642.9 |
| Charges (credits) not affecting cash flow | | |
| Depreciation and amortization | 4,961.5 | 3,018.2 |
| Provisions for assets at risk | 51,245.9 | 51,340.3 |
| Income tax provision | 852.3 | 711.5 |
| Inflation adjustments | 11,551.0 | 14,856.7 |
| (Gain) loss on revaluation of investments | (355.1) | 533.8 |
| Net changes in interest, readjustment and commission accruals | (9,596.7) | 2,278.3 |
| Net cash flows provided by operating activities | <u>101,348.4</u> | <u>109,381.7</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in loans and receivables | (120,293.9) | (101,641.9) |
| Net increase in investments | (34,372.3) | (31,459.4) |
| Purchase of property, plant and equipment and others | (3,555.0) | (759.2) |
| Purchase of intangible assets and construction in progress | (2,414.2) | (3,886.0) |
| Net increase in other assets and liabilities | (1,866.4) | (3,021.2) |
| Net decrease in derivative contracts | - | 41.4 |
| Net cash flows used in investing activities | <u>(162,501.8)</u> | <u>(140,726.3)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in deposits | 105,437.7 | 35,122.9 |
| Increase (decrease) in other on demand and term deposits | 1,125.1 | (2,126.9) |
| Decrease in financial liabilities with Chilean financial institutions | (4,000.5) | (47,909.1) |
| Decrease in financial liabilities (bonds) | (7,727.9) | (17,529.0) |
| Increase in financial liabilities (bonds) | - | 75,620.7 |
| Decrease in other obligations | (218.8) | (604.1) |
| Capital stock increase | 13,348.0 | 12,007.8 |
| Net income distributed | (35,610.2) | (25,544.7) |
| Legal reserve for surpluses over 5 years (Art.100 of Regulations governing Cooperative Law). | - | (4.1) |
| Net cash flows provided by financing activities | <u>72,353.4</u> | <u>29,033.5</u> |
| TOTAL NET POSITIVE (NEGATIVE) CASH FLOWS FOR THE YEAR | <u>11,200.0</u> | <u>(2,311.1)</u> |
| EFFECT OF INFLATION ON CASH | <u>(631.6)</u> | <u>(729.8)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | <u>10,568.4</u> | <u>(3,040.9)</u> |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | <u>22,412.1</u> | <u>25,453.0</u> |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | <u>32,980.5</u> | <u>22,412.1</u> |

The accompanying notes 1 to 18 are an integral part of these financial statements.

NOTE 1. COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or the "Cooperative") is a legal entity formed by Constitution Law 1 dated October 31, 1967, which was subscribed to a public deed dated December 6, 1967. The Ministry of Economic Affairs, Development and Tourism authorized its creation and approved its bylaws in Decree 122 dated January 29, 1968, published in the Official Gazette 26,970 dated February 16, 1968. Its legal address is 1141, Agustinas Street, Santiago, Chile.

Coopeuch Ltda. is a savings and loans cooperative with an indefinite legal duration. It has its own variable capital stock and an unlimited number of shareholders. The Cooperative's equity belongs to the shareholders and is divided into capital shares expressed in Chilean pesos.

Its purpose is to perform any transaction permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties. To promote cooperative principles and values among its members and promote their personal and financial well-being.

The Cooperative is subject to supervision and control by the Department of Cooperatives (hereinafter "Decoop") of the Ministry of Economic Affairs, Development and Tourism. Furthermore, according to Article 87 of General Cooperative Law, those Savings and Loans Cooperatives whose equity exceeds UF 400,000 are also subject to supervision and control by the Superintendency of Banks and Financial Institutions (hereinafter "SBIF") with respect to the economical transactions that fulfill to comply with its purpose.

NOTE 2. PRINCIPAL ACCOUNTING POLICIES

- a. Information provided** - These financial statements have been prepared in accordance with accounting standards contained in the Updated Compilation of Standards ("UCS") issued by the SBIF that apply to Savings and Loans Cooperatives.

For comparison purposes, the figures for 2015 have been updated to reflect the change in the Consumer Price Index of 2.9%.

- b. Interest and readjustments** – Loans and receivables and financial liabilities are presented with their interests and readjustments accrued at the reporting date each year. However, the prudent criteria of suspending the accrual of interests and readjustments on over-due and high-risk loans and receivables has been followed.
- c. Inflation adjustments** - Non-monetary assets and liabilities, such as capital, property, plant and equipment, and others, are indexed according to changes in the Consumer Price Index (CPI), as required by Chapter 7-3 of the UCS and ratified by Ord. 7,759 issued by the Department of Cooperatives on December 21, 2009. As of December 31, 2016, this adjustment mechanism resulted in a net debit to net income of MCh\$ 11,551.0 (MCh\$ 14,856.7 in 2015). Accounts presented in the net income statement are not adjusted for inflation, accordingly, the net income for the year is not affected.
- d. Foreign Currency** - The assets and liabilities denominated in United States dollars at the reporting date are presented at their equivalent in pesos, calculated at the rate of \$667.29 per US\$ 1 (\$707.34 per US\$ 1 in 2015).
- e. Financial investments** - Investments in financial instruments are investments in term deposits, mutual funds and bonds issued by the Chilean Central Bank (BCU) and the Chilean General Treasury (BTU). The valuation policies are described below:
- Term deposits: Investments in permanent-term deposits are made with the intention of keeping them until maturity. These investments are presented at their acquisition value, plus accrued interest and readjustments.

- Mutual funds: Investments in mutual funds are presented at their market value on the reporting date.
 - BCU and BTU Bonds: These investments are classified as permanent financial instruments with a secondary market, and are presented at market value with their changes recognized in equity.
- f. Financial derivatives** - Contracts for financial derivatives are initially recognized at cost (including transaction costs) and subsequently measured at fair value. Fair value is obtained from market quotes and cash flow discount models, as appropriate, including present and future relevant market estimates of the size and liquidity of these positions. They are presented as assets when their fair value is positive and as a liability when this is negative, in the "Other assets" or "Other liabilities" line items, respectively.
- g. Property, plant and equipment** - These are valued at cost plus inflation adjustments and net of depreciation calculated on a straight line basis over the useful life of the respective assets.
- h. Intangible assets** - These are identifiable intangible assets and software investments, net of accumulated amortization. Investments in software and trademark licenses are valued at cost plus inflation adjustments and depreciated on a straight-line basis over their estimated useful life. The amortization period for software investments shall not exceed 6 years.
- i. Allowance for loan losses** – Allowances required to cover the risk of losses on assets have been established in accordance with the standards issued by the SBIF. Such assets are presented net of these allowances, or presented net of this allowance as in the case of loans and receivables.
- As of December 31, 2016 and 2015, the Cooperative has additional provisions on its loans and receivables portfolio of MCh\$ 2,500, which includes expected portfolio impairment. This provision is calculated based on the Cooperative's past experience and the potential adverse macroeconomic expectations, or the circumstances that may affect a particular sector, industry, debtor group or project.
- j. Staff vacations** - The annual cost of staff vacations is recorded on an accrual basis.
- k. Severance provision for years of service** -The severance provision for years of service that the Cooperative must pay to employees is calculated by applying the present value method to the accrued benefit, with an annual discount rate of a 1.34% (1.65% in 2015).
- l. Cash flow** - The cash flow statement has been prepared using the indirect method.
- m. Cash and cash equivalents** - For the purpose of the cash flow statement, cash and cash equivalents are cash and bank balances included under the heading "Cash and banks" in the financial position statement.
- n. Income tax regime** - Article 17 of Decree Law 824 states that cooperatives are exempt from income tax, except for the part of net income that corresponds to transactions carried out with natural persons or legal entities who are not shareholders. As a result, the Cooperative does not recognize deferred tax.
- Current income taxes have been based on the income tax rates contained in Law 20,780, published on September 29, 2014.
- o. Estimated figures in the financial statements** - Preparing financial statements in accordance with accounting standards issued by the SBIF requires management to make certain estimates and assumptions that affect the reported assets and liabilities, as well as the reported revenue and expenses during the reporting period. The actual figures may differ from these estimated amounts.

NOTE 3. ACCOUNTING CHANGES

- a) The Cooperative has updated its model for calculating its credit risk provision on the mortgage portfolio by adopting the standard B1 model for banks, and at the same time amended the calculation for the group evaluation of the commercial portfolio using an expected loss model, in order to progress toward best risk management practices. The effects of changes to this model were applied prospectively as a change in accounting estimates, recognizing a debit to net income for 2016 of MCh\$ 4,691.
- b) During 2016 financial investments in BCU and BTU bonds were classified as permanent financial instruments with a secondary market, accordingly were valued at market value with their changes taken to equity. These investments were classified as trading financial instruments as at December 31, 2015 and their changes in fair value were recognized in net income.

NOTE 4. MATERIAL EVENTS

THE BOARD OF DIRECTORS

A General Shareholders' Meeting was held on December 17, 2016, which agreed, by the unanimous vote of the shareholders in attendance, to amend the bylaws and extend to July 1, 2017 the date that the new fifth chapter of the bylaws, called General Meetings and Local Assemblies, comes into effect.

The 50th General Shareholders Meeting of Coopeuch Ltda. was held on April 23, 2016, and according to the Cooperative's bylaws the following people were designated as Directors: Miss Edith Sanchez Meza and Messrs. Andrés Reinstein Alvarez and Carlos Gonzalez Cáceres.

An Extraordinary Board Meeting was held on April 27, 2016, which appointed the Board of Directors for 2016-2017, as follows:

| | | |
|---------------|---|--------------------------------|
| Chairman | : | Miss Siria Jeldes Chang |
| Vice Chairman | : | Mr. Erik Haindl Rondanelli |
| Secretary | : | Mr. Sergio Zúñiga Astudillo |
| Director | : | Miss Edith Sanchez Meza |
| Director | : | Mr. Andrés Reinstein Alvarez |
| Director | : | Mr. Alejandro Quintana Hurtado |
| Director | : | Mr. Carlos González Cáceres. |

Amendment to Cooperative Law

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law.

NOTE 5. RELATED PARTY TRANSACTIONS

Natural persons or legal entities that are directly, or through a third party, related to the ownership or management of the cooperative are considered related parties, in accordance with General Cooperative Law, the provisions of the Accounting Standards Compendium of the Chilean Central Bank and the accounting instructions issued by the SBIF.

As of December 31, 2016, loans and receivables with related parties were as follows:

| | Portfolio not due MCh\$ | Portfolio overdue MCh\$ | Total MCh\$ | Guarantees MCh\$ |
|-----------------|-------------------------------|-------------------------------|----------------|---------------------|
| Individuals (*) | 188.5 | - | 188.5 | 234.2 |
| Total | 188.5 | - | 188.5 | 234.2 |

As of December 31, 2015, loans and receivables from related parties were as follows:

| | Portfolio not due MCh\$ | Portfolio overdue MCh\$ | Total MCh\$ | Guarantees MCh\$ |
|-----------------|--|--|------------------------|-----------------------------|
| Individuals (*) | 426.9 | - | 426.9 | 444.0 |
| Total | 426.9 | - | 426.9 | 444.0 |

(*) Only includes the obligations of natural persons whose debts are equal to or greater than UF 3,000.

As of December 31, 2016 and 2015, the Cooperative has a loan receivable with related parties of an amount exceeding UF 1,000.

NOTE 6. PROVISIONS

Provisions for assets at risk

Movements in the allowance for assets at risk as of December 31, 2016 and 2015 were as follows:

| | Loans and receivables MCh\$ | Goods received in payment MCh\$ | Other assets MCh\$ | Total MCh\$ |
|--|--|--|-----------------------------------|------------------------|
| Balances as of December 31, 2014 | 66,670.8 | - | - | 66,670.8 |
| Allowances applied | (51,407.4) | - | - | (51,407.4) |
| Creation of provision (1) | 55,617.7 | - | - | 55,617.7 |
| Provisions released | (5,724.1) | - | - | (5,724.1) |
| Balances as of December 31, 2015 | 65,157.0 | - | - | 65,157.0 |
| Unrecognized CPI adjustment (2.9%) | 1,889.6 | - | - | 1,889.6 |
| Indexed balance as of December 31, 2015 | 67,046.6 | - | - | 67,046.6 |
| Balance as of December 31, 2015 | 65,157.0 | - | - | 65,157.0 |
| Allowances applied | (46,562.5) | - | - | (46,562.5) |
| Creation of provisions | 61,511.5 | - | - | 61,511.5 |
| Provisions released | (10,265.6) | - | - | (10,265.6) |
| Balance as of December 31, 2016 | 69,840.4 | - | - | 69,840.4 |

- (1) Extraordinary Board of Directors Meeting 1 was held on January 18, 2017 and in accordance with the regulations issued by the SBIF, it was agreed that the Cooperative should establish additional provisions on its loans and receivables portfolio, due to expected portfolio impairment. This provision was based on the Bank's past experience and potential adverse macroeconomic expectations, or circumstances that may affect a particular sector, industry, debtor group or project. As of December 31, 2016 and 2015, this additional provision was MCh\$ 2,500.

In addition, as explained in Note 3 (Accounting Changes), the Cooperative updated its credit risk provision models, generating a debit to net income for 2016 of MCh\$ 4,691.

In Management's opinion, the allowances recorded cover all potential losses that may arise from assets at risk, based on the information examined by the Cooperative.

NOTE 7. EQUITY

a) Equity

Movements in equity during 2016 and 2015 were as follows:

| | Share capital MCh\$ | Reserves MCh\$ | Net income for the year MCh\$ | Revaluation accounts MCh\$ | Total MCh\$ |
|---|---------------------------|-------------------|-------------------------------------|----------------------------------|------------------|
| Balances as of December 31, 2014 | 249,315.6 | 101,879.2 | 31,031.0 | - | 382,225.8 |
| Net income distributed | - | - | (24,824.8) | - | (24,824.8) |
| Increase of capital stock | 11,669.4 | - | - | - | 11,669.4 |
| Capitalization of reserves (1) | - | 6,206.2 | (6,206.2) | - | - |
| Capitalization of reserves (2) | - | 4.5 | - | - | 4.5 |
| Revaluation of capital | 9,911.6 | 4,519.4 | - | - | 14,431.0 |
| Net income for the year | - | - | 35,610.2 | - | 35,610.2 |
| Balance as of December 31, 2015 | 270,896.6 | 112,609.3 | 35,610.2 | - | 419,116.1 |
| Unrecognized CPI adjustment (2.9%) | 7,856.0 | 3,265.7 | 1,032.7 | - | 12,154.4 |
| Indexed balances as of December 31, 2015 | 278,752.6 | 115,875.0 | 36,642.9 | - | 431,270.5 |
| Balance as of December 31, 2015 | 270,896.6 | 112,609.3 | 35,610.2 | - | 419,116.1 |
| Net income distributed | - | - | (35,610.2) | - | (35,610.2) |
| Subscription and payment of capital shares | 13,348.0 | - | - | - | 13,348.0 |
| Revaluation of capital | 8,088.3 | 3,657.5 | - | - | 11,745.8 |
| Revaluation of permanent financial instruments with a secondary market | - | - | - | 564.2 | 564.2 |
| Net income for the year | - | - | 42,689.5 | - | 42,689.5 |
| Balance as of December 31, 2016 | 292,332.9 | 116,266.8 | 42,689.5 | 564.2 | 451,853.4 |

b) Reserves

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law. It eliminated the obligation to increase the Legal Reserve using part of net income for the year, for Savings and Loans Cooperatives supervised by the Superintendency of Banks and Financial Institutions, among other issues. Prior to this amendment, Article 38 of General Cooperative Law stipulated that no less than 20% of the net income for the year should be used to increase the legal reserve. Therefore, in 2015 the Cooperative transferred MCh\$ 6,206.2 from net income for the year to the legal reserve.

c) Net income distributed

The General Shareholders' Meeting held on April 23, 2016 agreed to distribute to the shareholders of the Cooperative all the net income for 2015 of MCh\$ 35,610.2 (historical MCh\$ 24,824.8 in 2015).

d) Regulatory equity

In accordance with the provisions of Chapter III.C.2-2 of the Accounting Standards Compendium issued by the Chilean Central Bank, Savings and Loans Cooperatives that are supervised by the SBIF must have regulatory equity of not less than 10% of their risk-weighted assets net of required provisions, nor less than 5% of their total assets net of required provisions. In addition, this is calculated using the risk weighted assets defined in Article 67 of DFL 3, dated 1997, which contains the General Banking Law.

At the reporting date, the Cooperative had the following:

| | 2016 MCh\$ | 2015 MCh\$ |
|-----------------------|-----------------------------|-----------------------------|
| Regulatory equity (*) | 451,289.2 | 431,270.5 |
| Total assets | 1,371,455.7 | 1,277,438.5 |
| Percentage | 32.91 % | 33.76 % |
| Regulatory equity (*) | 451,289.2 | 431,270.5 |
| Risk-weighted assets | 1,086,256.3 | 1,054,737.9 |
| Percentage | 41.55 % | 40.89 % |

(*) Equivalent to share capital plus reserves, as defined in Circular 108 for Cooperatives issued by the SBIF and Chapter III.C.2 of the Accounting Standards Compendium issued by the Chilean Central Bank.

NOTE 8. INVESTMENTS

a) Financial investments

As of December 31, 2016 and 2015, the Cooperative had the following investments, as described in Note 2(e):

As of December 31, 2016

| Instrument | Portfolio | | | Market adjustment | |
|--------------------------------|--------------------|---------------------------|------------------|--------------------------------|----------------------------|
| | Permanent MCh\$ | Not permanent MCh\$ | Total MCh\$ | Against net income MCh\$ | Against equity MCh\$ |
| Chilean Central Bank | 42,721.3 | - | 42,721.3 | 289.4 | 93.5 |
| Chilean Treasury | 72,399.6 | - | 72,399.6 | 65.7 | 470.7 |
| Chilean financial institutions | - | 6,001.2 | 6,001.2 | - | - |
| Total | 115,120.9 | 6,001.2 | 121,122.1 | 355.1 | 564.2 |

As of December 31, 2015

| Instrument | Portfolio Type | | | Market adjustment | |
|--------------------------------|--------------------|---------------------------|-----------------|--------------------------------|----------------------------|
| | Permanent MCh\$ | Not permanent MCh\$ | Total MCh\$ | Against net Income MCh\$ | Against equity MCh\$ |
| Chilean Central Bank | - | 43,380.0 | 43,380.0 | (438.5) | - |
| Chilean Treasury | - | 11,267.1 | 11,267.1 | (95.3) | - |
| Chilean financial institutions | - | 31,120.4 | 31,120.4 | - | - |
| Total | - | 85,767.5 | 85,767.5 | (533.8) | - |

b) Other non-financial investments

| | 2016 MCh\$ | 2015 MCh\$ |
|------------------------------------|-----------------------------|-----------------------------|
| Other non-financial investments(*) | 26.5 | 28.5 |
| Assets received in lieu of payment | 407.8 | 429.7 |
| Total | 434.3 | 458.2 |

(*) Represents shares of service companies whose acquisition is associated with their contracted services and are valued at market value.

NOTE 9. ASSETS AND LIABILITIES MATURITIES

a) Maturities of loans and receivables and financial investments

Loans and receivables and financial investments grouped according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

As of December 31, 2016

| | Less than one year MCh\$ | Over 1 year Up to 3 years MCh\$ | Over 3 years Up to 6 years MCh\$ | Over 6 years MCh\$ | Total MCh\$ |
|----------------------------------|--------------------------------|---------------------------------------|--|--------------------------|--------------------|
| Loans and receivables (1) | | | | | |
| Commercial loans and others | 7,337.3 | 6,566.3 | 3,863.0 | 6,911.8 | 24,678.4 |
| Residential mortgage loans | 20,737.7 | 39,360.6 | 57,670.5 | 237,235.1 | 355,003.9 |
| Consumer loans | 271,297.7 | 367,621.0 | 213,788.0 | 11,243.5 | 863,950.2 |
| Financial investments | | | | | |
| Permanent with secondary market | 45,326.2 | 9,771.0 | 60,023.7 | - | 115,120.9 |
| Trading portfolio | 6,001.2 | - | - | - | 6,001.2 |
| Total | 350,700.1 | 423,318.9 | 335,345.2 | 255,390.4 | 1,364,754.6 |

As of December 31, 2015

| | Less than one year MCh\$ | Over 1 year Up to 3 years MCh\$ | Over 3 years Up to 6 years MCh\$ | Over 6 years MCh\$ | Total MCh\$ |
|----------------------------------|--------------------------------|---------------------------------------|--|--------------------------|--------------------|
| Loans and receivables (1) | | | | | |
| Commercial loans and other | 7,516.6 | 5,678.7 | 3,373.2 | 6,467.5 | 23,036.0 |
| Residential mortgage loans | 20,982.6 | 38,952.9 | 57,301.7 | 248,805.5 | 366,042.7 |
| Consumer loans | 260,036.1 | 347,249.2 | 195,760.2 | 10,930.6 | 813,976.1 |
| Financial investments | | | | | |
| Permanent portfolio | 31,260.2 | 54,507.3 | - | - | 85,767.5 |
| Total | 319,795.5 | 446,388.1 | 256,435.1 | 266,203.6 | 1,288,822.3 |

- (1) Present current valid loans at the reporting date, that mature within the indicated periods. Therefore, it excludes loans transferred to the overdue portfolio, and non-performing loans that have not been transferred to the overdue portfolio, of MCh\$ 90.7, MCh\$ 813.7 and MCh\$ 3,831.2 for commercial, mortgage and consumer portfolios, respectively (MCh\$ 85.2, MCh\$ 266.8 and MCh\$ 3,648.1 in 2015). From these non-performing loans, MCh\$ 2,730.0 (MCh\$ 2,749.6 in 2015) had an overdue of less than 30 days.

b) Maturities of deposits, financial liabilities and other financing operations

Deposits, financial liabilities and other obligations payable are presented according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

As of December 31, 2016

| | Less than one year MCh\$ | Over 1 year Up to 3 years MCh\$ | Over 3 years Up to 6 years MCh\$ | Over 6 years MCh\$ | Total MCh\$ |
|---|--------------------------------|---------------------------------------|--|--------------------------|------------------|
| Deposits and other obligations (*) | | | | | |
| Deposits | 604,465.7 | 328.8 | - | - | 604,794.5 |
| Other term deposits | 18,091.4 | - | - | - | 18,091.4 |
| Bonds payable | | | | | |
| Series B2 Bonds | 3,670.5 | 7,416.9 | 12,500.3 | 33,744.1 | 57,331.8 |
| Series C Bonds | 3,262.4 | 4,915.9 | 7,420.5 | 29,994.1 | 45,592.9 |
| Series D2 Bonds | 3,667.8 | 6,507.1 | 9,753.0 | 53,683.6 | 73,611.5 |
| Series E2 Bonds | 916.7 | - | - | 78,653.9 | 79,570.6 |
| Loans payable to financial institutions | | | | | |
| Loans payable to Chilean financial institutions | 12,241.6 | - | 7,063.0 | - | 19,304.6 |
| Other obligations | 626.9 | 32.1 | 31.5 | 12.1 | 702.6 |
| Total | 646,943.0 | 19,200.8 | 36,768.3 | 196,087.8 | 898,999.9 |

As of December 31, 2015:

| | Less than one year MCh\$ | Over 1 year Up to 3 years MCh\$ | Over 3 years Up to 6 years MCh\$ | Over 6 years MCh\$ | Total MCh\$ |
|---|--------------------------------|---------------------------------------|--|--------------------------|------------------|
| Deposits and other obligations (*) | | | | | |
| Deposits | 513,311.0 | 1,879.6 | - | - | 515,190.6 |
| Other term deposits | 18,927.1 | - | - | - | 18,927.1 |
| Bonds payable | | | | | |
| Series B1 Bonds | 3,529.1 | 7,083.2 | 11,944.2 | 38,139.1 | 60,695.6 |
| Series B2 Bonds | 3,309.0 | 4,906.1 | 7,406.5 | 32,501.7 | 48,123.3 |
| Series C Bonds | 3,679.6 | 6,513.1 | 9,769.7 | 56,989.7 | 76,952.1 |
| Series E2 Bonds | 897.4 | - | - | 78,724.8 | 79,622.2 |
| Loans payable to financial institutions | | | | | |
| Loans payable to Chilean financial institutions | 19,314.3 | - | 7,272.3 | - | 26,586.6 |
| Other obligations | 851.5 | 44.6 | 30.5 | 26.8 | 953.4 |
| Total | 563,819.0 | 20,426.6 | 36,423.2 | 206,382.1 | 827,050.9 |

(*) Excludes all demand obligations of MCh\$ 14,496.2 (MCh\$ 13,410.0 in 2015).

NOTE 10. FOREIGN CURRENCY BALANCES

The statements of financial position include assets and liabilities in foreign currency or readjusted to variations in exchange rates, detailed as follows:

| | Payable in | | | | Total | |
|--------------------------|------------------|--------------|-------------------|--------------|--------------|--------------|
| | Foreign Currency | | Chilean pesos (*) | | 2016 US\$ | 2015 US\$ |
| | 2016 US\$ | 2015 US\$ | 2016 US\$ | 2015 US\$ | | |
| | (thousands) | (thousands) | (thousands) | (thousands) | (thousands) | (thousands) |
| Assets | | | | | | |
| Available funds | 24.9 | 105.8 | - | - | 24.9 | 105.8 |
| Loans and receivables | 105.4 | 64.2 | - | - | 105.4 | 64.2 |
| Total assets | 130.3 | 170.0 | - | - | 130.3 | 170.0 |
| Liabilities | | | | | | |
| Deposits | 7.4 | 863.3 | - | - | 7.4 | 863.3 |
| Other liabilities | 200.9 | - | - | - | 200.9 | - |
| Total liabilities | 208.3 | 863.3 | - | - | 208.3 | 863.3 |

(*) This includes transactions expressed in foreign currency and paid in pesos or readjusted to variations in exchange rates.

NOTE 11. TRANSACTIONS WITH DERIVATIVES

As of December 31, 2016 and 2015, the Cooperative had no derivative transactions.

NOTE 12. OTHER ASSETS AND LIABILITIES

"Other assets" and "Other Liabilities" in the financial position statements were as follows:

a) Other assets

| | 2016 MCh\$ | 2015 MCh\$ |
|--|-----------------|-----------------|
| Intangible assets | 6,166.7 | 7,866.2 |
| Insurance brokerage receivables | 4,548.1 | 2,729.3 |
| Credit card receivables | 2,630.3 | 2,457.5 |
| Miscellaneous receivables | 580.8 | 275.1 |
| Prepayments on property, plant and equipment | 515.2 | 2,420.3 |
| Others | 496.7 | 413.1 |
| Prepaid expenses | 355.1 | 139.5 |
| Lease guarantees | 327.5 | 351.8 |
| Receivable taxes | 102.2 | 85.0 |
| Receivables from agreements | 92.9 | 112.4 |
| Documents in guarantee | - | 1,525.6 |
| Total | 15,815.5 | 18,375.8 |

b) Other liabilities

| | 2016 MCh\$ | 2015 MCh\$ |
|----------------------------------|-----------------------|-----------------------|
| Staff severance provision | 2,452.7 | 2,525.9 |
| Accrued vacation provision | 2,290.5 | 2,147.1 |
| Income tax provision | 845.9 | 687.8 |
| Value added tax (VAT) payable | 278.4 | 145.8 |
| Account payables from agreements | 169.5 | 139.0 |
| Miscellaneous payables | 69.2 | 61.4 |
| Total | 6,106.2 | 5,707.0 |

NOTE 13. CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

a) Commitments and responsibilities recorded in off-balance sheet accounts

The Cooperative records the following balances related to business commitments and responsibilities in off-balance sheet accounts as of December 31, 2016 and 2015:

| | 2016 MCh\$ | 2015 MCh\$ |
|----------------------------------|-----------------------|-----------------------|
| Loans approved but not disbursed | 18,107.8 | 22,214.5 |
| Total | 18,107.8 | 22,214.5 |

NOTE 14. FEES AND COMMISSIONS

Commissions income and expenses in the statement of net income were as follows:

| | Income | | Expenses | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2016 MCh\$ | 2015 MCh\$ | 2016 MCh\$ | 2015 MCh\$ |
| Services to third parties for selling insurance | 15,259.4 | 16,136.0 | - | - |
| Settlements and prepayments | 5,152.4 | 4,888.5 | - | - |
| Credit cards | 864.5 | 602.0 | 998.4 | 1,070.2 |
| Mortgage loans | 127.7 | 87.0 | 253.6 | 336.3 |
| Sight accounts | 11.6 | 11.4 | - | - |
| Others | 12.7 | - | 214.8 | 246.5 |
| Banking services | - | - | 137.9 | 128.4 |
| Debit cards | - | - | 154.9 | 244.2 |
| Total | 21,428.3 | 21,724.9 | 1,759.6 | 2,025.6 |

NOTE 15. COSTS OF MANAGEMENT BODIES

During 2016 MCh\$ 804.2 was disbursed (MCh\$ 727.2 in 2015) and debited to net income for remuneration paid to members of the Board of Directors, Credit Committee and Supervisory Board.

NOTE 16. INCOME TAXES

As of December 31, 2016, the Cooperative recorded an Income Tax expense of MCh\$ 852.3 (MCh\$ \$711.5 in 2015).

NOTE 17. SUBSEQUENT EVENTS

At Extraordinary Board Meeting 1 held on January 18, 2017, the Board of Directors approved an additional provision of MCh\$ 2,500, as a prudential credit risk measure, in response to the impending risks appearing in the Chilean economy and external circumstances relating to cooperatives, as stipulated in the Regulations that apply to cooperatives (Chapter 7-10 of the UCS). This provision amounts to MCh\$ 2,500, and the same amount was recorded at the close of 2015.

Between January 1, 2017, and the date these financial statements were issued (January 31, 2017), there have been no other events after the reporting period that significantly affect their presentation.

NOTE 18. ACCOUNTING STANDARDS APPLICABLE FOR 2017 AND ONWARDS

As of January 1, 2017, Savings and Loans Cooperatives shall apply the regulatory accounting framework described in the "Accounting Standards Compendium" issued by the SBIF, in accordance with Circular letter No.162 issued by the SBIF on August 19, 2015. Any accounting matters not dealt with by this Compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and adopted by the Chilean Accountants College A.G.

* * * * *

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LIMITADA.

Annual Financial statements

As of December 31, 2015 and 2014

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MCh\$ - Millions of Chilean pesos



INDEPENDENT AUDITORS' REPORT
(Translation from the original in Spanish)

Santiago, January 27, 2016

Chairman and Members of the Board of Directors
Cooperativa del Personal de la Universidad de Chile Limitada

We have audited the accompanying financial statements of Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter “the Cooperative”) which comprise the statements of financial position as of December 31, 2015, and the related statements of income and cash flows for the year then ended, and the related notes to the financial statements.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements of Cooperativa del Personal de la Universidad de Chile Limitada in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives. This responsibility includes the design, implementation and maintenance of relevant internal control for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform our work to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant for the preparation and fair presentation of the financial statements of the Cooperative in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express such an opinion. An audit also includes evaluating the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Santiago, January 27, 2016

Chairman and Members of the Board of Directors
Cooperativa del Personal de la Universidad de Chile Limitada
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We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Cooperativa del Personal de la Universidad de Chile Limitada as of December 31, 2015, and the results of its operations and cash flows for the year then ended, in accordance with accounting standards issued by the Superintendence of Banks and Financial Institutions that apply to Savings and Loans Cooperatives.

Other matters

The financial statements of Cooperativa del Personal de la Universidad de Chile Limitada for the year ended December 31, 2014, were audited by other auditors, who issued an unqualified opinion in their report dated January 29, 2015.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

| <u>ASSETS</u> | <u>2015</u> | <u>2014</u> | <u>LIABILITIES AND EQUITY</u> | <u>2015</u> | <u>2014</u> |
|---------------------------------|--------------------|--------------------|--|--------------------|--------------------|
| | MCh\$ | MCh\$ | | MCh\$ | MCh\$ |
| ASSETS | | | LIABILITIES | | |
| Cash and banks | 21,780.5 | 24,735.7 | Deposits and other obligations | | |
| Loans and receivables | | | Deposits | 501,405.6 | 489,523.7 |
| Commercial loans | 22,469.5 | 22,653.0 | Other on demand and term deposits | 30,691.3 | 32,758.2 |
| Consumer Loans | 794,581.4 | 784,124.2 | | | |
| Other current loans | 355,985.9 | 348,248.5 | | | |
| Overdue portfolio | <u>7,178.9</u> | <u>10,707.9</u> | | | |
| Total loans and receivables | <u>1,180,215.7</u> | <u>1,165,733.6</u> | Total deposits and other obligations | <u>532,096.9</u> | <u>522,281.9</u> |
| | | | | | |
| Less: Allowance for loan losses | <u>(65,157.0)</u> | <u>(69,271.0)</u> | Financial liabilities (Bonds) | 257,913.8 | 188,829.4 |
| Total net loans and receivables | <u>1,115,058.7</u> | <u>1,096,462.6</u> | | | |
| | | | Financial liabilities with financial institutions and others | | |
| Investments | | | Financial liabilities with Chilean financial institutions | 25,837.3 | 71,543.7 |
| Other financial investments | 83,350.3 | 52,743.0 | Other obligations | <u>926.5</u> | <u>1,908.5</u> |
| Other non-financial investments | <u>445.3</u> | <u>236.6</u> | Total loans payable to financial institutions and others | | |
| Total Investments | <u>83,795.6</u> | <u>52,979.6</u> | | <u>26,763.8</u> | <u>73,452.2</u> |
| | | | | | |
| Other assets | 17,857.9 | 10,724.3 | Other liabilities | <u>5,546.2</u> | <u>6,446.5</u> |
| | | | TOTAL LIABILITIES | <u>822,320.7</u> | <u>791,010.0</u> |
| Property, plant and equipment | 2,944.1 | 3,240.3 | | | |
| | | | EQUITY | | |
| | | | Capital and reserves | 383,505.9 | 364,891.3 |
| | | | Net income for the year | <u>35,610.2</u> | <u>32,241.2</u> |
| | | | Total equity | <u>419,116.1</u> | <u>397,132.5</u> |
| TOTAL ASSETS | <u>1,241,436.8</u> | <u>1,188,142.5</u> | TOTAL LIABILITIES AND EQUITY | <u>1,241,436.8</u> | <u>1,188,142.5</u> |
| | ===== | ===== | | ===== | ===== |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| | MCh\$ | MCh\$ |
| Operating income | | |
| Interest and readjustment income | 183,531.8 | 186,177.2 |
| Commission income | 21,112.6 | 20,338.4 |
| Other operating income | <u>1,322.1</u> | <u>826.5</u> |
| Total operating income | <u>205,966.5</u> | <u>207,342.1</u> |
| Less: | | |
| Interest and readjustment expenses | (40,426.2) | (42,351.1) |
| Loss on revaluation of investments | (518.8) | - |
| Loss on foreign exchange | (8.4) | (114.5) |
| Commission expenses | (1,968.5) | (2,204.9) |
| Other operating expenses | <u>(45.3)</u> | <u>(2.7)</u> |
| Gross margin | <u>162,999.3</u> | <u>162,668.9</u> |
| Staff remuneration and expenses | (46,345.1) | (43,327.4) |
| Administrative and other expenses | (25,460.8) | (26,593.8) |
| Depreciation and amortization | <u>(2,933.1)</u> | <u>(1,580.9)</u> |
| Net margin | <u>88,260.3</u> | <u>91,166.8</u> |
| Provisions for assets at risk | (49,893.5) | (51,512.3) |
| Recovery of loans receivable written off | <u>13,351.6</u> | <u>12,742.2</u> |
| Net operating income | <u>51,718.4</u> | <u>52,396.7</u> |
| Non-operating income | | |
| Non-operating income | 560.6 | 1,388.2 |
| Non-operating expenses | (1,539.4) | (1,080.4) |
| Inflation adjustments | <u>(14,438.0)</u> | <u>(19,981.8)</u> |
| Net income before tax | <u>36,301.6</u> | <u>32,722.7</u> |
| Income tax expense | <u>(691.4)</u> | <u>(481.5)</u> |
| NET INCOME FOR THE YEAR | <u>35,610.2</u> ===== | <u>32,241.2</u> ===== |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In millions of Chilean pesos - MCh\$)

| | <u>2015</u> | <u>2014</u> |
|---|--------------------|--------------------|
| | MCh\$ | MCh\$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income for the year | 35,610.2 | 32,241.2 |
| Debits (credits) not affecting cash flow | | |
| Depreciation and amortization | 2,933.1 | 1,580.9 |
| Provision for assets at risk | 49,893.5 | 51,512.3 |
| Income tax provision | 691.4 | 481.5 |
| Inflation adjustments | 14,438.0 | 19,981.8 |
| Net changes in interest, readjustment and commission accruals | <u>2,214.1</u> | <u>12,940.0</u> |
| Net cash flows provided by operating activities | 105,780.3 | 118,737.7 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in loans and receivables | (98,777.4) | (118,300.9) |
| Net increase in investments | (30,054.0) | 1,013.0 |
| Purchase of property, plant and equipment and others | (737.8) | (1,050.7) |
| Purchase of intangible assets and construction in progress | (3,776.5) | (48.9) |
| Net increase (decrease) in other assets and liabilities | (2,936.0) | 919.5 |
| Net decrease (increase) in derivative contracts | <u>40.2</u> | <u>(39.5)</u> |
| Net cash flows used in investing activities | <u>(136,241.5)</u> | <u>(117,507.5)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in deposits | 34,133.0 | 33,610.2 |
| Decrease in other on demand and term deposits | (2,066.9) | (4,297.1) |
| Decrease in financial liabilities with Chilean financial institutions | (46,558.9) | (33,897.8) |
| Decrease in financial liabilities with foreign financial institutions | - | (680.3) |
| Decrease in financial liabilities (bonds) | (17,035.0) | (54,565.2) |
| Increase in financial liabilities (bonds) | 73,489.5 | 75,492.4 |
| Decrease in other obligations | (587.1) | (901.0) |
| Capital stock increase | 11,669.4 | 11,857.0 |
| Net income distributed | (24,824.8) | (26,107.1) |
| Legal reserve for surpluses over 5 years (Art.100 of Regulations governing Cooperative Law) | <u>(4.0)</u> | <u>7.0</u> |
| Net cash flows provided by financing activities | <u>28,215.2</u> | <u>518.1</u> |
| TOTAL NET (NEGATIVE) POSITIVE CASH FLOWS FOR THE YEAR | (2,246.0) | 1,748.3 |
| EFFECT OF INFLATION ON CASH | <u>(709.2)</u> | <u>(1,514.2)</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR | (2,955.2) | 234.1 |
| OPENING BALANCE OF CASH AND CASH EQUIVALENTS | <u>24,735.7</u> | <u>24,501.6</u> |
| CLOSING BALANCE OF CASH AND CASH EQUIVALENTS | <u>21,780.5</u> | <u>24,735.7</u> |
| | ===== | ===== |

The accompanying notes 1 to 18 are an integral part of these financial statements.

COOPERATIVA DEL PERSONAL DE LA UNIVERSIDAD DE CHILE LTDA.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – COMPANY INFORMATION

The Cooperativa del Personal de la Universidad de Chile Limitada (hereinafter "Coopeuch Ltda." or "the Cooperative") is a legal entity formed by Constitution Law 1 dated October 31, 1967, which was subscribed to a public deed dated December 6, 1967. The Ministry of Economic Affairs, Development and Tourism authorized its creation and approved its bylaws in Decree 122 dated January 29, 1968, published in the Official Gazette 26,970 dated February 16, 1968. Its legal address is Avenida Bernardo O'Higgins 301, Santiago, Chile.

Coopeuch Ltda. is a savings and loans cooperative with an indefinite legal duration. It has its own variable capital stock and an unlimited number of shareholders. The Cooperative's equity belongs to the shareholders and is divided into capital shares expressed in Chilean pesos.

Its purpose is to perform any transaction permitted by General Cooperative Law and the Regulations applicable to Savings and Loans Cooperatives, together with its shareholders and third parties. To promote cooperative principles and values among its members and promote their personal and financial well-being.

The Cooperative is subject to supervision and control by the Department of Cooperatives (hereinafter "Decoop") of the Ministry of Economic Affairs, Development and Tourism. Furthermore, according to Article 87 of General Cooperative Law, those Savings and Loans Cooperatives whose equity exceeds UF 400,000 are also subject to supervision and control by the Superintendency of Banks and Financial Institutions (hereinafter "SBIF") with respect to the economical transactions that fulfill to comply with its purpose.

NOTE 2 - PRINCIPAL ACCOUNTING POLICIES

a. Information provided

These financial statements have been prepared in accordance with accounting standards contained in the Updated Compilation of Standards ("UCS") issued by the SBIF that apply to Savings and Loans Cooperatives.

For comparison purposes, the figures for 2014 have been updated to reflect the change in the Consumer Price Index of 3.9%.

b. Interest and readjustments

Loans, receivables financial liabilities are presented with their interest and readjustments accrued at the reporting date each year. However, the prudent criteria of suspending the accrual of interests and readjustments on over-due and high-risk loans and receivables has been followed.

c. Inflation adjustments

Non-monetary assets and liabilities, such as capital, property, plant and equipment, and others, are indexed according to changes in the Consumer Price Index (CPI), as required by Chapter 7-3 of the UCS and ratified by Ord. 7,759 issued by the Department of Cooperatives on December 21, 2009. As of December 31, 2015, this adjustment mechanism resulted in a net debit to net income of MCh\$ 14,438.0 (MCh\$ 19,981.9 in 2014). Accounts presented in the net income statement are not adjusted for inflation, accordingly net income for the year is not affected.

d. Foreign Currency

Assets and liabilities denominated in United States dollars at the reporting date are presented at their equivalent in pesos, calculated at the rate of \$707.34 per US\$ 1 (\$607.38 per US\$ 1 in 2014).

e. Financial investments

Investments in financial instruments are investments in term deposits, mutual funds and bonds issued by the Chilean Central Bank (BCU) and the Chilean General Treasury (BTU). The valuation policies are described below:

- Term deposits: Investments in permanent-term deposits are made with the intention of keeping them until maturity. These investments are presented at their acquisition value, plus accrued interest and readjustments.
- Mutual funds: Investments in mutual funds are presented at their market value on the reporting date.
- BCU and BTU Bonds: These investments are classified as permanent financial instruments with a secondary market and are presented at market value with their changes recognized in equity.

f. Financial derivatives

Contracts for financial derivatives are initially recognized at cost (including transaction costs) and subsequently measured at fair value. Fair value is obtained from market quotes and cash flow discount models, as appropriate, including present and future relevant market estimates of the size and liquidity of these positions. They are presented as assets when their fair value is positive and as a liability when this is negative, in the "Other assets" or "Other liabilities" line items, respectively.

g. Property, plant and equipment

These are valued at cost plus inflation adjustments and net of depreciation calculated on a straight line basis over the useful life of the respective assets.

h. Intangible assets

These are identifiable intangible assets and software investments, net of accumulated amortization. Investments in software and trademark licenses are valued at cost plus inflation adjustments and depreciated on a straight-line basis over their estimated useful life. The amortization period for software investments shall not exceed 6 years.

i. Allowance for loan losses

Allowances required to cover the risk of losses on assets have been established in accordance with the standards issued by the SBIF. Such assets are presented net of these allowances, or presented net of this allowance as in the case of loans and receivables.

As of December 31, 2015 and 2014, the Cooperative has additional provisions on its loans and receivables portfolio of MCh\$ 2,500, which includes expected portfolio impairment. This provision is calculated based on the Cooperative's past experience and the potential adverse macroeconomic expectations, or the circumstances that may affect a particular sector, industry, debtor group or project.

j. Staff vacations

The annual cost of staff vacations is recorded on an accrual basis.

k. Severance provision for years of service

The severance provision for years of service that the Cooperative must pay to employees is calculated by applying the present value method to the accrued benefit, with an annual discount rate of a 1.65% (1.47% in 2014).

l. Statements of cash flows

The statements of cash flows have been prepared using the indirect method.

m. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents are cash and bank balances included under the heading "Cash and banks" in the financial position statement.

n. Income tax regime

Article 17 of Decree Law 824 states that cooperatives are exempt from income tax, except for the part of net income that corresponds to transactions carried out with natural persons or legal entities who are not shareholders. As a result, the Cooperative does not recognize deferred tax.

Current income taxes have been based on the income tax rates contained in Law 20,780, published on September 29, 2014.

o. Estimated figures in the financial statements

Preparing financial statements in accordance with accounting standards issued by the SBIF requires management to make certain estimates and assumptions that affect the reported assets and liabilities, as well as the reported revenue and expenses during the reporting period. The actual figures may differ from these estimated amounts.

NOTE 3 - ACCOUNTING CHANGES

The Cooperative has updated its model for calculating its credit risk provision, in order to progress toward best risk management practices. The effects of changes to this model were applied prospectively as a change in accounting estimates, recognizing a debit to net income for 2015 of MCh\$ 1,410.

NOTE 4 – MATERIAL EVENTS

Chief Executive Officer:

On March 1, 2015, Mr. Rodrigo Silva Iñiguez replaced Ms. Siria Jeldes Chang as CEO, who submitted her resignation in a material event in October 2014, with effect from March 2015.

The Board of Directors:

The 49th General Shareholders Meeting of the Cooperativa del Personal de la Universidad de Chile Limitada, "Coopeuch Ltda.", was held on April 18, 2015, and according to the Cooperative's bylaws the following people were chosen as Directors: Ms. Siria Jeldes Chang and Mr. Alejandro Quintana Hurtado.

An Extraordinary Board Meeting was held on April 21, 2015, which appointed the Board of Directors for 2015-2016, as follows:

| | | |
|---------------|---|--------------------------------|
| Chairman | : | Ms. Siria Jeldes Chang |
| Vice Chairman | : | Mr. Erik Haindl Rondanelli |
| Secretary | : | Ms. Edith Sanchez Meza |
| Director | : | Mr. Sergio Zúñiga Astudillo |
| Director | : | Mr. Andrés Reinstein Alvarez |
| Director | : | Mr. Alejandro Quintana Hurtado |

Bonds Issued

On March 19, 2015, the Cooperative placed its Series "E2" Bonds, which were recorded in the register of the Superintendency of Banks and Financial Institutions on April 14, 2014. This series was issued for a total of UF 3,000.000, to mature in 25 years, with 50 semi-annual repayments, at an annual interest rate of 3.50%, with a placing IRR of 3.54%. The balance was MCh\$ 78,170 as of December 31, 2015.

Amendment to Cooperative Law

Law 20,881 was published on January 6, 2016, which amended General Cooperative Law.

NOTE 5. - RELATED PARTY TRANSACTIONS

Natural persons or legal entities that are directly, or through a third party, related to the ownership or management of the cooperative are considered related parties, in accordance with General Cooperative Law, the provisions of the Accounting Standards Compendium of the Chilean Central Bank, and the accounting instructions issued by the SBIF.

As of December 31, 2015, loans and receivables with related parties were as follows:

| | <u>Portfolio Not due</u> | <u>Portfolio Overdue</u> | <u>Total</u> | <u>Guarantees</u> |
|-----------------|------------------------------|------------------------------|--------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Individuals (*) | <u>414.9</u> | <u>-</u> | <u>414.9</u> | <u>431.5</u> |
| Total | 414.9 | - | 414.9 | 431.5 |
| | ===== | ===== | ===== | ===== |

As of December 31, 2014, loans and receivables with related parties were as follows:

| | <u>Portfolio Not due</u> | <u>Portfolio Overdue</u> | <u>Total</u> | <u>Guarantees</u> |
|-----------------|------------------------------|------------------------------|--------------|-------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Individuals (*) | <u>867.6</u> | <u>-</u> | <u>867.6</u> | <u>475.8</u> |
| Total | 867.6 | - | 867.6 | 475.8 |
| | ===== | ===== | ===== | ===== |

(*) Only includes the obligations of natural persons whose debts are equal to or greater than UF 3,000.

As of December 31, 2015 and 2014, the Cooperative has a loan receivable with related parties for an amount exceeding UF 1,000.

NOTE 6 – PROVISIONS

Allowance for assets at risk

Movements in the allowance for assets at risk as of December 31, 2015 and 2014 were as follows:

| | <u>Loans and receivables</u> | <u>Goods received in payment</u> | <u>Other assets</u> | <u>Total</u> |
|---|----------------------------------|--|-------------------------|------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Balances as of December 31, 2013 | 67,127.8 | - | - | 67,127.8 |
| Allowances applied | (50,035.7) | - | - | (50,035.7) |
| Creation of provisions | 53,654.2 | - | - | 53,654.2 |
| Provisions released | <u>(4,075.5)</u> | <u>-</u> | <u>-</u> | <u>(4,075.5)</u> |
| Balances as of December 31, 2014 | <u>66,670.8</u> | <u>-</u> | <u>-</u> | <u>66,670.8</u> |
| Unrecognized CPI adjustment (3.9%) | <u>2,600.2</u> | <u>-</u> | <u>-</u> | <u>2,600.2</u> |
| Indexed balance as of December 31, 2014 | <u>69,271.0</u> | <u>-</u> | <u>-</u> | <u>69,271.0</u> |
| | ===== | ===== | ===== | ===== |
| Balances as of December 31, 2014 | 66,670.8 | - | - | 66,670.8 |
| Allowances applied | (51,407.4) | - | - | (51,407.4) |
| Creation of provisions (1) | 55,617.7 | - | - | 55,617.7 |
| Provisions released | <u>(5,724.1)</u> | <u>-</u> | <u>-</u> | <u>(5,724.1)</u> |
| Balances as of December 31, 2015 | <u>65,157.0</u> | <u>-</u> | <u>-</u> | <u>65,157.0</u> |
| | ===== | ===== | ===== | ===== |

- (1) A Board of Directors Meeting was held on January 13, 2016 and in accordance with the regulations issued by the SBIF, it was agreed that the Cooperative should establish additional provisions on its loans and receivables portfolio, due to expected portfolio impairment. This provision was based on the Bank's past experience and potential adverse macroeconomic expectations, or circumstances that may affect a particular sector, industry, debtor group or project. As of December 31, 2015 and 2014, this additional provision was MCh\$ 2,500.

In addition, as explained in Note 3 (Accounting Changes), the Cooperative updated its credit risk provision model, generating a debit to net income for 2015 of MCh\$ 1,410.

In Management's opinion, the allowances recorded cover all potential losses that may arise from assets at risk, based on the information examined by the Cooperative.

NOTE 7 – EQUITY

a) Equity

Movements in equity during 2015 and 2014 were as follows:

| | <u>Share capital</u> | <u>Reserves</u> | <u>Net income for the year</u> | <u>Total</u> |
|--|--------------------------|-----------------|------------------------------------|--------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Balances as of December 31, 2013 | 225,123.9 | 89,762.4 | 30,538.5 | 345,424.8 |
| Net income distributed | - | - | (24,430.8) | (24,430.8) |
| Increase in capital stock | 11,095.7 | - | - | 11,095.7 |
| Capitalization of reserves (1) | - | 6,107.7 | (6,107.7) | - |
| Capitalization of reserves (2) | - | 7.0 | - | 7.0 |
| Revaluation of capital | 13,096.0 | 6,002.1 | - | 19,098.1 |
| Net income for the year | - | - | 31,031.0 | 31,031.0 |
| Balances as of December 31, 2014 | 249,315.6 | 101,879.2 | 31,031.0 | 382,225.8 |
| Unrecognized CPI adjustment (3.9%) | 9,723.3 | 3,973.2 | 1,210.2 | 14,906.7 |
| Indexed balances as of December 31, 2014 | 259,038.9 | 105,852.4 | 32,241.2 | 397,132.5 |
| | ===== | ===== | ===== | ===== |
| Balances as of December 31, 2014 | 249,315.6 | 101,879.2 | 31,031.0 | 382,225.8 |
| Net income distributed | - | - | (24,824.8) | (24,824.8) |
| Increase in capital stock | 11,669.4 | - | - | 11,669.4 |
| Capitalization of reserves (1) | - | 6,206.2 | (6,206.2) | - |
| Capitalization of reserves (2) | - | 4.5 | - | 4.5 |
| Revaluation of capital | 9,911.6 | 4,519.4 | - | 14,431.0 |
| Net income for the year | - | - | 35,610.2 | 35,610.2 |
| Balances as of December 31, 2015 | 270,896.6 | 112,609.3 | 35,610.2 | 419,116.1 |
| | ===== | ===== | ===== | ===== |

b) Reserves

- (1) In accordance with Article 38 of General Cooperative Law, no less than 20% of net income for the year should be used to increase the Legal Reserve Fund. This criterion was ratified in 2010 by the Department of Cooperatives, according to Official Bulletin 3182 dated April 29, 2010.
- (2) In accordance with Article 100 of the Regulations in General Cooperative Law, donations, excess refunds not recovered by shareholders within a five year period from the date on which they fell due for payment, and any unidentified funds received by a cooperative shall increase the Legal Reserve Fund of those co-operatives that have such a fund.

In 2015 the Cooperative transferred MCh\$ 6,206.2 (MCh\$ 6,107.7 in 2014) from net income to its Legal Reserve Fund. These reserves form part of the total reserves presented in equity and totaled MCh\$ 112,609.3 as of December 31, 2015 (MCh\$ 101,879.2 in 2014).

c) Net income distributed

A General Shareholders' Meeting held on April 18, 2015 agreed to distribute to the shareholders the net income for 2014, after the transfer to the Legal Reserve Fund as described in Note 7b above, totaling MCh\$ 24,824.8 (MCh\$ 24,430.8 in 2014).

d) Regulatory equity

In accordance with the provisions of Chapter III.C.2-2 of the Accounting Standards Compendium issued by the Chilean Central Bank, Savings and Loans Cooperatives that are supervised by the SBIF must have regulatory equity of not less than 10% of their risk-weighted assets net of required provisions, nor less than 5% of their total assets net of required provisions. In addition, this is calculated using the risk weighted assets defined in Article 67 of DFL 3, dated 1997, which contains the General Banking Law.

At the reporting date, the Cooperative had the following:

| | <u>2015</u> | <u>2014</u> |
|-----------------------|-------------|-------------|
| | MCh\$ | MCh\$ |
| Regulatory equity (*) | 419,116.1 | 397,132.5 |
| Total assets | 1,241,436.8 | 1,188,142.4 |
| Percentage | 33.76% | 33.42% |
| Regulatory equity (*) | 419,116.1 | 397,132.5 |
| Risk weighted assets | 1,025,012.5 | 985,282.4 |
| Percentage | 40.89% | 40.31% |

(*) Equivalent to share capital plus reserves, as defined in Circular letter No. 108 for Cooperatives issued by the SBIF and Chapter III.C.2 of the Accounting Standards Compendium issued by the Chilean Central Bank.

NOTE 8 – INVESTMENTS

a) Financial investments

As of December 31, 2015 and 2014, the Cooperative had the following investments, as described in Note 2(e):

As of December 31, 2015

| <u>Instruments</u> | <u>Portfolio</u> | | <u>Total</u> | <u>Market adjustment</u> | |
|--------------------------------|-----------------------|---------------------------|--------------|--------------------------|------------------|
| | <u>Permanent Term</u> | <u>Not Permanent Term</u> | | <u>To net income</u> | <u>To equity</u> |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Chilean Central Bank | - | 42,583.6 | 42,583.6 | (426.2) | - |
| Chilean Treasury | - | 11,042.2 | 11,042.2 | (92.6) | - |
| Other State agencies | - | - | - | - | - |
| Chilean financial institutions | - | 30,243.3 | 30,243.3 | - | - |
| Other Chilean investments | - | - | - | - | - |
| Foreign investments | - | - | - | - | - |
| Letters of credit | - | - | - | - | - |
| Total | - | 83,869.1 | 83,869.1 | (518.8) | - |
| | ===== | ===== | ===== | ===== | ===== |

As of December 31, 2014

| <u>Instruments</u> | <u>Portfolio</u> | | <u>Total</u> | <u>Market adjustment</u> | |
|--------------------------------|------------------|---------------------------|-----------------|--------------------------|------------------|
| | <u>Permanent</u> | <u>Term Not Permanent</u> | | <u>To net income</u> | <u>To equity</u> |
| | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> |
| Chilean Central Bank | - | - | - | - | - |
| Chilean Treasury | - | - | - | - | - |
| Other State agencies | - | - | - | - | - |
| Chilean financial institutions | 52,743.0 | - | 52,743.0 | - | - |
| Other Chilean investments | - | - | - | - | - |
| Foreign investments | - | - | - | - | - |
| Letters of credit | - | - | - | - | - |
| Total | 52,743.0 | - | 52,743.0 | - | - |
| | ===== | ===== | ===== | ===== | ===== |

b) Other non-financial investments

| | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|
| | <u>MCh\$</u> | <u>MCh\$</u> |
| Other non-financial investments (*) | 27.7 | 30.1 |
| Assets received or awarded in lieu of payment | <u>417.6</u> | <u>206.5</u> |
| Total | 445.3 | 236.6 |
| | ===== | ===== |

(*) Represents shares of service companies whose acquisition is associated with their contracted services and are valued at market value.

NOTE 9 - ASSETS AND LIABILITIES MATURITIES

a) Maturities of loans and receivables and financial investments

Loans and receivables and financial investments grouped according to their due date were as follows. Balances include interest accrued as of December 31, 2015 and 2014:

As of December 31, 2015:

| | <u>Less than</u> | <u>Over 1 year</u> | <u>Over 3 years</u> | <u>Over</u> | <u>Total</u> |
|----------------------------------|------------------|----------------------|----------------------|------------------|--------------------|
| | <u>one year</u> | <u>Up to 3 years</u> | <u>Up to 6 years</u> | <u>6 years</u> | |
| Loans and receivables (1) | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> | <u>MCh\$</u> |
| Commercial loans and others | 7,304.8 | 5,518.7 | 3,278.1 | 6,285.1 | 22,386.7 |
| Residential mortgage loans | 20,391.2 | 37,855.1 | 55,686.8 | 241,793.5 | 355,726.6 |
| Consumer loans | 252,707.6 | 337,462.8 | 190,243.2 | 10,622.5 | 791,036.1 |
| Other credit transactions: | | | | | |
| Financial investments | - | - | - | - | - |
| Trading portfolio | <u>30,379.2</u> | <u>52,971.1</u> | <u>-</u> | <u>-</u> | <u>83,350.3</u> |
| Total | 310,782.8 | 433,807.7 | 249,208.1 | 258,701.1 | 1,252,499.7 |
| | ===== | ===== | ===== | ===== | ===== |

As of December 31, 2014

| | <u>Less than one year</u> | <u>Over 1 year Up to 3 years</u> | <u>Over 3 years Up to 6 years</u> | <u>Over 6 years</u> | <u>Total</u> |
|----------------------------------|-------------------------------|--------------------------------------|---------------------------------------|-------------------------|--------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Loans and receivables (1) | | | | | |
| Commercial loans and others | 7,457.8 | 5,583.1 | 3,202.4 | 6,303.7 | 22,547.0 |
| Residential mortgage loans | 19,397.3 | 35,971.6 | 53,117.5 | 239,525.6 | 348,012.0 |
| Consumer loans | 258,275.7 | 334,821.7 | 177,831.0 | 9,178.8 | 780,107.2 |
| Other credit transactions: | | | | | |
| Financial investments | - | - | - | - | - |
| Trading portfolio | <u>52,743.0</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>52,743.0</u> |
| Total | <u>337,873.8</u> | <u>376,376.4</u> | <u>234,150.9</u> | <u>255,008.1</u> | <u>1,203,409.2</u> |
| | ===== | ===== | ===== | ===== | ===== |

(1) Present current valid loans at the reporting date, that mature within the indicated periods. Therefore, it excludes loans transferred to the overdue portfolio, and non-performing loans that have not been transferred to the overdue portfolio, of MCh\$ 82.8, MCh\$ 259.3 and MCh\$ 3,545.3 for commercial, mortgage and consumer portfolios, respectively (MCh\$ 106.0, MCh\$ 236.5 and MCh\$ 4,017.0 in 2014). However, MCh\$ 2,672.1 (MCh\$ 2,936.6 in 2014) of these non-performing loans had an overdue of less than 30 days.

b) Maturities of deposits, financial liabilities and other financing operations

Deposits, financial liabilities and other obligations payable are presented according to their due date were as follows. Balances include interest accrued as of December 31, 2016 and 2015:

As of December 31, 2015:

| | <u>Less than one year</u> | <u>Over 1 year Up to 3 years</u> | <u>Over 3 years Up to 6 years</u> | <u>Over 6 years</u> | <u>Total</u> |
|---|-------------------------------|--------------------------------------|---------------------------------------|-------------------------|------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Deposits and other obligations (*) | | | | | |
| Deposits | 499,579.0 | 1,826.6 | - | - | 501,405.6 |
| Other term deposits | 18,393.7 | - | - | - | 18,393.7 |
| Bonds payable | | | | | |
| Series B2 Bonds | 3,429.7 | 6,883.6 | 11,607.5 | 37,064.2 | 58,985.0 |
| Series C Bonds | 3,215.8 | 4,767.8 | 7,197.8 | 31,585.7 | 46,767.1 |
| Series D2 Bonds | 3,575.9 | 6,329.6 | 9,494.3 | 55,383.6 | 74,783.4 |
| Series E2 Bonds | 872.2 | - | - | 76,506.1 | 77,378.3 |
| Loans payable to financial institutions | | | | | |
| Loans payable to Chilean financial institutions | 18,770.0 | - | 7,067.3 | - | 25,837.3 |
| Other obligations | <u>827.4</u> | <u>43.5</u> | <u>29.6</u> | <u>26.0</u> | <u>926.5</u> |
| Total | <u>548,663.7</u> | <u>19,851.1</u> | <u>35,396.5</u> | <u>200,565.6</u> | <u>804,476.9</u> |
| | ===== | ===== | ===== | ===== | ===== |

As of December 31, 2014

| | <u>Less than one year</u> | <u>Over 1 year Up to 3 years</u> | <u>Over 3 years Up to 6 years</u> | <u>Over 6 years</u> | <u>Total</u> |
|---|-------------------------------|--------------------------------------|---------------------------------------|-------------------------|------------------|
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Deposits and other obligations (*) | | | | | |
| Deposits | 476,661.9 | 12,861.8 | - | - | 489,523.7 |
| Other term deposits | 13,938.9 | - | - | - | 13,938.9 |
| Bonds payable | | | | | |
| Series B1 Bonds | 3,285.1 | 6,560.0 | 11,062.4 | 41,047.4 | 61,954.9 |
| Series B2 Bonds | 3,241.7 | 4,752.4 | 7,168.5 | 33,935.5 | 49,098.1 |
| Series C Bonds | 3,639.8 | 6,319.3 | 9,479.0 | 58,338.3 | 77,776.4 |
| Loans payable to financial institutions | | | | | |
| Financial liabilities with Chilean financial institutions | 53,001.3 | 18,542.4 | - | - | 71,543.7 |
| Other obligations | <u>1,524.4</u> | <u>310.6</u> | <u>37.1</u> | <u>36.4</u> | <u>1,908.5</u> |
| Total | <u>555,293.1</u> | <u>49,346.5</u> | <u>27,747.0</u> | <u>133,357.6</u> | <u>765,744.2</u> |
| | ===== | ===== | ===== | ===== | ===== |

(*) Excludes all demand obligations of MCh\$ 12,297.6 (MCh\$ 18,819.3 in 2014).

NOTE 10 - FOREIGN CURRENCY BALANCES

The statements of financial position include assets and liabilities in foreign currency or units indexed to variations in exchange rates, detailed as follows:

| | <u>Payable in</u> | | | | <u>Total</u> | |
|------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | <u>Foreign Currency</u> | | <u>Chilean pesos (*)</u> | | | |
| | 2015 US\$ | 2014 US\$ | 2015 US\$ | 2014 US\$ | 2015 US\$ | 2014 US\$ |
| | (thousands) | (thousands) | (thousands) | (thousands) | (thousands) | (thousands) |
| ASSETS | | | | | | |
| Available funds | 105.8 | 182.5 | - | - | 105.8 | 182.5 |
| Loans and receivables | 64.2 | 59.6 | - | - | 64.2 | 59.6 |
| Other assets | <u>-</u> | <u>22.9</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22.9</u> |
| Total assets | <u>170.0</u> | <u>265.0</u> | <u>-</u> | <u>-</u> | <u>170.0</u> | <u>265.0</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES | | | | | | |
| Deposits | 863.3 | 7.6 | - | - | 863.3 | 7.6 |
| Liabilities to foreign banks | <u>-</u> | <u>625.9</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>625.9</u> |
| Total liabilities | <u>863.3</u> | <u>633.5</u> | <u>-</u> | <u>-</u> | <u>863.3</u> | <u>633.5</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |

(*) This includes transactions expressed in foreign currency and paid in pesos or readjusted to variations in exchange rates.

NOTE 11 - TRANSACTIONS WITH DERIVATIVES

The Cooperative had no derivative transactions as of December 31, 2015.

As of December 31, 2014, it had the following financial derivatives balances, as described in Note 2f, which matured in June 2015.

a) Contracts with foreign currencies and interest rates for these currencies.

| FUTURE TRANSACTION | Number of <u>Transactions</u> | Less than <u>one year</u> MU\$ | <u>Contract values</u> | | <u>Total</u> MU\$ |
|--|----------------------------------|--|--|--|--------------------------|
| | | | <u>Over</u> <u>one year</u> MU\$ | <u>Less than</u> <u>three years</u> MU\$ | |
| | | | | | |
| Local Market: | | | | | |
| Foreign currency forwards under Chilean pesos | <u>1</u> | <u>-</u> | <u>-</u> | <u>0.6</u> | <u>0.6</u> |
| Total | <u>1</u> | <u>-</u> | <u>-</u> | <u>0.6</u> | <u>0.6</u> |

b) The Cooperative does not have any derivative contracts in the external market.

NOTE 12 - OTHER ASSETS AND LIABILITIES

"Other assets" and "Other Liabilities" in the financial position statements were as follows:

a) Other assets:

| | <u>2015</u> MCh\$ | <u>2014</u> MCh\$ |
|--|----------------------|----------------------|
| Intangible assets | 7,644.4 | 3,692.1 |
| Insurance receivables | 2,652.3 | 1,924.5 |
| Credit card receivables | 2,388.2 | 2,401.3 |
| Prepayments on property, plant and equipment | 2,352.2 | 15.3 |
| Documents in guarantee | 1,482.6 | 1,515.7 |
| Others | 401.7 | 127.6 |
| Lease guarantees | 341.8 | 267.6 |
| Debtors for pending transactions | 267.3 | 206.7 |
| Prepaid expenses | 135.6 | 143.2 |
| Receivables from agreements | 109.2 | 304.8 |
| Receivable taxes | 82.6 | 85.3 |
| Financial instruments (Swap) | <u>-</u> | <u>40.2</u> |
| Total | <u>17,857.9</u> | <u>10,724.3</u> |
| | ===== | ===== |

b) Other liabilities:

| | <u>2015</u> | <u>2014</u> |
|------------------------------------|----------------|----------------|
| | MCh\$ | MCh\$ |
| Staff severance provision | 2,454.7 | 3,480.1 |
| Accrued vacation provision | 2,086.6 | 2,038.3 |
| Income tax provision | 668.4 | 469.1 |
| Value added tax (VAT) payable | 141.7 | 164.1 |
| Accounts payable from agreements | 135.1 | 225.6 |
| Creditors for pending transactions | <u>59.7</u> | <u>69.3</u> |
| Total | <u>5,546.2</u> | <u>6,446.5</u> |
| | ===== | ===== |

NOTE 13 - CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES

a) Commitments and responsibilities recorded in off-balance sheet accounts

The Cooperative records the following balances related to business commitments and responsibilities in off-balance sheet accounts as of December 31, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|-----------------|-----------------|
| | MCh\$ | MCh\$ |
| Loans approved but not disbursed | <u>21,588.4</u> | <u>35,513.4</u> |
| Total | <u>21,588.4</u> | <u>35,513.4</u> |
| | ===== | ===== |

NOTE 14 - FEES AND COMMISSIONS

Commission income and expenses in the statement of net income were as follows:

| | <u>Income</u> | | <u>Expenses</u> | |
|-----------------------------|-----------------|-----------------|-----------------|----------------|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> |
| | MCh\$ | MCh\$ | MCh\$ | MCh\$ |
| Insurance collection | 15,681.2 | 15,547.7 | - | - |
| Settlements and prepayments | 4,750.7 | 4,128.6 | - | - |
| Credit cards | 585.0 | 540.7 | 1,040.1 | 995.5 |
| Mortgage loans | 84.5 | 50.6 | 326.8 | 575.7 |
| On demand accounts | 11.2 | - | - | - |
| Others | - | 70.8 | 239.5 | 253.7 |
| Banking Services | - | - | 124.8 | 71.2 |
| Debit Cards | <u>-</u> | <u>-</u> | <u>237.3</u> | <u>308.8</u> |
| Total | <u>21,112.6</u> | <u>20,338.4</u> | <u>1,968.5</u> | <u>2,204.9</u> |
| | ===== | ===== | ===== | ===== |

NOTE 15 - COSTS OF MANAGEMENT BODIES

During 2015 MCh\$ 706.7 (MCh\$ 627.6 in 2014) was disbursed and debited to net income for remuneration paid to members of the Board of Directors, Credit Committee and Supervisory Board.

NOTE 16 - INCOME TAXES

As of December 31, 2015, the Cooperative recorded an Income Tax expense of MCh\$ 691.4 (MCh\$ \$481.5 in 2014).

NOTE 17 - SUBSEQUENT EVENTS

At an Extraordinary Board Meeting held on January 13, 2016, the Board of Directors approved an additional provision of MCh\$ 1,146, as a prudential credit risk measure, in response to the impending risks appearing in the Chilean economy and external circumstances relating to cooperatives, as stipulated in the Regulations that apply to cooperatives (Chapter 7-10 of the UCS). The cumulative provision, including the additional provision amounts to MCh\$ 2,500.

Between January 1, 2016, and the date these financial statements were issued (January 27, 2016), there have been no other events after the reporting period that significantly affect their presentation.

NOTE 18. ACCOUNTING STANDARDS APPLICABLE FOR 2017 AND ONWARDS

As of January 1, 2017, Savings and Loans Cooperatives shall apply the regulatory accounting framework described in the "Accounting Standards Compendium" issued by the SBIF, in accordance with Circular letter No. 162 issued by the SBIF on August 19, 2015. Any accounting matters not dealt with by this Compendium should be treated in accordance with Chilean Generally Accepted Accounting Principles (GAAP), which are the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and adopted by the Chilean Accountants College A.G.

* * * * *

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