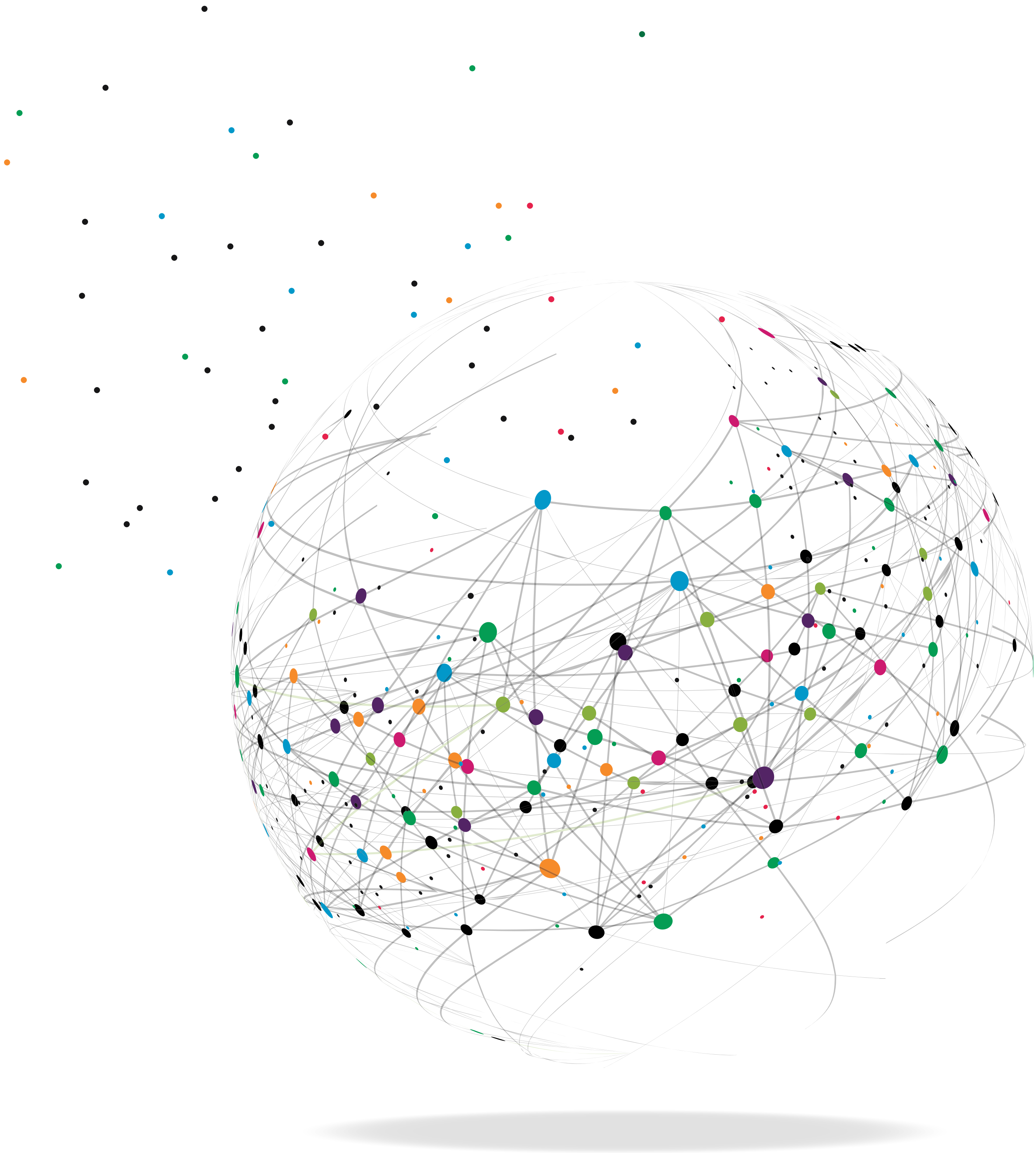

QUIÑENCO **2017** ANNUAL REPORT

COMPANY IDENTIFICATION

Open-stock Company incorporated as "Forestal Quiñenco S.A.", by public deed on January 28, 1957, and modified by public deed on April 15, 1957, both in the Valparaíso Notary Office of Mr. Carlos Calderón Cousiño. The incorporation of the company and the approval of its bylaws were authorized by Decree No. 5,981 of the Ministry of Finance dated July 3, 1957, registered on page 624 No. 430 of the Valparaíso Register of Commerce of 1957, and it was published in the Official Gazette No. 23,806 on July 27, 1957. The company transferred its domicile to Santiago by a reform of its bylaws, which is set forth in public deed on March 25, 1966, granted before the Valparaíso Notary office of Mr. Rafael Luis Barahona Stahr, modified by public deed on April 13, 1966, granted before the Santiago Notary Office of Mr. Eduardo González Abbott. Such reform was approved by Resolution No. 383 of the Ministry of Finance dated May 18, 1966, which was registered on page 634 No. 387 of the Valparaíso Register of Commerce of 1966 and on page 3,787 No.1,952 of the Santiago Register of Commerce of 1966 and it was published In the Official Gazette No.26,481 on June 11, 1966. The company changed its name to "Quiñenco S.A." and agreed on a new revised text of its bylaws by a reform set forth in public deed on October 11, 1996, granted before the Santiago Notary Office of Mr. René Benavente Cash. An abstract of this reform was registered on page 26,437 No. 20,473 of the Santiago Register of Commerce of 1996 and was published in the Official Gazette on October 29, 1996. The last modification was set forth in public deed on May 5, 2014, granted before the Santiago Notary Office of Mr. Patricio Raby Benavente. An abstract of this reform was registered on page 34,212 No. 21,384 of the Santiago Register of Commerce of 2014 and it was published in the Official Gazette No. 40,853 on May 10, 2014.

Quiñenco S.A.

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Telephone: (56) 22750 7100
Fax: (56) 22750 7101
Website:
www.quinenco.cl
www.quinencogroup.com

Shareholder Services

DCV Registros S.A.
Huérfanos 770, 22nd floor
Santiago, Chile
Telephone: (56) 22393 9003
atencionaccionistas@dcv.cl

Investor Relations

Contact Pilar Rodríguez
Investor Relations Manager
Telephone: (56) 22750 7221
Fax: (56) 22245 6241
prodriguez@lq.cl

Stock Exchanges (Quinenco)

Bolsa de Comercio de Santiago
Bolsa de Comercio de Valparaíso
Bolsa Electrónica de Chile

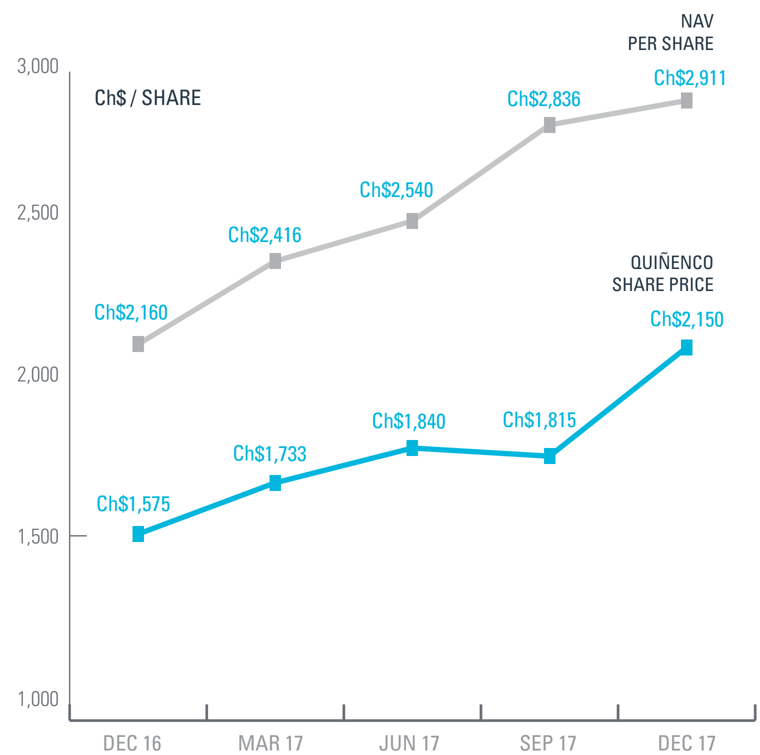
External Auditors

EY Audit SpA
Presidente Riesco 5435, 4th floor
Las Condes
Santiago, Chile
Telephone: (56) 22676 1000

Quiñenco S.A.

CONTENTS

NAV evolution / Share price
as of December 31, 2017
NAV MUS$7,873
Market capitalization MUS$5,815



7,873
US$ MILLIONS

Net value of Quiñenco's assets
at December 31, 2017

5 Year Financial Highlights

		2017	2016	2015	2014	2013
CONSOLIDATED RESULTS						
Non-banking sector						
Revenues from ordinary activities	MCh$	2,381,154	2,146,958	1,917,121	2,540,694	2,022,773
Gross margin		355,924	343,525	234,086	265,223	228,199
Consolidated net income (loss) for the non-banking sector		(54,335)	69,568	(32,777)	313,650	(13,154)
Banking services sector						
Total net operating revenues		1,475,460	1,426,212	1,344,499	1,366,072	1,216,507
Operating income		685,804	637,425	617,980	651,154	593,307
Consolidated net income banking services sector		503,667	479,342	484,093	488,249	445,658
Consolidated net income		449,332	548,910	451,316	801,899	432,504
Net income attributable to non-controlling interests		340,592	372,008	354,696	459,809	307,664
Net income attributable to controller's owners		**108,740**	**176,902**	**96,620**	**342,089**	**124,841**
Earnings per share attributable to the controller[1]	Ch$	65.40	106.39	58.11	205.74	88.73
FINANCIAL POSITION						
Non-banking sector assets	MCh$	5,158,236	5,243,760	4,711,860	4,557,683	3,542,616
Banking services assets		32,824,184	31,533,431	31,287,863	27,642,384	25,929,314
Total assets		37,982,420	36,777,192	35,999,723	32,200,067	29,471,930
Non-banking sector liabilities		1,814,278	1,743,736	1,316,408	1,496,399	1,316,184
Banking sector liabilities		29,615,351	28,641,075	28,598,415	25,171,138	23,728,953
Total liabilities		31,429,629	30,384,811	29,914,823	26,667,537	25,045,137
Equity attributable to the controller's owners		2,963,713	2,998,628	3,021,807	2,834,472	2,417,361
Non-controlling interests		3,589,077	3,393,753	3,063,092	2,698,058	2,009,433
Total equity		6,552,790	6,392,381	6,084,900	5,532,530	4,426,793
Liquidity (Current assets/Current liabilities)[2]	times	2.03	2.42	1.67	1.43	1.99
Leverage (Total liabilities/equity)[2]	times	0.61	0.58	0.44	0.53	0.54
EBITDA[3]	MCh$	110,002	109,353	33,920	41,937	65,046

(1) Based on the weighted average number of shares.
(2) Excludes assets and liabilities of the banking services sector.
(3) At the industrial sector level and excludes Other gains (losses).

	2017	2016	2015	2014	2013
OTHER DATA					
Number of shareholders	1,056	1,108	1,160	1,191	1,232
Number of shares	1,662,759,593	1,662,759,593	1,662,759,593	1,662,759,593	1,662,759,593

WITH A SOUND BASE IN **CHILE**, THE **GROUP** CONTINUES TO EXPAND ABROAD, STRENGTHENING ITS **GEOGRAPHIC DIVERSIFICATION.**

2017 MILESTONES

- CCU signed an agreement with ABInbev for an early termination of Budweiser's license in Argentina, including the payment of up to US$400 million for CCU Argentina.
- Hapag-Lloyd merged with United Arab Shipping Company (UASC), thus becoming the fifth largest container shipping company in the world.
- Banco de Chile and VSPT joined the Dow Jones Sustainability Chile Index (DJSI Chile); while this was the second consecutive year for SM SAAM as part of the index.
- VSPT presented its project D.O. Malleco for the joint production of pinot noir wine with the Buchahueico Mapuche community in the Purén district, Araucanía region.
- Enex was awarded the ProCalidad National Customer Satisfaction Prize in the Mini-market category, for the service provided at its upa! stores.
- SM SAAM strengthened its presence in Central America with the purchase of 51% of Puerto Caldera, Costa Rica.
- Nexans concluded its 2015-2017 strategic plan recording an increase of its return on capital from 5.8% to 12.5%.
- With an investment of US$60 million, SM SAAM's Terminal Portuario Guayaquil, in Ecuador, doubled its transfer capacity by inaugurating its enlarged docking berth.
- Banco de Chile entered into new alliances with British Airways and GOL airlines, adding to those subscribed with Sky and Delta.

- SM SAAM sold its stake in Tramarsa, Peru, for more than US$120 million.

- CCU's Compañía Pisquera de Chile, purchased 40% of American Distilling Investments (ADI), owner of the BarSol brand and of productive assets in Peru, to develop the pisco category around the world.

- Enex acquired the Puerto Ventanas fuel storage terminal for US$24 million, increasing its fuel storage capacity.

- SM SAAM placed its first corporate bond for a total amount of 2.8 million UF.

- Nexans set up a new business unit, Nexans Data Center Solutions (NDS) that will provide cables and connectivity products to large-scale data center operators.

- Start of CCU's license to commercialize and elaborate Miller Genuine Draft (MGD) in Argentina and Colombia.

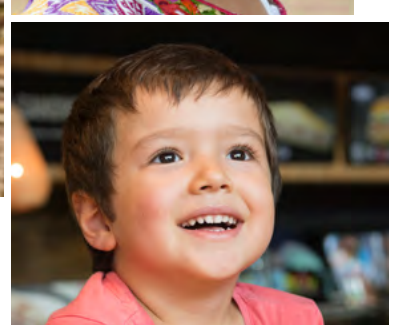
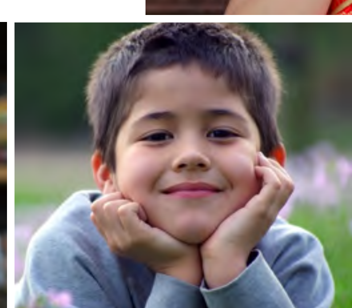
- Pacto Global Chile distinguished CCU as the company with the best environmental practices in the country.

- Hapag-Lloyd and CSAV completed successful capital increases of US$414 million and US$294 million, respectively.

- Banco de Chile launched the mobile application Mi_Inversión and its new internet platform for the wholesale business segment.

- After a successful public tender offer, CCU increased its stake in VSPT to 83.01% in January 2018.




INTERNATIONALIZATION

At Quiñenco we want to be good ambassadors of Chilean entrepreneurship in the global market. Quiñenco has a global presence in five continents through its main subsidiaries and related companies.

The path of internationalization and investment diversification is the fundamental pillar of Quiñenco's development strategy that has contributed new fruits over the last period. Among them, the purchase of a 40% stake in a company in the USA, whereby CCU incorporated the Peruvian brand BarSol, confirming its commitment to boosting the pisco category around the world; the entry to Puerto Caldera in Costa Rica, and the expansion of SM SAAM's terminal in Guayaquil, Ecuador; Hapag-Lloyd's merger with United Arab Shipping Company; and Invexans' recent decision to set up a new company in London to develop international businesses.

The goal is clear: we want to be closer to the business opportunities and open to the world to discover new horizons, with the aim of creating and adding value to the companies and their workers.

125
COUNTRIES

Quiñenco, through its main operating subsidiaries and affiliates, has a global presence across five continents.

69 thousand
JOBS

Quiñenco and its subsidiaries employ 21,916 people, which together with its affiliates CCU, Nexans and Hapag-Lloyd reach more than 69 thousand employees.

110
PLANTS

The productive companies operate more than 110 beverage and cable plants.

380
VESSELS

CSAV together with Hapag-Lloyd and SM SAAM operate a fleet of more than 380 vessels and tug boats for maritime carrier and port services.

Chile

70
PORTS

461	399	at 124,000
SERVICE STATIONS	BANK BRANCHES	BEVERAGE SALES POINTS

Through SM SAAM's operations, Quiñenco has a presence in an extensive network of ports in America.

LETTER FROM THE **CHAIRMAN**

DEAR SHAREHOLDERS:

It is my pleasure to share with you the Annual Report and the Consolidated Financial Statements of Quiñenco S.A. for the 2017 fiscal year.

The country is going through changes. A new political cycle has started, and at the same time, society poses huge challenges for the new-coming authorities and for all of us who, from our own scope of action, work for the progress of Chile.

It is mandatory to resume the levels of dynamism that have allowed our country to thrive in the past 30 years. But growth is not an end in itself. It is the most expeditious way to ensure the progress of Chile and its inhabitants, and to reach sustainable human development.

The purpose is to allow the country to develop, particularly for the benefit of the more vulnerable. This requires a more efficient, modern and renewed State, which promotes creativity, entrepreneurship and innovation. A State that takes care of the most needy, assuming its inescapable commitment to the urgent social problems, namely childhood protection, dignity for the elderly, the protection of people's safety, and access to high-quality health and education.

In the private sector, we need to learn from our mistakes, leaving behind justifications and excuses, to become the proactive leaders our country needs to build a better Chile.

As businessmen, we should do more towards making Chile a developed country. Let's undertake concrete commitments by fairly recognizing our employees, improving their labor conditions, promoting inclusion, gender parity, the timely payment to suppliers, taking care of the environment, and encouraging the implementation of shared value initiatives in the communities where we operate.

At the end of 2017, together with the good performance of our businesses, Quiñenco and all of the companies where we participate, have progressed in these matters. The holding and the operating companies in the group have recently subscribed the public-private Gender Parity Initiative sponsored by the Inter American Development Bank and the World Economic Forum, which points at reducing the gender gap and at promoting women's participation and economic development in the labor market.

We have also strengthened our best practices in organizational development and labor relations, in an attempt to improve the way we do things at each of our companies, promoting a permanent dialogue with the workers and the unions that represent them.

In environmental terms, I would like to underline CCU's high degree of achievement of the commitments set out for 2020, by meeting its goal to reduce its water consumption by hectoliter and its greenhouse gas emissions three years in advance; in addition, the company is getting closer to its goal of recovering 100% of its industrial waste.

With respect to the work with the community, noteworthy is the project implemented by Viña San Pedro Tarapacá in the Araucanía Region. This is an unprecedented joint work initiative with four Buchahueico Mapuche families who remain as owners of the land where, with their effort and the support of the winemaking teams from the vineyard, pinot noir that will be sold in the international market within the next few years is now being grown.

Another important milestone was the contest Desafío Emprendedor, sponsored by Banco de Chile and Desafío Levantemos Chile, which seeks to provide opportunities to entrepreneurs who are just starting their businesses and trying, with much effort, to make their dreams come true. Recently, this initiative convened 23 thousand participants from all over Chile.

In terms of results, Banco de Chile, which accounted for approximately 40% of Quiñenco's consolidated revenues in 2017, increased its profits by 4.3% as compared to the previous period, reaching 576,012 million pesos. If it manages to uphold this performance during this year, it will be possible to fulfill our estimate of anticipating the full payment of the subordinated debt with the Central Bank to April 2019, 17 years before the original maturity date established for 2036. This obligation was acquired long before purchasing our stake in Banco de Chile, as a result of the economic and financial crisis of the 80s, and has been fulfilled at a rate of UF+5%.

At Quiñenco, we want to further commit to Chile and, at the same time, from that sound position, focus our international growth strategy. Currently, 70% of our company assets, its main operating subsidiaries and affiliates, are in Chile. We want to expand and diversify our investments to achieve 50% presence in international markets between now and 2040.

In a complex and increasingly demanding world, we have managed to internationalize our businesses at a rapid pace. Starting with the consolidation of the shipping company Hapag-Lloyd, where we are the main shareholders through Compañía Sud Americana de Vapores (CSAV), where Quiñenco holds a stake of 56.2%.

In 2017, the German company concluded its merger with United Arab Shipping Company (UASC), thus becoming the fifth largest container shipping company in the world and showing, by year-end, a promising result of 30 million dollars in net profits, reversing the 107 million- loss reported the previous year.

In 2017, Quiñenco recorded profits of 108,740 million pesos, 38.5% down from the previous year, due mainly to the one-time accounting effect of the above-mentioned merger on CSAV, company whose participation in Hapag-Lloyd was diluted from 31% to 25.5%.

In the international field, the French multinational Nexans, where Quiñenco holds an ownership stake of 29%, doubled its net profits reaching a 12% increase in its operating income in 2017. Noteworthy was its performance in the high-voltage submarine transmission cable segment, whose organic sales went up by 45%.

Along with its consistent position in Chile, in 2017, CCU's regional businesses contributed to a 9.4% increase in profits and a 5% increase in sales volumes, allowing the company to hit a sales record of 26 million hectoliters.

Noteworthy is the agreement subscribed between CCU Argentina and AB InBev, approved in March 2018 by the trans-Andean free competition authority, that established the transfer of brands and early termination to the Budweiser brand license in that country. The above means that CCU will receive a portfolio with a similar sales volume, in addition to the payment of up to 400 million dollars over a three-year period.

In 2017, SM SAAM incorporated Puerto Caldera, in Costa Rica, and reported good performance at its Guayaquil terminal, in Ecuador, which doubled its capacity. SM SAAM's profits grew by 7.6% at the end of the period, mainly due to the sale of its stake in Tramarsa, Peru.

In the increasingly competitive energy sector, although Enex recorded lower results as compared to the previous year, it increased its gross income by 2% against 2016, based on greater fuel volumes sold and higher margins in lubricants.

In summary, the year 2017 boosted Quiñenco's confidence with respect to the good results of the period already in progress. We have a clear strategy that enables us to grow and contribute to the progress of Chile and of all the places where we are present.

Again, I would like to express my acknowledgement to those who have made it possible for Quiñenco to achieve these results: all of the people who work at Quiñenco and at its operating companies, in 125 countries. Very particularly, I would like to recognize the effort and dedication of the more than 26,000 employees in Chile, who have been and will continue to be the cornerstone of our performance. I especially thank and invite you to continue progressing together and facing the future with responsibility, commitment and renewed optimism.

ANDRÓNICO LUKSIC CRAIG
Chairman of the Board
Quiñenco S.A.

BOARD OF DIRECTORS

Andrónico Luksic Craig
CHAIRMAN
Company Director

Jean - Paul Luksic Fontbona
VICE-CHAIRMAN
Company Director
B.Sc. Management and Science,
London School of Economics, England

Nicolás Luksic Puga
DIRECTOR
Commercial Engineer,
Universidad Finis Terrae

Andrónico Luksic Lederer
DIRECTOR
B.Sc. Business Management,
Babson College, USA

CORPORATE GOVERNANCE

Quiñenco's corporate governance practice is led by the Board of Directors, the Directors' Committee and the Chief Executive Officer. Quiñenco's Board of Directors is comprised of eight members, who are chosen for three years. There are no alternate directors per the Company's bylaws.

The current Board of Directors was elected at the Annual Shareholders' Meeting held on April 28, 2017. Mr. Andrónico Luksic Craig was named Chairman of the Board and Mr. Jean Paul Luksic Fontbona, Vice President of the Board on May 4, 2017.

Quiñenco has a permanent commitment to the highest standards of corporate governance, in keeping with its bylaws and the legal standards in force in Chile, especially the Law of Open Stock Corporations and the Securities Law. A code of ethics has been adopted that is applicable to all employees, with the goal of

Fernando Cañas Berkowitz
DIRECTOR
Commercial Engineer,
Universidad de Chile

Gonzalo Menéndez Duque*
DIRECTOR
Commercial Engineer,
Universidad de Chile

Hernán Büchi Buc*
DIRECTOR
Civil Mining Engineer,
Universidad de Chile

Matko Koljatic Maroevic*
DIRECTOR
Universidad Católica de Chile
ICAME Certificate in Marketing Management,
Stanford University, USA

promoting honest and ethical behavior that avoids conflicts of interest of any kind and transmits our principle of transparency and respect for the rights of others. As stipulated in our corporate statement, at Quiñenco, we believe in doing things well, working with excellence; being responsible, honest and conscious of our actions and decisions; respectful of people, the environment and the community.

* Member of the Directors' Committee at December 31, 2017

QUIÑENCO'S PROFILE

QUIÑENCO manages global and diversified investments through its participation in leading companies in six key sectors of the Chilean economy. With consolidated assets of approximately US$61.8 billion at December 2017, it is one of the largest and more diversified business conglomerates in Chile.

The shares of Quiñenco S.A., founded in 1957, are traded on the Chilean stock markets, where its market capitalization reached US$5.8 billion at December 31, 2017.

CORPORATE STRATEGY

Quiñenco creates value for its shareholders and for society through the sustainable development of the companies it invests in. Upon investing, Quiñenco privileges companies where the development of brands and franchises allows the generation of synergies and economies of scale, by complementing businesses and distribution networks. Also relevant among its investment criteria are experience, growth potential, market size and the possibility of establishing alliances with world-class partners, which contribute knowledge and resources to the development of joint businesses.

Quiñenco's value creation system is based on the excellent management of its investments. A fundamental objective of its corporate strategy is to strengthen the ability of existing businesses to create value, working together with the administration of the companies to define long-term strategies, structuring mergers and major acquisitions, promoting the adoption of best practices, and overseeing operational and financial management.

The holding company keeps a controlled and gradual approach to international expansion taking advantage of its business management experience, the location of its facilities and the strength of its products, services and distribution networks.

Quiñenco's business model allows it to increase the value of each company where it holds a stake and increase its returns through dividends. From a long-term perspective, the holding also evaluates eventual divestments provided the Company perceives that this adds more value to its shareholders than retaining them. Over the last 20 years, Quiñenco has proven its value adding capacity, by obtaining earnings of US$1.9 billion for its shareholders as a result of divestment transactions for US$4.7 billion. In 2017, dividends received at the corporate level amounted to US$106 million.

84.0

US$ BILLION

Assets of a select group of companies, leaders in their industries, managed by Quiñenco.

28.1

US$ BILLION

Aggregate revenues of the main operating companies where Quiñenco participates.

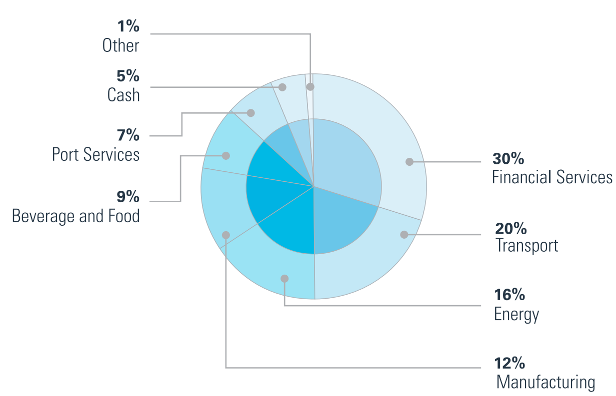
MAIN ASSETS

FINANCIAL SERVICES			BEVERAGE AND FOOD	MANUFACTURING
Banco de Chile	Banchile Seguros de Vida	SegChile Seguros de Chile	CCU	Nexans
CONTROLLING INTEREST				
51.3%[1]	66.3%	66.3%	60%[2]	29.1%[3]
MARKET CAPITALIZATION OR BOOK VALUE OF EQUITY (MILLIONS OF DOLLARS AT THE CLOSING OF 2017)				
15,900	39	6	5,500	2,700

ENERGY	TRANSPORT		PORT SERVICES
ENEX	CSAV SudAmericana de Vapores	Hapag-Lloyd	SM SAAM
CONTROLLING INTEREST			
100%	56.2%	25.5%[4]	52.2%
MARKET CAPITALIZATION OR BOOK VALUE OF EQUITY (MILLIONS OF DOLLARS AT THE CLOSING OF 2017)			
920	2,000	7,100	1,000

1 *Voting rights, in alliance with Citigroup. Quiñenco participates through LQ Inversiones Financieras (LQIF), where it holds an equal ownership stake with Citigroup.*
2 *Ownership in alliance with Heineken, through IRSA, where each partner holds a 50% stake.*
3 *Ownership held by Invexans and to a lesser extent, by Techpack. Quiñenco controls 98.7% of Invexans and 100% of Techpack.*
4 *Participation in Hapag-Lloyd's ownership held by CSAV.*

Investment Distribution
(Book value at corporate level 2017: MUS$5,964)



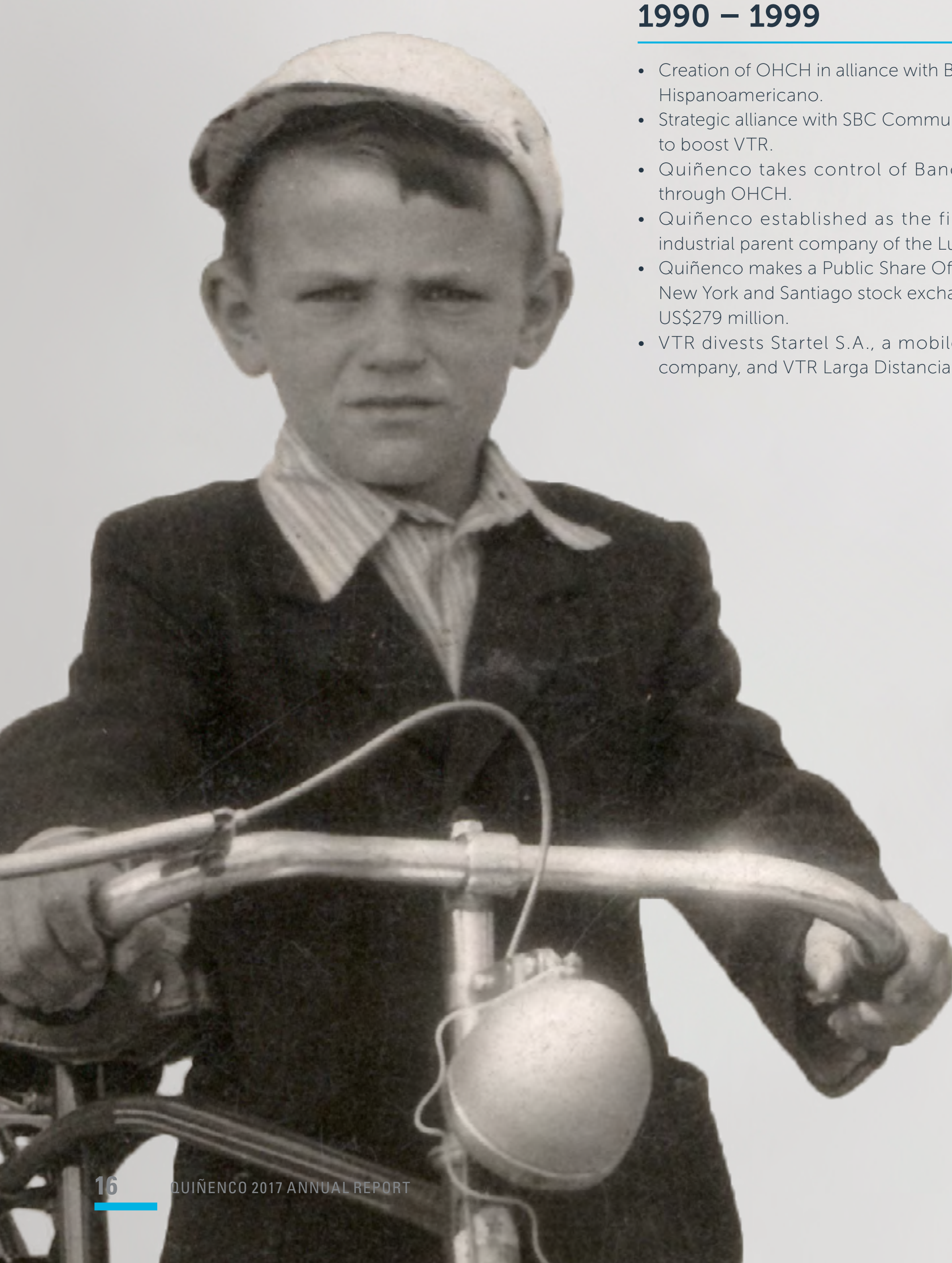
HISTORY

1957

- Creation of Forestal Quiñenco S.A. to exploit eucalyptus forests to produce wood props for the underground tunnels.

1960 – 1969

- Purchase of Forestal Colcura S.A.
- Acquisition of Empresas Lucchetti S.A.



1970 – 1979

- Purchase of Hoteles Carrera S.A.

1980 – 1989

- Purchase of shares in Banco O'Higgins and Banco Santiago.
- Takeover of Manufacturas de Cobre S.A. (Madeco).
- Acquisition of control over Compañía de Cervecerías Unidas S.A. (CCU), in alliance with the German group Schörghuber.
- Purchase of a majority stake in the telecommunications company VTR S.A.

1990 – 1999

- Creation of OHCH in alliance with Banco Central Hispanoamericano.
- Strategic alliance with SBC Communications Inc. to boost VTR.
- Quiñenco takes control of Banco Santiago through OHCH.
- Quiñenco established as the financial and industrial parent company of the Luksic Group.
- Quiñenco makes a Public Share Offering on the New York and Santiago stock exchanges, raising US$279 million.
- VTR divests Startel S.A., a mobile telephone company, and VTR Larga Distancia S.A.
- Creation of Habitaria S.A. in alliance with the Spanish construction firm Ferrovial Inmobiliaria.
- Quiñenco sells its stake in the banking sector holding company OHCH, to purchase 51.2% of Banco de A. Edwards and 8% of Banco de Chile.
- Sale of VTR Cable.
- Purchase of a 14.3% stake in Entel S.A.

2000 – 2009

- Creation of LQ Inversiones Financieras S.A. (LQIF), as a subsidiary of Quiñenco.
- Acquisition of 52.7% of the voting rights in Banco de Chile, becoming its controller.
- Sale of 39.4% of the ownership stake held in Plava Laguna d.d., tourist resort on the coast of Croatia.
- Merger of Banco de Chile and Banco de A. Edwards.
- Quiñenco partners with Heineken, acquiring 50% of IRSA, the company that controls CCU.
- Sale of Hotel Carrera de Santiago.
- Sale of Lucchetti Chile S.A.
- Purchase of Calaf through a joint venture with CCU.
- Acquisition of 11.4% of Almacenes Paris, stake that was later sold.
- Delisting of Quiñenco shares from the NYSE and end of the ADR program.
- Alliance with Citigroup in the financial sector.
- Ch$65 billion capital increase at Quiñenco.
- Merger of Banco de Chile and Citibank Chile.
- Sale of Madeco's cable unit to Nexans. As part of the operation, Madeco obtains an 8.9% stake in the French company.
- Sale of Quiñenco's stake in Entel.

2010

- Sale of 100% of Telefónica del Sur to GTD Manquehue.
- Citigroup increases its participation in LQIF, the company that controls Banco de Chile, to 50%, after exercising two purchase options for a total amount of US$1 billion.

2011

- Purchase of Shell's assets in Chile.
- Madeco signs an agreement with Nexans that allows it to increase its stake to 20%, acquiring significant influence on said company.
- Purchase of 20.6% of shares in Compañía Sud Americana de Vapores S.A.

2012

- Quiñenco carries out a capital increase of Ch$250 billion.
- Quiñenco increases its stake in CSAV to 37.44% and accesses the same percentage of SM SAAM, a company created after the shipping firm's division.
- Madeco and Nexans amend agreement, increasing the maximum percentage that Madeco can hold in the French company to 28%.

2013

- Quiñenco increases its ownership stake in Madeco to 65.9%.
- Madeco splits to create Invexans, the company that administers the investment in Nexans, and another company called Madeco, for the flexible packaging and profile production units.
- Enex acquires all Terpel's assets in Chile for US$240 million.
- Quiñenco increases its stake in CSAV to 46% and in SM SAAM to 42.4%.
- Quiñenco carries out capital increase of Ch$350 billion.

2014

- LQIF holds a secondary offering of Banco de Chile shares, reducing its stake in Banco de Chile to 51%.
- Quiñenco increases its stake in CSAV to 54.5% upon subscribing a capital increase.
- Madeco changes its name to Tech Pack S.A. and shuts down the profile unit.
- Techpack acquires the Chilean flexible packaging company HYC Packaging and sells the Madeco brand to Nexans for US$1 million.
- SAAM starts joint operations with the Dutch group Boskalis in the tug boat area for Mexico, Brazil, Panama and Canada.
- CCU acquires a stake in Bebidas Bolivianas S.A. and also agrees to a joint venture with the local Postobón Group in Colombia.
- End of the agreement between Invexans and Nexans that was signed in 2011, based on fulfillment of the main objective of establishing Invexans as a main shareholder.
- Merger of CSAV and Hapag-Lloyd's container shipping businesses. As part of the transaction, CSAV becomes Hapag-Lloyd's shareholder with an initial stake of 30%. This percentage increased to 34% after participating in a capital increase in the German shipping company.
- Quiñenco launches a public tender offer to purchase 19.55% of Invexans' shares.

2015

- Conclusion of the public tender offer, whereby Quiñenco acquires 17.88% of Invexans shares, reaching a participation of 98.3% in January.
- Quiñenco increases its stake in CSAV to 55.2% in February, upon completing the capital increase of the shipping company started in late 2014.
- Techpack purchases 24% of Alusa S.A.'s capital, thereby consolidating directly and indirectly 100% ownership in this subsidiary.
- CCU sells brands and assets associated with Natur and Calaf products to Empresas Carozzi and partners with Carozzi to jointly develop the powdered juice business.
- SM SAAM adds Terminal Internacional del Sur (TISUR) to its business portfolio. As part of this transaction, SM SAAM reduced its stake in Tramarsa to 35%.
- Hapag-Lloyd AG starts trading on the German stock exchanges, raising US$300 million. CSAV subscribes US$30 million, reducing its stake in the German shipping company to 31.35%; however, it continues to be its main shareholder.

2016

- CCU sells its 49% stake in Compañía Pisquera Bauzá, increases its participation in Manantial S.A. and in Nutrabien up to 100%, and purchases 51% of Sajonia Brewing Company SRL, that produces and sells craft beer in Paraguay.
- Quiñenco purchases SM SAAM shares, reaching an ownership stake of 52.2%.
- Techpack sells its flexible packaging business to the Australian group Amcor, upon completing the sale of Alusa and Inversiones Alusa's shares for a net amount of US$216 million.
- Hapag-Lloyd and United Arab Shipping Company (UASC) sign a Business Combination Agreement. The joint entity will be one of the five largest container shipping companies in the world.
- Quiñenco makes a public tender offer for Techpack shares, acquiring 98.98% ownership stake in said company. After the exercise of withdrawal and purchase rights, Quiñenco reaches 100% of Techpack's ownership at year-end.
- Techpack acquires a 0.53% stake in Nexans

2017

- SM SAAM places bonds in the Chilean market for the first time, for a total of US$111 million.
- SM SAAM acquires a 51% ownership stake in two concessions at Puerto Caldera, the largest port on the Pacific coast of Costa Rica and the second largest in terms of domestic cargo moved; the transaction involved the payment of US$48.5 million.
- SAAM sells its stake in Tramarsa, Peru for US$124 million, which translated in an after-tax gain of US$30.5 million.
- The merger between Hapag-Lloyd and UASC is completed, turning it into the fifth largest container shipping company in the world.
- CCU becomes a shareholder of American Distilling Investments (ADI), manufacturer of pisco BarSol in Peru.
- SAAM increases its stake in Iquique Terminal Internacional (ITI) up to 100%, after purchasing an additional 15%.
- CCU signs an agreement with AB Inbev for a brand transfer in Argentina that contemplates the early termination of the Budweiser license in exchange for a portfolio of brands with similar volumes and various payments to CCU Argentina of up to US$400 million over a three-year period.
- Hapag-Lloyd and CSAV carry out capital increases of US$414 million and US$294 million in Germany and Chile, respectively. CSAV is still the main shareholder, with 25.5% of Hapag-Lloyd's capital at year-end. Quiñenco participates in CSAV's process, increasing its stake in the shipping company to 56.2%.
- CCU increases its ownership stake in VSPT and launches a public tender offer, reaching a participation of 83% in early 2018.
- CSAV sells 100% of its subsidiary Norgistics Chile. Through this transaction, CSAV ends its participation in the logistic and freight forwarder business in Chile. The subsidiary Norgistics also starts to shut down its operations in Peru, Mexico and China.

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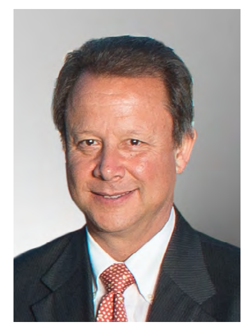

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Organizational Structure

- **Board of Directors**
  - **Chief Executive Officer**
    - Legal Department
    - Business Development Department
    - Administration, Finance, and Human Resources Department
    - Corporate Affairs and Communications Department
    - Sustainability Department
    - Chief Economist
    - Internal Auditing and Performance Control Department
  - Prevention Officer (Ley 20,393)

Carolina García de la Huerta Aguirre
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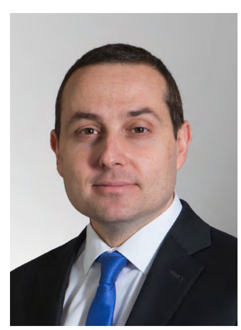

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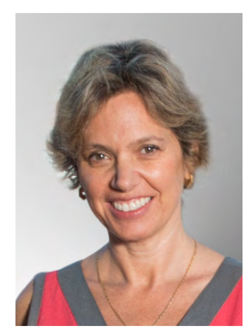

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Pablo Bauer Novoa
ATTORNEY
(since June 12, 2017)
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Master of Laws, University of Chicago, USA

CORPORATE STATEMENT

WHO WE ARE

We are the result of the entrepreneurial spirit, vision and courage of Andrónico Luksic Abaroa. Also, of the hard work and creativity of thousands of people who, in a joint effort with us, have developed companies and contributed to the progress of our country and of those in which we are present.

We have grown together with Chile, following our passion to innovate and explore opportunities. We have diversified along with the best teams and world class partners, always seeking to do the best we can, improving constantly.

We are a business conglomerate open to the world to discover, create and add value to companies and their employees, with a long term view, working in a responsible and serious way.

We wish to contribute to the growth and development of people and the community. We want to be relevant actors in the global market, always proud of our origin and committed to the entrepreneurial spirit that drives us.

WHAT WE DO

Contribute to progress. Develop enterprises. Create value.
We contribute to the progress of Chile and each of the countries in which we are present, working with a long term view, for the benefit of society, our collaborators and shareholders, generating employment, respecting the community and the environment.

We develop enterprises innovating and managing assets of leading companies in the financial, food and beverage, manufacture, transport, port, shipping, fuel distribution and retail sectors.

We create value with hard work and responsibility, facing our challenges directly or through strategic alliances with the best international partners.

WHAT WE BELIEVE

We believe in doing things well, working with excellence, being responsible, showing integrity and awareness of our acts and decisions; respectful of other people, the environment, and the community.

Excellence

- Do our best in each assignment we undertake.
- Have a clear vision of where we are headed.
- Lead with high standards. Be austere, rigorous and tenacious.
- Innovate and seek opportunities with determination.
- Have the best teams, with the best talent.

Respect

- Treat others as we would like to be treated.
- Be concerned about the wellbeing of our collaborators, our most valuable capital.
- Be inclusive and open. Value and respect differences.
- Build trusting relationships with the different actors in the community.
- Use natural resources efficiently; take care of and respect the environment.

Integrity

- Always do what is right.
- Honor our commitments.
- Respect the Law and its purpose.
- Be responsible for our acts and decisions.
- Communicate in a timely and honest manner, promoting a culture of transparency.

WHAT WE DREAM

We want to be the best ambassadors of Chilean entrepreneurship in a global market that is increasingly becoming more demanding and interconnected.

We want to be a business conglomerate capable of adapting to these new times, with the strength to create, innovate and seek challenges.

We want our work philosophy and the respect, learning and mutual benefit relationship that we establish with our employees and society to be a point of reference.

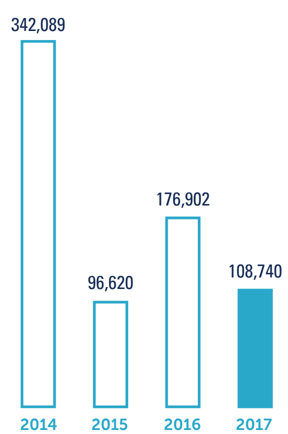
WHAT DRIVES US

"CREATE NEW PATHS, DISCOVER AND STUDY TERRITORIES THAT WILL BE THE SOURCE OF PROGRESS FOR FUTURE GENERATIONS".

ANDRÓNICO LUKSIC ABAROA (1926-2005)

2017 RESULTS

NET INCOME
MCH$



QUIÑENCO presents its financial statements according to IFRS. To better understand Quiñenco's results, the financial statements separate the results of banking services (banking sector) from non-banking businesses (industrial sector). In addition, and in keeping with IFRS requirements, six business segments have been defined: Manufacturing, Finance, Energy, Transport, Port Services and Other.

Quiñenco includes the results of approximately 36 companies in its financial statements for each period. Though it consolidates its operations with most of its investments, with Banco de Chile, Banchile Vida, CSAV, SM SAAM, Invexans and Enex being the main operating companies, the profits and losses of other investments that are important to Quiñenco in terms of their size or impact on its financial results during a given period, such as CCU, Nexans and Hapag-Lloyd, are not consolidated with the Company. In these cases, Quiñenco's proportional share of the profit or loss is included in the non-operating results.

3,856,614
CH$ MILLION

Consolidated revenues in 2017*

108,740
CH$ MILLION

Net profits for Quiñenco in 2017

** The consolidated revenues correspond to revenues from ordinary business activities in the industrial sector plus the net total operating revenues from the banking sector.*

CONTRIBUTION TO PROFITS BY SEGMENT

Quiñenco earned a net profit of Ch$108,740 million in 2017, 38.5% down from the previous year. This variation is due mainly to the Transport segment, primarily attributable to an accounting loss that had a significant effect on CSAV's results, due to the dilution of its participation in Hapag-Lloyd upon its merger with UASC. Similarly, the purchase of a greater ownership stake in Hapag-Lloyd by CSAV during the last quarter of 2017 generated an accounting gain. The net effect brought about losses to Quiñenco of Ch$57,200 million. However, Hapag-Lloyd's results improved significantly from a loss of US$107 million to profits of US$30 million in 2017, showing good operating performance based on growth in the cargo transferred, driven by the merger with UASC, and a slight recovery of the freight rates. Lastly, it is worth mentioning that the car carrier business operated directly by CSAV also showed better operational results due to greater volumes and cost savings.

	Numbers in MCh$	
	2017	2016
Manufacturing Segment		
Invexans	23,611	8,946
Techpack	(1,527)	2,931
Net income Manufacturing Segment	22,084	11,877
Financial Segment		
LQIF holding	(6,604)	(7,908)
Banking sector	125,899	119,745
Net income Financial Segment	119,295	111,837
Energy Segment		
Enex	8,774	20,227
Net income Energy Segment	8,774	20,227
Transport Segment		
CSAV	(71,203)	(10,014)
Net income Transport Segment	(71,203)	(10,014)
Port Services Segment		
SM SAAM	19,818	17,039
Net income Port Services Segment	19,818	17,039
Other Segment		
IRSA	36,879	33,010
Quiñenco and Others	(26,907)	(7,074)
Net income Other Segment	9,972	25,936
Net income attributable to controller's owners	**108,740**	**176,902**

In the Energy segment, although Enex's gross margin increased by 2% based on greater fuel volumes sold and higher margins in lubricants, the final result was shadowed by greater fixed asset depreciation and higher expenses at the sales points of service stations and provisions.

However, in the Manufacturing segment Nexans had a good performance, doubling its net profits to €125 million in 2017 as a result of a 12.4% increase in its operating income driven by strong growth in the high voltage submarine segment, which offset the slowdown in the activities of the oil and gas sectors, together with a favorable impact from the variation in the price of raw materials for unhedged inventories. Likewise, Techpack experienced lower results due mainly to the gain from the sale of the flexible packaging business reported in 2016.

In the Port Services segment, SM SAAM recorded an increase of 7.6% in net income, due mainly to a non-recurring gain from the sale of its 35% ownership stake in Tramarsa (Peru) and, to a lesser extent, the good results of the ports of Guayaquil in Ecuador and Caldera in Costa Rica, partly offset by a lower performance in logistics, tug boats and the ports in Chile. The contribution of the Port Services segment also reflects Quiñenco's higher ownership stake in SM SAAM from 50.8% to 52.2% in the fourth quarter of 2016, and its fair value adjustment at the corporate level.

CCU's results included in the "Other" segment recorded an increase of 9.4% as compared to the previous year, due mainly to the good operating performance of the international business segment and Chile, particulary the 17% growth in the volumes sold in Argentina, Paraguay and Uruguay, offsetting the lower results of the wine segment affected by greater wine costs.

Similarly, Banchile Vida, also included in the "Other" segment, recorded a drop of 9.6% in its results, down to Ch$12,251 million, due mainly to lower operating results driven by the change in its portfolio structure.

At the corporate level, also shown in the "Other" segment, the contribution diminished mainly due to the gain from the revaluation of the investment in SM SAAM, in agreement with IFRS standards, resulting from the accounting change in said investment from the equity method to consolidation in 2016. To a lesser extent, greater net financial costs were reported in this period, partly offset by a better tax result.

In the Financial segment, Banco de Chile recorded a 4.3% increase in profits, due mainly to lower loan loss provisions and greater revenues from customers, partly offset by lower non-customer related revenues due to lower inflation and non-recurring income in 2016, as well as greater income tax expenses. LQIF holding reduced its loss by 16.5% to Ch$15,815 million, due to the favorable effect of lower inflation on adjustable liabilities and a greater income tax credit.

CONTRIBUTION TO PROFITS BY SECTOR

	Numbers in MCh$	
	2017	2016
Industrial Sector		
Revenues	2,381,154	2,146,958
Operating income	79,609	66,674
Non-operating income	(64,856)	17,353
Income tax expense	(65,163)	(29,253)
Net income from discontinued operations	(3,925)	14,794
Consolidated net income (loss) non-banking sector	(54,335)	69,568
Banking Sector		
Operating revenues	1,710,443	1,735,946
Operating income	685,804	637,425
Non-operating income	(67,010)	(68,936)
Income tax	(115,128)	(89,147)
Consolidated net income banking sector	503,667	479,342
Consolidated net income	449,332	548,910
Net income attributable to non-controlling participations	340,592	372,008
Net income attributable to controller's owners	**108,740**	**176,902**

INDUSTRIAL SECTOR

Quiñenco reported consolidated revenues from its industrial sector of Ch$2,381,154 million in 2017, 11.7% up from the previous year due mainly to greater revenues from Enex, driven by the increase in fuel and lubricant prices and, to a lesser extent, by greater revenues from SM SAAM and Banchile Vida. The above was partly offset by lower revenues from CSAV.

Operating income from the industrial sector totaled Ch$79,609 million in 2017, higher by 19.4% than the Ch$66,674 million recorded the year before, mostly due to the better results reported by SM SAAM, attributable to the non-recurring profits of approximately Ch$47,000 million from the sale of its 35% ownership stake in Tramarsa. This variation can also be attributed to a lower operational loss at Techpack, due to a reduction in overhead expenses. These

STRUCTURE OF THE INDUSTRIAL SECTOR DEBT

Industrial Sector	Numbers in MCh$	
	2017	2016
Corporate level(1)	650,515	664,607
Invexans	6,161	10,049
LQIF holding	187,964	184,506
Enex	94,075	63,838
CSAV	58,079	63,022
SM SAAM	199,322	161,194
Total industrial sector debt	1,196,117	1,147,216

(1) IRSA's debt of MCh$65,137 in 2017 (MCh$74,717 in 2016), where Quiñenco holds an ownership stake of 50%, is not included herein.

favorable variations were partly offset by a lower result at Quiñenco at the corporate level, due mainly to the non-recurring gain of Ch$23,275 million recorded in 2016, from the revaluation of SM SAAM when it became a consolidated subsidiary. Meanwhile, Enex reported a 58.3% decrease in its operating income, despite a 2% increase in gross income from greater fuel volumes sold and higher margins in lubricants, due mainly to greater fixed asset depreciation and higher expenses at the sales points of service stations and provisions. CSAV's operating results also dropped by 81.6%, due mainly to the reversal of the provision relating to the NYSA-ILA's case in 2016, though it is worth noting that the car carrier business operated by CSAV showed better results.

IRSA's contribution went up by 11.7%, due mainly to the 9.4% growth in CCU's net profits for the year. IRSA recorded lower losses from the effect of inflation over adjustable liabilities, jointly with a lower net financial cost, partly offset by an income tax credit in the previous period.

The industrial sector recorded a consolidated loss of Ch$54,335 million in 2017, versus a consolidated profit of Ch$69,568 million in 2016, due mainly to the lower results at CSAV, attributable to the negative accounting effect of its dilution in Hapag-Lloyd as a result of the merger with UASC, which was partly offset by the favorable accounting effect of CSAV's greater ownership stake acquired in the last quarter of 2017 and better results from Hapag-Lloyd in the period, adjusted by fair value at the level of CSAV. To a lesser extent, the decrease is also explained by lower consolidated results at Quiñenco's corporate level, of Enex, Techpack and Banchile Vida. These variations were partly offset by the favorable variation of Invexans, reflecting Nexans' good performance which doubled its net profits up to €125 million, and of SM SAAM and LQIF holding.

BANKING SECTOR

In 2017, the operating income of the banking sector, which corresponds mainly to Banco de Chile, reached Ch$1,710,443 million, 1.5% down from 2016, as a result of lower non-customer related revenues driven by higher income on investments available for sale in the previous year, and a negative effect from lower inflation; the above was partly offset by greater revenues related to customers, mainly due to the increase in the margin of loans in the retail banking segment, and by higher net fee income.

Operating income of the banking sector grew by 7.6%. Lower revenues were more than offset by a 24.1% reduction in loan loss provisions, due mainly to the constitution of additional provisions established in 2016 and a net credit improvement of the Bank's wholesale banking portfolio in 2017. In turn, operating expenses had a slight variation of 0.1%.

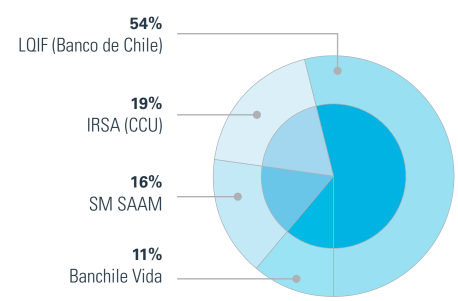
In connection with non-operating income, it is worth noting that the 2.8% loss reduction is mainly due to better results from equity investments and, to a lesser extent, lower interests on the subordinated debt held with the Central Bank of Chile over the period.

The banking sector earned consolidated profits of Ch$503,667 million in 2017, 5.1% up from the previous year due to lower loan loss provisions, offsetting the lower operating revenues and greater income tax expenses.

DIVIDENDS

The flow of dividends received at the corporate level from its subsidiaries LQIF (Banco de Chile), IRSA, SM SAAM and Banchile Vida was Ch$65,449 million, 17.8% lower than the Ch$79,595 million recorded the previous year. In 2017, the Bank reduced its dividend payment ratio from 70% to 60% of net profits. The sustained flow of dividends and the funds obtained from the sale of investments have allowed Quiñenco to maintain a low level of indebtedness and a solid financial position, with debt at the corporate level totaling Ch$650,515 million.

Dividends Received
MCh$65,449 (at corporate level)



SUSTAINABILITY POLICY

WE CONTRIBUTE TO THE PROGRESS OF CHILE AND THE WORLD

We work for progress, open to the world to continue undertaking new businesses, discovering new horizons and creating value for companies, their shareholders and collaborators. We want to do things well, always better, with a long-term perspective.

We understand sustainability in its three dimensions: economic, social and environmental. We seek results, contributing to the economic growth and development of the people, the community and the territories where we are present.

This policy establishes Quiñenco's vision of sustainability as the central axis of its business model. It determines the decisions of the directors, managers, executives and employees of the Group, and inspires the relationship with its operating companies. This strategic policy aims to guide the company in the construction of a healthy coexistence between company and society.

We contribute to Chile's development through four strategic pillars: leadership, excellence, sustainable human development, and commitment to the country.

STRATEGIC PILLARS

Leadership

- We are active shareholders with a vocation for controlling and ensuring good management, always respecting the autonomy of each of the companies where we participate.
- We invest in leading companies within their industry as well as in companies that have the potential to be leaders.
- We develop strategic alliances with world-class partners to generate value through cooperation and sharing know-how.
- We seek the best talents to continue developing them and with them, our identity, allowing them to develop in a culture of good practices and continuous improvement.

Who is involved? / Who is affected?
Directors/ Executives/ Workers/ Shareholders and Investors/ Competitors/ Strategic Partners

Excellence

- We manage companies with high standards, aiming to be the best, results-oriented; we act with integrity, obeying our bylaws, respecting the values established in our Code of Ethics and safeguarding strict compliance with the law in its form and spirit.
- Our corporate governance practices seek to do things well, always better, and with integrity, protecting the interests of all our shareholders, especially the minority shareholders.
- We encourage our operating companies to, in the exercise of their autonomy, promote best practices in their relationship with customers, suppliers, investors and shareholders.
- We look for innovative and creative solutions for the development of our businesses.
- We watch for cutting-edge environmental management, aware of the impacts and risks generated by the activities of our operating companies.

Who is involved? / Who is affected?
Executives/ Workers/ Strategic Partners/ Regulators/ Authorities/ Future generations/ Communities/ Investors and Shareholders

Sustainable Human Development

- By developing enterprises we contribute to the progress and wellbeing of people, establishing a relationship of mutual learning and benefit.
- We tend to generate relationships and working conditions of high standards, convinced that people are the determining factor for the progress and success of the companies we participate in.
- The health and safety of our collaborators is a priority for us and our companies' work.
- We ensure that talent and professional effort are recognized and generate opportunities for development. We value and respect social diversity and inclusion.

Who is involved? / Who is affected?
Workers / Strategic Partners / Suppliers / Contractors / Communities

Commitment to the Country

- Aware that companies are important players in society, we actively work so that both private sector practices and public policies contribute to the progress of the country and the development of all its inhabitants.
- We recognize the importance of our stakeholders and establish a reciprocal relationship with them, through an open, timely and transparent communication.
- We seek to be the best ambassadors of Chilean entrepreneurship in the world market. We know that our decisions contribute and impact the reputation of the country and the opportunities for our fellow citizens.
- We contribute to generate a climate of trust, undertaking our challenges and working together in order to achieve the goals that we have set. We want to be a role model of good practices in Chile.

Who is involved? / Who is affected?
Society / Opinion Leaders / Media / Industry Associations / Communities / Authorities

2017 SUSTAINABILITY HIGHLIGHTS

During 2017, Quiñenco's operating companies achieved significant progress in three dimensions relevant for sustainability: environment, community and compliance. Following is a summary of the most outstanding initiatives in these matters.

ENVIRONMENT

- **Fleet renewal with electric trucks**
  CCU –distinguished by Pacto Global Chile as the company with the best environmental practices in the country – started a process aimed at reconverting its entire distribution fleet. The project initially considers four zero-emission, no-noise, 100% electric trucks that started to operate towards the end of 2017 in the district of Santiago, to help decontaminate and relieve the traffic of vehicles and pedestrians in downtown Santiago.

- **Innovative recycling system at corporate building**
  CCU implemented a pioneer recycling system in alliance with the Municipality of Las Condes. The company installed clean points at its offices, where people can sort out paper, newspapers, magazines, PET bottles, cardboards, cans and glass for disposal. The waste is picked up by the municipality, through the program "Punto Limpio Móvil". Approximately 1,800 workers will contribute to a culture of environmental care by promoting a more efficient and sustainable use of resources.

- **Investigation to promote the use of electric cars**
  In order to address the global demand for intelligent solutions, since 2016, Nexans has steadily increased its ownership stake in G2mobility, a startup specialized in these electric car system solutions.

- **Clean Production Agreement, zero waste at the sanitary landfill**
  Together with 24 other companies, CCU subscribed the Clean Production Agreement (APL) of Zero Waste at the Sanitary Landfill. This initiative, developed with the collaboration of the Ministry of the Environment, the Clean Production Commission of the Ministry of Economy and the foundation Acción Empresas, seeks to generate a certifiable management standard for the Chilean industry to prevent the generation of waste that will be later deposited in sanitary landfills, by finding alternatives to recover it.

- **The shipping industry commits to reduce emissions**
  Hapag-Lloyd and Kühne+Nagel signed an agreement called the Carbon and Sustainability Pact, through which both companies committed to reduce by 17% the carbon dioxide emissions from their container shipping activities by 2020.

COMMUNITY

- **Pinot Noir D.O. Malleco with the Buchahueico Mapuche community**
  In a collaborative project pioneer in Chile, VSPT implemented an unprecedented work model with the Buchahueico Mapuche community in Purén, Araucanía region. In total, 10 hectares of pinot noir were planted, the largest Mapuche vineyard in the country. The initiative is supported by public entities and led in the field by four families of the community, who hold the property and work their own land, acquiring the know-how and receiving the advice of Viña San Pedro's winemaking team.

- **Social investment to allow access to energy**
  Nexans Foundation, established in 2013, selected 19 initiatives in 16 of the countries where Nexans holds operations, to develop solutions to provide energy access to approximately 700,000 people. They include photovoltaic panels and a total annual investment of 300,000 Euros.

- **Support to communities affected by fires**
  In alliance with Desafío Levantemos Chile, Banco de Chile collaborated in raising funds for the fires in the central zone of Chile during January and February 2017. The campaign raised Ch$11,000 million and donated a state-of-the-art forest fire truck to the Santa Olga Fire Department, one of the towns most affected by the catastrophe.

- **Contest Desafío Emprendedores**
  More than 23,000 micro-entrepreneurs enrolled in the second version of this contest conducted by Banco de Chile and Desafío Levantemos Chile to promote the businesses of Chilean entrepreneurs. Thanks to this initiative, the Bank recieved the Financial Education and Inclusion award granted by SBIF in the category Financial Inclusion.

- **Close to 10,000 volunteers participated in the 2017 Teletón**
  As its has done since the beginning of this campaign, Banco de Chile made available its branch offices, Cajas Chile, ancillary cashier's posts and mailboxes to collect funds for 27 uninterrupted hours.

- **Solidarity Campaign at upa! store**s
  Within the framework of its support program of Fundación Las Rosas – entity that takes care of 2,200 vulnerable senior citizens -, Enex conducted a campaign

to collect Ch$170 million in voluntary contributions from customers who visit the upa! and up¡ta stores. Additionally, its collaborators provided 5,000 hours of volunteer work at different nursing homes of the foundation.

- **Training in maritime jobs**
  SAAM signed a cooperation agreement with Universidad Andrés Bello to inaugurate two simulation rooms adapted to the specific requirements involved in port towage maneuver training. Along these lines, SAAM will increase its openings so that students of the Merchant Shipping career may conduct their internship at the company's units.

COMPLIANCE

- **Gender Parity Initiative**
  Quiñenco and the operating companies in the group have recently subscribed the public-private Gender Parity Initiative sponsored by the Inter American Development Bank and the World Economic Forum, which points at reducing the gender gap and at promoting women's participation and economic development in the labor market.

- **Corporate transparency**
  In 2017, SAAM published its first sustainability report, prepared in agreement with the international guidelines of the Global Reporting Initiative (GRI), and Nexans published its first integrated annual report.

- **Large-scale financial education**
  The talks and workshops conducted by Banco de Chile were attended by more than 48,000 people from around the country in 2017.

- **Work skills certification**
  SAAM was recognized by the Asociación de Logística Chile (ALOG) for the development and the certification of work skills at its logistics-related companies: Sepsa, Cosem and SAAM Extraportuarios. Out of the 122 people who were in condition to be certified in SAAM (SAAM Extraportuarios, Sepsa, Cosem and Terminals), 102 went through this process, equivalent to 83% coverage.

- **First National Inclusion Meeting**
  Banco de Chile and other large companies committed to increase the hiring of people with disabilities and to create work environments and recruitment processes especially adapted to this end.

- **Promoting youth employment in the region**
  Within the framework of the Alliance Pacific Agreement to promote youth employment, CCU and 37 other companies committed to developing joint initiatives to provide employment opportunities to the more than 17,000 youngsters of the communities where they operate. In order to achieve this task, the company will receive students who participate in the Training and Labor Program of the Fundación Forge so that they can do an internship at CCU and its subsidiaries.

BUSINESS ACTIVITIES

FINANCIAL SERVICES

CHILE

THE STRATEGIC ALLIANCE WITH CITIGROUP IN LQIF COMPLEMENTS THE EXCELLENT FINANCIAL SERVICES PROVIDED BY BANCO DE CHILE AND GIVES ITS CUSTOMERS ACCESS TO ONE OF THE MOST IMPORTANT FINANCIAL PLATFORMS IN THE WORLD.

LQ INVERSIONES FINANCIERAS

LQ INVERSIONES FINANCIERAS S.A. (LQIF) is the company through which Quiñenco channels its investments in the financial sector. It is a closed stock company created as a Quiñenco subsidiary in 2000. Its main asset since 2001 has been its participation in Banco de Chile. As of the end of 2017 it held 51.2% of the voting rights and 33.9% of the economic rights in this financial institution.

As part of a strategic alliance, in 2008 Citigroup acquired a 32.96% stake in LQIF, a share it acquired by contributing its assets in Chile. Banco de Chile and Citibank Chile merged on January 1, 2008. In April 2010, Citigroup increased its stake to 50% after exercising two purchase options for 8.52% of LQIF shares each, in accordance with the Shareholders' Agreement signed with Quiñenco for the partnership.

In March 2013, Banco de Chile successfully completed a capital increase of US$530 million. LQIF's Board of Directors agreed to exercise its preferential subscription rights in Banco de Chile's regular share offering period and to renounce the subscription options it had for its stake in SAOS, thus slightly reducing its participation in the Bank to 58.4% as of December 2013.

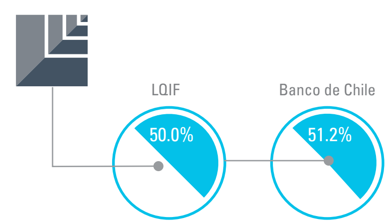
In January 2014, the Board of Directors agreed to hold a secondary offering of Banco de Chile shares to increase the stock's liquidity without altering LQIF's condition as controller. The offer concluded with the sale of 6.7 billion shares at a price of Ch$67 per share, equivalent to 7.2% of the property. In this way, LQIF's stake was reduced to approximately 51%.

During 2017, LQIF acquired close to 200 million Banco de Chile shares available in the market, slightly increasing its participation, which reached 51.2% by year-end.

The Quiñenco group has a vast and successful experience in the Chilean financial sector, where it has stood out for the following milestones: the merger between Banco Santiago and Banco O'Higgins in 1997; the sale of the resulting institution to Banco Santander Central Hispano (BSCH) in 1999; the acquisition of Banco Edwards in 1999 and Banco de Chile in 2001 and, finally, the merger with Citibank Chile in 2008, thus creating the largest bank in the country controlled by Chilean capital.

2017 RESULTS

LQIF recorded net income of Ch$238,591 million in 2017, 6.7% up from the previous year. This variation is due mainly to the 4.3% increase in Banco de Chile's results over the period, and to a lesser extent, to a greater ownership stake resulting from the purchase of an additional 0.2% in said subsidiary, and slightly lower interests on the Subordinated Debt. The Bank's higher results are mainly due to a reduction in loan loss provisions, which reflects additional provisions established during the previous period, and a net credit rating improvement of the wholesale banking segment. The lower level of provisions offset a 1.5% drop in operating income, due mainly to non-recurring income recorded in 2016 and the negative effect of lower inflation, which offset the growth in loan margins, a slight increase in operating expenses and higher income tax expense. Similarly, LQIF holding reported losses 16.5% lower than the previous year, due mainly to lower losses associated with the effect of decreased inflation rates on readjustable liabilities in 2017 and a greater income tax credit.



LQIF'S PARTICIPATION IN BANCO DE CHILE

At December 31,	2017
Voting rights	51.2%
Economic rights	33.9%
Ownership	
SM Chile	58.2%
Banco de Chile	27.1%

FINANCIAL SERVICES

CHILE

BY THE END OF 2017, 53% OF THE MONETARY TRANSACTIONS OF BANCO DE CHILE'S RETAIL SEGMENT WERE CARRIED OUT ONLINE.

BANCO DE CHILE

Banco de Chile, a global financial institution, leads the Chilean banking industry in various areas, with a return on average capital and reserves of 20% and the largest customer base with loans, with 18.8% market share as of December 2017. It is also the most valued brand in the banking industry and the bank with the highest net customer recommendation index. It also has a sound competitive position in terms of financing sources and risk management.

With a stock market capitalization of US$15.9 billion at the closing of 2017, Banco de Chile again stood out as the most important financial institution of the country. The Bank's shares closed 2017 at a price of Ch$98.6/share, which is equivalent to a 33.7% increase as compared to the closing of 2016, adjusted by capital events.

In 2017, Banco de Chile was included in the Dow Jones Sustainability Chile Index (DJSI Chile). This index is composed of leading companies in matters of sustainability, according to a study conducted by RobecoSAM, which is based on the "best-in-class" selection method.

Banco de Chile's strategy is based on three pillars: placing the customer at the center of its decisions, the permanent search of greater efficiency and productivity levels, and a strong commitment to Chile and its development.

ANNUAL PERFORMANCE

In 2017, Banco de Chile continued advancing with its digital transformation process, with new developments such as the new corporate website, the launching of the application Mi_Inversión, a new electronic factoring platform and other functionalities for mobile applications (authorization of electronic transactions with Mi_Pass, access to mobile banking applications through the fingerprint, and direct payment at stores through Mi_Pago).

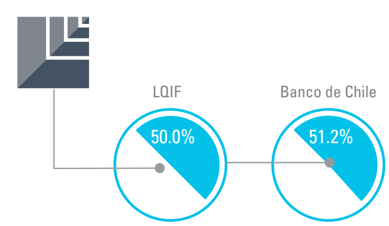
During the year, the Bank's customers made 64 million transactions online using mobile devices, 28% up from the previous year. At the end of 2017, 53% of the monetary transactions of the retail banking sector were carried out online.

The Bank expanded its benefit programs for credit card holders with new alliances with airlines; this time, British Airways and GOL. The above, among other initiatives, such as the inauguration of a VIP lounge at the Santiago airport, allowed it to reach a net average recommendation rate of 73 points, keep low attrition rates and increase its retail and wholesale client portfolio.

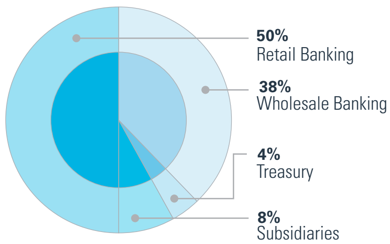
In order to provide a more timely product and service offering that meets its customers' requirements, the Bank

BANCO DE CHILE

- *Founded in 1893.*
- *A (S&P) and Aa3 (Moody's) risk ratings.*
- *Listed on Chile's and United States' (NYSE) stock exchanges.*
- *1,198,000 clients with loans and 851,000 clients with current accounts*
- *14,023 employees.*
- *399 branches, 2,044 Cajas Chile and 1,464 ATMs.*
- *Market capitalization: US$15.9 billion at December 2017.*



Business Areas
Contribution to results (*)
(Net income MCh$576,012 in 2017)



(*) Before taxes

BUSINESS SEGMENTS

RETAIL BANKING

- *Products and services for individuals and small and medium sized companies across the country.*

WHOLESALE BANKING

- *From traditional credit products to financial consulting services, securitization and treasury products for local and multinational companies.*
- *International financial services, through the connectivity agreement with Citigroup.*

SUBSIDIARIES

- *Products and services for retail and wholesale banking customers, which complement the above-mentioned services, including: mutual funds management, purchase and sale of shares and foreign currencies, insurance brokerage, financial consulting services, collection and securitization services.*

TREASURY

- *Products and services including forwards, interest rate swaps, repurchase agreements and investment products.*
- *Management of the mismatch of currencies, terms and interest rates; management of the investment portfolio and supervision of the financing structure of Banco de Chile and compliance with internal and regulatory thresholds.*

improved its pricing models, making them more dynamic and personalized, through digitalization and a better use of information. It also implemented a tool to customize its commercial campaigns based on the behavioral pattern and the lifecycle of each customer. These and other functionalities have enabled the Bank to streamline the credit granting process through pre-approved risk assessment models, thus reducing the delinquency indicators.

2017 RESULTS

Banco de Chile recorded net income of Ch$576,012 million in 2017, once again leading the industry with a share of 26% in profits and a return on average capital of 20%. This result is 4.3% higher than the previous year, as a result of the sustained increase in revenues from customers and a good performance in risk and operating expenses, which offset the higher tax expenses and the lower non-customer related revenues, within a context of lower inflation.

2017 MILESTONES

- Banco de Chile hit a record stock market capitalization value.
- Incorporation to the Dow Jones Sustainability Chile Index (DJSI Chile).
- Alliances with British Airways and GOL airlines.
- Launching of the mobile applications Mi_Inversión, and the new online platform for the corporate segment.
- Application of new business intelligence tools.

Banco de Chile

COMMITMENT TO CHILE

BASED ON ITS COMMITMENT TO THE COUNTRY, BANCO DE CHILE DEFINED FOUR PRIORITIES TO BE IMPLEMENTED IN 2017: INCLUSION OF PEOPLE WITH DISABILITIES; PROMOTION OF ENTREPRENEURSHIP AND FINANCIAL EDUCATION; RESPONSE TO EMERGENCIES BROUGHT BY NATURAL CATASPROPHES; AND TAKING CARE OF THE ENVIRONMENT. AMONG THE SEVERAL INITIATIVES DEVELOPED, WORTH NOTING ARE THE FIRST NATIONAL INCLUSION MEETING, TALKS AND WORKSHOPS ATTENDED BY MORE THAN 48,000 PEOPLE FROM AROUND THE COUNTRY AND, FOR THE SECOND CONSECUTIVE YEAR, THE DESAFÍO EMPRENDEDOR CONTEST THAT CONVENED MORE THAN 23,000 MICRO-ENTREPRENEURS. IN ORDER TO FACE THE EMERGENCY CAUSED BY THE FIRES OF JANUARY AND FEBRUARY 2017, THE BANK MANAGED TO RAISE FUNDS AMOUNTING TO CH$11 BILLION TOGETHER WITH DESAFÍO LEVANTEMOS CHILE.

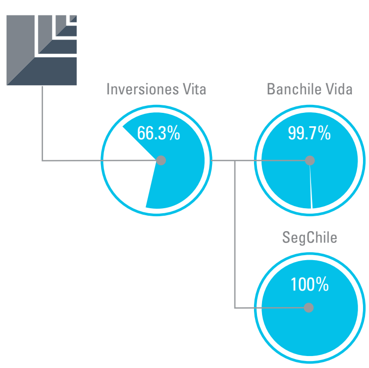
CONVINCED OF THE IMPORTANCE OF DELIVERING A MORE ENVIRONMENTALLY BALANCED PLANET TO FUTURE GENERATIONS, BANCO DE CHILE DEVELOPED A PLAN AIMED AT MITIGATING ITS EMISSIONS, INCLUDING THE MEASUREMENT OF ITS CARBON FOOTPRINT, ENERGY AND PAPER SAVING PROGRAMS AND PROMOTION OF ALTERNATIVE MEANS OF TRANSPORT.

BANCHILE SEGUROS DE VIDA - SEGCHILE

FINANCIAL SERVICES

2017 MILESTONES

- Update of its technology platform.
- Implementation of an e-learning system, available for all the commercial networks.
- SegChile starts operations.



BANCHILE SEGUROS DE VIDA

- Started operations in 2000 under the name Banedwards Compañía de Seguros de Vida S.A.
- Gross premium: Ch$131,558 million in 2017.
- Risk rating: AA (ICR and Feller Rate).
- 50 distribution channels.

SEGCHILE SEGUROS GENERALES

- Started operations in 2017.
- Risk rating: AA- (ICR and Humphreys).
- Gross premium: Ch$898 million.
- 13 distribution channels.

INVERSIONES VITA S.A., subsidiary of Quiñenco, participates in the life insurance business through Banchile Seguros de Vida since the year 2000 and in the general insurance business since 2017, through SegChile Seguros Generales.

BANCHILE SEGUROS DE VIDA S.A. (Banchile Vida) aims to provide comprehensive solutions to the protection requirements of people and their families, offering life, accident and health insurance policies.

The company offers individual and collective insurance policies through various distribution channels, namely banks, savings and credit cooperatives, compensation funds, electric utilities, agricultural financing companies and retailers. One of its main strengths is the application of an efficient and flexible management model, based on highly digital and reliable processes.

Banchile Vida maintains reinsurance contracts with companies that have high risk ratings: Hannover Re (AA-), Scor (AA-), General Re (AA+) and RGA RE (A). In turn, it has maintained a AA rating over the last few years. In 2017, these ratings were assigned by the risk rating agencies ICR Chile and Feller Rate.

SEGCHILE SEGUROS GENERALES S.A. (SegChile), established in 2016, started commercial operations in March 2017, sharing some administrative functions and the technology platform of Banchile Vida. This enabled it to deliver differentiated services to its distribution channels and policy holders and manage the risks throughout its processes.

Considering the financial statements at September 2017, the company's obligations were rated AA- by Humphreys and with the same category by ICR.

ANNUAL PERFORMANCE

Banchile Vida's commercial offering is based on the delivery of technological services to its distribution channels and commercial partners to facilitate their work in the sale, advisory and management of insurance policies in a market subjected to frequent regulatory changes.

During 2017, the company updated its technology platform, incorporating the latest versions for physical and virtual databases, systems and equipment. Within this context, it implemented a new e-learning training system, available on all the commercial networks; it started the periodic and automatic submission of sales reports to the distribution channels and developed a module especially suited to insurance brokers that will enable them to make quotations, issue policies and manage on their own collective life and accident insurance policies.

The company also updated its software development model, consolidating the use of 4GL tools, with an agile methodology for the procurement of new functionalities by means of collaborative work.

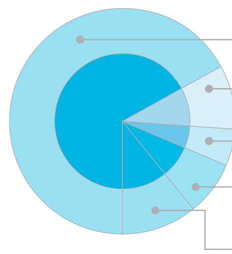
During 2017, SegChile carried out a capital increase of Ch$1,000 million approved by the Shareholders' Meeting in June to support its growth plan, increasing the number of policy holders and distribution channels, and expanding the range of products offered.

2017 RESULTS

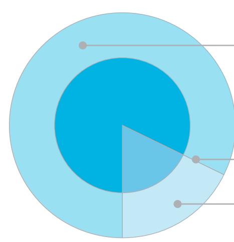
Banchile Vida reported net income of Ch$12,251 million in 2017, 9.6% down from 2016, due mainly to lower operating income. This lower performance is based mainly on the change of its portfolio structure, with a reduction in the life insurance premiums (non mortgage insurance) and an increase in the health and accident insurance premiums.

SegChile reported a loss of Ch$168 million during its first year of operation.

BANCHILE VIDA
Operating segments
(Total gross premium 2017: MCh$131,558)



SEGCHILE
Operating segments
(Total gross premium 2017: MCh$898)



SEGCHILE STARTS OPERATIONS

SEGCHILE'S COMMERCIAL OFFERING DURING ITS FIRST YEAR OF OPERATIONS FOCUSED ON THE SALE OF COLLECTIVE INSURANCE POLICIES FOR UNEMPLOYMENT, PERSONAL ACCIDENTS AND TRAVEL ASSISTANCE, THROUGH DIFFERENT MASS DISTRIBUTION CHANNELS.

DURING 2018, THE STRATEGY IS AIMED AT INCORPORATING NEW DISTRIBUTION CHANNELS AND COMMERCIAL PARTNERS, IN ADDITION TO DEVELOPING NEW PRODUCT LINES AND PROMOTING THE SALE OF INSURANCE POLICIES ONLINE.

BUSINESS AREAS

BANCHILE VIDA

POLICIES

- A wide range of products including collective and individual life, personal accidents, and health insurance policies.

PROCESS MANAGEMENT

- Provides distribution channels with self-managed and online control tools for processes involved in sale and post-sale activities carried out by the commercial and customer information networks.

DISTRIBUTION

- Operates through more than 50 distribution channels: banks, savings and credit cooperatives, compensation funds, electric utilities and retailers.

SEGCHILE

POLICIES

- A wide range of products including collective unemployment, personal accidents, travel assistance and health insurance policies.

PROCESS MANAGEMENT

- Provides distribution channels with self-managed and online control tools for processes involved in sale and post-sale activities carried out by the commercial and customer information networks.

DISTRIBUTION

- Operates through more than 13 distribution channels: savings and credit cooperatives, compensation funds and retailers.

Banchile
SEGUROS DE VIDA

SegChile
Seguros de Chile

BEVERAGE AND FOOD

COLOMBIA

IN COLOMBIA, THE JOINT-VENTURE BETWEEN CCU AND POSTOBÓN DOUBLED ITS SALES AND IS PREPARING TO MANUFACTURE BEER AT ITS NEW PLANT, STARTING IN 2018.

CCU

Compañía Cervecerías Unidas S.A. (CCU) creates value in a sustainable manner, through a diversified offering, with special emphasis on nonalcoholic beverages and beer, portfolios that include highly preferred brands and scale operations in every country where it has operations (Chile, Argentina, Bolivia, Colombia, Uruguay, Paraguay and Peru).

The company holds license and/or distribution agreements with Heineken, Anheuser-Busch, PepsiCo, Seven-Up, Schweppes, Nestlé, Pernod Ricard, Watt's and Coors.

The purpose of its 2016-2018 strategic plan is to advance in its goal of becoming a regional company and to this end its efforts will be mainly focused on growth and efficiency.

ANNUAL PERFORMANCE

As an essential component of this strategy, the plan "ExCCelencia CCU" continued to generate efficiencies and positive results, through new initiatives and the incorporation of best practices. CCU hit a record in the volume of hectoliters sold with 26 million in 2017, significantly driven by the International Businesses segment, made up of the operations in Argentina, Uruguay and Paraguay, which achieved an annual growth of 16.9% in terms of volumes.

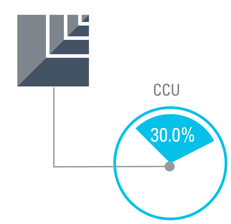
In Chile, CCU's brands achieved a good positioning. Among the new products launched this year worth high lighting are: Lipton Ice Tea® Lychee and Jazmin, Escudo Silver beer, Viñamar ICE sparkling wine, Gran Reserva Tarapacá Orgánico wine and the juice Sprim Misterio. The launching of Pepsi Zero by CCU in Chile, the first in the region, was recognized with the Best 2017 Latin America Innovation award granted by PepsiCo, and earned a silver Effie in the category Best Products Launched in 2017.

At a corporate level, the period was characterized by three transactions of special importance for CCU's portfolio. In Argentina, it reached an agreement with AB Inbev (ABI) over the transfer of brands, including the early termination of the Budweiser license in exchange for a portfolio of brands with similar volumes and various payments of up to US$400 million over a three-year period (see chart). In Chile, CCU increased its ownership stake in Viña San Pedro Tarapacá S.A (VSPT) from 67.22% to 83.01% by means of a public tender offer concluded in January 2018. In Peru, through the subsidiaries of Compañía Pisquera de Chile (CPCh), CCU acquired 40% of American Distilling Investments (ADI), company that owns the BarSol pisco brand and productive assets in Peru. The other 60% was kept by LDLM Investments LLC, a company based in the United States with more than 10-years experience in the sale of pisco in international markets. Therefore, CCU incorporated the Peruvian brand BarSol to its portfolio and confirmed its commitment to turn pisco into a relevant category at a global level.

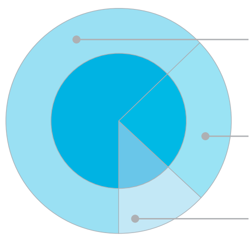
With respect to its regional operations, the company also made great progress in Colombia, where Central Cervecera de Colombia (joint venture between CCU and Postobón) doubled the volumes sold, totaling 0.4 million hectoliters, and added to its portfolio the brands Miller Lite and MGD (as did CCU Argentina). In Bolivia, BBO recorded an annual volume increase of 5.7%.

COMPAÑÍA CERVECERÍAS UNIDAS

- *Listed on the Chilean stock exchanges since 1920, and on the New York Stock Exchange (NYSE) since 1999.*
- *Brewing tradition since 1850.*
- *Operations in Chile, Argentina, Bolivia, Colombia, Uruguay, Paraguay and Peru.*
- *Market capitalization: US$5.5 billion at the closing of 2017.*
- *Total sales of 26.0 million hectoliters in 2017.*



Business Segments
Distribution of consolidated revenues*
(Total 2017: MCh$1,698,361)



* Percentages calculated on revenues excluding Others / Eliminations.

MARKET SHARE

Market Share	2013	2014	2015	2016	2017
Total(1)	25.8%	26.8%	27.6%	28.1%	28.1%
Chile(2)	40.0%	40.9%	41.6%	42.3%	42.7%
International Businesses(3)	11.6%	12.9%	13.8%	14.0%	14.7%
Wine(4)	17.6%	18.3%	18.2%	18.0%	18.2%

(1) Weighted average of all categories where CCU participates based on the market shares of each category, and weighted based on the internal estimates of market sizes (February 2018). Market share source: Nielsen December 2017 for Chile, domestic wine and Argentina, ID Retail December 2017 for Uruguay: internal estimates for Paraguay; and Chile's Association of Wine Producers for export.
(2) Excludes HOD and powdered juices.
(3) Includes beers and ciders in Argentina, carbonated soft drinks, nectars, mineral and flavored waters in Uruguay; beers, soft drinks, nectars and mineral water in Paraguay.
(4) Includes domestic and exported wine in Chile. The size of the export market segment is that reported by Chile's Association of Wine Producers; it does not include bulk wine.

BUSINESS AREAS

CHILE

- *Largest beer producer in the country.*
- *Second largest producer of carbonated soft drinks.*
- *Largest bottler of waters and nectars.*
- *Largest pisco producer.*
- *It also participates in functional drinks and other liquors.*

INTERNATIONAL BUSINESSES

- *Argentina: beer (second largest producer); cider and liquors.*
- *Uruguay: beer, waters, nectars and carbonated drinks.*
- *Paraguay: beer, waters, nectars and carbonated drinks.*
- *Bolivia: beer, waters, carbonated drinks and malts.*
- *Colombia: beer.*

WINE

- *Second largest producer and exporter of Chilean wine, with deliveries to more than 80 countries.*
- *CCU participates in the business through VSPT group, which in Chile consists of the vineyards San Pedro, Tarapacá, Santa Helena, Misiones de Rengo, Leyda, Viña Mar and Casa Rivas, and in Argentina, of Finca La Celia and Bodega Tamarí.*

In Uruguay, CCU incorporated Schop Kunstmann to its portfolio in the beer category and launched its isotonic beverage category with the brand FullSport. Meanwhile, in Paraguay, it also added Kunstmann Schop and launched the Sajonia Red Ale variety. Both Sajonia Pale Ale and Sajonia Red Ale were awarded gold medals at the World Beer Awards 2017 in London, England.

At the end of 2017, CCU recorded significant progress in the three objectives of its Environmental Vision toward 2020. As compared to the levels of 2010, it reduced water consumption by 39.7% (reaching in advance its 33% goal) and lowered the Greenhouse Gas Effect emissions by 22% (the goal is 20%). Also, it reached a waste recovery rate of 97.6%, approaching the 100% goal established in the plan.

Among the main initiatives for the year in this area, it is worth noting that CCU started the technology reconversion of its distribution fleet in downtown Santiago. In August, CCU presented the first stage of this project, which featured the incorporation of the first four (out of 16) electric trucks that will operate in this zone. In addition to being non CO2-polluting, these trucks significantly reduce noise and congestion, given that their size is 50% smaller and require less movement of workers and products on the sidewalks.

The high standard achieved by the company in this field was recognized by Pacto Global Chile, which distinguished CCU as the company with the best environmental practices. This is also reflected by the incorporation of VSPT Wine Group to the Dow Jones Sustainability Chile Index (DJSI Chile). This index annually measures the sustainability performance and the management of the companies listed on the stock exchange, and only includes those regarded as the "best-in-class" based on their economic, environmental and social performance.

2017 RESULTS

CCU recorded net income of Ch$129,607 million in 2017, 9.4% up from 2016, mainly driven by the good performance of the Chile and International Businesses operating segments, achieving profitable

2017 MILESTONES

- CCU hit a historic sales record, totaling 26 million hectoliters.
- Agreement with AB Inbev for early termination of the Budweiser license in Argentina.
- Participation in American Distilling Investments' (ADI) ownership, manufacturer of pisco BarSol, in Peru, to develop this category at a global level.
- Start of the license for the commercialization and sale of the beer Miller Genuine Draft (MGD) in Argentina and Colombia.
- VSPT joins the Dow Jones Sustainability Chile Index (DJSI Chile).
- Greater ownership stake in VSPT upon successfully concluding CCU's public tender offer.
- Fleet replacement with the launching of the first electric trucks.

growth in difficult macroeconomic conditions and a highly competitive environment, also increasing its market share in all operating segments.

Revenues were up by 8.9% thanks to a 5% increase in consolidated volumes that hit a sales record of 26 million hectoliters. All segments contributed to this upturn in revenues, particularly International Businesses and Chile. EBITDA grew by 15.1% driven by International Businesses and Chile, partly offset by a contraction in Wine, due mainly to greater wine costs. It is worth mentioning that the initiatives relating to the Plan ExCCelencia CCU contributed with greater efficiencies, particularly in terms of planning and logistics in Chile and with scale benefits in International Businesses, despite the high level of inflation.

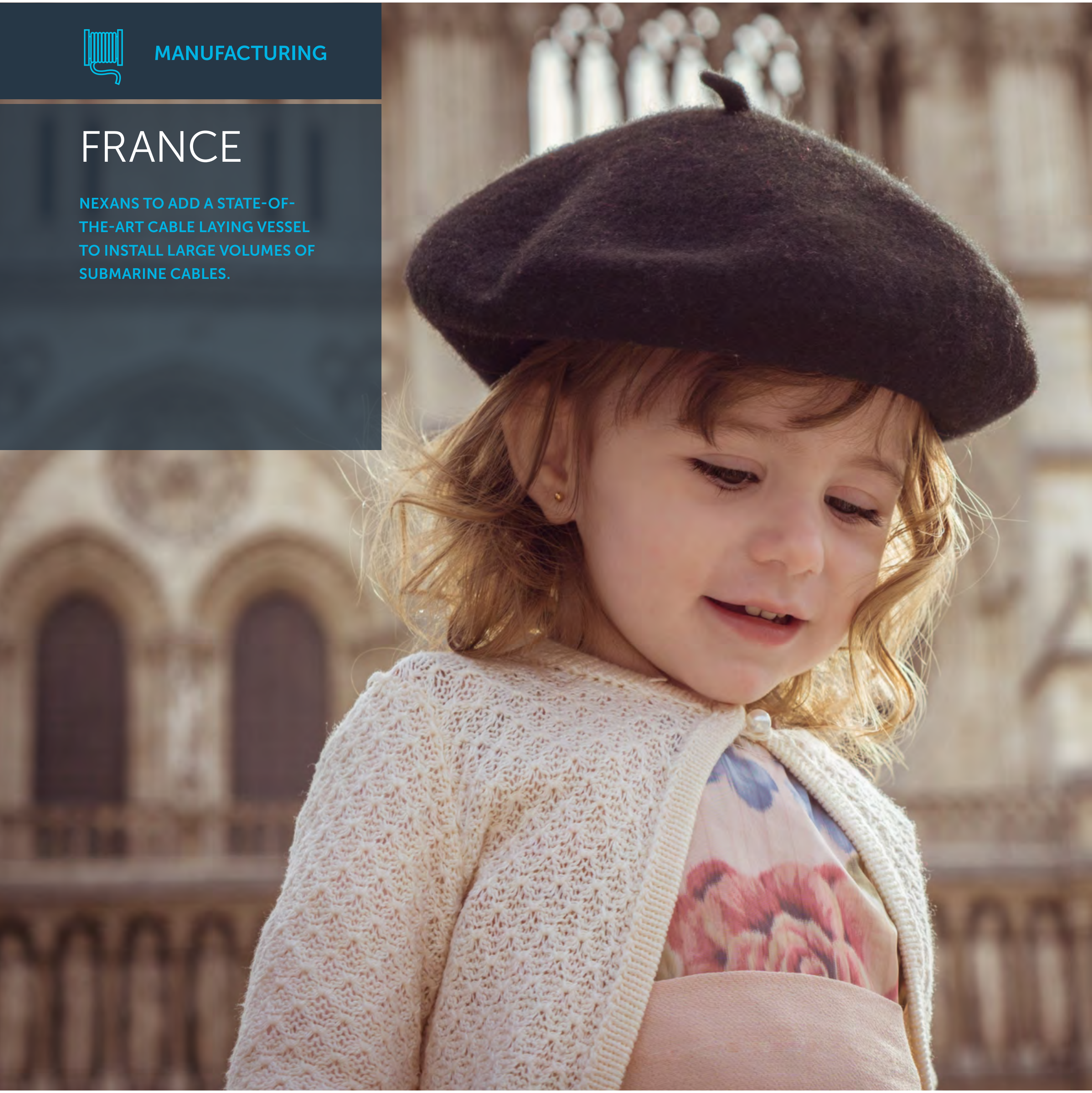
AGREEMENT WITH ABI IN ARGENTINA

IN SEPTEMBER 2017, CCU ARGENTINA REACHED AN AGREEMENT WITH AB INBEV (ABI) FOR EARLY TERMINATION OF THE BUDWEISER LICENSE IN ARGENTINA, AND TO TAKE OVER, AS PART OF THIS TRANSACTION, THE BRANDS ISENBECK, DIOSA, NORTE, IGUANA AND BÁLTICA, WHICH ACCOUNT FOR VOLUMES SIMILAR TO THOSE OF THE BUDWEISER BRAND, IN ADDITION TO VARIOUS PAYMENTS FOR AN AMOUNT OF UP TO 400 MILLION DOLLARS OVER A THREE-YEAR PERIOD. THE AGREEMENT ALSO PROVIDES FOR ABI'S COMMITMENT TO MAKE ITS BEST EFFORTS TO OBTAIN FOR CCU ARGENTINA THE LICENSE OF THE BRANDS GROLSCH AND WARSTEINER IN ARGENTINA. THE TRANSACTION WAS APPROVED BY SECOM (TRADE SECRETARIAT OF THE MINISTRY FOR PRODUCTION, ARGENTINA) IN MARCH 2018 BASED ON THE FAVORABLE DECISION BY CNDC (NATIONAL COMMISSION FOR THE DEFENCE OF COMPETITION), IN ARGENTINA.

MANUFACTURING

FRANCE

NEXANS TO ADD A STATE-OF-THE-ART CABLE LAYING VESSEL TO INSTALL LARGE VOLUMES OF SUBMARINE CABLES.



INVEXANS

Through Invexans S.A. (Invexans), Quiñenco is the main shareholder of Nexans, one of the largest cable producers worldwide. At December 31, 2017, Invexans owns 28.52% of Nexans. In 2016, Tech Pack S.A. purchased an additional 0.53%, with which the holding completed an ownership stake of 29.05%.

Considering the 2017 closing price, the stock market value of Invexans' investment in the French company reached US$761 million, 18.5% up from the previous year.

Invexans (former Madeco S.A.) participates in the French multinational since 2008, after receiving an 8.9% stake in Nexans as part of the sale of its regional cable business.

At the closing of 2017, Invexans has three representatives at Nexans' Board of Directors and two of them participate in its three directors' committees (Accounting and Auditing; Strategy; and Appointments, Compensation and Corporate Governance).

NEXANS

With sales equivalent to €6,370 million in 2017, Nexans is the second largest cable company globally, and employs more than 26,000 people at its production facilities in 34 countries.

Innovation is one of its strategic pillars and one of its main strengths.

Upon concluding its 2017 strategy, Nexans announced its new five-year plan whose main objectives toward 2022 are: boosting the revenues from its current businesses by 25% (valued at constant metal prices), from 4.6 billion to approximately 6 billion Euros; raise its EBITDA by 50%, to approximately 600 million Euros, and achieve a return on capital employed, ROCE, of more than 15% (in 2017 this indicator was 12.5%).

As part of this plan, it decided it would set up a specialized connectivity cable unit.

The success of this plan will depend upon its innovation capabilities beyond the cable business; its digital transformation to support the growth in sales and its constant effort to reduce costs and boost productivity, through more efficient asset management and productive processes. Nexans will give special attention to capital allocation and talent retention, as well as its commitment to corporate social responsibility.

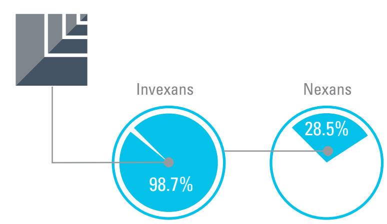
ANNUAL PERFORMANCE

In 2017, Nexans successfully completed the implementation of its 2015-2017 strategic initiatives plan. As informed by Nexans, the initiatives included in this plan brought an increase of 333 million Euros to the company's operating income in three years. Meanwhile, the return on capital employed (ROCE), grew twofold from 5.8% to 12.5%, reaching the goal previously established.

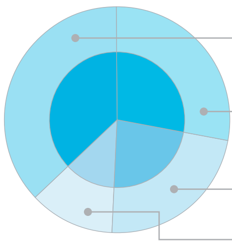
During 2017, Nexans' submarine cable business hit one of its best performing years: annual organic growth of 44.9%, operation of its plants at full capacity

NEXANS

- *French multinational with 120 years of tradition.*
- *One of the main players in the global cable industry.*
- *26,300 employees.*
- *Production plants in 34 countries and 5 continents.*
- *Sales for €6,370 million in 2017.*
- *Market capitalization equivalent to US$2.7 billion.*



Distribution of Consolidated Revenues
(Total 2017: €6,370 million)



BUSINESS AREAS

TRANSMISSION, DISTRIBUTION AND OPERATORS

- *Medium-voltage cables for power distribution.*
- *High-voltage cabling for land and submarine power transmission.*
- *Fiber optic network for the telecom market.*

INDUSTRY

- *Cables and cabling solutions for various industries (automotive, transport, robotics and capital goods, among others).*

DISTRIBUTORS AND INSTALLERS

- *Cabling and network solutions for various types of structures from small houses to public buildings and industrial complexes.*

OTHERS

- *Mainly sales of copper cables.*

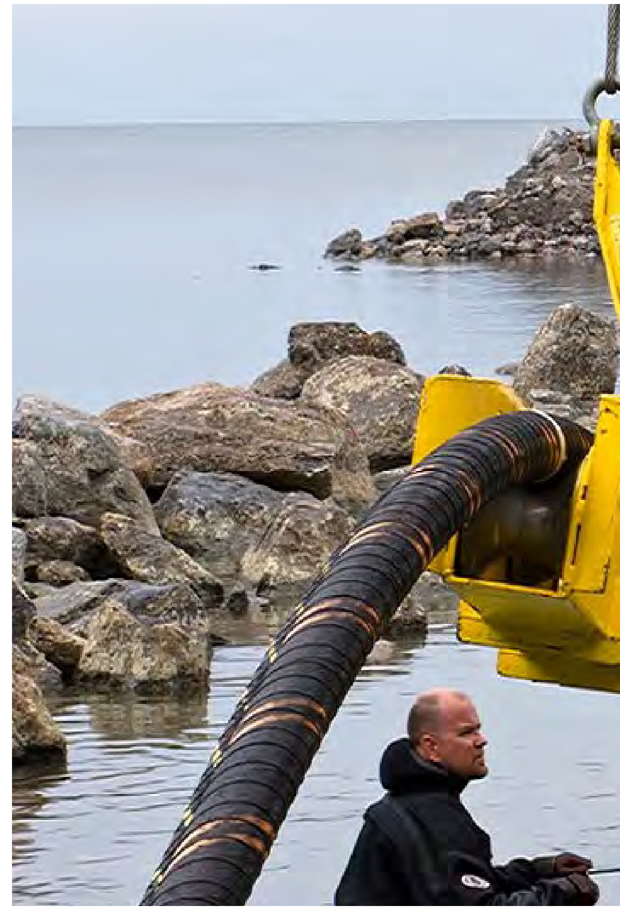
and new contracts that will enable it to continue growing this segment, supported by the construction of a second ship for cable supply.

The new state-of-the-art cable-laying vessel will cover a wide range of the company's underwater products, and have a 10,000 tons capacity turntable. Its commissioning is forecasted for the third quarter of 2020.

Among the new contracts in this area, it is worth noting the agreement subscribed with the wind power generation company ScottishPower Renewables for 180 million Euros to supply power transmission cables for its new 714 MW East Anglia ONE wind farm. Nexans will supply and install two 85-km submarine cables and 3 cores with integrated fiber optic. Also, the company was awarded a contract to manufacture and deliver 250 kilometers of submarine fiber optic cable to Huawei Marine, thus becoming the first vendor to supply and implement the SEAX-1 project that will connect Malasia and Indonesia, providing the population of the region with robust high-speed connectivity.

In the American continent, Nexans was awarded an eight-year contract to provide cables and support services to Mosaic K3 in Canada, where they will have one of the largest Potash mines in the world toward 2024.

With respect to technology, jointly with the company ffly4u, expert in the Internet of Things (IoT), Nexans developed a pioneer system that allows the distribution operators to identify, track and manage cable drums. This innovation uses small



wireless sensors to provide real-time information about the amount of cable used, sending a message when the empty drum is ready to be collected.

2017 RESULTS

Invexans recorded net income of Ch$23,927 million in 2017, significantly higher than the profit reported the previous year, due mainly to the favorable variation of its share in Nexans' results for the period. In 2017, Nexans posted profits of €125 million, doubling the profits obtained in 2016, as a result of the positive impact of its strategic


Image courtesy of Nexans' archive.

2017 MILESTONES

- Completion of the 2015-2017 strategic plan with an increase in Return over Capital Employed (ROCE) from 5.8% to 12.5% over a three-year period.
- Launching of the Paced for Growth business strategy for 2018-2022.
- Creation of Nexans Data Center Solutions (NDS), business unit that will provide cables and connectivity products to large-scale datacenter operators.
- Nexans hit a record in the installation of submarine cables; the business experienced an organic growth of 44.9%.
- Dividend of 0.7 Euros per share proposed.
- Nexans will start the construction of a cable-laying vessel provided with a 10,000 tons capacity turntable.

initiatives plan, which contributed a 12% upturn of its operating income of €272 million, driven by the good performance of its submarine high voltage segment and a gain of €64 million in 2017 as compared to a €6 million loss in 2016, stemming from the core exposure impact.

Invexans, in turn, further reduced its overhead expenses and reported non-recurring gains from the sale of properties located in San Bernardo, offsetting the expenses for legal contingencies in Brazil in 2017.

INVEXANS

NEW THRUST TO HYPERCONNECTIVITY

IN JUNE 2017, NEXANS CREATED A NEW BUSINESS UNIT, AIMED AT ADDRESSING HYPERCONNECTIVITY CHALLENGES. SEATED IN THE UNITED STATES OF AMERICA, NEXANS DATA CENTER SOLUTIONS (NDS) WILL PROVIDE SUPPORT TO LARGE-SCALE DATACENTERS GLOBALLY, WITH CONNECTIVITY SERVICES AND SOLUTIONS.

THE GROWING DEMAND FOR TRANSMISSION AND DATA STORAGE CAPABILITIES ENCOURAGED THE COMPANY TO EXPAND ITS OFFERING TO THE DATA AND TELECOM AREA, ENCOMPASSING A COMPLETE RANGE OF DIFFERENTIATED CONNECTIVITY SOLUTIONS, INCLUDING LAN CABLING, TELECOM SOLUTIONS, FTTX NETWORKS (OVER FIBER OPTIC), LARGE-SCALE DATA CENTER SOLUTIONS AND SUBMARINE CORE NETWORKS.

ENERGY

CHILE

THE UPA! STORES' INNOVATIVE SERVICE MODEL WAS DISTINGUISHED WITH THE NATIONAL CUSTOMER SATISFACTION PRIZE, PROCALIDAD 2017.

ENEX

Empresa Nacional de Energía Enex S.A. (Enex), Chilean licensee of Shell, is one of the largest fuel and lubricant distributors in the country. It owns a network of 461 service stations and participates in other business areas such as the operation of Upa! convenience stores, the sale of industrial fuels and the distribution of lubricants, asphalts and chemical products.

Enex is the second largest fuel distributor in the country, with a market share of 21.5% in the total dispatched volume in 2017, and of 24.7% in terms of distributed volume in the service station segment[1]. It is also a relevant player in the lubricant market, where it operates as the exclusive macro distributor of Shell lubricants in the country, supplementing its offer with other products, such as Rhenus food grade oils and ACDelco spare parts, among others.

In addition, it holds a 14.9% ownership stake in Sociedad Nacional de Oleoductos (Sonacol), company that provides fuel transport services via pipelines in the country's central region; 19.3% of Sociedad Nacional Marítima S.A. (Sonamar), company that rents ships for maritime shipment of bulk liquids; it holds a stake in the property of 12 fuel storage plants along with other industry operators, and a 33.3% share of Sociedad de Inversiones de Aviación (SIAV), company that provides aviation fuel storage services at the Santiago international airport. Furthermore, Enex owns 50% of Asfaltos Conosur, the owner of asphalt storage and dispatch terminals in Puchuncaví and Mejillones, in addition to 20% of DASA, company that operates an asphalt storage and dispatch plant located at the Aconcagua Oil Refinery in Concón.

ANNUAL PERFORMANCE

The Company's strategic focus of delivering a superior customer experience yielded positive results in different areas during 2017: recognition, new supply contracts and increased sales volumes.

In the service station fuel distribution segment, Enex achieved an annual growth of 2.7% in sales volumes, maintaining a market share of 27% in gasoline (at November 2017).

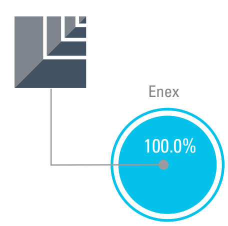
The fleet fuel card ShellCard Empresa, launched in 2016, experienced a 78% growth in the volumes sold during the year.

The company continued expanding its network and opened up another 13 service stations. Two of them are located on interurban roads and two others are within the concession area of Autopista Central. Enex contemplates installing up to nine service stations along the Autopista Central, the urban road with the heaviest traffic in Chile.

Jointly with this expansion, the company continued increasing the number of convenience stores. In 2017, it added

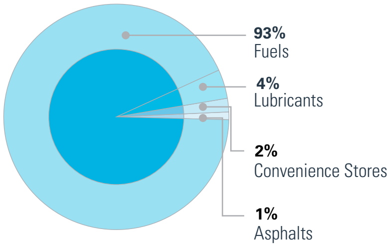
EMPRESA NACIONAL DE ENERGÍA ENEX

- *Closed corporation acquired by Quiñenco in 2011.*
- *Second largest fuel distributor in Chile.*
- *Manages a domestic network of 461 service stations and 148 convenience stores.*
- *3,190 employees.*



1 Source: Superintendency of Electricity and Fuels, as of November 2017.

Distribution of Revenues
(Total 2017: MCh$1,888,725)



BUSINESS AREAS

FUELS

- *Wholesale and retail distribution; operating 461 service stations under Shell license.*
- *Supply to clients in the industrial, transport, mining, aviation and power generation segments, among others.*

LUBRICANTS

- *Exclusive distributor of Shell lubricants in Chile.*

CONVENIENCE STORES

- *Operating 148 convenience stores in different formats, under the brand names upa! and up¡ta.*

OTHER SEGMENTS

- *Asphalts: bitumen for the paving of highways, urban and rural roads, and airports.*
- *Chemical solvents: solvents used in the production process of copper and other metals.*

three upa! and 14 up¡ta stores. In addition, it converted 55 generic or Select stores to the up¡ta format. By year-end, Enex featured 33 upa! and 114 up¡ta stores, and one Select store in the country, from Arica to Punta Arenas. During 2017, the sales at these convenience stores achieved a 9% same-store sales growth as compared to the previous year.

The company has invested between US$2 and US$3 million annually over the last five years to consolidate its bet on this store format, whose main characteristics include a fresh and gourmet food offering, high quality coffee and an assortment of convenience products tailored to meet the needs of travelling clients. These stores also stand out for their modern architectural design, welcoming spaces and the concern for environmental care and protection.

Enex's service quality reflects in the Customer Satisfaction National Prize, ProCalidad 2017, awarded to it in the minimarket sector; this prize is awarded on the basis of customer surveys.

The achievements of the past year in this business line include the consolidation of the program supporting the Fundación Las Rosas, a foundation for the elderly. In 2017 the program raised Ch$170 million from the voluntary contributions of clients at the upa! and up¡ta stores, and completed more than 5,000 hours of volunteer work by our staff at the nursing homes of the foundation.

In the industrial market, Enex was awarded the fuel supply contract by Compañía Minera Doña Inés de Collahuasi, enabling it to reach a 23.5% share in the diesel market, 0.5% up from the 2016 closing. The company also strengthened its Fuel Express (FEX) supply service by providing

direct services to facilities, equipment and machinery located at agricultural, forestry and construction sites, among others. The above translated into a 28% growth in the sales volume of Fuel Express as compared to 2016.

In the lubricants segment, Enex placed special emphasis on the B2C market channel – where it refreshed 150 points with the Shell brand image, and Shell Helix maintained its leadership in terms of the preferred brand with 42%, according to GfK Adimark's Chile3D study.

During the last quarter of 2017, the company recertified its ISO 9001 Quality Management System pursuant to the new 2015 version, which confirms its commitment with the ongoing search of greater efficiency in the businesses operated by it to improve its customer satisfaction levels.

2017 MILESTONES

- National Customer Satisfaction Award, ProCalidad, in the minimarket sector, for its superior customer service at the upa! stores.
- Opening of 13 new service stations and 17 convenience stores.
- New maritime fuel terminal located in the central zone of the country.
- Minera Collahuasi awarded Enex a fuel supply contract.

2017 RESULTS

In 2017, Enex recorded net income of Ch$8,774 million, 56.6% down from the previous year. Although gross income was up by 2% based on greater fuel volumes sold and higher margins in lubricants, the final result was affected by greater fixed asset depreciation, higher provisions and greater expenses at the service station sales points. Total volumes dispatched in 2017 were 3,730,000 cubic meters, 1.8% up from the previous year, of which 97.6% were fuels.

ENEX

GREATER STORAGE CAPACITY

ENEX INCREASED ITS FUEL STORAGE CAPACITY THROUGH THE PURCHASE IN JULY 2017 OF A MARITIME TERMINAL LOCATED CLOSE TO THE PORT OF VENTANAS, VALPARAISO REGION.

ITS CLOSE TO 82,000 M3 OF CAPACITY WILL PROVIDE FOR FUEL IMPORT AND STORAGE – PARTICULARLY, DIESEL AND KEROSENE–, IN ADDITION TO CONTINUING WITH THE SERVICES TO VESSELS.

THIS TERMINAL WAS PURCHASED FROM PMC TERMINAL DE COMBUSTIBLES SPA, SUBSIDIARY OF GLENCORE, FOR US$24 MILLION, AND ENEX WILL INVEST APPROXIMATELY US$10 MILLION TO TAILOR THE TERMINAL TO ITS SPECIFIC REQUIREMENTS.

THIS NEW TERMINAL WILL PROVIDE ENEX WITH A GREATER DEGREE OF AUTONOMY IN THE IMPORT OF FUELS AND WITH THE REQUIRED INFRASTRUCTURE TO FACE FUTURE GROWTH IN A SUSTAINABLE MANNER.

TRANSPORT

GERMANY

THE MERGER OF HAPAG-LLOYD WITH UASC WILL ALLOW THIS GERMAN SHIPPING COMPANY TO ACHIEVE ESTIMATED ANNUAL SYNERGIES OF US$435 MILLION.

CSAV

Compañía Sudamericana de Vapores S.A. (CSAV) develops its main business, containerized freight transport, through its stake in the German shipping company Hapag-Lloyd AG (Hapag-Lloyd). As of December 31, 2017, the investment in this company accounted for 85% of its consolidated assets.

With 25.5% of the share capital at year end, CSAV is the largest shareholder of Hapag-Lloyd and member of the controlling shareholders' agreement, maintaining significant influence over the German shipping company.

CSAV also offers car carrier services directly, from Asia, Europe, North America and the east coast of South America to markets located on the west coast of South America, operating approximately seven ships.

In December, CSAV ceased to operate the logistics and freight forwarder business, after selling its 100% ownership stake (both direct and indirect) in Norgistics Chile S.A. to a third party. Norgistics also started to shut down its offices in Peru, Mexico and China.

ANNUAL PERFORMANCE

In May 2017, Hapag-Lloyd and UASC completed the merger announced in 2016. Through this transaction, Hapag-Lloyd purchased 100% of UASC's shares, then controlled by the Arab firm Qatar Holding LLC, owned by the State of Qatar, and Public Investment Fund, on behalf of the Kingdom of Saudi Arabia. Both companies received ownership stakes in Hapag-Lloyd, of 14.4% and 10.1%, respectively, and UASC's minority shareholders received shares equivalent to 3.5% in the merged company.

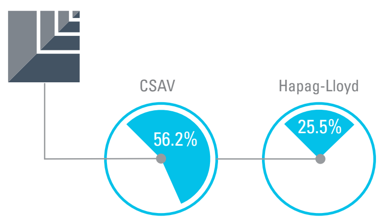
Therefore, Hapag-Lloyd's shareholders reduced their stake in the company. CSAV remained as the majority shareholder, reducing its participation from 31.4% to 22.6%.

As part of the previous covenants set forth in the Business Combination Agreement, and in order to strengthen the financial structure of the merged company, Hapag-Lloyd made a capital increase of €352 million (US$414 million, approximately), after which CSAV reached a stake of 24.7%. By the end of the same month, CSAV again increased its participation to 25%, through the additional purchase of Hapag-Lloyd shares owned by Kühne Maritime, as previously agreed to. The company financed these transactions by means of two bridge loans for US$120 million granted by commercial banks and the funds obtained from the pro rata subscription of the majority shareholders in the capital increase under way in Chile.

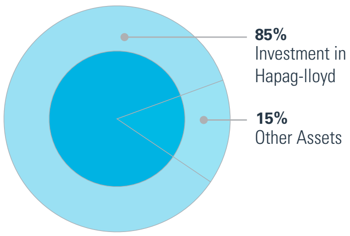
In November 2017, CSAV successfully completed its capital increase process started in October, raising US$294 million in all. During December CSAV paid all the

COMPAÑÍA SUD AMERICANA DE VAPORES

- *Founded in 1872.*
- *Listed on the Santiago Stock Exchange since 1893.*
- *Market capitalization: US$2 billion at December 31, 2017.*
- *Largest shareholder in the German shipping company Hapag-Lloyd AG.*



Share of Total Assets
(Total 2017: MUS$2,266)



BUSINESS AREAS

CONTAINER SHIPPING

- *Developed through Hapag-Lloyd.*
- *219 ships with a total shipping capacity of 1.6 million TEU.*
- *Present in 125 countries.*
- *120 carrier services in five continents.*
- *9.8 million TEU transported in 2017.*

CAR CARRIER

- *Specialized PCTC (Pure Car and Truck Carrier) vessels.*
- *Leader in the west coast of South America, with a market share of 21% of imports from Chile and Peru.*

financial commitments stemming from the purchase of Hapag-Lloyd shares, and increased its participation in the German shipping company to 25.5% as of December 31, 2017.

In 2017, Hapag-Lloyd's stock market value grew significantly, from US$2,700 million in December 2016, to US$7,100 million at the closing of 2017, which translates into an approximate gain of US$4,400 million during the year, including the capital increase of US$414 million and the merger with UASC of approximately US$1,440 million.

CSAV's stock market value increased by approximately US$1,200 million over the same period, from US$800 million to US$2,000 million, including the capital increase of US$294 million carried out by the company in the context of the merger between Hapag-Lloyd and UASC (see chart).

BENEFITS OF THE MERGER BETWEEN HAPAG-LLOYD AND UASC

AFTER THE MERGER WITH UASC COMPLETED IN MAY 2017, HAPAG-LLOYD'S GLOBAL NETWORK IS MADE UP OF 120 LINER SHIPPING SERVICES CONNECTING ALL OF THE CONTINENTS WITH 387 OFFICES ACROSS 125 COUNTRIES.

THE TOTAL CARGO TRANSFER CAPACITY OF THE COMBINED COMPANY AMOUNTS TO 1.6 MILLION TEU, WITH ANNUAL VOLUMES TRANSFERRED OF APPROXIMATELY 10 MILLION TEU; IT OWNS A FLEET OF 219 SHIPS WITH AN AVERAGE SIZE OF APPROXIMATELY 7,184 TEU, 27% ABOVE THE AVERAGE OF THE TOP 10 SHIPPING COMPANIES IN THE INDUSTRY.

THE COMBINATION IS EXPECTED TO YIELD ANNUAL SYNERGIES OF US$435 MILLION, TO BE FULLY ACHIEVED BY 2019. ADDITIONALLY, THE COMPANY EXPECTS THAT INVESTMENT REQUIREMENTS WILL EXPERIENCE A SIGNIFICANT REDUCTION OVER THE NEXT FEW YEARS AS A RESULT OF THE MERGED ASSETS BEING VERY COMPLEMENTARY.


The Barzan is an enormous container ship – Hapag-Lloyd has six of this type of vessels in its fleet.

2017 MILESTONES

- Merger between Hapag-Lloyd and United Arab Shipping Company (UASC) turns it into the fifth largest container shipping company in the world.
- Significant stock market value increase. Hapag-Lloyd's market capitalization grew by approximately US$4,400 million and CSAV's by US$1,200 million.
- Successful capital increases at Hapag-Lloyd and CSAV.
- CSAV ends its logistic operations in Chile, after the sale of the subsidiary Norgistics Chile.

2017 RESULTS

CSAV reported a net loss of Ch$126,811 million in 2017, significantly higher than the loss reported the previous year, due mainly to the accounting loss resulting from CSAV's dilution in Hapag-Lloyd stemming from the merger between Hapag-Lloyd and UASC. However, this effect was partly offset by an accounting profit resulting from the purchase by CSAV of a greater ownership stake in Hapag-Lloyd over the last quarter of 2017, and by CSAV's participation in the results obtained by the German shipping company. In 2017 Hapag-Lloyd reported profits for US$30 million, reversing the loss from the previous year, due mainly to the growth in the volume transferred as a result of its merger with UASC, and a slight recovery in freight rates. Finally, the car carrier business directly operated by CSAV also showed a positive evolution of its operating performance, driven by greater volumes and cost savings.

PORT SERVICES

COSTA RICA

WITH THE PURCHASE OF A 51% OWNERSHIP STAKE IN THE MAIN PORT OF COSTA RICA ON THE PACIFIC COAST, PUERTO CALDERA, SAAM STRENGTHENED ITS PRESENCE IN ONE OF THE FASTEST GROWING MARKETS IN THE REGION.

SM SAAM

Sociedad Matriz SAAM S.A. (SM SAAM) is a multinational company based in Chile, offering services to international trade through three business areas: port terminals, towage and logistics. In its 56 years of history, it has become a relevant player for the economies of the Americas and one of the leading companies in cargo transportation in the region, connecting small, medium and large companies to the world. At the closing of 2017, SAAM operates in 13 countries in North, Central and South America, generating a source of employment for more than 8 thousand workers.

In the different markets where it operates, SAAM is associated with strategic local and global operators including, among others: SSA Marine, one of the main terminal operators in the United States; SMIT, the world's second largest tug boat operator and subsidiary of the Dutch group Boskalis; and American Airlines.

In order to simplify management per business segment, and to better appreciate the realities and challenges of each one, SM SAAM, controller of 99.99% of SAAM, decided to split the company into three subsidiaries, one per business division: the continuing company SAAM S.A., in charge of tug boats, SAAM Ports S.A. and SAAM Logistics S.A., assigning them the ports and the logistics businesses, respectively. These three companies are now subsidiaries of Sociedad Matriz SAAM S.A. –listed on the Santiago Stock Exchange– with the same shareholding percentage as that of SAAM S.A.

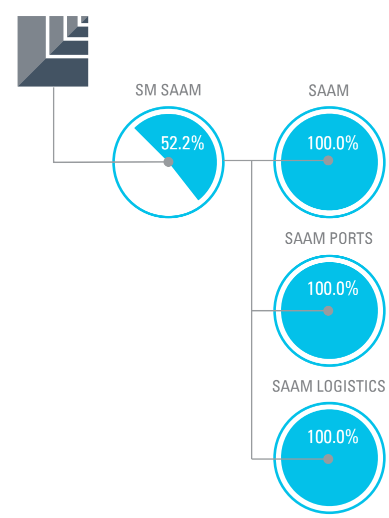
Through its subsidiary SAAM Ports, the company manages and operates the main terminals in Chile and the ports of Guayaquil (Ecuador), Caldera (Costa Rica), Mazatlan (Mexico), Port Everglades (USA) and Cartagena de Indias (Colombia). At all these ports, it provides multi-profile cargo transfer management services (containers, bulk, loose and project cargo), storage, services for empty containers, and complementary logistic services.

In the tug boat area, SAAM has consolidated its leadership in the regional market. Services include support to docking and undocking of vessels, assistance, salvage, towage and ferries, both in port and offshore, at the main ports of Chile, Mexico, Brazil, Uruguay, Ecuador, Guatemala, Costa Rica, Honduras, Canada, Panama and Argentina.

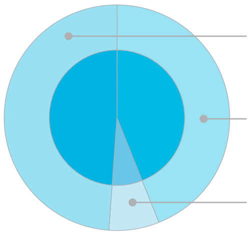
In the logistics business, the company provides storage, transport, value added and airport services, focused on creating value for the customer supply chain, by managing the customer's operational processes, inventory and information, with measurable benefits, in the most representative industries of the domestic GDP, such as consumption, food, mining and energy.

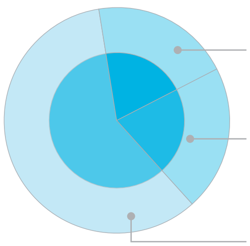
SM SAAM

- *Operations in more than 70 ports and 13 countries in America.*
- *Leader in tug boat services in America.*
- *One of the largest port operators in South America.*
- *Market capitalization: US$1,045 million at December 2017.*



EBITDA Distribution*
(Total 2017: MUS$193)





* *Includes 100% EBITDA from consolidated companies and proportional amount from affiliates.*

BUSINESS AREAS

PORT TERMINALS

- *One of the largest port operators in the region.*
- *11 port terminals.*
- *Operations in six countries: Chile, United States, Ecuador, Mexico, Colombia and Costa Rica.*
- *39.7 million tons transferred in 2017. (*)*
- *3.2 million TEU transferred in 2017.(*)*

(*) Including 100% of the volumes of subsidiaries and affiliates.

TUG BOATS

- *Leader in tug boat services in the continent.*
- *161 tug boats (three in construction).*
- *75% azimuthal tug boats.*
- *Operations in 11 countries and more than 70 ports.*

LOGISTICS

- *250,000 m2 in managed warehouses.*
- *Strategy focused on providing storage, transport, airport services and services to vessels.*
- *Specialized services to the most representative companies of the domestic GDP, such as food, consumption, mining and energy.*

ANNUAL PERFORMANCE

After being authorized by the local regulatory entities, in February 2017, SAAM completed the transaction allowing SAAM Ports to operate Puerto Caldera, the largest terminal on the Pacific coast of Costa Rica and the second largest in terms of cargo moved, with 5.5 million tons transferred in 2017.

SAAM paid US$48.5 million to acquire a 51% ownership stake in Sociedad Portuaria de Caldera and Sociedad Portuaria Granelera de Caldera. The other 49% is held by the Costa Rican companies Saret (21%) and Logística de Granos (19%) and the Colombian holding Grupo Empresarial del Pacífico (9%).

In Peru, SAAM sold its 35% share in Trabajos Marítimos S.A. (Tramarsa) to the Peruvian conglomerate Grupo Romero. The price established for the share package was US$124 million, which translated in an after-tax gain of US$30.5 million for SM SAAM.

In Chile, through its subsidiaries SAAM Puertos and SAAM Inversiones, the company purchased a 15% ownership stake in Iquique Terminal Internacional (ITI) from Grupo de Empresas Navieras (GEN) by US$11 million. By means of this transaction, SAAM reached 100% ownership in this terminal, which has the concession of docking berth No. 2 of the Iquique port until 2030.

In accordance with the 2016 ranking prepared by Cepal, Iquique is the main port in the north of Chile, the fifth most important port in the country and the 37th largest in Latin America and the Caribbean. Its multipurpose terminal provides services mainly to the Iquique Free Trade Zone, facilitating Bolivian foreign trade and the mining activity of the Tarapacá Region.

With a demand of 2.3 times the amount offered, in January 2017, SM SAAM completed its first bond placement in the Chilean market, amounting to approximately US$111 million, in a transaction aimed at refinancing its short and long-term liabilities.

In 2017, SAAM published its first sustainability report prepared in accordance with the guidelines of the Global Reporting Initiative (GRI) as a supplement of its annual report; it contains the strategy, priorities and performance of the most important areas for the company's sustainability, including economic, social and environmental aspects.

2017 MILESTONES

- SAAM splits into three companies, one per business area.
- SM SAAM carries out its first bond issue.
- The port terminal division starts operating in Central America through the acquisition of a 51% ownership stake in Puerto Caldera, Costa Rica.
- Sale of its stake in Tramarsa, Peru.
- Expansion of Terminal Portuario Guayaquil (TPG), Ecuador, enabling it to double its capacity.
- Purchase of 15% of Iquique Terminal Internacional (ITI), reaching 100% ownership.
- First Sustainability Report published.

2017 RESULTS

In 2017, SM SAAM reported net income of Ch$39,820 million, 7.6% up from 2016. This is due mainly to non-recurring profits from the sale of its ownership stake in Tramarsa (Peru) and, to a lesser extent, from the higher results recorded at its port terminals division, where the higher activity of the Guayaquil port in Ecuador and the addition of Puerto Caldera in Costa Rica offset the poorer performance of Chilean ports, compensating lower results in the logistics and tug boats divisions.

NEW SCALE IN ECUADOR

IN JUNE 2017, TERMINAL PORTUARIO GUAYAQUIL (TPG), OPERATED BY SAAM SINCE 2006 INAUGURATED ITS MODERNIZATION WORKS. THE PROJECT INCLUDED THE ENLARGEMENT OF ITS DOCKING BERTH BY 120 METERS TO COMPLETE 480 METERS, THE IMPLEMENTATION OF 4.5 HECTARES IN BACK-UP AREAS AND THE PURCHASE OF TWO SUPER POST PANAMAX AND 5 RTG CRANES.

SAAM INVESTED US$60 MILLION IN THIS RENEWAL, ENABLING THE TERMINAL TO DOUBLE ITS TRANSFER CAPACITY AND TRIPLE ITS CURRENT CARGO MOVEMENTS.

CHILE

WITH AGGREGATE ASSETS OF US$84.0 BILLION AT DECEMBER 2017, QUIÑENCO IS ONE OF THE LARGEST AND MORE DIVERSIFIED BUSINESS CONGLOMERATES IN CHILE.

CORPORATE INFORMATION

DIVIDEND POLICY

Quiñenco's Board of Directors will inform the Annual Shareholders' Meeting to be held on April 27, 2018, of its agreement to set as dividend policy the distribution of a definite cash dividend of at least 30% of net income for the year.

DIVIDENDS PAID

Dividend	Date	Dividend per share	Total dividend	Corresponding to the year
N° 35 and 36	05-12-15	Ch$72.00759	ThCh$119,731,311	2014
N° 37 and 38	05-11-16	Ch$23.24323	ThCh$38,647,904	2015
N° 39 and 40	05-12-17	Ch$31.91723	ThCh$53,070,680	2016

SHAREHOLDERS

At the closing of 2017, the subscribed and paid-in capital is divided into 1,662,759,593 shares. The 12 largest shareholders as of December 31, 2017 are:

Tax ID	Shareholder	N° of shares	%
77.636.320-0	Andsberg Inversiones Ltda.*	686,536,676	41.29
59.039.730-k	Ruana Copper A.G. Agencia Chile*	255,946,677	15.39
78.306.560-6	Inmobiliaria e Inversiones Río Claro S.A.*	179,938,251	10.82
96.536.010-7	Inversiones Consolidadas Ltda.*	140,971,280	8.48
96.489.000-5	Credicorp Capital S.A. Corredores de Bolsa	81,674,084	4.91
97.004.000-5	Banco de Chile por cuenta de terceros no residentes	77,115,389	4.64
76.884.110-1	Inversiones Río Claro Ltda.*	44,442,511	2.67
84.177.300-4	BTG Pactual Chile S.A. Corredores de Bolsa	43,839,903	2.64
97.023.000-9	Banco Itaú Corpbanca por cuenta de inversionistas extranjeros	24,133,111	1.45
96.871.750-2	Inversiones Salta SpA*	23,684,851	1.42
76.327.982-0	Inversiones Alaska Ltda.*	20,041,305	1.21
98.000.100-8	A.F.P. Habitat S.A.	10,475,034	0.63
	Total	1,588,799,072	95.55

**Companies related to the Luksic group*

Additional information as of December 31, 2017	
Number of subscribed and paid-in shares	1,662,759,593
Number of shareholders	1,056

Quiñenco's issued and paid-in shares are 81.4% property of the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas Ltda., Inversiones Salta SpA., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights in Andsberg Inversiones Ltda., 100% of the social rights in Ruana Copper A.G. Agencia Chile and 99.76% of the shares in Inversiones Orengo S.A.

Mr. Andrónico Mariano Luksic Craig (RUT 6.062.786-K) and his family control 100% of the shares in Inversiones Consolidadas Ltda. and Inversiones Alaska Ltda. The family of Mr. Andrónico Luksic Craig control 100% of the shares in Inversiones Salta SpA.

Inmobiliaria e Inversiones Río Claro S.A. e Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, where the descendants of Mr. Guillermo Antonio Luksic Craig† (RUT 6.578.597-8) hold interests. There is no joint action agreement between the company's controllers.

PERCENTAGE OF PROPERTY HELD BY THE COMPANY BOARD MEMBERS AND MAIN EXECUTIVES

At December 31, 2017, the following Board Member directly held shares in the Company:

Director	% ownership
Andrónico Luksic Lederer	0.00001%

At December 31, 2017, the following main executives held shares in the Company:

Executive	% ownership
Francisco Pérez Mackenna	0.024%
Pedro Marín Loyola	0.001%
Luis Fernando Antúnez Bories	0.008%
Oscar Henríquez Vignes	0.002%

STOCK MARKET INFORMATION

Quiñenco's shares are traded in Chile, on the Santiago Stock Exchange, the Valparaiso Stock Exchange and the Chilean Electronic Exchange.

The table below contains quarterly statistics on the amounts traded, the average price and stock market presence in 2017 in the Chilean exchanges.

2017	No. of shares traded	Total amount traded ThCh$	Average price Ch$	Stock market presence %
1st quarter	9,537,248	16,075,653	1,685.57	63.89%
2nd quarter	40,552,176	73,025,025	1,800.77	72.22%
3rd quarter	8,021,606	14,701,282	1,832.71	77.22%
4th quarter	9,138,249	17,291,928	1,892,26	82.22%
2017	67,249,279	121,093,888	1,800.67	

PROPERTY

The Quiñenco Group's head office is located in Santiago's El Golf district, at Enrique Foster Sur 20, Las Condes, where it owns approximately 2,500 square meters of offices.

INSURANCE

Quiñenco holds insurance policies with first-class insurance firms for all its significant assets, buildings, equipment and vehicles, among others. The policies cover damage caused by fire, earthquakes and other unforeseen events.

INVESTMENT POLICY

Most of Quiñenco's resources are dedicated to companies directly or indirectly under its control. In some cases it exercises control together with a strategic partner. This policy does not exclude the possibility of investing in additional companies or taking on businesses related to those it owns to strengthen the group's growth potential.

The head office continually seeks investment opportunities in companies aimed at mass consumption markets with well-known brands and industries where it has experience. In the past, Quiñenco has formed alliances with strategic partners who contribute know-how, financing and experience to its businesses. The Company does not have an approved investment plan.

FINANCING POLICY

Quiñenco finances its activities and investments with the dividends and profit distributions of the companies it participates in and from the funds obtained from the sale of assets and/or the issue of debt or equity.

The Company privileges long term financing to maintain a financial structure that is in line with the liquidity of its assets and whose maturity profiles are compatible with the cash flow generated.

RISK FACTORS

Quiñenco and its subsidiaries and affiliates face the risks that are inherent to the markets and the economies where they participate, in Chile as well as abroad. These risks are reflected in the prices, costs and sales volumes of the products and services produced and sold.

Quiñenco is exposed to product price risks mainly related to the subsidiaries' inventories.

The Company mostly develops its business in Chile. For this reason, its operational results and financial position are to a great degree dependent on the general level of domestic economic activity. The Chilean economy is estimated to have grown 1.5% in 2017. There is no certainty regarding whether the economy will grow in the future. The factors that could have an adverse effect on the Company's businesses and the results of its operations include future slowdowns in the Chilean economy, a return to high inflation, currency fluctuations, tax reforms, changes in the regulatory frameworks of the diverse industries that its subsidiaries and affiliates participate in, increased labor costs and shortages in qualified labor.

In addition to its operations in Chile, some of the Company's industrial businesses operate and export to companies that in turn operate and export to Argentina, Peru and other countries in Latin America and the rest of the world, which on various occasions in the past have been characterized by volatile and often unfavorable economic, political and social conditions. The Company's business, results and assets can be significantly and adversely affected by events related to inflation, interest rates, currency fluctuations, government policy, price and salary controls, currency exchange regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that might affect the countries where the Company operates.

Quiñenco believes that its businesses face high levels of competition in the industries where they operate. This can be seen in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the Company expects its businesses to be capable of continuing to successfully compete in their respective sectors, based on past experience and its records, there is no certainty that competition will not continue to grow in the future, including a potential ongoing trend toward consolidation in certain industries. In the case of the shipping business, an eventual imbalance between supply and demand, as has been the case in the container shipping segment, which leads to installed capacity surpassing global demand, may generate volatility in freight rates. Increased competition or sustained imbalances could affect profit margins and the operational results of Quiñenco's businesses, which as a result could have a significant and adverse effect on the flow of dividends that Quiñenco receives from its businesses.

The Company, its subsidiaries and affiliates have historically required significant amounts of capital to finance their operations and to expand their businesses, which makes the management and expansion of its current businesses directly related to access to capital. In the past, Quiñenco and its subsidiaries have satisfied their capital needs with flows generated internally and/or by issuing debt or capital. However, there is no certainty regarding the future availability of capital to satisfy the growth needs and expectations of Quiñenco and its subsidiaries and affiliates. The impossibility of obtaining capital would halt Quiñenco's ability to expand existing businesses or enter into additional businesses, and it could have a significant adverse effect on the Company's financial position and results.

As a holding company, Quiñenco's profit level and its capacity to pay debt servicing obligations and dividends mainly depends on the dividends and distributions it receives from its subsidiaries, its equity investments and related companies. The payment of dividends by said subsidiaries, equity investments and related companies is under certain circumstances subject to restrictions and contingencies. In addition, Quiñenco's profit level has depended on the occasional sale of assets or investments. There is no certainty that Quiñenco will be able to continue counting on the dividends or distributions of its subsidiaries or affiliates or that it will be able to generate profits from the sale of investments, as it has done in the past.

Another risk factor is related to interest rates. Part of the debt owed by Quiñenco or its subsidiaries is subject to variable interest rates, which could have a negative impact on the company at times when said rates increase. There is also another risk related to the exchange rates for foreign currencies, given that a percentage of the debt owed by the Company or its subsidiaries could be exposed to currency fluctuation risks.

A significant part of the Company's businesses are publicly traded and their capital value can vary depending on fluctuations in the market value. The market value of Quiñenco's investments could be affected by declines on the Chilean stock markets or other stock markets, such as the New York Stock Exchange, where CCU and Banco de Chile shares are traded. In addition, Quiñenco and its businesses could see their transaction volumes drop, something that could have a negative effect on the price and liquidity of the shares.

Furthermore, the market value of the shares in Chilean companies is in several ways affected by the economic and market conditions of other emerging and developed market countries. While the economic conditions in said countries could differ significantly from the economic conditions in Chile, investors' reactions to events in any of those countries could have an adverse effect on the market value of securities issued in Chile. There can be no certainty that the Chilean stock market will grow or maintain its profits or that the market value of the Company's shares might not be adversely affected by events elsewhere.

DIRECTORS' COMMITTEE

Quiñenco S.A. has convened a Directors' Committee (the "Committee"), in keeping with the provisions of Article 50 bis of Law No.18,046 of Open Stock Corporations.

The Committee was appointed at Regular Board Meeting No.230, held on May 4, 2017, when the following directors were appointed to sit on it:

- Mr. Matko Koljatic Maroevic, independent director and committee chairman;
- Mr. Gonzalo Menéndez Duque, director related to the controller; and
- Mr. Hernán Büchi Buc, director related to the controller.

The same directors named above have sat on the Committee for the last three years and Mr. Matko Koljatic Maroevic has acted as independent director and chairman during these three periods.

The members of the Committee received the following payments during 2017 with the respective comparison to the year before:

The directors Hernán Büchi Buc, Gonzalo Menéndez Duque and Matko Koljatic Maroevic, received the following payments for services rendered on the Directors' Committee in 2017: ThCh$34,963, ThCh$34,963 and ThCh$34,963 (in 2016: ThCh$26,208, ThCh$26,029 and ThCh$26,208) respectively.

The Committee met seven times in 2017. The CEO, Francisco Pérez Mackenna, and the Administration and Finance Manager, Luis Fernando Antúnez Bories, have regularly attended its sessions. The Chief Counsel, Rodrigo Hinzpeter Kirberg, acted as the holding Secretary of the Committee.

In 2017, the Committee was dedicated to reviewing the issues indicated in Article 50 bis of the Law of Open Stock Corporations, and undertook the following activities:

1. It examined the reports of the independent external auditors. At Session No.144 on March 30, 2017, the Committee received the external auditors' report for the year ending on December 31, 2016, the balance and other financial statements as of that date and which were presented by the administration. It gave a favorable opinion of them prior to their presentation to shareholders for approval. Likewise, in Session No.149 on September 7, 2017, the Committee received the Limited Review Report on Quiñenco S.A.'s Intermediate Consolidated Financial Statements and those of its subsidiaries through June 30, 2017. In addition, the Committee received the Internal Control Report that the independent auditors sent to the administration in Session No.150 on December 7, 2017.

2. In session No.144 on March 30, 2017, it approved the management report presented by the Directors' Committee for the 2016 management period.

3. In session No.145 on April 6, 2017, it proposed the external auditors EY Servicios Profesionales de Auditoría y Asesoría Limitada to the Board of Directors for them to examine the Company's accounting, inventory, balance sheet and other financial statements corresponding to the year 2017 and for them to give their professional and independent opinion. Likewise, it proposed the company KPMG Auditores Consultores Limitada as an alternative. At the same session, the Committee also proposed hiring the following risk rating agencies: (a) for the national context, Feller-Rate Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada and (b) Standard & Poor's for the international context.

4. In session No.146, held on May 4, 2017 it gave the Board of Directors a favorable report on the hiring of the external auditing firm EY Servicios Profesionales de Auditoría y Asesorías SpA for a professional service not considered in the external audit, which consisted of providing a formal opinion regarding (a) the tax situation of the related company Habitaria S.A., liquidated in 2016 and (b) the Annual Solemn Declaration No. 1932 issued by the Internal Revenue Service, through which the company must inform the income received by third parties that had not been previously informed to such service, in the event the company was aware of said income, for a gross fee of UF185.

5. In session No.147, held on June 1, 2017 it gave the Board of Directors a favorable report on the hiring of the external auditing firm EY Servicios Profesionales de Auditoria y Asesorías SpA for a professional service not considered in the external audit, which consisted of training the members of the company and its subsidiaries with respect to the declaration contained in Newsletter No. 1937 of the Internal Revenue Service for a gross fee of 250 Unidades de Fomento. In the same session, it learnt about the cyber security measures implemented by the company, and the new challenges in that area.

6. In session No.148, held on August 3, 2017 it gave the Board of Directors a favorable report on the hiring of the external auditing firm EY Servicios Profesionales de Auditoria y Asesorías SpA for a professional service not considered in the external audit, which consisted of analyzing the tax aspects relating to the fact that the company holds legal addresses in various countries, for a fee calculated on the basis of actual worked hours and which would not exceed UF620.

7. In session No.150 on December 7, 2017, it reviewed the execution of the Company's internal auditing plan and examined the pay systems and compensation plans for the Company's directors, main executives and workers.

The Committee did not hire consulting services in 2017 nor did it incur in expenses; and it did not consider it relevant to present any sort of recommendation to the Company's shareholders.

HEADCOUNT OF QUIÑENCO AND ITS SUBSIDIARIES AS OF DECEMBER 31, 2017

Company	Chile			Abroad			Total
	Managers and Main Executives	Professionals and Technical Staff	Other workers	Managers and Main Executives	Professionals and Technical Staff	Other workers	
Quiñenco	15	29	27	-	-	-	71
LQIF and subsidiaries	555	5,958	7,515	-	-	-	14,028
Invexans	2	1	1	-	-	-	4
Techpack and subsidiaries	2	5	-	1	-	-	8
Enex and subsidiaries	14	648	2,528	-	-	-	3,190
CSAV and subsidiaries	4	39	0	-	20	-	63
SM SAAM and subsidiaries	42	1,207	1,281	59	644	1,245	4,478
Other	7	63	4	-	-	-	74
Total	641	7,950	11,356	60	664	1,245	21,916

BOARD OF DIRECTORS' TRAINING ACTIVITIES

Over the 2017 management period, Quiñenco's Board of Directors received the following training:

1. **Training in the new Financial Market Commission.**
   The Board learnt about the most relevant aspects of the new Financial Market Commission ("CMF", per its acronym in Spanish) established by Law No.21,000, which upon its enforcement replaced the old Superintendency of Securities and Insurance in January 2018. Within this context, it was informed of the CMF's objectives, its new organizational structure, the powers and duties of the new authorities and, in general, the main changes with respect to the way in which this entity will exercise its regulatory compliance powers, which make it different from the Superintendency of Securities and Insurance.

2. **Training in modifications to the free competition system.**
   During 2017, the company went ahead with its training program started in 2016 regarding the main amendments of Law No. 20,945 that strengthens the free competition system, and which introduced new subjects. In this way, the Board of Directors learnt in detail the new preventive control procedure relating to cartels and other forms of collusion in charge of the National Economic Prosecutor's Office (Fiscalía Nacional Económica, or "FNE"). Within this context, the companies were informed of the concentration or cartel transactions that shall necessarily be approved in advance by the FNE; the procedures to obtain such authorization and the parameters set by the FNE to analyze the concentration operations.

BOARD MEMBERS' REMUNERATIONS

As agreed at the Company's Annual Shareholders' Meeting, the sums paid to Directors in 2017 and 2016 for per diem, participations, and other remunerations, respectively, were as follows:

Andrónico Luksic Craig ThCh$1,410, ThCh$100,204 and ThCh$885,134 in 2017 (ThCh$1,107, ThCh$73,479 and ThCh$867,480 in 2016); Jean-Paul Luksic Fontbona ThCh$2,817, ThCh$100,204 and ThCh$0 in 2017 (ThCh$2,492, ThCh$73,479 and ThCh$0 in 2016); Hernán Büchi Buc ThCh$3,946, ThCh$100,204 and ThCh$0 in 2017 (ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016); Gonzalo Menéndez Duque ThCh$3,946, ThCh$100,204 and ThCh$0 in 2017 (ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016); Matko Koljatic Maroevic ThCh$3,664, ThCh$100,204 and ThCh$0 in 2017 (ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016); Fernando Cañas Berkowitz ThCh$3,946, ThCh$100,204 and ThCh$0 in 2017 (ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016); Nicolás Luksic Puga ThCh$3,663, ThCh$100,204 and ThCh$0 in 2017 (ThCh$3,046, ThCh$73,479 and ThCh$0 in 2016) and Andrónico Luksic Lederer ThCh$2,256, ThCh$100,204 and ThCh$0 in 2017 (ThCh$2,769, ThCh$73,479 and ThCh$0 in 2016).

EXPENDITURES IN CONSULTING SERVICES TO THE BOARD OF DIRECTORS

Expenses for consulting services to the Board of Directors totaled ThCh$32,285 in 2017.

REMUNERATIONS OF MAIN EXECUTIVES

The remunerations received by the Company's main executives for remunerations and performance bonuses totaled ThCh$6,105,434 in 2017 (ThCh$5,462,877 in 2016).

INCENTIVE PLAN

There was no long-term incentive plan for the Company's executives as of December 31, 2017.

SEVERANCE PAYMENT

There were no severance payments made to the Company's main executives in 2017.

INFORMATION ON DIVERSITY

The distribution of the Board of Directors, managers (general manager and managers reporting to the CEO or to the Board) and all of the Company's personnel, by gender, nationality, age and seniority (in their positions in the case of directors and in the Company for management units and the organization) at December 31, 2017 is the following:

Gender	Men	Women
Board	8	-
Managers	7	2
Organization	46	25

Nationality	Chilean	Foreign
Board	8	-
Managers	9	-
Organization	69	2

Age	Under 30	30 - 40	41 - 50	51 - 60	61 - 70	Older than 70
Board	-	2	-	1	4	1
Managers	-	1	1	5	2	-
Organization	2	20	12	20	17	-

Seniority	Less than 3 years	From 3 to 6 years	More than 6 and less than 9 years	From 9 to 12 years	More than 12 years
Board	-	2	1	-	5
Managers	1	4	-	-	4
Organization	17	21	3	2	28

SALARY GAP

The salary gap by gender in the Company is as follows:

	Average gross salary of women / Average gross salary of men (%)
Executives	117%
Workers	99%

MATERIAL INFORMATION

Material or essential information reported by Quiñenco S.A. during the 2017 management period is the following:

1. On April 6, 2017, Quiñenco S.A. (also referred to as the "Company") informed the Superintendency of Securities and Insurance ("SVS"), as material information that in a session held on that same date the Board of Directors agreed to propose to the Annual Shareholders' Meeting to be held on April 28, 2017, the distribution of a definite dividend in the amount of Ch$53,070,680,364 corresponding to the minimum compulsory dividend, that is 30% of the profits attributable to the Controller's Owners during the 2016 management period. It also informed that the definite dividend would amount to Ch$31.91723 per share, payable as from May 12, 2017, to the shareholders registered in the respective registry as of the midnight of the fifth business day in advance of such date.

The dividend distribution proposal informed in point 1 was approved by the Shareholders' Meeting held on April 28, 2017, so the corresponding shareholders started to receive their dividends on May 12, 2017. The total dividend amounted to Ch$53,070,680,364 accounting for 30% of the profits attributable to the Controller's Owners for 2016, equivalent to Ch$31.91723 per share. The distribution of this dividend, net of the amount provisioned, was deducted from the accumulated earnings in equity.

CRIME PREVENTION MODEL, LAW N° 20,393

Quiñenco S.A. has a Crime Prevention Model on Bribery, Asset Laundering, Financing of Terrorism and Receipt or Purchase of stolen goods pursuant to Law No. 20,393 that provides for the criminal responsibility of legal entities in these types of crimes. This prevention model was certified for the first time on December 5, 2012, for a two-year period by the company BH Compliance, which is registered for purposes hereof with the Financial Market Commission.

Such certification remains in effect, being renewed by BH Compliance on November 28, 2014 and November 25, 2016, in both cases for a two-year term.

The Model also contemplates a procedure for complaints, which can be anonymous and do not require special formalities, and can be made by a company member or an unrelated third party, and presented either in writing directly to the Company's offices addressed to the Prevention Manager or to the email encargadodeprevencion@lq.cl.

SUPPLEMENTARY INFORMATION ON BUSINESS ACTIVITIES

TECHPACK

Techpack was formed from the division of Madeco S.A. in 2013. The main asset at the time of its formation was Madeco's manufacturing business, which included the units for the manufacturing of flexible packaging, brass mills, and aluminum and PVC profiles.

In early 2014, the shareholders agreed to restructure Techpack's assets to focus on the flexible packaging business. As part of this new approach, the name was changed from Madeco S.A. to Tech Pack S.A. In 2015, Techpack acquired 24% of Alusa S.A. from minority shareholders, reaching 100% ownership of the company.

In May 2016, Tech Pack concluded the sale of its entire flexible packaging business to the Australian company Amcor, the world's largest packaging producer, in a transaction worth US$435 million. Of this amount, US$285 million correspond to Techpack's share and the rest corresponds to the Peruvian Nexus Group, Techpack's partner in the Peruvian and Colombian subsidiaries. Upon deducting an estimated net debt of US$69 million and after working capital adjustments usual in this type of transactions, determined in March 2017 as an adjustment of US$2 million in favor of the buyer, Techpack received an approximate amount of US$212 million before taxes and costs related to the transaction.

At the time of its sale, Alusa was the Latin American leader in the flexible packaging industry, with operations in Chile, Argentina, Peru and Colombia, with a total installed capacity of more than 80 thousand tons per year and annual sales of US$376 million.

In September 2016, Quiñenco launched a public tender offer for 33.06% of Techpack's share capital at a value of US$0.54 per share. After the successful conclusion of the tender offer, 98.98% of Techpack was controlled by Quiñenco. Subsequently, after some minority shareholders exercised their right to withdraw and Quiñenco exercised the right to purchase established under the Law of Open Stock Corporations, the holding company's stake increased to 100% of Techpack. At December 31, 2017, the Superintendency of Securities and Insurance (currently the Financial Market Commission) and Quiñenco were engaged in a legal dispute regarding the type of shares that should be understood as subject to the purchase right established in Article 71 bis of Law No.18,046, exercised by Quiñenco and perfected on December 30, 2016. In particular, the parties' dispute revolved around the application of the above-cited article to the shares coming from the split of Madeco S.A., effective on April 8, 2013. In a judgment issued by the end of 2017, the Court of Appeals of Santiago dismissed the claim of illegality filed by Quiñenco, decision that remained final. On February 16, 2018, Quiñenco offered the shareholders owners of those shares, to repurchase said shares, option that remained in force until April 16, 2018.

In November 2016, Techpack acquired a 0.53% stake in Nexans in the amount of US$12 million. Nexans is a French multinational company, one of the leading cable producers worldwide. Quiñenco, through Invexans, is also the owner of 28.52% of Nexans.

In 2017, after ceasing its manufacturing activities, Techpack focused on reorganizing its main non-monetary assets, mainly real estate properties related to its packaging, brass mills and profiles businesses, and in investing the resources from the sale of the packaging business. In 2017, Techpack completed the sale of three properties for a total of approximately US$18 million.

In October 2017, Amcor requested the payment of compensations for allegedly intentional infractions of representations and warranties involved in the purchase and sale transaction. Techpack denies any responsibility, and in March 2018, it filed a legal claim with the Supreme Court of New York, to declare the inexistence of the alleged infringements claimed by Amcor.

Techpack reported a loss of US$3.0 million in 2017, which negatively compares with the profits for US$6.3 million obtained in 2016. The variation is due mainly to the gain associated with the sale of the flexible packaging business in 2016. In 2017, the result is driven mainly by the price adjustment of the Alusa transaction, Techpack's operational costs and the cost of maintaining real estate properties and discontinued operations, partly offset by financial income and gains from exchange rate differences.

Suppliers and Customers

The number of suppliers and customers that represent over 10% of the purchases or revenues by segment is detailed in the table below:

Segment	Manufacturing	Financial	Energy	Transport	Port	Others
No. of suppliers who represent at least 10% of a segment's purchases	-	-	1	2	-	3
No. of customers who represent at least 10% of a segment's total revenues	-	-	-	-	-	2

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Main Brands

The main brands used by Quiñenco's subsidiaries and affiliates are detailed below:

Quiñenco: Quiñenco, Quinenco.

Banco de Chile: Banco de Chile, Banco Edwards, Banco CrediChile and Banchile.

CCU: In Chile and abroad, CCU and its subsidiaries own various registered trademarks under which they sell their products. In the national market, its brand portfolio in the beer category includes, among others, Cristal, Cristal CER0 0°, Escudo, Royal Guard, Morenita, Dorada, Andes, Stones, Kunstmann, Austral, D'olbek, Guayacán and Szot. In Argentina it has Schneider, Imperial, Palermo, Santa Fe, Salta and Córdoba.

Regarding nonalcoholic beverages in the carbonated category in Chile, CCU owns the brands: Bilz, Pap, Pop Candy, Kem, Kem Xtreme and Nobis. In the mineral waters category in Chile it holds the brands Cachantun and Porvenir; in purified, flavored and mineral waters, it owns the brand Nestlé Pure Life; in flavored waters it owns Mas and Mas Woman; in purified waters, mainly HOD, it has the brand Manantial. In Uruguay, the company owns the brands Nativa and Nix for mineral waters and Nativa for flavored waters; and Nix for carbonated beverages. Likewise, in Paraguay it owns the brands Pulp for carbonated beverages, Puro Sol for juices, La Fuente for waters and Zuma for flavored waters.

In wine, CCU owns an extensive portfolio of the nine vineyards that form part of its subsidiary VSPT, such as Altaïr, Cabo de Hornos, Sideral, 1865, Castillo de Molina, Épica, Gato and Gato Negro of Viña San Pedro; the Gran Reserva line of Viña Tarapacá in its versions Etiqueta Blanca, Negra and Azul; Viña Leyda in its series Reserva, Single Vineyard and Lot; Misiones de Rengo Cuvée, Reserva, Varietal and Sparkling Wine; in addition to Siglo de Oro, Santa Helena Varietal, Alpaca, Santa Helena Reservado and Gran Vino of Santa Helena; in the sparkling wine category, Viñamar in its versions Extra Brut, Brut and Rosé and, finally, Manquehuito in the coolers category. In Argentina, it holds the brands La Celia and Tamarí.

In the pisco category of liquors, CCU owns the brands: Mistral, Mistral Ice, Mojito Ice, Iceberg, Ruta Cocktail, Campanario, Control C, Tres Erres, Moai Tres Erres, La Serena, Espíritu de los Andes and Horcón Quemado. In the rum category, CCU owns the brands Sierra Morena and Cabo Viejo. Also in the liquor segment, CCU owns the Fehrenberg brand with its variants. In Peru, it owns the pisco brand BarSol.

In the cider category in Argentina, CCU owns the brands Real, La Victoria and 1888. In addition, it owns the brand El Abuelo in the liquor category.

CCU also holds important licenses for national and international brands in Chile, which are mentioned in the section licenses, franchises, royalties or concessions.

CCU participates in the sweet snack business through Alimentos Nutrabien S.A., currently a subsidiary of its related company Foods Compañía de Alimentos CCU S.A. ("Foods"), manufacturer of cookies and baked products under the brand Nutra Bien.

Invexans: Invexans.

Techpack: Techpack.

Enex: Enex, Shell, upa!, upita, Select, Helix, Shell V-Power, Shellcard, Rimula, Pennzoil, Gadus, Spirax, Tellus, Rhenus, ACDelco, Krynex. Enex holds the license for use of the Shell brand in service stations for the sale of fuels and is the Macro Distributor of Shell lubricants in Chile.

CSAV: The main brands used by the company are CSAV and Norgistics.

SM SAAM: The company and its subsidiaries have its trade name and legal name registered in the Brand Registry, as well as certain services and products.

Banchile Vida: Banchile.

SegChile Seguros Generales: SegChile.

Licenses, Franchises, Royalties or Concessions

The licenses, franchises, royalties and/or concessions held by Quiñenco, its subsidiaries and affiliates are described below:

Banco de Chile: It holds a license agreement on the use of the brand "Banchile," granted by Banco de Chile to Banchile Seguros de Vida. According to this agreement, the Bank authorizes the company to exclusively use the name BANCHILE, a registered trademark of the Bank throughout the life of the agreement, without being able to transfer it under any circumstances, for the purposes of promoting and selling its insurance policies, especially for the development and operation of the bank insurance business and the sale of credit life insurance to the Bank's debtor portfolio and to the market in general. The agreement is in force from January 1, 2016 to January 1, 2020. The Bank may terminate said agreement at any time for noncompliance or for restrictions that the agreement imposes on the company, at any time upon written notice 10 days in advance, and the company will have 60 days to change the legal name.

On October 22, 2015, Banco de Chile and Citigroup Inc. subscribed a trademark license contract that became effective on January 1, 2016. Under such contract, Citigroup grants Banco de Chile the gratuitous and non-exclusive right to use some Citigroup trademarks within the Chilean territory. In addition, Citigroup granted Banco de Chile a license to use certain domain names for specific services in the Chilean territory. The term of the agreement is subject to the term of the Global Connectivity Contract.

CCU: CCU's main license contracts held directly or through its subsidiaries, are listed below:

License	Expiry Date	Licensee	Territory
Amstel for Argentina[1]	July 2022	Amstel Brouwerij B.V.	Argentina
Austral for Chile[2]	July 2018	Cervecería Austral S.A.	Chile
Blue Moon for Chile[3]	December 2021	Coors Brewing Company	Chile
Budweiser for Argentina[4]	December 2025	Anheuser-Bush Inc.	Argentina
Coors for Paraguay	The subscription of a new contract is in progress	Coors Brewing Company	Paraguay
Coors for Chile[5]	December 2025	Coors Brewing Company	Chile
Coors for Argentina[6]	December 2019	Coors Brewing Company	Argentina
Coors for Colombia[5]	December 2020	Coors Brewing Company	Colombia
Crush, Canada Dry (Ginger Ale, Agua Tónica and Limón Soda) for Chile[7]	December 2018	Schweppes Holding Limited	Chile
Frugo for Chile	Indefinite	Promarca S.A.	Chile
Gatorade for Chile[8]	December 2018	Stokely Van Camp Inc.	Chile
Heineken for Bolivia[9]	December 2024	Heineken Brouwerijen B.V.	Bolivia
Heineken for Paraguay	The subscription of a new contract is in progress	Heineken Brouwerijen B.V.	Paraguay
Heineken for Uruguay[10]	10 years renewable	Heineken Brouwerijen B.V.	Uruguay
Heineken for Chile and Argentina[10]	10 years renewable	Heineken Brouwerijen B.V.	Chile and Argentina
Heineken for Colombia[11]	March 2028	Heineken Brouwerijen B.V.	Colombia
Miller for Argentina[11]	December 2026	Coors Brewing Company	Argentina
Miller & Miller Genuine Draft for Colombia[12]	December 2026	Coors Brewing Company	Argentina
Nestlé Pure Life[7]	December 2022	Nestlé S.A., Societé de Produits Nestlé S.A. y Nestec S.A.	Chile
Paulaner for Paraguay	April 2019	Paulaner Brauerei GmbH & Co. KG	Paraguay
Pepsi, Seven Up and Mirinda for Chile	December 2043	Pepsico Inc., Seven-Up International, through Bebidas CCU-PepsiCo SpA	Chile
Red Bull for Argentina[13]	December 2017	Red Bull Argentina S.R.L.	Argentina
Red Bull for Chile[14]	Indefinite	Red Bull Panamá S.A.	Chile
Schneider for Paraguay	The subscription of a new contract is in progress	Cía. Industrial Cervecera S.A.	Paraguay
Sol for Argentina[10]	10 years renewable	Heineken Brouwerijen B.V.	Argentina
Sol for Chile[10]	10 years renewable	Heineken Brouwerijen B.V.	Chile
Sol for Colombia[15]	March 2028	Heineken Brouwerijen B.V.	Colombia
Té Lipton for Chile	March 2020	Pepsi Lipton International Limited	Chile
Tecate for Colombia[15]	March 2028	Heineken Brouwerijen B.V.	Colombia
Watt's (nectars, fruit-based beverages and others) in rigid containers, except for cardboard in Chile	Indefinite	Promarca S.A.	Chile
Watt's for Paraguay[16]	July 2019	Watt's Alimentos S.A.	Paraguay
Watt's for Uruguay	99 years	Promarca Internacional SpA	Uruguay

1. *After the initial expiry, automatically renewable under identical conditions (Rolling Contract), every year for a 10-year period, except in the case of notifying non-renewal.*
2. *2-year term renewable license; subject to compliance with the conditions set forth in the contract.*
3. *Upon completion of initial period it is renewed until December 2025 and is automatically renewed under identical conditions (Rolling Contract), every year for a period of 5 years, subject to compliance with the conditions set forth in the contract.*
4. *On September 6, 2017, the company informed the Superintendency of Securities and Insurance that Compañía Cervecerías Unidas S.A. and Compañía Cervecerías Unidas Argentina S.A., agreed with Anheuser-Busch InBev S.A./N.V. ("ABI") on a brand transfer offer-letter, which contemplates the early termination of Budweiser license contract entered into by Compañía Cervecerías Unidas Argentina S.A. and Anheuser-Busch, Incorporated (currently AnheuserBusch LLC, a subsidiary of ABI) on March 26, 2008, in exchange for a portfolio of brands with similar volumes and various payments of up to USD 400 million, before taxes, over a three-year period. Such transaction was conditional upon the previous approval by the National Commission for the Defence of Competition ("CNDC") and the Trade Secretariat of the Ministry for Production of Argentina ("SECOM"), which is the authority charged with enforcing antitrust laws in Argentina. On March 14, 2018, the SECOM, based on the favorable decision by the CNDC, approved the transaction which is pending review and approval by the CNDC of the terms and conditions of the definite contracts that will lead to the completion of such transaction.*
5. *After the initial expiry, automatically renewable under identical conditions (Rolling Contract), every year for a period of 5 years, subject to compliance with the conditions set forth in the contract.*
6. *5-year term renewable license; subject to compliance with the conditions set forth in the contract.*
7. *5-year term renewable license; subject to compliance with the conditions set forth in the contract.*
8. *License renewable for a period equivalent to the enforcement of the Shareholders' Agreement of Bebidas CCU-PepsiCo SpA, subject to compliance with the conditions set forth in the contract.*
9. *10-year term license automatically renewable for a period of 5 years, except in the case of notifying non-renewal.*
10. *10-year license automatically renewable under identical conditions (Rolling Contract), every year for a period of 10 years, except in the case of notifying non-renewal.*
11. *After the initial expiry, automatically renewable under identical conditions every year for a 5-year period (Rolling Contract), except in the case of notifying non-renewal.*
12. *The distribution will start in April 2017; the plant production is estimated to start in October 2019.*
13. *This license was not renewed at December 31, 2017.*
14. *Indefinite contract, notice of termination six months in advance, first termination date cannot be prior to October 31, 2018.*
15. *The contract shall remain in force while the Heineken license for Colombia agreement is effective.*
16. *License subject to compliance with the terms and conditions of the International Association Agreement subscribed in February 2016 between CCU S.A. and Watt's S.A.*

Enex: Holds the license and use of the Shell brand in service stations for the sale of fuels in force until May 31, 2023. In addition, Enex is the macro distributor of Shell lubricants in Chile, contract that expires in December 2019.

CSAV: The Company does not hold licenses, franchises, royalties or concessions. It should be noted that in December 2014, CSAV granted Hapag-Lloyd an indefinite royalty free license to use the brand CSAV, as part of the container shipping business transferred.

SM SAAM: Operates the following port concessions:

Iquique Terminal Internacional (ITI – Chile)

Owned by:	99.9% SAAM Puertos S.A. 0.1% SAAM Inversiones SpA
Volume transferred, 2017:	2,421,638 t / 280,477 TEU
Number of docking berths:	2
Pier length:	624 m
End of concession:	2030
Extension option:	Extended

Antofagasta Terminal Internacional (ATI – Chile)

Owned by:	35% SAAM Puertos S.A. 35% Grupo Empresas Navieras S.A. 30% Inversiones Punta de Rieles Ltda.
Volume transferred, 2017:	2,460,983 t / 73,036 TEU
Number of docking berths:	2
Pier length:	575 m
End of concession:	2033
Extension option:	Extended

San Antonio Terminal Internacional (STI – Chile)

Owned by:	50% SAAM Puertos S.A. 50% SSA Holding Internacional Chile Ltda.
Volume transferred, 2017:	10,439,087 t / 1,074,983 TEU
Number of docking berths:	3
Pier length:	930 m
End of concession:	2024
Extension option:	+5 years

San Vicente Terminal Internacional (SVTI – Chile)

Owned by:	50% SAAM Puertos S.A. 50% SSA Holding Internacional Chile Ltda.
Volume transferred, 2017:	5,769,202 t / 492,832 TEU
Number of docking berths:	5
Pier length:	1.084 m
End of concession:	2029
Extension option:	Extended

Portuaria Corral (Corral- Chile)

Owned by:	50% SAAM Puertos S.A. 50% Sociedad de Inversiones Portuarias Ltda.
Volume transferred, 2017:	1,016,187 t
Number of docking berths:	1
Pier length:	146 m
End of concession:	Own

Terminal Puerto Arica (TPA - Chile)

Owned by:	35% Inversiones Neltume Ltda. 20% Ransa Comercial S.A. 25% Grupo Empresas Navieras S.A. 15% SAAM Puertos S.A. 5% Inversiones y Construcciones Belfi Ltda.
Volume transferred, 2017:	3,157,032 t / 238,689 TEU
Number of docking berths:	4
Pier length:	920 m
End of concession:	2034
Extension option:	Extended

Florida International Terminal (FIT – USA)

Owned by:	70% SAAM Florida Inc. 30% Agunsa Miami Inc.
Volume transferred, 2017:	1,387,735 t / 189,838 TEU
Number of docking berths:	4
Pier length:	1.402 m
End of concession:	2025
Extension option:	+5 +5 years

Terminal Portuario Guayaquil (TPG - Ecuador)

Owned by:	99,99% SAAM Puertos S.A. 0.01% Inversiones San Marcos Ltda.
Volume transferred, 2017:	4,460,963 t / 586,981 TEU
Number of docking berths:	2
Pier length:	480 m
End of concession:	2056

Puerto Caldera (Costa Rica)

Owned by:	51% SAAM Puertos S.A. 21% Comercializadora R y S S.A. 19% Logística de Granos 9% M&R Inversiones S.A.S.
Volume transferred, 2017:	5,527,087 t / 270,056 TEU
Number of docking berths:	4
Pier length:	400 m
End of concession:	2026

Terminal Marítima Mazatlán (TMAZ - Mexico)

Owned by:	99.4% SAAM Puertos S.A. 0.6% SAAM S.A.
Volume transferred, 2017:	1,154,701 t / 47,219 TEU
Number of docking berths:	6
Pier length:	1.296 m
End of concession:	2032
Extension option:	+12 years

Puerto Buenavista (PBV – Colombia)

Owned by:	33.3% SAAM Puertos S.A. 33.3% Cía. de Puertos Asociados (COMPAS) 33.3% Yara Colombia S.A.
Volume transferred, 2017:	349,682 t
Number of docking berths:	1
Pier length:	211 m
End of concession:	2037
Extension option:	Extended

CONSOLIDATED FINANCIAL STATEMENTS

QUIÑENCO AND SUBSIDIARIES
AS OF DECEMBER 31, 2017 AND 2016

INDEX

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Independent Auditor's Report
(A free translation from a report originally issued in Spanish)

To
Shareholders and Directors of
Quiñenco S.A.

We have audited the accompanying consolidated financial statements of Quiñenco S.A. and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with instructions and standards of preparation and presentation of financial information issued by the Chilean Commission for the Financial Market ("CMF") as described in Note 2) to the consolidated financial statements. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We did not audit the consolidated financial statements of the subsidiaries Invexans S.A., Compañía Sud Americana de Vapores S.A. and SM SAAM S.A. (this last company was included in the consolidation from January 2016), whose total assets represent, as a whole, 7.4% and 4.1% of the total consolidated assets as of December 31, 2017 and 2016, respectively, and total ordinary revenue representing 15.7% and 16.3% of the total consolidated ordinary revenue for the years then ended, respectively. We did not audit the consolidated financial statements of the associate Compañía Cervecerías Unidas S.A., reflected in the consolidated financial statements under the equity method, which represent a total asset of ThCh$336,115,364 and ThCh$323,189,447 as of December 31, 2017 and 2016, and net accrued income of ThCh$44,115,364 and ThCh$35,537,246 for the years then ended. These financial statements were audited by other auditors, whose reports have been provided to us, and our opinion, regarding the included amounts of the subsidiaries and associates mentioned above, is only based on the reports of those auditors. We conduct our audits in accordance with generally accepted auditing standards in Chile. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements of the entity 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 internal control of the entity. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Quiñenco S.A. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended, in accordance with instructions and standards of preparation and presentation of financial information issued by the Chilean Commission for the Financial Market ("CMF") as described in Note 2 to the consolidated financial statements.

Accounting Basis

The subsidiary Banco de Chile (controlled through LQ Inversiones Financieras S.A.) is regulated by the Chilean Superintendency of Banks and Financial Institutions ("SBIF"), and therefore, it is required to apply the accounting standards established by this SBIF for the preparation of their consolidated financial statements.

The Chilean Commission for the Financial Market ("CMF") has instructed that holding companies with investments in bank subsidiaries may use, for the purpose of the preparation of their consolidated financial statements, the information provided directly by the bank subsidiaries without being subject to any conversion adjustments. Consequently, the Company has consolidated the Bank's financial statements without any conversion adjustment.

Juan Francisco Martínez A.

EY Audit SpA

Santiago, March 29, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2017 and 2016

Assets	Note	12/31/2017 ThCh$	12/31/2016 ThCh$
Non-banking businesses			
Current assets			
Cash and cash equivalents	3	273,213,861	460,605,476
Other financial assets, current	4	184,393,213	142,633,789
Other non-financial assets, current	5	24,820,045	21,761,188
Trade and other receivables, current	6	225,010,317	192,833,243
Accounts receivable from related entities, current	7	20,177,672	19,879,774
Inventory, current	8	99,512,693	89,422,619
Current tax assets		24,741,506	33,818,944
Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners		**851,869,307**	**960,955,033**
Non-current assets or disposal groups classified as held for sale	9	24,239,308	34,499,892
Non-current assets or disposal groups classified as held for sale or for distribution to the owners		**24,239,308**	**34,499,892**
Total current assets		876,108,615	995,454,925
Non-current assets			
Other financial assets, non-current	10	141,623,230	108,639,378
Other non-financial assets, non-current	11	42,234,878	34,547,771
Accounts receivable, non-current	6	12,239,058	13,061,360
Accounts receivable from related parties, non-current	7	-	95,601
Inventory, non-current	8	670,692	1,628,821
Investments accounted for using the equity method	12	1,996,861,146	2,029,066,699
Intangible assets other than goodwill	13	359,670,452	283,697,343
Goodwill	14	853,376,498	850,353,823
Property, plant and equipment	17	651,863,303	652,212,321
Investment properties	18	16,716,958	18,336,787
Deferred tax assets	19	206,871,313	256,665,511
Total non-current assets		4,282,127,528	4,248,305,415
Total non-banking services assets		5,158,236,143	5,243,760,340
Banking assets			
Cash and bank deposits	39.5	1,057,392,323	1,408,166,486
Transactions pending settlement	39.5	521,809,799	376,252,606
Trading instruments	39.6	1,616,646,913	1,405,780,309
Repurchase agreements and securities lending	39.7	91,640,532	55,703,136
Financial derivative contracts	39.8	1,247,827,782	939,633,849
Loans and advances to banks	39.9	759,700,003	1,172,918,082
Customer loans and accounts receivable	39.10	24,881,350,507	24,775,289,600
Investment instruments held for sale	39.11	1,516,063,821	367,985,094
Investments in companies	39.12	38,041,019	32,588,475
Intangible assets	39.13	39,044,811	29,340,792
Property, plant and equipment	39.14	216,259,419	219,082,089
Current taxes	39.15	23,031,694	6,792,460
Deferred taxes	39.15	267,399,999	281,713,881
Other assets	39.16	547,975,070	462,184,333
Total banking services assets		32,824,183,692	31,533,431,192
Total assets		37,982,419,835	36,777,191,532

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as of December 31, 2017 and 2016

Liabilities	Note	12/31/2017 ThCh$	12/31/2016 ThCh$
Non-banking businesses			
Current liabilities			
Other financial liabilities, current	20	108,299,282	106,918,046
Trade and other payables	21	206,029,556	168,069,269
Accounts payable to related parties, current	7	1,385,069	1,542,196
Other short-term provisions	22	31,485,869	38,646,449
Current tax liabilities		25,767,179	15,537,636
Provisions for employee benefits, current	23	14,724,179	15,454,496
Other non-financial liabilities, current	24	43,359,918	63,902,977
Total current liabilities other than liabilities included in disposal groups classified as held for sale		**431,051,052**	**410,071,069**
Liabilities included in disposal groups classified as held for sale	9	1,312,645	641,167
Total current liabilities		432,363,697	410,712,236
Non-current liabilities			
Other financial liabilities, non-current	20	1,105,696,636	1,059,281,185
Trade and other payables, non-current		-	1,673,802
Accounts payable to related parties, non-current	7	-	8,034
Other long-term provisions	22	33,639,034	38,412,764
Deferred tax liabilities	19	153,116,179	149,959,584
Provisions for employee benefits, non-current	23	19,851,486	22,168,993
Other non-financial liabilities, non-current	25	69,610,987	61,519,320
Total non-current liabilities		1,381,914,322	1,333,023,682
Total non-banking business liabilities		1,814,278,019	1,743,735,918
Banking liabilities			
Demand deposits and other obligations	39.17	8,869,351,742	8,283,930,265
Transactions pending settlement	39.5	295,712,878	194,982,365
Repurchase agreements and securities lending	39.7	195,391,862	216,817,177
Time deposits and other borrowings	39.18	10,063,709,881	10,550,576,329
Financial derivative contracts	39.8	1,414,237,086	1,002,087,406
Due to banks	39.19	1,195,026,483	1,040,026,289
Debt instruments issued	39.20	6,488,975,414	6,177,926,629
Subordinated obligation with the Chilean Central Bank		133,789,325	204,427,399
Other financial obligations	39.21	137,162,845	186,199,142
Current taxes	39.15	3,457,816	134,925
Deferred taxes	39.15	-	-
Provisions	39.22	508,337,923	491,020,645
Other liabilities	39.23	310,198,093	292,946,321
Total banking services liabilities		29,615,351,348	28,641,074,892
Total liabilities		31,429,629,367	30,384,810,810
Equity			
Issued capital	27	1,223,669,810	1,223,669,810
Retained earnings		1,363,473,367	1,287,450,213
Share premium	27	31,538,354	31,538,354
Other reserves	27	345,031,599	455,969,622
Equity attributable to owners of the controller		**2,963,713,130**	**2,998,627,999**
Non-controlling interests		3,589,077,338	3,393,752,723
Total equity		6,552,790,468	6,392,380,722
Total equity and liabilities		37,982,419,835	36,777,191,532

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

as of December 31, 2017 and 2016

Income Statement	Note	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Non-banking businesses			
Revenue	28 a)	2,381,154,111	2,146,958,428
Cost of sales		(2,025,229,943)	(1,803,433,449)
Gross margin		**355,924,168**	**343,524,979**
Other revenue by function		17,489,615	19,564,797
Distribution costs		-	-
Administrative expenses		(323,360,953)	(311,890,670)
Other expenses by function	28 b)	(10,056,584)	(7,292,018)
Other gains (losses)	28 c)	39,612,420	22,767,087
Operating income		79,608,666	66,674,175
Finance income		14,737,473	9,520,770
Finance costs	28 d)	(50,705,022)	(44,323,236)
Share of income (loss) of associates and joint ventures accounted for using the equity method	12	(17,803,727)	67,373,219
Exchange differences		3,025,660	2,168,815
Gain from indexation adjustments		(14,110,425)	(17,386,756)
Income (loss) before taxes		**14,752,625**	**84,026,987**
Income tax expense	19	(65,162,884)	(29,253,235)
Net income (loss) from continued operations		**(50,410,259)**	**54,773,752**
Net loss from discontinued operations	9	(3,924,796)	14,793,790
Net income (loss) from non-banking businesses		(54,335,055)	69,567,542
Banking services			
Interest and indexation income		1,881,442,221	1,911,628,192
Interest and indexation expense		(650,830,630)	(689,114,675)
Net interest and indexation income		1,230,611,591	1,222,513,517
Fee income	39.26	471,701,546	441,044,571
Fee expense	39.26	(124,028,458)	(119,772,370)
Net fee income	39.26	347,673,088	321,272,201
Net gain (loss) from financial operations	39.27	(8,249,277)	148,885,572
Net exchange gain (loss)	39.28	104,874,720	12,405,600
Other operating revenue	39.33	35,532,921	30,868,647
Loan loss provisions	39.29	(234,982,925)	(309,733,379)
Total net operating income		**1,475,460,118**	**1,426,212,158**
Payroll and personnel expenses	39.30	(409,552,445)	(418,119,057)
Administrative expenses	39.31	(311,455,303)	(306,341,223)
Depreciation and amortization	39.32	(35,250,416)	(33,288,501)
Impairment	39.32	(166,411)	(273,615)
Other operating expenses	39.34	(33,231,446)	(30,765,093)
Total operating expenses		**(789,656,021)**	**(788,787,489)**
Operating income		685,804,097	637,424,669
Result of investments in companies	39.12	6,057,093	4,512,870
Interest on subordinated debt with the Chilean Central Bank		(73,066,743)	(73,448,475)
Income before taxes		**618,794,447**	**568,489,064**
Income tax expense	39.15	(115,127,836)	(89,146,655)
Net income from continuing operations		**503,666,611**	**479,342,409**
Banking services net income		503,666,611	479,342,409
Consolidated net income		**449,331,556**	**548,909,951**
Net income attributable to owners of the controller		**108,739,810**	**176,902,259**
Net income attributable to non-controlling interests		340,591,746	372,007,692
Consolidated net income		449,331,556	548,909,951

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

as of December 31, 2017 and 2016

Comprehensive Income Statement	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Consolidated net income	449,331,556	548,909,951
Components of other comprehensive income (loss) which will not be reclassified in net income (loss) for the year, before taxes		
Share of other comprehensive loss of associates and joint ventures accounted for using the equity method which will not be reclassified in net income (loss) for the year	238,142	(6,730,715)
Total other comprehensive loss that will not be reclassified in net income (loss) for the year, before taxes	**238,142**	**(6,730,715)**
Components of other comprehensive income (loss) that will be reclassified in the net income (loss) for the period		
Currency translation differences		
Gains (losses) from currency translation differences	(106,764,172)	(83,164,329)
Other comprehensive income, currency translation differences	(106,764,172)	(83,164,329)
Financial assets held for sale		
Gains (losses) for new measurements of financial assets held for sale	184,346	(144,196)
Other comprehensive income, before tax, financial assets held for sale	184,346	(144,196)
Cash flow hedges		
Gains (losses) from cash-flow hedges, before tax	6,443,042	12,057,459
Other comprehensive income (loss), cash-flow hedges, before tax	6,443,042	12,057,459
Total other comprehensive income (loss) that will be reclassified in net income (loss) for the year, before taxes	**(100,136,784)**	**(71,251,066)**
Other components of other comprehensive income (loss), before taxes	(99,898,642)	(77,981,781)
Total comprehensive income	349,432,914	470,928,170
Comprehensive income attributable to:		
Owners of the controller	8,841,168	98,920,478
Non-controlling interests	340,591,746	372,007,692
Total comprehensive income	349,432,914	470,928,170

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

as of December 31, 2017 and 2016

Statement of Cash Flows	Note	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Cash flows provided by (used in) operating activities			
Non-banking services			
Classes of collections from operating activities			
Proceeds from sales of assets and provision of services		2,486,786,649	2,477,861,274
Proceeds from premiums, annuities and other policy benefits		81,351,663	90,191,928
Proceeds from other operating activities		7,751,021	5,081,108
Classes of payments			
Payments to suppliers of goods and services		(2,259,254,958)	(2,196,291,886)
Payments to and on behalf of employees		(147,217,428)	(146,730,383)
Other payments for operating activities		(97,229,670)	(89,488,093)
Net cash flows provided by operating activities		**72,187,277**	**140,623,948**
Income taxes paid		(10,797,597)	(23,571,991)
Other cash inflows		221,843	3,012,059
Net cash flow provided by non-banking services operating activities		61,611,523	120,064,016
Banking services			
Consolidated net income for the year		502,486,155	478,883,593
Charges (credits) to income not involving cash movements:			
Depreciation and amortization		35,416,826	33,562,116
Loan loss provisions		284,461,573	356,575,834
Adjustment to market value of trading instruments		1,614,762	(2,393,981)
Net income on investment in companies with significant influence		(5,510,958)	(4,018,784)
Net gain on sales of assets received in lieu of payment		(6,211,584)	(5,268,980)
Gain on sales of property, plant and equipment		(623,855)	(182,906)
Write-offs of assets received in lieu of payment		7,550,213	3,329,101
Other charges (credits) not involving cash movements		37,895,290	15,192,288
Net change in accrued interest, indexation and fees on assets and liabilities		(54,294,009)	(142,278,692)
Changes in assets and liabilities that affect operating cash flows:			
Net (increase) decrease in due from banks		413,571,714	221,395,751
Increase in customer loans and accounts receivable		(464,747,910)	(1,037,132,233)
Net increase in trading instruments		36,398,338	(348,675,134)
Increase (decrease) in demand deposits and other obligations		589,216,059	(4,410,645)
Increase (decrease) in repurchase agreements and securities lending		(20,473,599)	21,725,407
Increase in time deposits and other borrowings		(441,172,734)	624,955,718
Increase (decrease) in due to banks		(990,148)	296,819,453
Increase (decrease) in other financial obligations		(44,937,877)	17,467,145
Loans from the Chilean Central Bank (long-term)		2,873	35,881
Loans repaid to the Chilean Central Bank (long-term)		(5,238)	(38,707)
Foreign loans received (long-term)		357,616,671	968,682,949
Foreign loans repaid (long-term)		(202,074,990)	(1,754,659,786)
Other long-term loans obtained		8,036	17,808,434
Repayments of other long-term loans		(3,349,149)	(21,359,305)
Subordinated obligation provision with the Chilean Central Bank		73,066,743	73,448,475
Others		14,577,071	(46,374,758)
Subtotal of net cash flow provided by (used in) banking services operating activities		1,109,490,273	(236,911,766)
Total net cash flow provided by (used in) operating activities		1,171,101,796	(116,847,750)

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

as of December 31, 2017 and 2016

	Note	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Cash flows provided by (used in) investment activities			
Non-banking services			
Cash flows provided by the loss of control of subsidiaries or other businesses		(1,106,584)	141,940,145
Cash flows used in obtaining control of subsidiaries or other businesses		(31,285,957)	(98,180,841)
Cash flows provided by the sale of non-controlling interests		85,260,078	-
Cash flows used in the purchase of non-controlling interests		(7,478,532)	(11,590,654)
Other proceeds from sale of equity or debt instruments of other entities		1,425,240,072	699,801,057
Other payments to acquire equity or debt instruments of other entities		(1,479,430,823)	(763,668,951)
Other proceeds from the sale of interests in joint ventures		64,780	740,918
Other payments to acquire interests in joint ventures		(185,109,982)	-
Loans to related parties		(831,554)	(960,964)
Proceeds of sale of property, plant and equipment		17,073,230	12,667,051
Purchases of property, plant and equipment		(96,958,098)	(105,103,039)
Purchases of intangible assets		(4,565,745)	(1,748,180)
Purchases of other long-term assets		-	(45,567)
Cash advances and loans granted to third parties		-	(7,189,272)
Payments received from related parties		819,746	1,361,644
Dividends received		45,375,057	42,603,824
Interest received		13,283,466	8,448,991
Other cash inflows		(41,425,203)	62,102,981
Net cash flow used in non-banking investment activities		(261,076,049)	(18,820,857)
Banking services			
Net decrease in investment instruments held for sale		(1,139,029,475)	442,486,920
Purchases of property, plant and equipment		(23,224,059)	(27,817,677)
Sales of property, plant and equipment		651,679	219,444
Investments in companies		-	(1,129,342)
Dividends received on investments in companies		1,030,248	666,870
Sale of assets received in lieu of payment		17,949,944	14,513,216
Net (increase) decrease in other assets and liabilities		41,513,535	77,457,229
Others		(18,778,601)	(11,248,256)
Subtotal net cash flow provided by (used in) banking services investment activities		(1,119,886,729)	495,148,404
Total net cash flow provided by (used in) investment activities		(1,380,962,778)	476,327,547

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

as of December 31, 2017 and 2016

	Note	01/01/2017 12/31/2017 ThCh$	01/01/2016 12/31/2016 ThCh$
Cash flows provided by (used in) non-banking services financing activities			
Proceeds of share issues		79,215,517	-
Proceeds from long-term loans		166,436,130	309,832,440
Proceeds from short-term loans		767,001,252	911,470,866
Total loan proceeds		**933,437,382**	**1,221,303,306**
Loans from related parties		-	1,379,620
Loan repayments		(912,179,009)	(919,756,305)
Payments of finance lease obligations		(1,686,666)	(11,141,787)
Dividends paid		(108,977,919)	(105,749,880)
Interest paid		(41,893,531)	(34,553,952)
Other cash outflows		(895,851)	(1,222,625)
Net cash flow provided by (used in) non-banking services financing activities		(52,980,077)	150,258,377
Banking services			
Redemption of letters of credit		(5,818,269)	(8,551,997)
Bonds issued		1,399,000,505	1,420,036,996
Bonds repaid		(1,024,758,172)	(1,281,182,486)
Payment of subordinated obligation with the Chilean Central Bank		(142,003,347)	(140,614,239)
Dividends paid		(104,481,355)	(118,058,206)
Subtotal net cash flow provided by (used in) banking services financing activities		121,939,362	(128,369,932)
Total net cash flow provided by financing activities		68,959,285	21,888,445
Net increase in cash and cash equivalents, before the effect of exchange rate changes		(140,901,697)	381,368,242
Effects of exchange rate changes on cash and cash equivalents		(63,964,316)	(40,309,408)
Net increase (decrease) in cash and cash equivalents		(204,866,013)	341,058,834
Cash and cash equivalents as of start of the year		2,557,781,366	2,216,722,532
Cash and cash equivalents as of end of the year	3 c)	2,352,915,353	2,557,781,366

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

as of December 31, 2017 and 2016

	Common shares		Other reserves									
	Capital issued	Share premium	Revaluation surplus	Reserves for currency translation differences	Reserve for cash-flow hedges	Reserves of gains and losses on re-measurement of financial assets held for sale	Other reserves	Total other reserves	Retained earnings (accumulated losses)	Equity atributable to owners of the controller	Non-controlling interests	Equity
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance current period 01/01/17	**1,223,669,810**	**31,538,354**	**1,031,342**	**49,198,381**	**3,566,078**	**19,025,419**	**383,148,402**	**455,969,622**	**1,287,450,213**	**2,998,627,999**	**3,393,752,723**	**6,392,380,722**
Restated initial balance	1,223,669,810	31,538,354	1,031,342	49,198,381	3,566,078	19,025,419	383,148,402	455,969,622	1,287,450,213	2,998,627,999	3,393,752,723	6,392,380,722
Changes in equity												
Comprehensive income												
Net income	-	-	-	-	-	-	-	-	108,739,810	108,739,810	340,591,746	449,331,556
Other comprehensive income	-	-	-	(106,764,172)	6,443,042	184,346	238,142	(99,898,642)	-	(99,898,642)	-	(99,898,642)
Comprehensive income	-	-	-	(106,764,172)	6,443,042	184,346	238,142	(99,898,642)	108,739,810	8,841,168	340,591,746	349,432,914
Equity issued	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(32,621,947)	(32,621,947)	-	(32,621,947)
Increase (decrease) from changes in ownership interest in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	(14,297,477)	(14,297,477)	-	(14,297,477)	14,297,477	-
Increase (decrease) for transfers and other changes	-	-	-	(30,735)	-	-	3,288,831	3,258,096	(94,709)	3,163,387	(159,564,608)	(156,401,221)
Total changes in equity	**-**	**-**	**-**	**(106,794,907)**	**6,443,042**	**184,346**	**(10,770,504)**	**(110,938,023)**	**76,023,154**	**(34,914,869)**	**195,324,615**	**160,409,746**
Closing balance current period 12/31/17	1,223,669,810	31,538,354	1,031,342	(57,596,526)	10,009,120	19,209,765	372,377,898	345,031,599	1,363,473,367	2,963,713,130	3,589,077,338	6,552,790,468
Opening balance previous period 01/01/16	**1,223,669,810**	**31,538,354**	**384,026**	**194,852,432**	**(7,988,720)**	**11,133,687**	**395,272,106**	**593,653,531**	**1,172,945,419**	**3,021,807,114**	**3,063,092,457**	**6,084,899,571**
Restated initial balance	1,223,669,810	31,538,354	384,026	194,852,432	(7,988,720)	11,133,687	395,272,106	593,653,531	1,172,945,419	3,021,807,114	3,063,092,457	6,084,899,571
Changes in equity												
Comprehensive income												
Net income	-	-	-	-	-	-	-	-	176,902,259	176,902,259	372,007,692	548,909,951
Other comprehensive income	-	-	-	(83,164,329)	12,057,459	(144,196)	(6,730,715)	(77,981,781)	-	(77,981,781)	-	(77,981,781)
Comprehensive income	-	-	-	(83,164,329)	12,057,459	(144,196)	(6,730,715)	(77,981,781)	176,902,259	98,920,478	372,007,692	470,928,170
Equity issued	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	(62,732,652)	(62,732,652)	-	(62,732,652)
Increase (decrease) from changes in ownership interest in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	2,605,696	2,605,696	-	2,605,696	(2,605,696)	-
Increase (decrease) for transfers and other changes	-	-	647,316	(62,489,722)	(502,661)	8,035,928	(7,998,685)	(62,307,824)	335,187	(61,972,637)	(38,741,730)	(100,714,367)
Total changes in equity	**-**	**-**	**647,316**	**(145,654,051)**	**11,554,798**	**7,891,732**	**(12,123,704)**	**(137,683,909)**	**114,504,794**	**(23,179,115)**	**330,660,266**	**307,481,151**
Closing balance previous period 12/31/16	1,223,669,810	31,538,354	1,031,342	49,198,381	3,566,078	19,025,419	383,148,402	455,969,622	1,287,450,213	2,998,627,999	3,393,752,723	6,392,380,722

The accompanying Notes 1 to 40 form an integral part of these consolidated financial statements.

Note 1 – Corporate information

(a) Information on the entity

Quiñenco S.A. (hereinafter "Quiñenco" or "the Company") is a publicly held corporation, tax ID 91.705.000-7, domiciled at Enrique Foster Sur 20, Las Condes, Santiago. The Company is registered in the Securities Registry under No. 0597 and is subject to the regulatory authority of the Financial Market Commission "CMF"[1], formerly the Superintendency of Securities and Insurance "SVS".

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 29, 2018.

(b) Description of operations and principal activities

The Company mainly has investments in the industrial and financial services sectors in different areas of the Chilean economy. The Company provides banking and financial services through the indirect subsidiary Banco de Chile (hereinafter "the Bank"); it produces and sells soft drinks, wine, beer and other beverages through the indirect associate company Compañía Cervecerías Unidas S.A. (hereinafter "CCU"), an investment registered under the equity method through Inversiones y Rentas S.A.; it manufactures cables through the subsidiary Invexans S.A. (hereinafter "Invexans"); it participates in the distribution and sale of products and services in the areas of fuels and lubricants, through the subsidiary Enex S.A. (hereinafter "Enex"); it participates in the shipping and port services business through the subsidiaries Compañía Sud Americana de Vapores S.A. (hereinafter "CSAV") and Sociedad Matriz SAAM S.A. (hereinafter "SM SAAM"). It participated in the manufacture of flexible packaging through the subsidiary Tech Pack S.A. (hereinafter Tech Pack), until May 31, 2016, when this subsidiary disposed of its entire flexible packaging business.

The Company's businesses are as follows:

Financial services: Quiñenco has a direct and indirect shareholding in Banco de Chile, through its 50.00% holding of the share capital, as of December 31, 2017 and 2016, of the subsidiary LQ Inversiones Financieras S.A. (hereinafter "LQIF"). LQIF is a company formed by Quiñenco in 2000 in order to channel its investments in the financial sector. Since 2001, its principal investment is its controlling shareholding in Banco de Chile, one of the largest financial institutions in Chile. Banco de Chile is listed in Chile and on the New York Stock Exchange (NYSE).

As of December 31, 2017 and 2016, LQIF is the direct holder of 26.88% and 26.32%, respectively, of Banco de Chile. As of December 31, 2017 and 2016, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM-Chile") which holds 12.21% directly (12.43% as of December 31, 2016) and 28.75% indirectly (29.29% as of December 31, 2016) through its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. (hereinafter "SAOS"). In all, LQIF has a direct and indirect interest in the Bank of 51.20% and 51.06% as of December 31, 2017 and 2016, respectively.

As of December 31, 2017 and 2016, LQIF holds 33.88% and 33.41%, respectively, of the dividend rights in the Bank.

Beverages and food: The Company has an indirect shareholding in CCU through the ownership of 50% of Inversiones y Rentas S.A. ("IRSA"). IRSA is a joint venture with the Dutch brewery group Heineken Americas B.V. ("Heineken"). As a result, Heineken holds 50% of IRSA and is thus a partner of Quiñenco, being the joint controllers of 60.00% of CCU as of December 31, 2017 and 2016.

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[1], The Law creating the Financial Market Commission was enacted on February 23, 2017, but its various provisions came into effect in phases, and it became the market regulator for entities in the securities and insurance markets as of December 14, 2017. The Superintendency of Securities and Insurance was abolished as of January 15, 2018.

Note 1 – Corporate information (continued)

(b) Description of operations and principal activities (continued)

Manufacturing: The Company has an indirect interest in the French company Nexans through its 98.68% and 98.65% shareholding in Invexans as of December 31, 2017 and 2016, respectively. Additionally, Quiñenco has a minor indirect interest in Nexans through its subsidiary Tech Pack. Nexans is a global player in the cable industry, offering a wide range of cables and cabling systems and with an industrial presence in 34 countries and trading activities throughout the world. Nexans is quoted on the NYSE Euronext exchange in Paris.

Quiñenco also wholly owned Tech Pack as of December 31, 2017 and 2016, parent company of Alusa S.A. until May 31, 2016, when the Share Purchase Agreement that was signed on April 18, 2016 was carried out, whereby Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor Holding SpA. Therefore, Tech Pack S.A. ceased to have a direct and indirect interest in the business of producing and marketing flexible packaging in Chile and abroad.

Fuels and Lubricants: Quiñenco has an indirect interest of 100% in the subsidiary Enex whose main activity is the distribution and sale of products and services in the areas of fuels and lubricants for motor vehicles, industry, aviation and shipping, asphalts (bitumen) and chemicals. The company markets its products using the Shell brand.

Transport: Quiñenco has a 56.17% and 55.97% interest in the subsidiary Compañía Sud Americana de Vapores S.A. (CSAV), as of December 31, 2017 and 2016, respectively. This company is mainly involved in cargo shipping and its most important asset is a 25.46% interest in the shipping company Hapag-Lloyd A.G.

Port Services: Quiñenco acquired additional interests in the subsidiary SM SAAM during 2016, thereby gaining control of this entity. Quiñenco holds a 52.20% stake as of December 31, 2017 and 2016. The subsidiary SM SAAM S.A. operates its business through SAAM S.A. and subsidiaries, providing towage, port terminal and logistics services.

(c) Employees

The following table shows the number of employees of Quiñenco and its subsidiaries:

Number of employees	**12-31-2017**	**12-31-2016**
Quiñenco	71	69
LQIF and subsidiaries	14,028	14,615
SM SAAM	4,478	3,403
Enex and subsidiaries	3,190	3,043
Tech Pack and subsidiaries	8	9
CSAV	63	147
Invexans	4	6
Other subsidiaries	74	64
Total employees	**21,916**	**21,356**

Note 2 – Summary of significant accounting policies

(a) Period covered

These consolidated financial statements cover the following periods:

- Consolidated statements of financial position: as of December 31, 2017 and 2016.
- Consolidated statements of comprehensive income, cash flows and changes in equity: for the years ended December 31, 2017 and 2016.

(b) Basis of preparation

The information contained in these consolidated financial statements is the responsibility of the Company's Board of Directors, which expressly states that during the years 2017 and 2016 the instructions and standards for preparation and presentation of financial information issued by the Financial Market Commission ("CMF") that include the application of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") have been fully applied, with the following exceptions, as established by the Superintendency of Securities and Insurance and the Superintendency of Banks and Financial Institutions for the preparation of these financial statements:

Banco de Chile and SM Chile, subsidiaries[2] of LQ Inversiones Financieras S.A., are regulated by the Superintendency of Banks and Financial Institutions ("SBIF"). The General Banking Law, in its article 15, authorizes the SBIF to issue generally-applied accounting rules to entities regulated by it. The Corporations Law, on the other hand, requires compliance with generally accepted accounting principles.

Under the above legislation, Banks should use the criteria stated by the Superintendency in the compendium of accounting standards (the "Compendium") and in everything not treated by this, and provided its instructions are not contradicted, should abide by generally accepted accounting criteria, which correspond to the technical standards of the Chilean Association of Accountants, which coincide with International Financial Reporting Standards ("IFRS") as agreed by the International Accounting Standards Board (IASB). In the case of differences between these generally accepted accounting principles and the accounting criteria issued by the SBIF, the latter shall prevail.

The banking subsidiaries therefore have partially followed the IFRS through the application of the Compendium issued by the SBIF, generating the following differences:

- Loan loss provisions: The Bank currently considers in its provisioning model both estimated and incurred losses, as established by the SBIF. In this sense, this SBIF model differs from IFRS as the latter only considers losses incurred; this could generate possible adjustments for this concept. Furthermore, the SBIF standards permit additional provisions.
- Impaired loans: The present SBIF treatment states that interest revenue on impaired loans cannot be recognized in income on an accrual basis. Under IFRS, the financial asset is not written off, a provision is made for impairment, and interest is generated, based on the interest rate used for discounting the cash flows, not considering therefore the suspension of the recognition of revenue.
- Assets received in lieu of payment: The present treatment considers the lesser of their initial value plus any additions and the net realizable value. Assets that have not been disposed of within a year are written off gradually over an additional period established by the SBIF. Under IFRS the write-off of the assets is not considered while they have an economic value.
- Business combinations - goodwill: As established by the SBIF, assets originating until December 31, 2008, with respect to goodwill will maintain the original valuation criteria used in 2008, i.e. they will be amortized until its extinction. Goodwill that has been extinguished will not return to assets.

The accounting policies used by the Banking subsidiaries to prepare their financial statements are described in Note 2 ee) onward.

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[2] For IFRS purposes, "subsidiary" is any company in which the parent company has the capacity and intention of exercising control, which is generally obtained when it owns more than 50% of the capital with voting rights or can choose or appoint most of its directors or managers, and is, therefore, equivalent to the concept of affiliate established in article 86 of Corporations Law 18,046.

Note 2 – Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

The Company has complied with CMF Circular 506 issued on February 13, 2009, which allows companies with investments in banking entities to register and value these entities based on financial statements prepared in accordance with standards established by the Superintendency of Banks and Financial Institutions, without being required to make conversion adjustments to IFRS. Notes 2 ee) and following disclose the accounting criteria applied to prepare the financial statements of the banking entities.

The specific provisions for corporations contained in Law 18,046 and its regulations have also been considered. For comparison purposes, the Company and its subsidiaries have made minor reclassifications to their annual financial statements as of December 31, 2016, which do not affect their interpretation.

For the convenience of the reader these financial statements have been translated from Spanish to English.

(c) IFRS standards and Interpretations of the IFRS Interpretations Committee

The standards, interpretations, improvements and amendments to IFRS issued by the IASB are detailed below. As of the date of these consolidated financial statements, these standards have not yet become effective and the Company has not adopted them early.

Notwithstanding the foregoing, the Company has evaluated the standards that are effective as of January 1, 2018, concluding that their application will not significantly affect the consolidated financial statements. IFRS 9 and its application to bank assets has not yet been approved by the Superintendency of Banks and Financial Institutions.

The Company is still evaluating the impact of applying the standards, improvements and modifications to IFRS that are effective as of January 1, 2019

	New standards	Obligatory application
IFRS 9	Financial instruments: classification and measurement	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021

	Amendments and Modifications	Obligatory application
IFRS 1	First-time adoption of IFRS	January 1, 2018
IFRS 2	Share-based payments	January 1, 2018
IFRS 4	Insurance contracts	January 1, 2018
IAS 28	Investments in associates and joint ventures	January 1, 2018
IAS 40	Investment properties	January 1, 2018
IFRS 3	Business combinations	January 1, 2019
IFRS 9	Financial instruments	January 1, 2019
IFRS 11	Joint arrangements	January 1, 2019
IAS 12	Income taxes	January 1, 2019
IAS 23	Borrowing costs	January 1, 2019
IAS 28	Investments in associates	January 1, 2019
IFRS 10	Consolidated financial statements	Undetermined

(d) Consolidation

These consolidated financial statements include the assets, liabilities, income and cash flows of the Company and its subsidiaries. The effects of significant transactions with subsidiaries have been eliminated and the interest of the minority investors is shown in the consolidated statement of financial position and consolidated comprehensive income statement in the account Non-controlling interests. The financial statements of the following subsidiaries have been consolidated:

Note 2 – Summary of significant accounting policies (continued)

Tax No.	Name of Subsidiary	Country	Functional Currency	Ownership Interest (%)			
				12/31/2017			12/31/2016
				Direct	Indirect	Total	Total
76.077.048-5	Inversiones Caboto S.A. and subsidiaries	Chile	CLP	99.9999	0.0001	100.0000	100.0000
76.136.898-2	Inversiones Río Argenta S.A. and subsidiaries	Chile	CLP	99.9999	0.0001	100.0000	100.0000
76.284.393-5	Cabletron S.A.	Chile	CLP	99.9800	0.0200	100.0000	100.0000
77.253.300-4	Inversiones Río Bravo S.A. and subsidiaries	Chile	CLP	81.4038	18.5962	100.0000	100.0000
87.011.000-6	Inv. O'Higgins Punta Arenas S.A.	Chile	CLP	75.5579	0.0000	75.5579	75.5579
91.000.000-4	Industria Nacional de Alimentos S.A.	Chile	CLP	71.9561	27.9705	99.9266	99.9267
91.527.000-K	Empresa El Peñón S.A. and subsidiaries	Chile	CLP	98.0913	0.0000	98.0913	98.0693
95.987.000-4	Inversiones Río Grande S.p.A. and subsidiaries	Chile	CLP	99.9898	0.0102	100.0000	100.0000
96.611.550-5	Unitron S.A.	Chile	CLP	99.9999	0.0001	100.0000	100.0000
96.657.700-2	Inversiones Ranquil S.A.	Chile	CLP	99.9975	0.0007	99.9982	99.9982
96.929.880-5	LQ Inversiones Financieras S.A. and subsidiaries	Chile	CLP	47.3520	2.6480	50.0000	50.0000
76.275.453-3	Tech Pack S.A. and subsidiaries (ex Madeco)	Chile	USD	80.7922	19.2078	100.0000	100.0000
90.160.000-7	Compañía Sud Americana de Vapores S.A. and subsidiaries	Chile	USD	20.4150	35.7599	56.1749	55.9714
76.196.715-5	Sociedad Matriz SAAM S.A. and subsidiaries	Chile	USD	15.6396	36.5592	52.1988	52.1988
91.021.000-9	Invexans S.A. and subsidiaries	Chile	USD	75.4082	23.2719	98.6801	98.6481
59.068.040-0	Hidroindustriales Overseas	Cayman Islands	USD	0.0000	0.0000	0.0000	100.0000
93.802.000-0	Hidrosur S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.572.580-6	Inversiones y Bosques S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
93.493.000-2	Hoteles Carrera S.A.	Chile	CLP	0.0000	99.1801	99.1801	99.1801
96.635.350-3	Inmob. e Inv. Hidroindustriales S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.847.140-6	Inmobiliaria Norte Verde S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
99.568.590-6	Inversiones Rio Azul S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.912.450-5	Inversiones Vita S.A.	Chile	CLP	0.0000	66.3000	66.3000	66.3000
99.500.950-1	Inversiones Vita Bis S.A.	Chile	CLP	0.0000	0.0000	0.0000	66.3000
96.917.990-3	Banchile Seguros de Vida S.A.	Chile	CLP	0.0000	99.9000	99.9000	99.9000
76.620.816-9	Segchile Seguros Generales S.A.	Chile	CLP	0.0000	99.9000	99.9000	0.0000
92.011.000-2	Empresa Nacional de Energía ENEX S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
89.467.400-8	Dicomac Ltda.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
94.625.000-7	Inversiones Enex S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
76.376.573-3	Empresa de Soluciones Mineras ESM SpA.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.999.360-0	Inversiones LQ-SM Limitada	Chile	CLP	0.0000	99.9900	99.9900	99.9900
96.805.890-8	SM-Chile S.A.	Chile	CLP	0.0000	58.2400	58.2400	58.2400
96.803.910-5	Soc. Administradora de la Obligación Subordinada SAOS	Chile	CLP	0.0000	58.9200	58.9200	58.9200
97.004.000-5	Banco de Chile	Chile	CLP	0.0000	51.2000	51.2000	51.0600
96.767.630-6	Banchile Administradora General de Fondos S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.543.250-7	Banchile Asesoría Financiera S.A.	Chile	CLP	0.0000	99.9600	99.9600	99.9600
77.191.070-K	Banchile Corredores de Seguros Ltda.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.571.220-8	Banchile Corredores de Bolsa S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.932.010-K	Banchile Securitizadora S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
96.645.790-2	Socofin S.A.	Chile	CLP	0.0000	100.0000	100.0000	100.0000
Foreign	Madeco Brasil Ltda.	Brazil	USD	0.0000	100.0000	100.0000	100.0000
91.524.000-3	Inmobiliaria Techpack S.A.	Chile	USD	0.0000	99.9700	99.9700	99.9700
94.262.000-4	Soinmad S.A. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	100.0000
76.009.053-0	Madeco Mills S.A.	Chile	USD	0.0000	100.0000	100.0000	100.0000
96.619.180-5	Logística Techpack S.A.	Chile	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Inmobiliaria Eliseo S.A.	Peru	USD	0.0000	0.0000	0.0000	50.0000
Foreign	Efren Soluciones S.A.	Peru	USD	0.0000	0.0000	0.0000	50.0000

Note 2 – Summary of significant accounting policies (continued)

Tax No.	Name of Subsidiary	Country	Functional Currency	Ownership Interest (%) 12/31/2017 Direct	Ownership Interest (%) 12/31/2017 Indirect	Ownership Interest (%) 12/31/2017 Total	12/31/2016 Total
Foreign	Inversiones Inmobiliaria Flexa S.A.S	Colombia	USD	0.0000	50.0000	50.0000	50.0000
Foreign	Decker Industrial S.A.	Argentina	USD	0.0000	99.7200	99.7200	99.7200
Foreign	H.B. San Luis S.A.	Argentina	USD	0.0000	99.7200	99.7200	99.7200
Foreign	Metacab S.A.	Argentina	USD	0.0000	99.7200	99.7200	99.7200
Foreign	Norgistics (China) Ltd.	China	USD	0.0000	100.0000	100.0000	100.0000
96.838.050-7	Compañía Naviera Río Blanco S.A.	Chile	USD	0.0000	100.0000	100.0000	100.0000
Foreign	CSAV Germany Container Holding GmbH	Germany	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Corvina Shipping Co. S.A. and subsidiaries	Panama	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Tollo Shipping Co. S.A. and subsidiaries	Panama	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Navibras Comercial Maritima e Afretamentos Ltda.	Brazil	USD	0.0000	100.0000	100.0000	100.0000
76.028.729-6	Norgistics Holding S.A. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	100.0000
76.028.758-k	Norgistics Chile S.A.	Chile	USD	0.0000	0.0000	0.0000	100.0000
Foreign	Norgistics México S.A. de C.V.	Mexico	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Norgistics Lojistik Hizmetleri A.S.	Turkey	USD	0.0000	0.0000	0.0000	100.0000
Foreign	Norgistics (China) Ltd. (Hong Kong)	China	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Norgistics Perú S.A.C.	Peru	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Norgistics Brasil Transportes Ltda.	Brazil	USD	0.0000	0.0000	0.0000	100.0000
92.048.000-4	SAAM S.A. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	99.9995
76.729.932-K	SAAM Logistics S.A.	Chile	USD	0.0000	100.0000	100.0000	0.0000
76.757003-1	SAAM Ports S.A. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	0.0000
96.973.180-0	SAAM Internacional S.A.	Chile	USD	0.0000	100.0000	100.0000	100.0000
76.002.201-2	SAAM Puertos S.A. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	100.0000
76.708.840-K	Inmobiliaria San Marco Ltda. and subsidiaries	Chile	CLP	0.0000	100.0000	100.0000	100.0000
76.479.537-7	SAAM Inversiones SpA.	Chile	USD	0.0000	100.0000	100.0000	100.0000
96.720.220-7	Inversiones San Marco Ltda. and subsidiaries	Chile	USD	0.0000	100.0000	100.0000	100.0000
Foreign	SAAM Remolques S.A. de C.V. and subsidiaries	Mexico	USD	0.0000	51.0000	51.0000	51.0000
Foreign	Concesionaria SAAM Costa Rica S.A.	Costa Rica	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Ecuaestibas S.A.	Ecuador	USD	0.0000	100.0000	100.0000	100.0000
Foreign	SAAM Remolcadores Colombia S.A.S	Colombia	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Inversiones Habsburgo S.A.	Panama	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Inversiones Alaria S.A.	Panama	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Saam Remolcadores Panamá S.A.	Panama	USD	0.0000	100.0000	100.0000	100.0000

Note 2 – Summary of significant accounting policies (continued)

(d) Consolidation (continued)

The subsidiaries Invexans, Tech Pack, LQIF, CSAV and Sociedad Matriz SAAM are registered in the Securities Registry under the numbers 251, 1108, 730, 76 and 1091, respectively, and are subject to the regulatory authority of the CMF.

The company controls a subsidiary if and only if it has:
- Power over the subsidiary (rights that give it the power to direct the subsidiary's relevant activities).
- Exposure or rights to variable returns from its involvement in the subsidiary.
- It can influence these returns by exercising its power over the subsidiary.

The subsidiaries Banchile Vida and SegChile Seguros Generales, included in the consolidated financial statements of Quiñenco, are subject to the regulatory authority of the CMF, and are included in the consolidated financial statements for Inversiones Rio Bravo S.A.

The subsidiary LQIF is included in the consolidated financial statements as Quiñenco controls the subsidiary by having the majority of the members of the Board, a situation which in the management's opinion should not change in the short term. The subsidiaries Banco de Chile and SM-Chile are included in the consolidated financial statements of LQIF and are subject to the regulatory authority of the SBIF.

The subsidiary Enex S.A. is included in the consolidated financial statements of Inversiones Río Argenta S.A. and subsidiary.

During 2017 and 2016 Quiñenco has repeatedly acquired shares in Invexans, enabling it to increase its interest in that subsidiary to 98.68%.

During 2016, Quiñenco launched a takeover bid for Tech Pack, enabling it to become a direct and indirect holder of 98.98% of its share capital. In December 2016, Quiñenco achieved 100% ownership of Tech Pack.

The subsidiary SM SAAM has been included in the consolidated financial statements as of March 2016, since Quiñenco gained control during the first quarter of this year.

(e) Estimates

Certain estimates have been used by the management of Quiñenco and its respective subsidiaries in the preparation of the consolidated financial statements, in order to quantify some of the assets, liabilities, revenue, expenses and commitments that appear in them. These estimates refer basically to:

- The valuation of assets and goodwill for determining any losses through impairment.
- The assumptions made in the actuarial calculation of liabilities and obligations with employees.
- The useful lives and residual values of property, plant and equipment and intangible assets other than goodwill.
- The assumptions used for the calculation of fair value of financial instruments.
- The assumptions used for calculating estimates of the recoverability of trade receivables and accounts receivable from customers.
- The assumptions used for calculating estimates of inventory obsolescence.
- The probability of occurrence and the amount of liabilities of uncertain amount or that are contingent.
- The determination of the fair value of non-financial assets for assessing impairment.
- The recoverability of deferred tax assets based on estimates of future income. This recoverability depends in the last instance on the Company's capacity to generate taxable income throughout the year in which the deferred tax assets are deductible. In the analysis, the reversal of deferred tax liabilities is taken into account, as well as the estimates of taxable benefits, on the basis of internal projections that are updated to reflect the most recent trends. The determination of the suitable classification of taxable items depends on various factors, including the estimate of the time and recoverable value of the deferred tax assets and the expected timing of the tax payments. The actual flows of receipts and payments of income tax may differ from the estimates made by the Company as a consequence of changes in fiscal legislation or unforeseen future transactions that might affect the tax balances.

Note 2 – Summary of significant accounting policies (continued)

(e) Estimates (continued)

Despite these estimates having been made on the basis of the best information available as of the date of issue of these consolidated financial statements, it is possible that events may occur in the future that force their modification (upward or downward) in the following years, which would be made prospectively, booking the effects of the change in estimate in the corresponding future consolidated financial statements.

(f) Presentation of the consolidated financial statements

Statement of Financial Position

The Company and its subsidiaries have determined a mixed presentation format of their consolidated statement of position as follows:

(f1) Quiñenco, its non-banking subsidiaries and principal associates operate in the businesses of food and beverages, manufacturing, fuels and lubricants, transport and port services, among which there is a similar operating cycle. They have therefore chosen a presentation format based on current value (classified).

(f2) The banking subsidiaries have no clearly-defined operating cycle and have chosen a liquidity format as required by the SBIF.

Therefore, the assets and liabilities of the banking and non-banking businesses are presented separately.

Statements of Comprehensive Income
Quiñenco and its subsidiaries show their consolidated classified statements of income by function. However, as the industrial sector shows differences in the classification of their operations with the business of the banking sector, the Company has opted to show the businesses of the industrial sector grouped and show the banking entities separately.

Statements of Cash Flows
The SBIF requires banking institutions to prepare the statement of cash flows under the indirect method. Consequently, Quiñenco has chosen to show its consolidated statement of cash flows by a mixed presentation, the direct method for the industrial sector and indirect method for the banking sector.

(g) Functional currency and foreign currency translation

These consolidated financial statements are shown in Chilean pesos, which is the Company's functional and presentational currency.

Each subsidiary determines its own functional currency and the items included in the consolidated financial statements are measured using that functional currency. The functional currency of the operations of CCU (associate), Banco de Chile and Enex is the Chilean peso.

The functional currency of the operations of the subsidiaries Invexans, Tech Pack, CSAV and SM SAAM is the US dollar. At the reporting date, the assets and liabilities of these companies are translated to Quiñenco's presentation currency (Chilean pesos) at the exchange rate on the date of the consolidated statement of financial position, however the statements of comprehensive income and cash flows are translated at the average exchange rate of each month, unless this average is not a reasonable approximation of a specific significant transaction. Exchange differences arising from the translation are taken directly to a separate component of equity under Other reserves. Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially booked at the exchange rate of the functional currency on the date of the transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate of the functional currency on the date of the consolidated statement of financial position. All the differences are shown as a charge or credit to comprehensive income.

Net differences in foreign currency arising from investment or hedging operations of a foreign entity are controlled directly in equity until the disposal of the investment when they are shown as a charge or credit to comprehensive income. The income of taxes and credits attributable to these operations are shown as a charge or credit to equity until the disposal of the investment.

Note 2 – Summary of significant accounting policies (continued)

(g) Functional currency and foreign currency translation (continued)

Any goodwill purchased and adjustment to fair value of the book value of assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated to Chilean pesos at the closing date of the financial statements. Non-monetary items measured in terms of historic cost in foreign currency are translated using the exchange rates on the date when the fair value was determined.

Assets and liabilities presented in Unidades de Fomento (UF - Chilean monetary unit indexed to inflation) are valued at the closing value of this currency as of the date of the consolidated statement of financial position, as published by the National Institute of Statistics.

The exchange rates for the US Dollar and the UF with respect to the Chilean peso as of December 31, 2017 and 2016, are as follows:

	12-31-2017	12-31-2016
US dollar (USD)	614.75	669.47
Unidad de Fomento (UF)	26,798.14	26,347.98

(h) Inventory

The subsidiary companies value inventory at the lower of cost and net realizable value. The cost price (basically the weighted average cost, FIFO in CSAV) includes the costs of direct materials and, if appropriate, personnel costs, the indirect costs incurred in transforming the raw materials into finished products and general expenses incurred in transferring the inventory items to their location and present conditions.

The net realizable value represents the estimated sale price less all termination costs and costs to be incurred in the marketing, sale and distribution processes.

Trade discounts, rebates obtained and other similar items are deducted in the determination of the cost price.

Spare parts are valued at historical acquisition cost and recognized in net income using the FIFO method. Low turnover parts, mainly those used to repair and maintain the main assets, tugs and cranes, are strategic inventory, and given their unpredictable demand, they are classified under Non-current inventory.

The subsidiaries evaluate the net realizable value of inventory as of the end of each year, booking an estimate as a charge to comprehensive income when these are overvalued. When the circumstances that previously caused the reduction have ceased to exist, or when there is clear evidence of an increase in the net realizable value due to a change in economic circumstances or prices of the principal raw materials, the previously-made estimate is modified.

Note 2 – Summary of significant accounting policies (continued)

(i) Property, plant and equipment

(i1) Cost

The elements of property, plant and equipment are valued initially at cost, which includes the purchase price, import duties and any cost directly attributable to placing the asset in an operating condition for its intended use.

The elements of property, plant and equipment that are built (work in progress) may include the following accrued concepts during the construction period:

(i) Financial expenses related to the external financing directly attributable to the acquisition or production, whether of a specific or generic nature. Regarding generic financing, the capitalized financial expenses are obtained by applying a capitalization rate that will be determined with the weighted average of all the interest costs of the entity on the loans that have been outstanding during the year.

(ii) Personnel expenses and others of an operational nature effectively used in the construction of the property, plant and equipment.

After the initial booking, the elements of property, plant and equipment are reduced by accumulated depreciation and any accumulated loss of value.

The costs of expansion, modernization or improvements that represent an increase in productivity, capacity or efficiency or an increased useful life, are capitalized by increasing the value of the assets.

Expenses in repairs, conservation and maintenance are booked as a charge or credit to comprehensive income at the time they are incurred.

This heading also includes investments made in assets acquired under lease agreements with an option to purchase, that have the characteristics of a finance lease. These do not legally belong to the Company until it exercises the purchase option.

The resultant gain or loss on the disposal or withdrawal of an asset is calculated as the difference between the proceeds of the disposal and the book value, which is charged or credited to comprehensive income for the year.

(i2) Depreciation

Depreciation is calculated using the straight-line method, by distributing the acquisition cost less the estimated residual value over the estimated useful life of each asset, as follows:

Group of assets	**Estimated years of useful life**
Buildings and infrastructure	20 to 100
Installations	5 to 33
Machinery and equipment	5 to 40
Vessels	16 to 25
Ships, tug boats, barges and boats	10 to 30
Transport equipment	3 to 10
Engines and equipment	7
Other property, plant and equipment	2 to 10
Port terminal infrastructure	Concession period
Leasehold facilities and property improvements	Lease period

Land is shown separately from buildings or installations as it is understood that it has an infinite useful life and is therefore not subject to depreciation. The depreciation of property, plant and equipment under construction starts when the assets are ready to be used.

Port terminal infrastructure includes assets not controllable by the granting entity. The useful lives of these assets may exceed the concession period when the asset is transferable to other operations.

Estimated useful lives are reviewed annually and any change in estimates is recognized prospectively.

Note 2 – Summary of significant accounting policies (continued)

(j) Leases

Lease agreements that transfer substantially all the risks and benefits of ownership of the leased asset are classified and valued as finance leases. Otherwise, they are recorded as operating leases.

At the beginning of the lease term, an asset is recognized at the lower of its fair value and the present value of the minimum lease payments. The installments are composed of financial expenses and principal repayments. Operating lease payments are recognized as an expense on a straight-line basis over the term of the lease.

Finance lease liabilities are presented under current and non-current financial liabilities that accrue interest. The Company and its subsidiaries do not have any embedded leases in contracts that require separation.

(k) Investment properties

Investment properties are shown as the net value of land, buildings and other construction held for exploitation through leases or to obtain a gain on their sale as a consequence of future increases that may occur in the respective market prices. These assets are not used in the businesses and are not intended for own use.

They are initially valued at acquisition cost, which includes the acquisition price or cost of production plus expenses incurred that are directly assignable. They are later valued at cost less accumulated depreciation and possible accumulated impairment.

(l) Non-current assets or disposal groups classified as held for sale

Non-current assets whose book value is recovered through a sale transaction and not through their continued use are classified as held for sale and discontinued operations. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale is foreseen to be completed within a year from the date of classification.

These assets are valued at the lower of book value and fair value less associated sale costs.

(m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and subsidiaries and they can be reliably measured. Revenues are measured at the fair value of the payment received, excluding discounts, rebates and other sales taxes or duties. The following specific criteria should also be followed before booking revenue:

(m1) Sale of goods

The proceeds of the sale of goods are booked when the risks and significant benefits of ownership of the goods have been transferred to the buyer, generally on the delivery of the goods.

(m2) Services revenue

Revenue from the provision of services is booked considering the degree of completion of the service as of the date of the consolidated statement of financial position, provided the result of the transaction can be estimated reliably.

Note 2 – Summary of significant accounting policies (continued)

(m) Revenue recognition (continued)

(m3) Interest income

Interest income (except for financial assets held for trading) is booked as the interest is accrued as a function of the principal outstanding and the applicable interest rate.

(m4) Dividends

Revenue is booked when the Company and its subsidiaries have the right to receive the payment.

(n) Investments in subsidiaries (business combinations)

Business combinations are recorded using the purchase method. This involves booking the identifiable assets (including intangible assets not previously booked) and liabilities (including contingent liabilities and excluding future restructurings) of the business acquired at its fair value.

Business combinations acquired prior to March 2001 are shown at their proportional value considering the book values of each subsidiary.

(o) Investments recorded using the equity method

The Company and its subsidiaries value their investments in associates[3] using the equity method. An associate is an entity in which the Company has a significant influence.

Under this method, the investment is shown in the statement of financial position at cost plus changes following the acquisition in proportion to the net equity of the associate, using for this the percentage interest in the capital of the associate. The goodwill in associates is included in the book value of the investment and is not amortized. The charge or credit to income reflects the proportion in the results of the associate.

Equity changes of the associates are shown proportionately as a charge or credit to Other reserves and classified according to their origin and, if the case, shown in the statement of changes in equity.

The reporting dates and accounting policies of the associate and of the Company are similar to equivalent transactions and events under similar circumstances.

The results in associates are recognized on an accrual basis according to the percentage interest in the net income of the associate. If the associate has negative equity, a liability is recognized to the extent that the Company intends to continue funding the associate company. Dividends received from associates are recognized as a decrease in the investment, without affecting net income.

Should the significant influence be lost or the investment be sold or become held for sale, the equity method is discontinued, suspending the booking of proportional results.

Investments in associates acquired prior to December 31, 2007 (before IFRS 1) have been valued at their equity value calculated on the book values of the associate.

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[3] For IFRS purposes, "associate" corresponds to any investment in an entity in which the investor has more than 20% of the capital with voting rights or has significant influence in the entity, and is, therefore, equivalent to the concept of affiliate defined in article 87 of the Corporations Law 18,046.

Note 2 – Summary of significant accounting policies (continued)

(p) Investments in joint ventures

Joint ventures are contractual agreements whereby two or more parties (partners or shareholders) carry on an economic activity that is subject to a joint control. Joint control exists when decisions relating to operative and financial activities require the unanimous agreement of the parties. A joint-venture entity involves the establishment of a company or other entity in which the group of shareholders have interests according to their ownership.

The income, assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity-value method, producing an identical treatment to investments in associates.

Investments in joint ventures acquired prior to December 31, 2007, have been valued at their equity value calculated on the book values of the joint venture.

(q) Financial instruments – initial recognition and subsequent measurement

Management determines the classification of its financial assets when initially booked. Financial assets within the scope of IAS 39 are classified as financial assets for trading (fair value through profit or loss), loans and accounts receivable, investments held to maturity or financial assets held for sale, as the case may be. The Company and its subsidiaries have defined and valued their financial assets in the following manner:

(q1) Financial assets held to maturity

These are value at amortized cost and correspond to non-derivative financial assets with fixed and determinable payments and fixed maturity, whose intention and capacity is to hold them until their maturity. These assets are classified as current assets except for those whose maturity is over one year, which are shown as non-current assets. These investments in their initial booking are not designated as financial assets at fair value through profit or loss or as held for sale, and do not meet the definition of loans and accounts receivable.

(q2) Loans and accounts receivable

These are valued at amortized cost and correspond to non-derivative financial assets with fixed and determinable payments, which are not quoted on an active market. They arise from loans of money, goods or services directly to a debtor without the intention of negotiating the account receivable, and are also not within the following categories:

- Those which are intended to be sold immediately in the near future and which are held for trading.

- Those designated in their initial booking as held for sale.

- Those by which the holder cannot recover substantially all their initial investment for reasons other than credit impairment, and therefore should be classified as held for sale.

After the initial booking, these financial assets are measured at their amortized cost using the effective interest rate method, less their credit impairment. The amortization of the effective interest rate is included in finance income in the consolidated statement of comprehensive income. Losses for impairment are shown in the consolidated statement of comprehensive income under finance costs.

These assets are classified as current assets except those whose maturity is over one year which are shown as non-current assets.

Note 2 – Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

(q3) Financial assets at fair value through profit or loss

These include all financial assets held for trading with the intention of being sold or repurchased in the short term.

They are valued at their fair value as a charge or credit to comprehensive income and are classified as either held for trading or designated on their initial booking as financial assets at fair value through comprehensive income.

These instruments are classified as current assets except for those whose realization is over one year, which are shown in non-current assets.

This category also includes financial derivative contracts which the Company has not denominated as hedging instruments in accordance with IAS 39. Implicit derivatives are considered in this category, as trading instruments.

Financial assets held for trading are shown in the consolidated statement of financial position at their fair value and their changes in fair value are shown in the consolidated statement of comprehensive income as finance income or costs.

(q4) Financial assets held for sale

These are valued at their fair value and correspond to non-financial derivative contracts designated as held for sale or which are not classified in any of the above three categories. Variations in the fair value are shown as a charge or credit to Other equity reserves in the Other comprehensive income pending their realization until they are sold or mature.

These assets are classified as current assets except those whose realization is estimated by the Company's management as being in over one year, which are shown in non-current assets.

(q5) Impairment of financial assets

The Company and its subsidiaries evaluate periodically whether there are indications that any of its financial assets might be impaired. If such indications do exist an estimate is made of the amount recoverable of the asset.

The amount recoverable of the asset is the higher of the fair value of an asset or cash-generating unit less the costs of sale and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are clearly independent of other assets or disposal groups.

(q5.1) Financial investments held for sale

The Company and its subsidiaries evaluate annually whether there is objective evidence that an investment held for sale has become impaired.

In the case of equity investments classified as held for sale, evidence of impairment is when there is a significant and prolonged decline in the fair value of the investment below its acquisition costs. Where there is an accumulated loss for impairment, measured as the difference between cost and its present fair value, less any loss for impairment booked earlier to income, it is transferred from Other equity reserves (Other comprehensive income) to comprehensive income for the year.

Losses for impairment of investments held for sale are not reversed in the consolidated statement of comprehensive income.

Increases in the fair value of investments, after having been booked as impairment, are classified in Other equity reserves (Other comprehensive income).

Note 2 – Summary of significant accounting policies (continued)

(q) Financial instruments – initial recognition and subsequent measurement (continued)

(q5.2) Financial assets at amortized cost (loans and accounts receivable)

Debtors are shown at their net value, i.e. less allowances for impairment (doubtful accounts).

The amount of the allowance is the difference between the book value of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate.

This allowance is determined when there is objective evidence that the different companies included in the consolidated financial statements will not receive payments according to their original sales terms. Provisions are recorded when the customer arranges some court agreement in bankruptcy or cessation of payments, or when all measures have been exhausted for the recovery of the debt over a reasonable period of time. In the case of the subsidiaries, allowances are estimated using a percentage of the accounts receivable determined case by case, depending on the internal classification of the customer risk and the age of the debt (days past due).

(q6) Interest bearing loans

Loans may be designated at initial recognition at the fair value of the payment received less direct costs attributable to the transaction. Subsequent to initial recognition they are measured at amortized cost using the effective interest rate method.

(q7) Classification of financial instruments and financial debt

The classification of financial instruments and financial debt according to their category and valuation are reported in Note 26 Classes of financial assets and liabilities.

(r) Current and deferred taxes

(r1) Income tax

Income tax assets and liabilities for the current and previous year have been determined considering the amount that is expected to be recovered or paid in accordance with current legislation or that substantially promulgated at the date of the consolidated statement of financial position.

The effects are booked as a charge or credit to comprehensive income except for items directly booked in equity accounts which are shown in Other reserves.

(r2) Deferred taxes

Deferred taxes have been determined using the liability method on temporary differences between the tax assets and liabilities and their respective book values.

The effects are booked as a charge or credit to comprehensive income except for items booked directly in equity accounts which are shown in Other reserves.

Deferred tax liabilities are booked for all taxable temporary differences, with the exception of the following transactions:

- The initial booking of goodwill.
- Assigned goodwill acquired whose amortization is not deductible for tax purposes.
- The initial booking of an asset or liability on a transaction that:

Note 2 – Summary of significant accounting policies (continued)

(r) Current and deferred taxes (continued)

(r2) Deferred taxes (continued)

(1) is not a business combination, and
(2) at the time of the transaction does not affect the accounting or tax income.

- Temporary tax differences associated with investments in subsidiaries, associates and interests in joint ventures, where the opportunity of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the near future.

Deferred tax assets are booked for all deductible temporary differences and tax credits for non-utilized tax losses, provided there is the probability that there will be taxable earnings available with which they can be used, with the following exceptions:

- The initial booking of an asset or liability in a transaction that:
  i. is not a business combination, and
  ii. at the time of the transaction does not affect either the accounting income or the tax income.

With respect to deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are only shown to the extent that there is a probability that the temporary differences will be reversed in the near future and that there will be available taxable earnings with which they can be used.

As of the date of the consolidated statement of financial position, the book value of deferred tax assets is revised and reduced to the extent that it is probable that there is insufficient available taxable income to permit the recovery of all or part of the asset.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year the asset is realized or the liability liquidated, on the basis of the tax rates and tax laws that have been promulgated or substantially promulgated at the date of the statement of financial position.

Deferred taxes related to items booked directly to equity are booked against equity and not against comprehensive income.

Deferred tax assets and liabilities are offset if there is a legal right to offset tax assets against tax liabilities and the deferred tax is related to the same entity and tax authority.

(s) Intangible assets

(s1) Goodwill

Goodwill represents the difference between the acquisition value of shares or corporate rights in subsidiaries, associates and joint ventures and the fair value of the assets and liabilities, including identifiable contingent liabilities, at the date of acquisition. Goodwill related to acquisitions of associates and joint ventures is included in investments booked using the equity and joint-ventures method.

Note 2 – Summary of significant accounting policies (continued)

(s) Intangible assets (continued)

(s1) Goodwill (continued)

Goodwill arising from the acquisition of subsidiaries, joint ventures or associates with a functional currency other than the Chilean peso, is valued in the functional currency of the company acquired, making the translation to Chilean pesos at the exchange rate current on the date of the consolidated statement of financial position.

When the subsidiary LQIF first adopted IFRS, it revalued its investment in the subsidiaries Banco de Chile, SM Chile and SAOS acquired in March 2001, in accordance with IFRS 1, determining the difference between the acquisition value and fair value of the identifiable assets and liabilities including the identifiable contingent liabilities.

With the exception of the above, goodwill generated prior to the transition date to IFRS and which corresponds to acquisitions made prior to March 2001, is maintained at the net value booked at the date of transition from Chilean GAAP to IFRS.

Goodwill is not amortized and at the close of the accounting period it is estimated whether there are indications of impairment that may reduce the recoverable value to an amount below the net cost booked, in which case an adjustment for impairment is made. Impairment adjustments relating to goodwill cannot be reversed in subsequent years.

As of the date of these consolidated financial statements there are no indications of impairment that warranted making any adjustment.

(s2) Port concessions

The subsidiary SM SAAM has port concessions that are recognized under IFRIC12. They are recorded as intangible assets as they have the right to collect income based on use. The cost of these intangible assets includes the mandatory infrastructure defined in the concession contract and the present value of all minimum contract payments, for which a financial liability is recorded for the value of the intangible asset. These consolidated financial statements contain concession agreements recorded by indirect subsidiaries Iquique Terminal Internacional S.A., Terminal Marítima Mazatlán S.A. de C.V., Sociedad Portuaria Caldera S.A. and Sociedad Portuaria Granelera de Caldera S.A.

(s3) Customer relationships

The subsidiary SM SAAM has intangible assets called "Customer Relationships" that arose during business combinations. They are amortized over the estimated period of return of the benefits associated with the client portfolio at each company at the date of acquisition. These assets have been amortized since July 1, 2014, the date on which these business combinations took place.

(s4) Intangible assets other than goodwill

These mainly correspond to trademarks, acquisition rights to customer portfolios and computer software.

Assets with a defined useful life are valued at cost less accumulated amortization and impairment. The useful life has been determined as a function of the term expected for obtaining the economic benefits. The period and method of amortization are revised annually and any change is treated as a change in the estimate.

The subsidiary LQIF has assigned indefinite useful lives to the brand Banco de Chile and the contract to use the Citibank brand, as it is expected that they will contribute to generate net cash flows to the business indefinitely. These assets are tested for impairment every year.

Assets with an indefinite useful life are valued at cost less accumulated impairment and are not amortized.

Note 2 – Summary of significant accounting policies (continued)

(t) Asset impairment

(t1) Financial investments held for sale

At the date of closing the consolidated statement of financial position, the Company and its subsidiaries evaluate whether there is objective evidence that an investment held for sale has been impaired.

In the case of equity investments classified as held for sale, if there is a significant and prolonged reduction in the fair value of the investment below their acquisition costs, this is evidence of impairment. Should there be an accumulated loss for impairment, measured as the difference between their cost of acquisition and their present fair value, less any impairment booked previously to income, this is transferred from Other reserves to comprehensive income for the year. The reversal of losses for impairment of this kind of instrument is shown directly in Other reserves.

(t2) Non-financial assets

The Company and its subsidiaries evaluate periodically whether there are indications that any of its non-financial assets might be impaired. If there are such indications, the Company makes an estimate of the recoverable amount of the asset.

The recoverable amount of an asset is the higher of the fair value of an asset or cash-generation unit less the costs of sale and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are clearly independent of other assets or disposal groups.

When the book value of an asset exceeds its recoverable amount, the asset is considered impaired and is reduced to its recoverable amount.

In evaluating the value in use, the future estimated cash flows are discounted using a discount rate before tax that reflects current market conditions, the value of money over time and the specific risks of the asset. An appropriate valuation model is used for determining the fair value less sale costs. These calculations are corroborated by valuation multiples, the market prices of the shares for publicly-quoted subsidiaries or other available indicators of fair value.

Losses for impairment of continued operations are shown against comprehensive income in the categories of expenses associated with the function of the impaired asset, except for properties previously re-evaluated where the revaluation was carried out against equity. In this case, the impairment is also booked as a charge to equity up to the amount of any previous re-evaluation.

For assets other than goodwill, an annual evaluation is made as to whether there are indications that the loss through impairment booked previously may no longer exist or have been reduced. The recoverable amount is estimated if such indications exist. A loss for impairment booked previously is reversed only if there have been changes in the estimates used in determining the amount recoverable of the asset from the last time that a loss for impairment was booked. In this case, the book value of the asset is increased to its recoverable amount. This increased amount cannot exceed the book value that had been previously determined, net of depreciation, if a loss for impairment had not been booked in previous years. This reversal is booked as a credit to income unless an asset is recorded at the revalued amount, in which case the reversal is dealt with as a revaluation increase.

Note 2 – Summary of significant accounting policies (continued)

(t3) Goodwill

Goodwill is revised annually to determine whether indications of impairment exist or more often if events or changes in circumstances indicate that the book value may be impaired.

Impairment is determined by evaluating the recoverable amount of the cash-generating unit (or group of cash-generating units) related to the goodwill.

For these purposes, goodwill is assigned from the date of acquisition to each unit or groups of cash-generating units that is expected to benefit from the synergies of the combination, notwithstanding that other assets or liabilities of the Company are assigned to these units or groups of units. Each unit or group of units to which goodwill is assigned:

(i) represents the lowest level within the Company to which the goodwill is monitored for internal management purposes, and

(ii) is no larger than a segment.

A loss for impairment is booked when the recoverable amount of the cash-generating unit (or group of cash-generating units) is lower than the book value of the cash-generating unit (or group of cash-generating units) to which the goodwill is assigned. Losses for impairment related to goodwill cannot be reversed in future years.

(t4) Intangible assets with indefinite useful lives

The impairment of intangible assets with indefinite useful lives is tested annually at the individual level or the level of the cash-generating unit, as the case may be.

(t5) Associates and joint ventures

Following the application of the equity value, the Company and its subsidiaries determine whether it is necessary to book a loss for additional impairment of the investment in its associates and joint ventures. It is determined annually whether there is objective evidence that the investment in associates or joint ventures is impaired. If this were the case, the amount of impairment is calculated as the difference between the fair value of the associate and joint venture and the cost of acquisition and, should the acquisition value be higher, the difference is booked against comprehensive income.

(u) Provisions

(u1) General

Provisions are booked when:

- The Company has an obligation with respect to a past event,
- It is probable that an outflow of resources will be required including financial benefits to settle the obligation,
- A reliable estimate can be made of the amount of the obligation.

Should the provision or part of it be reimbursed, the reimbursement is shown as a separate asset only if its collection is certain.

The charge for any provision is shown net of any reimbursement in the consolidated statement of comprehensive income.

If the effect of the value of money over time is significant, provisions are discounted using a discount rate before tax that reflects the specific risks of the liability. When a discount rate is used, the amount of the provision due to the passage of time is booked as a financial cost.

Note 2 – Summary of significant accounting policies (continued)

(u) Provisions (continued)

(u2) Provisions for employee benefits – Termination benefits

Enex has agreed a termination benefit plan with its personnel for years of service, equivalent to one month's wages for every year worked as from the third year. The provision has been calculated using the actuarial value, which involves assumptions being made about discount rates, expected returns on assets, future wage increases, mortality rates and future pension increases.

SM SAAM and subsidiaries have agreed a termination benefit with their personnel based on years of service and have calculated this obligation using the actuarial value method, based on the terms of current agreements and contracts.

(u3) Provision for post-retirement fund

Enex has had a pension fund for its employees since 1987. The cost of the benefit has been determined based on an actuarial calculation using the so-called "aggregate funding" method, made by external professionals. This calculation considers an annual discount rate of 1.37%, which is the rate at which long-term inflation-indexed financial instruments are traded.

(u4) Provisions for employee benefits - personnel vacations

The Company and its subsidiaries have made provisions for personnel vacations on an accrual basis.

(u5) Provisions for employee benefits - bonuses

The Company and its subsidiaries book, where appropriate, a liability for bonuses for their senior executives on an accrual basis.

(u6) Provisions for removal of tanks

Enex has recorded provisions in its financial statements for tank removal costs, according to legal obligations imposed by the Superintendency of Electricity and Fuels, which are valued at the present value of tank removal costs based on their capacity and estimated remaining useful lives.

(v) Technical reserves and claims payable

The subsidiary Banchile Vida determines its technical reserves and claims in the following way:

- Reserve for current risk: determined on the basis of the unearned net retained premium, which is calculated based on daily numerals on the duly restated net premium retained.
- Life mathematical reserve: calculated on the actuarial base determined by a mathematical actuary in accordance with the instructions on this matter and mortality tables issued by the CMF.
- Reserve for claims payable: charged to income in the year in which these occur. Provisions are also made for claims in the process of liquidation and those that have occurred but not been reported at the end of the year.

(w) Interest-bearing loans

All credits and loans are initially booked at the fair value of the payment received less the direct costs attributable to the transaction. They are later measured at the amortized cost using the effective interest rate method.

Amortized cost is calculated taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Interest accrued at this effective interest rate is included in "Finance costs" in the consolidated statement of income.

Note 2 – Summary of significant accounting policies (continued)

(x) Lease agreements

The determination of whether an agreement is or contains a lease is based on the substance at its initial date and requires an evaluation of whether compliance depends on the use of the asset or specific assets or the agreement grants the right to use the asset. A re-evaluation is only made after the start of the lease if one of the following points applies:

(a) There is a change in the contractual terms that is not a renewal or extension of the agreement;

(b) If a renewal option is exercised or an extension granted, unless the terms of the renewal or extension were included in the term of the lease;

(c) There is a change in the determination of whether compliance is dependent on a specific asset, or

(d) There is a substantial change in the asset.

When a revaluation is carried out, the booking of the lease will begin or cease from the date on which the change in circumstances led to the re-evaluation of the scenarios a), c) or d) and the date of renewal or exercise of extension for scenario b).

Finance leases that transfer to the Company and its subsidiaries substantially all the risks and benefits incidental to the ownership of the item leased are capitalized at the start of the lease at the lesser of the fair value of the asset leased and the present value of the minimum lease payments. Lease payments are split between financing charges and the reduction in the lease obligation to obtain a constant interest rate on the outstanding balance due. The finance costs are shown as a charge to comprehensive income on an accrual basis over the term of the agreement.

Capitalized leased assets are depreciated on a straight-line basis over the lesser of the estimated useful life of the asset and the term of the lease, when there is no reasonable certainty that the Company and its subsidiaries will obtain ownership at the end of the term of the lease.

Operational lease payments are shown on a straight-line basis as a charge to comprehensive income over the term of the agreement.

Note 2 – Summary of significant accounting policies (continued)

(y) Financial derivative contracts and hedge accounting

The parent company and its subsidiaries use financial derivative contracts such as currency forward contracts, commodity price futures and interest rate swaps to hedge its risks related to fluctuations in interest rates, commodity prices and the exchange rate. Such instruments are initially booked at fair value on the date on which the derivative contract is signed and are later corrected to fair value. The derivatives are booked as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gain or loss arising from changes in the fair value of derivatives during the year which do not qualify for hedge accounting are taken directly to the consolidated statement of comprehensive income.

The fair value of currency forward contracts is calculated by reference to the current forward exchange rates with similar maturity profiles. The fair value of interest-rate swap contracts is determined by reference to the market values of similar instruments.

For hedge accounting purposes, hedges are classified as:

- Hedges of fair value when they cover exposure to changes in the fair value of a booked asset or liability or a firm commitment not booked (except in the case of foreign currency risk), or
- Hedges of cash flows when they cover exposure to variations in cash flows that are or attributable to a particular risk associated with a booked asset or liability or a highly-probable expected transaction or the foreign exchange risk of a firm commitment not booked.

At the start of a hedge transaction, the parent company and its subsidiaries formally designate and document the hedge relationship to which they wish to apply hedge accounting and the objective of risk management and the strategy for making the hedge. The documentation includes identification of the hedge instrument, the item or transaction hedged, the nature of the risk which is being hedged and how the entity will evaluate the effectiveness of the hedge instrument to offset the exposure to changes in the fair value of the item hedged or in the cash flows attributable to the risk hedged. It is expected that such hedges will be highly effective in offsetting changes in the fair value or cash flows and are evaluated continually to determine that they really have been highly effective during the periods of the financial report for which they were designated.

(y1) Fair value hedges

Hedges that meet the strict hedge accounting criteria are booked as follows:

The change in fair value of a hedge derivative is booked as a charge or credit to comprehensive income. The change in the fair value of the item hedged attributable to the risk hedged is recorded as part of the book value of the item hedged and is also booked in comprehensive income.

For hedges of fair value related to items booked at amortized cost, the adjustment to book value is amortized against the result over the remaining period to its maturity. Any adjustment to book value of a hedged financial instrument for which the effective rate is used is amortized against income in its fair value attributable to the risk that is being hedged.

If once booked the item hedged is reversed, the fair value not amortized is immediately booked in the statement of comprehensive income.

When a non-booked firm commitment is designated as a hedged item, the subsequent accumulated change in the fair value of the firm commitment attributable to the risk hedged is shown as an asset or liability with a corresponding gain or loss booked in the consolidated statement of comprehensive income. Changes in the fair value of a hedge instrument are also booked in the consolidated statement of comprehensive income.

Note 2 – Summary of significant accounting policies (continued)

(y) Financial derivative contracts and hedge accounting (continued)

(y2) Cash flow hedges

The effective portion of the gains or losses of the hedge instrument is initially booked directly to equity while any ineffective portion is booked immediately as a charge or credit to comprehensive income.

Amounts previously booked cease to affect equity when the hedged item is booked as a charge or credit to comprehensive income. When the item hedged is the cost of a non-financial asset or liability, the amounts taken to equity are transferred at the initial book value of the non-financial asset or liability.

If the expected transaction or firm commitment is no longer likely to occur, the amounts previously booked in equity are transferred to the statement of comprehensive income. If the hedging instrument matures, is sold, terminated, exercised without replacement or rolled over, or if its designation as a hedge is revoked, the amount previously booked in equity remain in equity until the expected transaction or firm commitment occurs.

(y3) Classification of financial derivative contracts and hedges

The classification of financial derivative contracts and hedges according to their category and valuation are reported in Note 20 Other Current and Non-Current Financial Liabilities.

(z) Cash and cash equivalents

Cash equivalents relate to short-term and highly-liquid investments that are easily convertible into known amounts of cash and subject to an insignificant risk of change in their value, and maturing in no more than three months.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and the cash equivalent as defined above, net of bank overdrafts.

The consolidated statement of cash flows shows the cash movements during the year, determined by the direct method. In these statements of cash flows, the following expressions have the following meaning:

- Cash flows: cash inflows and outflows or of other equivalent means, these being investments with a term of less than three months, highly liquid and a low risk of changes in value.

- Operating activities: activities that constitute the principal source of the Group's revenue, plus other activities that cannot be classified as investment or financing.

- Investment activities: those relating to the acquisition, disposal or arrangement by other means of non-current assets and other investments not included in cash and its equivalents.

- Financing activities: those producing changes in the size and composition of equity and or liabilities of a financial nature.

(aa) Earnings per share

Basic earnings per share is calculated as the ratio of earnings (loss) for the year attributable to the Parent company to the weighted average number of common shares in circulation during that year, excluding the average number of shares of the Parent company held by any subsidiary company, if that were the case.

Note 2 – Summary of significant accounting policies (continued)

(bb) Current and non-current classification

Except for the banking subsidiaries, balances in the consolidated statement of financial position are classified as a function of their maturities, i.e. current being those maturing in twelve months or less and non-current those maturing in over one year. Should there be obligations maturing in less than twelve months but whose long-term refinancing is assured under available committed credit facilities with long-term maturities, these could be classified as long-term liabilities, at the Company's discretion.

(cc) Minimum dividend

Article 79 of the Chilean Corporations Law establishes that, unless otherwise agreed unanimously by all the issued shares at the respective shareholders' meeting, publicly held corporations should distribute annually as a cash dividend to their shareholders, pro rata to their shares or in the proportion established in the by-laws if there are preferred shares, at least 30% of the net income for each year, except when accumulated losses from previous years have to be absorbed first. Considering that to achieve a unanimous agreement is practically impossible given the well-spread composition of the share capital of Quiñenco, the minimum dividend obligation to shareholders is determined at the end of each year, net of the interim dividends that may have been approved during the year and it is booked under the heading Other current non-financial liabilities as a charge to an account included in Net equity called Retained earnings (accumulated losses). The interim and final dividends are booked as a reduction to Net equity at the time of their approval by the competent body, which in the first case is normally the Board of the Company, while in the second the responsibility is that of the ordinary shareholders' meeting.

(dd) Segment reporting

The operating segments are defined as the components of a company on which the information in the financial statements is available and is constantly evaluated by the principal organ that makes decisions on the assignment of funds and evaluation of performance. The Company operates in six business segments: Manufacturing, Financial, Energy, Transport, Port Services and Other (Quiñenco and others). The associate CCU and the subsidiaries Banchile Seguros de Vida and Segchile Seguros Generales are shown in the Other segment.

Note 2 – Summary of significant accounting policies (continued)

The principal accounting policies of financial institutions regulated by the Superintendency of Banks and Financial Institutions (SBIF) are as follows.

(ee) Legal provisions

Article 15 of the General Banking Law authorizes the SBIF to set generally-applicable accounting regulations for entities subject to its regulation. The Corporations Law 18.046 on the other hand, requires the following of generally-accepted accounting principles.

Under this legislation, banks should follow the accounting criteria of the SBIF in its Compendium of Regulations and, in all matters not covered by these and which are not contradicted by its instructions, they should follow generally-accepted accounting criteria as set out in the technical instructions issued by the Chilean Institute of Accountants, coinciding with IFRS as issued by the International Accounting Standards Board (IASB). Should there be differences between generally accepted accounting principles and the accounting criteria of the SBIF, the latter prevail.

(ff) Basis of consolidation

The financial statements of the subsidiary SM Chile as of December 31, 2017 and 2016, have been consolidated with those of its subsidiaries through the global integration method (line by line). These consist of the preparation of the individual financial statements of SM-Chile S.A. and of the companies in the consolidation, and include the adjustments and reclassifications necessary for standardizing their accounting policies and valuation criteria with those of SM Chile. The consolidated financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant balances (assets and liabilities, equity, revenue, expenses and cash flows) deriving from operations between SM Chile and its subsidiaries and between these have been eliminated in the consolidation, and the non-controlling interest has also been booked corresponding to the percentage interest of third parties in the subsidiaries of which SM Chile is not directly or indirectly the owner, and is shown separately in the consolidated equity and results of SM Chile S.A.

(ff 1) Subsidiaries

The consolidated financial statements as of December 31, 2017 and 2016, incorporate the financial statements of the Bank and the controlled companies (subsidiaries) in accordance with IFRS 10 "Consolidated financial statements". Control exists when the Bank is exposed, or has the right, to variable returns from its involvement in the subsidiary and has the ability to influence those returns through its power over it. Specifically, the Bank controls a subsidiary when it has rights that give it the ability to direct the subsidiary's business.

When the Bank has less than a majority of the voting rights in a subsidiary, but those rights are sufficient for it to unilaterally direct the business, then the Bank has control. The Bank considers all the relevant factors and circumstances in assessing whether the voting rights are sufficient for obtaining control, including:

- The Bank's voting rights in relation to the amount and dispersion of other vote-holders;
- The potential voting rights of the Bank, other vote-holders or other parties;
- Rights arising from other contractual agreements;
- Any additional event and circumstances that indicate that the Bank can direct the business when such decisions have to be taken, including the voting-pattern behavior at previous shareholders' meetings.

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff 1) Subsidiaries (continued)

SM Chile revaluates whether control over a subsidiary exists when an event or circumstances indicate that there are changes in one or more of the control elements mentioned.

The entities in which the subsidiary SM Chile has direct or indirect holdings and which form part of the consolidation are detailed as follows:

Interests of the subsidiary SM-Chile S.A. in its subsidiaries

Tax No.	Entity	Country	Functional currency	Interest Direct 2017 %	Direct 2016 %	Indirect 2017 %	Indirect 2016 %	Total 2017 %	Total 2016 %
97.004.000-5	Banco de Chile	Chile	CLP	12.20	12.43	28.75	29.29	40.95	41.72
96.803.910-5	Sociedad Administradora de la Obligación Subordinada SAOS S.A.	Chile	CLP	100.00	100.00	-	-	100.00	100.00

Interests of the subsidiary Banco de Chile in its subsidiaries

Tax No.	Entity	Country	Functional currency	Interest Direct 2017 %	Direct 2016 %	Indirect 2017 %	Indirect 2016 %	Total 2017 %	Total 2016 %
96.767.630-6	Banchile Administradora General de Fondos S.A.	Chile	CLP	99.98	99.98	0.02	0.02	100.00	100.00
96.543.250-7	Banchile Asesoría Financiera S.A.	Chile	CLP	99.96	99.96	—	—	99.96	99.96
77.191.070-K	Banchile Corredores de Seguros Ltda.	Chile	CLP	99.83	99.83	0.17	0.17	100.00	100.00
96.571.220-8	Banchile Corredores de Bolsa S.A.	Chile	CLP	99.70	99.70	0.30	0.30	100.00	100.00
96.932.010-K	Banchile Securitizadora S.A.	Chile	CLP	99.01	99.01	0.99	0.99	100.00	100.00
96.645.790-2	Socofin S.A.	Chile	CLP	99.00	99.00	1.00	1.00	100.00	100.00

The name Bank or Banco de Chile will be mentioned in the following pages, this being understood to refer to the subsidiary Banco de Chile, which is the principal generator of the assets, liabilities, revenue and expenses shown in these consolidated financial statements.

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff 2) Associates and joint ventures

(ff 2.1) Associates

These are entities in which the Bank has the capacity to exercise a significant influence, although not control. Normally, this ability is shown in an interest of between 20% and 50% of the company's voting rights. Other factors considered in determining significant influence over an entity are representations on the Board and the existence of material transactions. The existence of these factors might determine the existence of significant influence over an entity despite having an interest of less than 20% of the shares with voting rights.

Investments in associate entities in which it has a significant influence are booked using the equity method. Under this, investments are initially booked at cost and are then increased or decreased to reflect the Bank's proportional share of the income or loss of the company and other movements booked in its equity. Goodwill arising from the acquisition of a company is included in the book value of the investment, net of any accumulated loss for impairment.

(ff 2.2) Joint agreements

Joint agreements are contractual agreements by which two or more parties carry on an economic activity subject to a joint control. Joint control exists when decisions on important activities require the unanimous consent of the parties.

According to IFRS 11 "Joint agreements", an entity will determine the type of joint agreement in which it is involved as either a "Joint operation" or a "Joint venture".

Investments defined as "Joint operation" are booked by recording the assets, liabilities, revenue and expenses relating to its interest in a joint operation.

An interest classified as a "Joint venture" is booked using the equity method.

The following are investments that have been defined as joint ventures:

- Artikos S.A.
- Servipag Ltda.

(ff 3) Shares or rights in other companies

These are the companies in which the Bank has no control or significant influence. These interests are shown at historical cost.

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff 4) Special purpose entities

Under current regulations, the Bank should regularly analyze its perimeter of consolidation, bearing in mind that the fundamental criterion is the degree of control held in a certain entity and not its percentage interest in the equity.

As of December 31, 2017 and 2016, SM Chile does not control nor has created any special-purpose entity.

(ff 5) Fund management

The Bank and its subsidiaries manage and administer assets held in mutual investment funds and other means of investments on behalf of investors, receiving remuneration in accordance with the service provided and market conditions. The funds managed are owned by third parties and are therefore not included in the consolidated statement of financial position.

As established in IFRS 10, for the purposes of consolidation it is necessary to assess the role that the Bank and its subsidiaries play with respect to the funds managed, to determine whether this role is as agent or principal. This evaluation should consider the following aspects:

- The scope of their authority to make decisions in the fund.
- The rights held by other parties.
- The remuneration to which it has a right under the remuneration agreements.
- The exposure of whosoever takes decisions to the variability of the returns from other interests held by the participant.

The Bank and its subsidiaries manage on behalf and for the benefit of investors, acting solely as agent. Under that category, and as established in regulations mentioned, they do not control such funds when exercising their authority to make decisions. Therefore, in their role as agent no funds are consolidated as of December 31, 2017 and 2016.

(gg) Non-controlling interests

The non-controlling interest represents the portion of the losses and income, and of the net assets, that the Bank does not control. It is shown in the statement of comprehensive income and the consolidated statement of financial position separately from the equity of the Bank.

Note 2 – Summary of significant accounting policies (continued)

(hh) Estimates and judgments

The preparation of the consolidated financial statements requires Banco de Chile's management to make judgments, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, revenue and expenses shown. The actual results may differ from these estimates. The estimates made refer to:

1. The useful life of fixed and intangible assets (Notes 39.14 and 39.13).
2. Current and deferred taxes (Note 39.15).
3. Provisions (Note 39.22).
4. Commitments and contingencies (Note 39.24).
5. Loan loss provisions (Note 39.29).
6. Fair value of financial assets and liabilities (Note 39.36).

Significant estimates and assumptions are reviewed regularly by the Bank's management, in order to quantify certain assets, liabilities, revenue, expenses and commitments. The revisions of the accounting estimates are booked in net income for the year in which revised.

During the year ended December 31, 2017, there have been no significant changes in estimates.

(ii) Valuation of assets and liabilities

Asset and liability valuation is the process of determining the monetary value of elements in the financial statements that are booked and included in the consolidated statement of financial position and consolidated statement of comprehensive income. Therefore, a particular valuation method is required.

Various valuation methods are employed in the consolidated financial statements, to various degrees and in various combinations. These methods are as follows.

(ii 1) Initial recognition

The Bank and its subsidiaries recognize loans and accounts receivable from customers, instruments for trading and investment, deposits, debt instruments issued and subordinated liabilities, and other assets and liabilities, on the date they originate. Purchases and sales of financial assets made regularly are shown on the date of trading in which the Bank is committed to buy or sell the asset.

(ii 2) Classification

The classification of assets, liabilities and income has been made in accordance with the instructions of the SBIF.

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities (continued)

(ii 3) Withdrawal of financial assets and liabilities

The Bank and its subsidiaries withdraw financial assets from their statements of financial position when the contractual rights expire over the cash flows of the financial asset, or when it transfers the rights to receive contractual cash flows from the financial asset in a transaction in which all the risks and benefits of ownership of the financial asset are transferred. Each interest in financial assets transferred that is created or retained by the Bank is booked as a separate asset or liability.

When the Bank transfers a financial asset, it evaluates to what degree they retain the risks and benefits inherent in its ownership. In this case:

(a) If the risks and advantages inherent in the ownership of the financial asset are substantially transferred, it is de-recognized in accounts and any rights and obligations created or retained in the transfer will be shown separately, as assets or liabilities.

(b) If the risks and advantages inherent in the ownership of a financial asset are substantially retained, it will continue to account for it.

(c) If all the risks and advantages inherent in the ownership of a financial asset are not substantially transferred or retained, it will determine whether control over the financial assets has been retained. In this case:

- (i) If the Bank has not retained control, the financial assets will be de-recognized and any right or obligation created or retained through the transfer booked separately, as assets or liabilities.
- (ii) If the Bank has retained control, the financial asset will continue to be booked in the statement of financial position for an amount equal to its exposure to changes that a financial liability may experience and book a financial liability associated to the financial asset transferred.

SM Chile eliminates a financial liability (or part thereof) from its consolidated statement of financial position when, and only when, it has been extinguished, i.e. when the obligation specified in the corresponding contract has been paid or cancelled, or has expired.

(ii 4) Offsetting

Financial assets and liabilities are offset so that their net amount is shown in the consolidated statement of financial position only when the Bank has the legal right to offset the amounts booked and has the intention of settling the net amount, or to realize the assets and cancel the liability simultaneously.

Revenue and expenses are shown net only when permitted by accounting principles, or in the case of gains and losses arising from a group of similar transactions like the Bank's trading and exchange activities.

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities (continued)

(ii 5) Valuation at amortized cost

Amortized cost is understood to be the cost of a financial asset or liability corrected for capital reimbursements, plus or less accumulated amortization (calculated using the effective interest rate method) of any difference between the initial amount and the repayment amount at maturity, and less any reduction through impairment.

(ii 6) Measurement of fair value

Fair value is understood to be the amount to be received on selling an asset or paid for transferring a liability in an orderly transaction between market participants on the measurement date. The most objective and usual benchmark for the fair value of a financial instrument is the price paid for it in an active, transparent and deep market ("quoted price" or "market price").

When available, the Bank determines the fair value of an instrument by using prices quoted on an active market for that instrument. A market is called active if the prices quoted are easily and regularly available and represent real transactions and occur regularly on an independent basis.

If the market for a financial instrument were not active, the Bank determines the fair value by using a valuation technique. The valuation techniques include the use of recent market transactions between interested and duly-informed parties acting in conditions of mutual independence, if available, and references to fair value of another substantially-equal financial instrument, discounted cash flows and option price-setting models.

The valuation technique chosen makes the maximum use possible of information obtained in the market, using the least possible amount of data estimated by the Bank, incorporates all the factors that market participants would consider for setting the price, and be coherent with the economic methodologies generally accepted for calculating the price of financial instruments. The variables used for the valuation technique fairly represent market expectations and reflect the risk-return factors inherent to the financial instrument. The valuation technique is revised periodically by the Bank to prove its validity by using prices of any other recent and observable market transaction in the same instrument or that are based on any observable and available market data.

The best evidence of the fair value of a financial instrument, in booking it initially, is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument can be better shown through comparison with other real market transactions observed for the same instrument (i.e. without modifying or presenting a different form of it) or through a valuation technique whose variables include just observable market data.

However, when the transaction price provides the best evidence of fair value at its initial booking, the financial instrument is initially valued at the transaction price and any difference between that price and the value obtained initially from the valuation model is shown later in income, depending on the individual facts and circumstances of the transaction.

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities (continued)

(ii 6) Measurement of fair value (continued)

The Bank generally has financial assets and liabilities that compensate market risks, and it uses average market prices as a basis for establishing their fair value.

Subsequently, these estimated fair values are adjusted by other factors, such as uncertainties in the risk or liquidity model, to the degree that the Bank believes that another market participant takes them into account in determining the price of a transaction.

The disclosures of the Bank's fair value are included in Note 39.36.

(jj) Functional currency

The items included in the financial statements of SM Chile and its subsidiaries are valued using the currency of the principal economic environment in which the entity operates (the functional currency). The functional and presentational currency of these consolidated financial statements of SM Chile S.A. and its subsidiaries is the Chilean peso, which is the currency of the primary economic environment in which the Company operates, and is also the currency that influences the costs and revenue structure.

(kk) Foreign currency transactions

Transactions in a currency other than the functional currency are considered to be in foreign currency and are initially booked at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate of the functional currency on the date of the consolidated statement of financial position. All differences are shown as a charge or credit to income.

As of December 31, 2017, the Bank and its subsidiaries applied the exchange rate of accounting representation according to the instructions of the SBIF, so assets in US dollars are shown at their equivalent value in Chilean pesos calculated at the market exchange rate of Ch$615.43 per US$1 (Ch$670.40 per US$1 in 2016).

The balance of ThCh$104,874,720 relates to the net exchange gain (ThCh$12,405,600 in 2016) and is shown in the consolidated statement of comprehensive income. It includes the effects of exchange rate variations on the assets and liabilities in foreign currency or indexed to the exchange rate, and the result of the exchange transactions of the Bank and its subsidiaries.

(ll) Business segments

The operating segments of the Bank, based on the different business units, are defined as follows:

(i) That it develops business activities from which it can obtain revenue and incur expenses (including revenue and expenses from transactions with other components of the same entity).

(ii) Whose operating results are revised regularly by senior decision makers, to decide on the resources that should be assigned to the segment and evaluate performance, and

(iii) In relation to which it has differentiated financial information available.

Note 2 – Summary of significant accounting policies (continued)

(mm) Statement of cash flows

The consolidated statement of cash flows shows the changes in cash and cash equivalents from the operating activities, investment activities and financing activities during the year. The indirect method has been used in the preparation of the statement.

The following concepts are taken into account in the preparation of the consolidated statement of cash flows:

(i) Cash and cash equivalents relate to the heading Cash and bank deposits, plus (less) the net balance of transactions pending settlement shown in the consolidated statement of financial position, plus trading instruments and those highly-liquid instruments held for sale having an insignificant risk of a change in value, whose term does not exceed three months from the date of acquisition and repurchase agreements in this situation. They also include investments in fixed-income mutual funds that are shown under Trading instruments, in accordance with instructions issued by the SBIF.

(ii) Operating activities: relate to the normal activities performed by the Bank, and others that cannot be qualified as for investment or financing.

(iii) Investment activities: relate to the acquisition and disposal by other means of long-term assets and other investments not included in cash and cash equivalents.

(iv) Financing activities: activities that produce changes in the size and composition of equity and liabilities that do not form part of operating or investment activities.

(nn) Trading instruments

Trading instruments are securities acquired with the intention of generating gains from price fluctuations in the short term or through trading margins, or which are included in a portfolio in which there is a pattern of taking short-term gains.

Trading instruments are valued at fair value. Accrued interest and indexation, gains or losses arising from adjustments in their valuation to fair value, plus the income of trading activities, are included in "Net gain (loss) of financial operations" in the consolidated statement of income.

(oo) Repurchase agreements and securities lending

Repurchase agreements are transacted as a form of investment. Under these agreements, financial instruments are bought, which are included as assets in "Repurchase agreements and securities lending" and are valued according to the agreed interest rate by the amortized cost method. Under current regulations, the Bank does not book as own portfolio those instruments bought under repurchase agreements.

Security repurchase agreements are also transacted as a form of financing. The investments that are sold are subject to a repurchase obligation and serve as a guarantee for the loan forming part of their respective headings "Instruments for trading" or "Investment instruments held for sale". The repurchase obligation of the investment is classified as the liability "Repurchase agreements and security lending", which is valued according to the agreed interest rate.

As of December 31, 2017 and 2016, there were no securities lending transactions.

Note 2 – Summary of significant accounting policies (continued)

(pp) Financial derivative contracts

The Bank has financial derivative contracts to hedge exposures to currency and interest-rate risks. These are initially booked in the statement of financial position at cost (including transaction costs) and later at their fair value. Derivative contracts are reported as an asset when their fair value is positive and as a liability when it is negative, under the heading "Financial derivative contracts".

Changes in the fair value of the financial derivative contracts held for trading are included in Net income (loss) from financial operations in the consolidated statement of comprehensive income.

In addition, the Bank includes in the valuation of derivatives the "Counterparty valuation adjustment (CVA)" to reflect the counterparty risk in the determination of fair value. This valuation does not contemplate the Bank's own credit risk, known as "Debit valuation adjustment (DVA)" in accordance with the provisions established by the SBIF.

Certain derivatives included in other financial instruments are treated as separate derivatives when their risk and characteristics are not closely related to those of the principal contract and this is not booked at its fair value with its unrealized gains and losses included in income.

At the time of signing of a derivative contract, this should be designated by the Bank as a derivative instrument for trading or for hedge accounting purposes.

If the derivative instrument is classified for hedge accounting purposes, this can be:

(1) A hedge of the fair value of existing assets or liabilities or firm commitments, or
(2) A cash-flow hedge related to existing assets or liabilities or expected transactions.

A hedge for accounting purposes should meet all the following conditions:

(a) at the time of starting the hedge, the relationship of the hedge has been formally documented;
(b) it is expected that the hedge will be highly effective;
(c) the effectiveness of the hedge can be fairly measured, and
(d) the hedge is highly effective in relation to the risk covered, continually over the whole term of cover.

The Bank shows and values individual hedges (in which there is a specific identification between hedged instruments and the hedge instruments) according to their classification, under the following criteria:

Note 2 – Summary of significant accounting policies (continued)

(pp) Financial derivative contracts (continued)

Hedge of fair value: changes in the fair value of a derivative hedge instrument, designated as hedge of fair value, are booked in income under the line Net income from interest and indexation adjustments and/or Net exchange gain (loss), depending on the risk hedged. The item hedged is also shown at fair value in relation to the risk being hedged. Gains or losses attributable to the risk hedged are booked in income under the line Net income from interest and indexation adjustments and adjust the book value of the item hedged.

Cash-flow hedge: changes in the fair value of a derivative hedge instrument, designated as a cash-flow hedge are booked in Valuation accounts in other comprehensive income provided the hedge is effective and is reclassified to income under the line Net income from interest and indexation adjustments and/or Net exchange gain (loss) when the item hedged affects the Bank's income as a result of interest rate risk or exchange rate risk respectively. Should the hedge not be effective, the changes in fair value are booked directly to income for the year under the line Net income (loss) from financial operations.

If the hedge instrument no longer meets the criteria of cash flow hedge accounting, expires or is sold, or is suspended or executed, this hedge is discontinued prospectively. The accumulated gains or losses previously booked to equity remain there until the projected transactions occur, when they are booked in the consolidated statement of income (under the line Net income from interest and indexation adjustments and/or Net exchange gain (loss), depending on the type of risk hedged) unless it is foreseen that the transaction is not going to be carried out, in which case they are immediately booked in the consolidated statement of income (under the line Net income from interest and indexation adjustments and/or Net exchange gain (loss), depending on the type of risk hedged).

(qq) Loans and accounts receivable from customers

Originated and acquired loans and accounts receivable from customers are non-derivative financial assets with fixed or determined maturities that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term.

(qq.1) Valuation method

Loans and accounts receivable from customers are valued initially at cost plus incremental transaction costs and income, and later measured at their amortized cost using the effective interest-rate method, except when certain items are identified as objects of hedges, which are valued at fair value with changes to income, as described in Note 2 qq).

(qq.2) Lease agreements

Accounts receivable under lease agreements, included in Loans and accounts receivable from customers, relate to the periodic rental payments of agreements that meet the requirements for being classified as finance leases and are shown net of non-accrued interest at the close of each year.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.3) Factoring transactions

These are invoices and other commercial instruments representing credit, with or without responsibility of the assignor, received in factoring, which are booked at the initial value plus the interest and indexation to maturity.

In cases in which the assignment of these instruments is made without responsibility of the assignor, the Bank assumes the risks of insolvency of the debtors.

(qq.4) Impaired portfolio

The impaired portfolio is comprised of the following assets, as provided in Chapter B-1 of the SBIF Compendium of Accounting Standards:

a) Debtors subject to individual evaluation, including loans in the "Default Portfolio" and those in categories B3 and B4 of the "Substandard Portfolio", as defined in letter (rr 5.1).

b) Debtors subject to group assessment including all loans in the "Default Portfolio", as defined in letter (rr 5.4).

(qq.5) Loan loss provisions

The provisions required to cover risks of losses on loans have been constituted according to the regulations of the SBIF. Loans are shown net of such provisions, and as a liability under the heading Provisions in the case of contingent loans.

As stipulated by the SBIF, models or methods are used based on the individual and grouped analysis of debtors, for constituting the loan loss provisions.

(qq.5.1) Provisions by individual evaluation

The individual analysis of debtors is necessary in the case of companies whose size, complexity or level of exposure with the entity requires knowing and analyzing them in detail.

Naturally, the analysis of debtors should be focused on their credit quality, defined by their capacity and willingness to meet their credit obligations, through sufficient and reliable information, and analyzing their credits in terms of collateral, term, interest rates, currency, indexation, etc.

For provisioning purposes, banks should first evaluate the quality of credit and their debtors and their credit and contingent liabilities should be grouped by their corresponding category, following the assignment of one of the following three portfolio conditions: Normal, Substandard and Default.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.5) Loan loss provisions (continued)

(qq.5.1) Provisions by individual evaluation (continued)

(qq.5.1.1) Normal and substandard portfolios

The normal portfolio consists of those debtors whose payment capacity enables them to meet their obligations and commitments and it is not foreseen that this economic-financial situation will change. The classifications assigned to this portfolio are A1 to A6.

The substandard portfolio includes debtors with financial difficulties or significant deterioration in their payment capacity and about which there are reasonable doubts about the full repayment of principal and interest on the contractually agreed terms, showing a small margin for complying with their short-term financial obligations.

Those debtors who have recently made payments more than 30 days late also form part of the substandard portfolio. The classifications assigned to this portfolio are the categories B1 to B4 of the classification scale.

As a result of an individual analysis of debtors, the Bank classifies them in the following categories, assigning them subsequently the percentages of probability of default and loss given the non-compliance resulting from the following expected percentage loss:

Type of Portfolio	Debtor Category	Probability of Default (%)	Loss Given Default (%)	Expected Loss (%)
Normal Portfolio	A1	0.04	90.0	0.03600
	A2	0.10	82.5	0.08250
	A3	0.25	87.5	0.21875
	A4	2.00	87.5	1.75000
	A5	4.75	90.0	4.27500
	A6	10.00	90.0	9.00000
Substandard Portfolio	B1	15.00	92.5	13.87500
	B2	22.00	92.5	20.35000
	B3	33.00	97.5	32.17500
	B4	45.00	97.5	43.87500

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.5) Loan loss provisions (continued)

(qq.5.1) Provisions by individual evaluation (continued)

(qq.5.1.1) Normal and substandard portfolios (continued)

Provisions for normal and substandard portfolios

To determine the amount of provisions to be made for the normal and substandard portfolios, the exposure subject to provisions first has to be estimated, to which are applied the respective percentage losses (expressed in decimals) comprising the probability of default (PD) and loss given default (LGD) established for the category in which the debtor and/or its qualified guarantor is grouped, as the case may be.

The exposure subject to provisions corresponds to loans plus contingent credits, less amounts recoverable through the liquidation of real or financial collateral that supports transactions. Also, in special cases, the substitution of credit risk of the direct debtor for the credit quality of the co-signer or guarantor may be allowed. Loans are understood to be the book value of the loans and accounts receivable of the respective debtor, while contingent credits are the amounts resulting from the application of that indicated in No.3 of Chapter B-3 of the Compendium of Accounting Standards.

The following has to be considered in the calculation:

Debtor provision = (EAP-EA) x (PDdebtor /100)x(LGDdebtor/100)+EA x (PD guarantee /100)x(LGD guarantee /100)
Where:
EAP = Exposure subject to provisions
EA = Exposure guaranteed
EAP = (Loans + Contingent credits) – Financial or tangible guarantees

However, the Bank should maintain a minimum provision of 0.50% of all loans and contingent credits of the normal portfolio.

(qq5.1.2) Default portfolio

The default portfolio includes debtors and their loans that are considered to be of doubtful recovery as they show an impaired or nil payment capacity. Debtors that have stopped paying their creditors, or with clear indications that this is likely to happen, and those where forced debt restructuring is necessary to avoid default, form part of this portfolio, plus any debtor 90 days or more past due in the payment of interest or principal of any loan. This portfolio comprises debtors belonging to the categories C1 to C6 of the classification scale and all the credits, including 100% of contingent credits, of these same debtors.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.5) Loan loss provisions (continued)

(qq.5.1) Provisions by individual evaluation (continued)

(qq.5.1.2) Default portfolio (continued)

Provisioning percentages are used for recording provisions for the default portfolio, to be applied to the amount of exposure, which equates to the sum of loans and contingent credits of the same debtor. For applying this percentage, the expected loss rate has first to be estimated, deducting from the exposure the amounts recoverable by liquidating the real and financial collateral that supports transactions, and when there are concrete justifications for doing so, deducting also the present value of the recoveries that may result from exercising collection actions, net of their related costs. This loss rate should be grouped in one of the six categories defined according to the range of losses effectively expected by the Bank for all the debtor's transactions.

These categories, the range of loss according to that estimated by the Bank, and the provisioning percentages to be finally applied to the amounts exposed, are those indicated in the following table:

Type of Portfolio	Scale of Risk	Range of Expected Loss	Provision (%)
Default Portfolio	C1	Up to 3%	2
	C2	3% to 20%	10
	C3	20% to 30%	25
	C4	30 % to 50%	40
	C5	50% to 80%	65
	C6	Over 80%	90

The following are considered for this calculation:

Expected rate of loss = (E−R)/E
Provision = E× (PP/100)

Where:
E = Amount of exposure
R = Recoverable amount
PP = Provisioning percentage (according to the category in which the expected loss rate is grouped).

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.5) Loan loss provisions (continued)

(qq.5.1) Provisions by individual evaluation (continued)

(qq.5.1.2) Default portfolio (continued)

All loans due from the debtor must be held in the Default Portfolio until their payment capacity and behavior recovers, notwithstanding that each particular loan that complies with the conditions indicated in point 6 of this letter must be charged off. In order to remove a debtor from the Default Portfolio, all the circumstances that led to their classification in this portfolio based on the current rules must have been resolved, and all the following conditions must be met:

- The debtor has no obligation to the Bank that is more than 30 calendar days past due.
- The debtor has not negotiated new refinancing to pay their obligations.
- At least one payment includes a portion of principal repayment.
- If the debtor has any loans with partial payments over periods of less than six months, two payments have already been made.
- If the debtor must pay for one or more loans in monthly installments, at least four consecutive installments have been paid.
- The debtor has no direct unpaid debts based on information compiled by the SBIF, except for insignificant amounts.

(qq 5.2) Provisions by group evaluation

Group evaluations are used to analyze a large number of credit operations whose individual amounts are small and consist of individuals and small businesses. These evaluations and the criteria for applying them should be congruent with those made in granting the credits.

Group evaluations require the grouping of credits of similar characteristics like the type of debtor and the agreed terms, in order to establish by technically-justified estimates and following prudent criteria both the payment behavior of the group in question and of the recoveries of unpaid credits, and then the making of the necessary provisions to cover the portfolio risk.

Banks can use alternative methods for determining the provisions for retail loans evaluated as a group.

Under the first method, experience is relied on to explain the payment behavior of each homogeneous group of debtors and of recoveries through realizing collateral and recovery actions, to estimate directly a percentage of expected losses to be applied to the amount of credits of the respective group.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq 5) Loan loss provisions (continued)

(qq 5.2) Provisions by group evaluation (continued)

Under the second, banks segment debtors into homogeneous groups, as indicated above, associating to each one a certain probability of default and a percentage of recovery based on a justified historical analysis. The amount of provisions made is obtained by multiplying the amount of the respective group's total credits by the estimated percentages of default and of loss given default.

Under both methods, estimated losses should reflect the type of portfolio and the term of the operations. The Bank has decided to use the second method for determining its provisions.

In the case of consumer loans, collateral is not considered for the purpose of estimating the expected loss.

The Bank should distinguish between provisions for the normal portfolio and for the default portfolio, and which cover the risks of the contingent credits associated with those portfolios.

(qq.5.3) Standard method for calculating residential mortgage loan provisions

The SBIF has established that the provision is represented by the expected loss on residential mortgage loans and will depend on the delinquency of each loan and the relationship, at the end of each month, between the outstanding loan principal and the value of the mortgage guarantee (loan-to-value ratio or LTV) that protects each loan, as shown in the following table:

Provision factor by delinquency and LTV						
		Days past due at month end				
LTV Range	Concept	0	1-29	30-59	60-89	Default Portfolio
LTV ≤ 40%	PD (%)	1.0916	21.3407	46.0536	75.1614	100.0000
	LGD (%)	0.0225	0.0441	0.0482	0.0482	0.0537
	EL (%)	0.0002	0.0094	0.0222	0.0362	0.0537
40% < LTV ≤ 80%	PD (%)	1.9158	27.4332	52.0824	78.9511	100.0000
	LGD (%)	2.1955	2.8233	2.9192	2.9192	3.0413
	EL (%)	0.0421	0.7745	1.5204	2.3047	3.0413
80% < LTV ≤ 90%	PD (%)	2.5150	27.9300	52.5800	79.6952	100.0000
	LGD (%)	21.5527	21.6600	21.9200	22.1331	22.2310
	EL (%)	0.5421	6.0496	11.5255	17.6390	22.2310
LTV > 90%	PD (%)	2.7400	28.4300	53.0800	80.3677	100.0000
	LGD (%)	27.2000	29.0300	29.5900	30.1558	30.2436
	EL (%)	0.7453	8.2532	15.7064	24.2355	30.2436

Where:
PD = Probability of default
LGD = Loss given default
EL = Expected loss
LTV = Loan to value ratio (Outstanding loan principal / Value of the mortgage guarantee)

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.5.4) Default portfolio

The default portfolio includes all loans and all contingent loans due from debtors who are more than 90 days past due on interest or principal payments on any loan at the end of a month. It will also include debtors who have been granted a loan to keep a transaction valid that was more than 60 days past due, and those debtors who have been subject to forced restructuring or partial debt charge-off.

The following may be excluded from the default portfolio: a) housing mortgage loans that are less than 90 days past due, unless the debtor has a similar loan that is more past due; and, b) loans to finance higher education under Law 20.027, which do not meet the default conditions indicated in Circular 3,454 dated December 10, 2008.

All loans due from the debtor must be held in the Default Portfolio until their payment capacity and behavior recovers, notwithstanding that each particular loan that complies with the conditions indicated in point 6 of this letter must be charged off. In order to remove a debtor from the Default Portfolio, all the circumstances that led to their classification in this portfolio based on the current rules must have been resolved, and all the following conditions must be met:

- The debtor has no obligation to the Bank that is more than 30 calendar days past due.
- The debtor has not negotiated new refinancing to pay their obligations.
- At least one payment includes a portion of principal repayment. (This condition does not apply in the case of debtors who only have loans to finance higher education in accordance with Law 20.027).
- If the debtor has any loans with partial payments over periods of less than six months, two payments have already been made.
- If the debtor must pay for one or more loans in monthly installments, at least four consecutive installments have been paid.
- The debtor has no direct unpaid debts based on information compiled by the SBIF, except for insignificant amounts.

(qq.6) Loan charge-offs

As a general rule, charge-offs are made when the contractual rights to the cash flows expire. In the case of loans, the respective asset balances are charged off even when this does not occur.

Charge-offs refer to the deduction of the asset corresponding to the respective operation in the statement of financial position, including that part that might not yet be due in the case of a loan with partial repayments, or a lease operation.

Charge-offs should always be made by using the loan loss provisions made whatever the reason for the charge-off.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.6) Loan charge-offs (continued)

(qq.6.1) Charge-off of loans and accounts receivable

Loans and accounts receivable other than lease operations should be charged-off in the following circumstances, whichever occurs first:

a) The Bank concludes that it will obtain no cash flow from the asset, based on all available information.

b) When a credit without enforceable title passes more than 90 days booked as an asset.

c) When the period of limitations of actions expires through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by court resolution is rejected or abandoned.

d) When the period of default of an operation reaches the term for charge-off according to the following:

Type of loan	Term
Consumer loans with or without collateral	6 months
Other loan transactions without collateral	24 months
Commercial loans with collateral	36 months
Residential mortgage loans	48 months

The term relates to the time since the due date of payment of all or part of the obligation in default

(qq.6.2) Charge-off of lease operations

Assets relating to lease operations should be charged off in the following circumstances, whichever occurs first:

a) The Bank concludes that there is no possibility of recovery of the lease income and that the value of the asset cannot be considered for the recovery of the contract, whether because it is not in the possession of the lessee, due to its present condition, because of the expenses involved in its recovery, transfer and maintenance, due to technological obsolescence or there is no information about its present whereabouts or condition.

b) When actions expire through the statute of limitations for demanding recovery by executive judgment or when the enforcement of the title by court resolution is rejected or abandoned.

c) When the period of default of a contract reaches the term for charge-off according to the following:

Contract	Term
Consumer lease	6 months
Other non-real estate lease transactions	12 months
Real estate lease (commercial or housing)	36 months

The term relates to the time since the due date of payment of a lease installment in default.

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.7) Recovery of charged-off loans

Subsequent payments received with respect to charged-off loans are shown directly as revenue in the consolidated statement of comprehensive income, under Loan loss provisions.

In the event of the recovery of assets, the income will be booked to income for the amount for which they are incorporated into assets. The same criterion follows if the assets leased are recovered after the charge-off of a lease operation, by their incorporation into assets.

(qq.8) Restructuring of charged-off loans

Any restructuring of a charged-off loan does not generate revenue while the operation continues in a state of default, treating the effective payments received as recoveries of charged-off loans, as indicated above.

A restructured loan can only therefore be returned to assets if its ceases to be impaired, booking also the return to assets as a recovery of charged-off loans.

The same criterion should be followed in granting a loan to repay a charged-off loan.

(rr) Investment instruments

Investment instruments are classified in two categories: Investments held to maturity and Instruments held for sale. Investments held to maturity include only those instruments for which there is the capacity and intention of holding them until their maturity. Other investment instruments are considered as held for sale.

Investment instruments held to maturity are booked at their cost plus accrued interest and indexation adjustments, less provisions for impairment recorded when the amount booked exceeds the estimated recovery value.

A financial asset classified as held for sale is initially booked at cost plus transaction costs directly attributable to its acquisition. Instruments held for sale are later valued at their fair value according to market prices or valuations obtained by the use of models. Unrealized gains or losses arising from changes in their fair value are shown as a credit or charge to equity accounts (Other comprehensive income). When these investments are disposed of or impaired, the amount of the accumulated adjustments to fair value are transferred to income and reported under Net gain (loss) from financial operations.

Interest and indexation adjustments on investment instruments held to maturity and on those held for sale are included in Interest and indexation revenue.

Investment instruments that are the subject of hedge accounting are adjusted according to the rules for booking hedges, in accordance with Note 2 letter (qq).

The Bank has no investment instruments held to maturity as of December 31, 2017 and 2016.

Note 2 – Summary of significant accounting policies (continued)

(ss) Intangible assets

Intangible assets are identified as non-monetary assets (separate from other assets) without physical substance that arise as a result of a legal transaction or are developed internally by the consolidated entities. They are assets whose cost can be estimated reliably and for which the entities consider it probable that future economic benefits will accrue to the Bank or its subsidiaries. Intangible assets are booked initially at acquisition cost and are subsequently measured at their cost less any accumulated amortization or any accumulated impairment.

Software or computer programs acquired by the Bank and its subsidiaries are booked at cost less accumulated amortization and the accumulated losses for impairment.

Subsequent expenses in programs are capitalized only when the future economic benefits integrated in the specific related asset increase. All other expenses are booked as expenses when incurred.

Amortization is booked to income using the straight-line method over the estimated useful lives of the computer programs, from the date on which they are ready for use. The estimated useful lives of computer programs are a maximum of 6 years.

(tt) Property, plant and equipment

Property, plant and equipment includes the amount of land, properties, movable assets, vehicles, computer equipment and other installations owned by the consolidated entities and are used in the entity's business. These assets are valued at their historic cost less the corresponding accumulated depreciation and impairments. The cost includes expenses that have been attributed directly to the acquisition of the asset.

Depreciation is booked in the consolidated statement of income on the basis of the straight-line method over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated average useful lives for the years ended 2017 and 2016 are:

- Buildings	50 years
- Installations	10 years
- Equipment	5 years
- Furniture	5 years

Conservation and maintenance expenses of the assets of own use are charged to the income of the year in which they are incurred.

Note 2 – Summary of significant accounting policies (continued)

(uu) Current and deferred taxes

The provision for income tax of the Bank and its subsidiaries has been determined in accordance with current legislation.

The Bank and its subsidiaries book, when appropriate, deferred tax assets and liabilities for the future estimate of the tax effects attributable to timing differences between the book values of assets and liabilities and their values for tax purposes. The measurement of deferred tax assets and liabilities is made on the basis of the tax rate which, under current taxation legislation, should be applied in the year in which deferred tax liabilities are realized or paid. The future effects of changes in tax legislation or taxation rates are booked in deferred taxes from the date on which the law approving these changes is published.

Deferred tax assets are booked only when it is believed probable that there will be sufficient taxable income to recover the deductions for timing differences. Deferred taxes are presented in the consolidated statement of financial position in accordance with IAS 12 "Income Taxes" as instructed by the SBIF.

(vv) Assets received in lieu of payment

Assets received or awarded in lieu of payment of loans and accounts receivable from customers are booked, in the case of payments in kind, at the price agreed between the parties or, where no such agreement exists, for the amount that the Bank is awarded them at a court auction.

Assets received in lieu of payment are classified in Other assets, are booked at the lower of adjudication cost and fair value less regulatory write offs and are shown net of provisions. The SBIF requires a write off if the asset is not sold within one year of its reception.

(ww) Investment properties

Investment properties are properties held with the purpose of obtaining rental income or obtaining a gain on the investment or both things at the same time, but not for sale in the normal course of business or for administrative purposes. Investment properties are valued at cost less the corresponding accumulated depreciation and impairments and are shown in Other assets.

(xx) Debt instruments issued

Financial instruments issued by the Bank are classified in the statement of financial position as Debt instruments issued, in which the Bank has an obligation to provide cash or another financial asset to the bearer, or to meet the obligation by an exchange of the agreed amount of cash.

The obligation is valued at amortized cost using the effective interest rate method. The amortized cost is calculated taking into account any discount, premium or cost directly related to the issue.

Note 2 – Summary of significant accounting policies (continued)

(yy) Provisions, contingent assets and liabilities

Provisions are liabilities of which there is uncertainty about their amount or due date. They are shown in the consolidated statement of financial position when meeting both the following requirements:

(i) it is a current obligation as a result of past events, and

(ii) at the date of the financial statements it is probable that the Bank or its subsidiaries have to expend resources in cancelling the obligation and the amount of these resources can be measured reliably.

A contingent asset or liability is a right or obligation deriving from past events whose existence will only be confirmed if one or more uncertain future events occur and which are outside the control of the Bank.

The following are classified as contingent in complementary information:

i. Guarantees: Comprise guarantees and stand-by letters of credit. They also include guarantees of payment by buyers in factoring transactions.

ii. Confirmed foreign letters of credit: refer to letters of credit confirmed by the Bank.

iii. Documentary letters of credit: include documentary letters of credit issued by the Bank which have not yet been negotiated.

iv. Performance bonds granted against promissory notes.

v. Unrestricted lines of credit: the amount not drawn under lines of credit which permit customers to make use of the credit without any prior decision by the Bank (e.g. with use of credit cards or lines of credit in current accounts).

vi. Other loan commitments**:** amounts not drawn under committed loans that have to be disbursed at an agreed future date or on the occurrence of events previously contracted with the customer, as happens with lines of credit linked to the progress of construction or similar projects.

vii. Other contingent loans**:** any other kind of commitment by the entity that might give rise to an effective loan on the occurrence of future events. These are generally infrequent transactions like the pledge of instruments to guarantee the payment of loan transactions between third parties or transactions with derivatives contracted on behalf of third parties that might imply a payment obligation and are not covered by deposits.

Note 2 – Summary of significant accounting policies (continued)

(yy) Provisions, contingent assets and liabilities (continued)

Credit risk exposure to contingent liabilities:

To calculate the provisions for contingent liabilities, as indicated in Chapter B-3 of the Compendium of Accounting Regulations of the SBIF, the amount of exposure to be considered is equivalent to the percentage of the amounts of contingent liabilities as indicated below:

Type of contingent liability	Exposure
a) Guarantees	100%
b) Confirmed foreign letters of credit	20%
c) Documentary letters of credit issued	20%
d) Performance bonds	50%
e) Unrestricted lines of credit	35%
f) Other credit commitments:	
- Tertiary education loans under Law 20,027	15%
- Other	100%
g) Other contingent liabilities	100%

However, with respect to operations carried out with customers that have past due loans as indicated in Chapter B-1 of the Compendium of Accounting Regulations of the SBIF, Impaired and/or Charged-Off Loans, this exposure will always be the equivalent of 100% of the contingent liabilities.

(zz) Provision for minimum dividends

In accordance with SBIF's Accounting Compendium, the Bank shows in liabilities the part of the net income for the year to be distributed in compliance with the Corporations Law, its bylaws, agreements or dividend policies. A provision is therefore made against a complementary equity account of retained earnings.

To calculate the provision for minimum dividends, the distributable net income is taken into account which, according to the Bank's bylaws, is calculated by deducting from or adding to net income the amount of price-level restatement of paid capital and reserves due to variations in the consumer price index.

Note 2 – Summary of significant accounting policies (continued)

(aaa) Employee benefits

(aaa.1) Personnel vacations

The annual cost of personnel vacations and benefits is shown on an accrual basis.

(aaa.2) Short-term benefits

The entity offers its employees an annual incentives plan for compliance with objectives and individual contribution to results, consisting of a certain number or portion of monthly salaries, and the provision is made on the basis of the estimated amount to be distributed.

(aaa.3) Termination benefits

The Bank has agreed with part of its staff the payment of an indemnity to those completing 30 or 35 years' service should they retire from the institution. This obligation includes the accrued proportional part for those staff who will be able to exercise the right to this benefit and who have still not acquired it at the end of the year.

The obligations under this defined benefits plan are valued according to the projected credit-unit method, including as variables the staff turnover rate, expected salary growth, and the probability of use of this benefit, discounted at the current rate for long-term operations (4.53% as of December 31, 2017 and 4.29% as of December 31, 2016).

The discount rate used corresponds to yields on the Chilean Central Bank 10-year bonds in pesos (BCP).

Actuarial gains and losses resulting from actuarial changes are booked in Other comprehensive income. There are no other additional costs that have to be booked by the Bank.

(bbb) Interest and indexation income and expenses

Interest and indexation income and expenses are booked in the statement of income using the effective interest method. The effective interest rate is the discount rate that exactly equates the estimated cash inflows and outflows over the expected life of the financial instrument (or, when appropriate, in a shorter period) with the net book value of the financial asset or liability. To calculate the effective interest rate, the Bank determines the cash flows taking into account all the contractual conditions of the financial instrument without considering future credit losses.

The calculation of the effective interest rate includes all the commissions and other concepts paid or received that form part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

In the case of the impaired portfolio and the current portfolio with a high risk of non-payment, a prudent policy has been followed of suspending the accrual of interest and indexation in the income accounts; these are booked as and when they are received. The suspension occurs in the following cases:

Note 2 – Summary of significant accounting policies (continued)

(bbb) Interest and indexation income and expenses (continued)

Individually-evaluated loans

- Loans classified in categories C5 and C6: The accrual is suspended by the mere fact of being in the impaired portfolio.
- Loans classified in categories C3 and C4: The accrual is suspended for having been three months in the impaired portfolio.

Group-evaluated loans

- Any loan, except those with collateral above 80%: The accrual is suspended when the loan or one of its installments is past due more than six months.

However, booking of income on loans subject to individual evaluation can be continued for the accrual of interest and indexation, which is being paid normally and corresponds to obligations whose flows are independent, such as project financing.

The suspension of the booking of income on an accrual basis implies that, while the credits remain in the impaired portfolio, the respective assets included in the consolidated financial statement will not be increased with interest, indexation or commissions and the comprehensive income statement will not show income for those concepts unless they are effectively received.

(ccc) Fee income and expenses

Fee income and expenses are shown in the consolidated income under different criteria depending on their nature. The most significant are:

- Those relating to a singular act, when the act originating it produces it.
- Those that arise from transactions or services that are extended over time, during the life of such transactions or services.
- Commissions on commitments and other commissions related to loan operations are deferred (together with the incremental costs related directly to the placement) and booked as an adjustment to the effective interest rate of the placement. In the case of loan commitments, when there is uncertainty about the date of effective placement, the commissions are booked in the year of the commitment originating them on a straight-line basis.

Note 2 – Summary of significant accounting policies (continued)

(ddd) Identification and measurement of impairment

(ddd.1) Financial assets other than loans and accounts receivable

A financial asset is revised every year and fundamentally on the date of its closing to determine whether there is objective evidence to show that an event that causes a loss has occurred after the initial booking of the asset and that that event impacts the estimated future cash flows of the financial asset, which can be calculated reliably.

A loss for impairment relating to financial assets (other than loans and accounts receivable) booked at amortized cost is calculated as the difference between the book value of the asset and the present value of the estimated cash flows, discounted at the effective interest rate.

A loss for impairment relating to a financial asset held for sale is calculated by reference to its fair value.

In the case of capital investments classified as financial assets held for sale, objective evidence includes a significant and prolonged fall below the original investment cost in the realizable value of the investment. In the case of investments classified as financial assets held for sale, the Bank evaluates whether there is objective evidence of impairment based on the same criterion used for the evaluation of the loans.

If there is evidence of impairment, any amounts previously booked in equity, net gains (losses) not booked in the statement of income, are removed from equity and booked in the statement of income for the year, shown as Net gains (losses) relating to financial assets held for sale. This amount is determined as the difference between cost (net of any reimbursement and amortization) and the present fair value of the asset, less any loss for impairment on that investment that has been previously booked in the statement of income.

When the fair value of debt instruments held for sale recovers to at least their amortized cost, these are no longer considered as impaired instruments and later changes in their fair value are booked in equity.

All impairment losses are booked against income. Any accumulated loss in relation to a financial asset held for sale booked previously against equity is transferred to income.

The reversal of a loss for impairment only occurs when this can be related objectively to an event that occurred after it was booked. The amount of the reversal is booked in the statement of income up to the amount previously booked as impaired. In the case of financial assets booked at amortized cost, and those held for sale, the reversal is booked to income.

Note 2 – Summary of significant accounting policies (continued)

(ddd) Identification and measurement of impairment (continued)

(ddd.2) Non-financial assets

The book value of the non-financial assets of the Bank and its subsidiaries, excluding investment properties and deferred tax assets, is revised throughout the year and fundamentally on the date of its closing to determine whether there are indications of impairment. If there are, then the recoverable amount from the assets is estimated.

Losses for impairment booked in previous years are evaluated on each date of presentation to find any indication as to whether the loss has diminished or disappeared. A loss for impairment is reversed if there has been a change in the estimates used to determine the recoverable amount, provided the reversal does not exceed the book value.

The Bank evaluates at each reporting date and constantly if there are indications that an asset might be impaired. If there are indications, the Bank estimates the recoverable amount from the asset. The recoverable amount of an asset is the difference between the fair value less the costs of sale and the value of the asset in use. When the book value of the asset exceeds the recoverable amount, the asset is considered to be impaired and the difference between both values is written off to reflect the asset at its recoverable value. In evaluating the value in use, the estimated cash flows are discounted to their present value, using a discount rate that reflects current conditions in the money market at the time and the specific risks of the asset. An appropriate evaluation model is used to determine the fair value less the cost of sale. These calculations are checked against multiple valuations, share prices and other indicators of fair value.

Impairment losses related to goodwill cannot be reversed in future years.

(eee) Finance and operating leases

(eee.1) The Bank as lessor

Assets leased to customers under contracts that substantially transfer all the risks and property recognitions, with or without legal title, are classified as finance leases. When the assets retained are subject to a finance lease, the assets leased cease to be accounted for and an account receivable is booked, equal to the minimum amount of the lease payment, after discounting the lease's interest rate. The initial negotiation expenses in a finance lease are incorporated in the account receivable through the discount rate applied to the lease. Lease revenue is booked on lease terms based on a model that constantly reflects a periodic rate of return on the net lease investment.

Assets leased to customers under contracts that do not substantially transfer all the rights and benefits of the asset are classified as operating leases.

Investment properties rented under operating leases are included in Other assets in the statement of financial position and depreciation is determined on the book value of these assets, applying a proportion of the value systematically on the economic use of the estimated useful life. Lease revenue is booked on a straight-line basis over the term of the lease.

Note 2 – Summary of significant accounting policies (continued)

(eee) Finance and operating leases (continued)

(eee.2) The Bank as lessee

Assets under finance leases are initially booked in the consolidated statement of financial position at an amount equal to the fair value of the asset leased or, if lower, the present value of the minimum payments. As of December 31, 2017 and 2016, the Bank and its subsidiaries have no contracts of this nature.

Operating leases are booked as expenses on a straight-line basis over the term of the lease, which begins when the lessee controls the physical use of the asset. Lease incentives are treated as a reduction in lease expenses and are also shown over the term of the lease on a straight-line basis. Contingent leases that arise under operating leases are booked as an expense in the years in which they are incurred.

(fff) Fiduciary activities

The Bank provides trust commissions and other fiduciary services that result in the investment of assets on behalf of customers. The assets held in a fiduciary capacity are not reported in the financial statements as they are not assets of the Bank.

(ggg) Customer loyalty program

The Bank has a loyalty program that provides incentives to its customers, enabling them to acquire goods and/or services in exchange for prize points called "dólares premio" (prize dollars) which are granted as a function of purchases made with the Bank's credit cards and compliance with certain conditions established in the program. The exchange of the "dólares premios" is made by a third party. The costs of the Bank's commitments with its customers under this program are booked at present value on an accrual basis considering the total points susceptible to being exchanged of all the accumulated "dólares premio" and also the probability of their exchange.

(hhh) Additional provisions

In accordance with the rules issued by the SBIF, banks may establish additional provisions beyond those resulting from applying their portfolio evaluation models, in order to safeguard against the risk of unpredictable economic fluctuations that may affect the macroeconomic environment or a specific economic sector.

These provisions are designed to guard against the risk of macroeconomic fluctuations and should anticipate the reversal of expansionary economic cycles that could lead to future economic conditions deteriorating and thus function as a countercyclical mechanism to accumulate additional provisions when the scenario is favorable and release them or allocate them to specific provisions when external conditions deteriorate.

Accordingly, additional provisions should always correspond to general provisions on commercial, housing or consumer loans, or their identified segments, and may never be used to compensate for deficiencies of the models used by the Bank.

Note 2 – Summary of significant accounting policies (continued)

(hhh) Additional provisions (continued)

As of December 31, 2017 and 2016, the balance of additional provisions amounted to ThCh$213,251,877, which are presented in "Provisions" in the consolidated statement of financial position.

(iii) Reclassifications

According to instructions issued by the SBIF on January 8, 2018, deferred taxes have been presented at the closing of these consolidated financial statements in accordance with the requirements of IAS 12 "Income Taxes". This standard establishes the offsetting of deferred taxes when they are related to income taxes governed by the same fiscal administration, provided that the entity has the right to offset current tax assets with current tax liabilities. This resulted in offset balances as of December 31, 2016, of ThCh$24,316,594, detailed as follows:

	Deferred Taxes 12-31-2016 ThCh$	Offset ThCh$	Offset deferred taxes according to IAS 12 ThCh$
Deferred tax assets	306,030,475	(24,316,594)	281,713,881
Deferred tax liabilities	24,316,594	(24,316,594)	-

There have been no other significant reclassifications as of year-end 2017.

Note 3 – Cash and cash equivalents

a) Cash and cash equivalents as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Cash	2,127,873	2,612,212
Balances in banks	51,977,553	68,188,412
Time deposits up to 90 days	203,289,127	363,325,941
Investments under repurchase agreements	15,819,308	26,478,911
Total	**273,213,861**	**460,605,476**

As indicated in Note 2 f) and z), the consolidated statement of cash flows includes the banking subsidiaries which are shown separately in that statement. The previous detail does not therefore include the cash and cash equivalents of the banking subsidiaries. Similarly, the balances that Quiñenco and its subsidiaries maintain in checking accounts, time deposits and other investments with Banco de Chile, amounting to ThCh$35,337,494 as of December 31, 2017 (ThCh$30,377,306 as of December 31, 2016), have been eliminated in the preparation of these consolidated financial statements.

b) Cash and cash equivalents by currency are detailed as follows:

	Currency		12-31-2017 ThCh$	12-31-2016 ThCh$
Cash and cash equivalents	CLP	(Chilean pesos)	49,189,997	193,314,484
Cash and cash equivalents	USD	(US dollars)	214,904,398	263,368,402
Cash and cash equivalents	EUR	(Euros)	1,344,349	187,201
Cash and cash equivalents	PEN	(Peruvian soles)	-	2,561
Cash and cash equivalents	BRL	(Brazilian reais)	212,916	63,209
Cash and cash equivalents	COP	(Colombian pesos)	21,063	46,446
Cash and cash equivalents	OTR	(Other currencies)	7,541,138	3,623,173
Total			**273,213,861**	**460,605,476**

c) Reconciliation between cash and cash equivalents shown in the statement of financial position and that shown in the consolidated statement of cash flows.

	12-31-2017 ThCh$	12-31-2016 ThCh$
Cash and cash equivalents corresponding to non-banking businesses	273,213,861	460,605,476
Discontinued companies	305,478	193,565
Cash and cash equivalents corresponding to banking services		
Cash	522,868,909	665,463,820
Deposits with the Chilean Central Bank	162,420,335	118,501,034
Deposits with banks in Chile	9,921,840	8,432,850
Deposits abroad	362,181,239	615,768,782
Transactions pending settlement (net)	226,096,921	181,270,241
Highly liquid financial instruments	719,068,192	467,595,042
Repurchase agreements	76,838,578	39,950,556
Cash and cash equivalents shown in consolidated statement of cash flows	**2,352,915,353**	**2,557,781,366**

Note 3 – Cash and cash equivalents (continued)

d) Significant unavailable cash balances

As of December 31, 2016, there were restrictions on cash and cash equivalents resulting from the execution of the Share Purchase Agreement entered into on April 18, 2016, under which the subsidiary Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor. Under that contract, this subsidiary undertook to hold cash and cash equivalents of at least ThUS$28,493 until October 2017. As of December 31, 2017, Techpack has held at least this balance, given that prior to the expiration of the term, the buyer made certain claims that have not been resolved by the parties (see Note 35 b.3).

The funds held in cash and cash equivalents with the Central Bank of Chile meet the banking sector regulations for reserve requirements that the Bank must hold on an average monthly basis.

As of December 31, 2017 and 2016, the Parent company and subsidiaries have no other significant amounts of cash and cash equivalents that are unavailable for use.

Note 4 – Other financial assets, current

Other current financial assets as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Time deposits at more than 90 days	183,431,718	139,228,654
Financial instruments held to maturity	-	1,675,683
Investments in mutual funds	810,266	831,692
Hedging assets	44,262	663,445
Others	106,967	234,315
Total	**184,393,213**	**142,633,789**

The above does not include the balances that Quiñenco and its subsidiaries maintain in time deposits maturing in more than 90 days with Banco de Chile, amounting to ThCh$12,276,790 as of December 31, 2017 (ThCh$6,106 in 2016), which were eliminated on consolidation.

a) Hedging assets

The fair value of current hedging assets is detailed as follows:

Hedge classification	Hedge description	Risk covered	Hedge currency	Current		Fair value	
				12-31-2017 ThCh$	12-31-2016 ThCh$	12-31-2017 ThCh$	12-31-2016 ThCh$
Forward	Cash flow hedge instruments	Exchange rate fluctuations	Mexican pesos	-	125,191	-	125,191
Forward	Cash flow hedge instruments	Exchange rate fluctuations	Chilean pesos	44,262	-	44,262	-
Swap	Cash flow hedge instruments	Fuel price fluctuations	US dollars	-	538,254	-	538,254
	Total hedging assets			**44,262**	**663,445**	**44,262**	**663,445**

Note 5 – Other non-financial assets, current

Other current non-financial assets as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Dividends receivable	11,063,838	9,903,146
Advance payments to suppliers	6,142,231	4,937,940
VAT recoverable	5,723,951	5,378,146
Others	1,890,025	1,541,956
Total	**24,820,045**	**21,761,188**

Note 6 – Trade and other receivables

Trade and other receivables as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Trade accounts receivable	212,873,342	191,421,159
Other accounts receivable	44,356,151	35,011,858
Allowance for doubtful receivables	(19,980,118)	(20,538,414)
Total	**237,249,375**	**205,894,603**
Less: Other accounts receivable, non-current (1)	(12,239,058)	(13,061,360)
Current trade and other receivables	**225,010,317**	**192,833,243**

(1) The balance of Other non-current accounts receivable consists mainly of loans to entities abroad with various interest rates and collection periods, which are duly documented by these debtors.

The maturities of current trade and other receivables are detailed as follows:

	12-31-2017				**12-31-2016**			
Days past due	No. Clients portfolio not renegotiated	Gross portfolio not renegotiated ThCh$	No. Clients renegotiated portfolio	Gross renegotiated portfolio ThCh$	No. Clients portfolio not renegotiated	Gross portfolio not renegotiated ThCh$	No. Clients renegotiated portfolio	Gross renegotiated portfolio ThCh$
Not yet due	1,134,865	210,433,207	-	-	589,569	176,682,792	-	-
1-30 days	8,242	19,892,309	-	-	2,905	16,433,193	-	-
31-60 days	1,935	3,472,901	-	-	1,161	2,406,797	-	-
61-90 days	1,152	1,278,200	-	-	759	1,576,892	-	-
91-120 days	1,539	1,237,253	-	-	601	1,309,269	-	-
121-150 days	595	459,113	-	-	571	1,259,634	-	-
151-180 days	474	527,373	-	-	594	1,278,391	-	-
181-210 days	566	228,710	-	-	505	4,385,144	-	-
211_250 days	474	90,370	-	-	530	729,923	-	-
> 250 days	5,311	19,610,057	-	-	3,946	20,370,982	-	-
Total	**1,155,153**	**257,229,493**	**-**	**-**	**601,141**	**226,433,017**	**-**	**-**

Unsecuritized portfolio	**12-31-2017**		**12-31-2016**	
	No. Clients	Portfolio ThCh$	No. Clients	Portfolio ThCh$
Documents receivable rejected	17	580,939	26	640,013
Documents receivable under legal collection procedures	5	14,139	13	34,143

Provisions							
12-31-2017				**12-31-2016**			
Portfolio not renegotiated ThCh$	Renegotiated portfolio ThCh$	Charge-offs for period ThCh$	Recoveries for period ThCh$	Portfolio not renegotiated ThCh$	Renegotiated portfolio ThCh$	Charge-offs for period ThCh$	Recoveries for period ThCh$
(19,980,118)		697,970	1,215,362	(20,538,414)	-	2,364,142	1,118,634

As of December 31, 2017 and 2016, the Company had no clients classified in the securitized portfolio category.

Note 7 – Balances and transactions with related parties

a) Accounts receivable and payable with related parties

Company	Tax No.	Country	Transaction	Relationship	Currency	Current Assets		Non-Current Assets		Current Liabilities		Non-Current Liabilities	
						12-31-2017	12-31-2016	12-31-2017	12-31-2016	12-31-2017	12-31-2016	12-31-2017	12-31-2016
						ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Minera Los Pelambres S.A.	96.790.240-3	Chile	Invoices	Shareholders in common	CLP	4,179,780	2,953,697	-	-	-	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Chile	Invoices	Subsidiary of joint venture	CLP	131,664	131,075	-	-	224	-	-	-
Sociedad Nacional de Oleoductos S.A.	96.989.120-4	Chile	Invoices	Associate of subsidiary	CLP	-	-	-	-	27,259	22,652	-	-
Sociedad de Inversiones de Aviación S.A.	81.095.400-0	Chile	Invoices	Associate of subsidiary	CLP	-	-	-	-	38,736	59,584	-	-
Comercial CCU S.A.	99.554.560-8	Chile	Invoices	Subsidiary of joint venture	CLP	8,440	-	-	-	184,375	76,220	-	-
Asfaltos Cono Sur S.A.	96.973.920-8	Chile	Invoices	Joint venture of subsidiary	CLP	51,213	33,862	-	-	660,086	402,765	-	-
Ferrocarril Antofagasta Bolivia S.A.	81.148.200-5	Chile	Invoices	Shareholders in common	CLP	1,018,738	792,101	-	-	-	-	-	-
Minera Antucoya	76.079.669-7	Chile	Invoices	Shareholders in common	CLP	2,851,861	988,243	-	-	-	-	-	-
Minera Centinela	76.727.040-2	Chile	Invoices	Shareholders in common	CLP	7,561,933	6,396,337	-	-	-	-	-	-
Nexans Brasil S.A. (1)	Foreign	Brazil	Legal settlement	Associate of subsidiary	USD	-	-	-	-	109,105	120,966	-	-
Hapag Lloyd Chile S.A.	76.049.840-8	Chile	Current account	Associate of subsidiary	USD	1,547,941	1,683,048	-	-	67,008	-	-	-
Hapag Lloyd AG	Foreign	Germany	Current account	Joint venture of subsidiary	USD	657,168	1,058,432	-	-	-	-	-	-
Hapag Lloyd AG Mexico S.A. de C.V.	Foreign	Mexico	Services	Associate of subsidiary	USD	137,704	-	-	-	-	-	-	-
Southterm Shipmanagement (Chile) Ltda.	87.987.300-2	Chile	Current account	Associate of subsidiary	USD	-	633,988	-	-	-	416,410	-	-
Norgistics Brasil Operador Multimodal Ltda.	Foreign	Brazil	Current account	Associate of subsidiary	USD	-	162,012	-	-	-	-	-	-
Norgistic Chile S.A.	76.028.758-k	Chile	Services	Associate of subsidiary	CLP	73,770	82,345	-	-	-	-	-	-
CSAV Austral SpA	89.602.300-4	Chile	Current account	Associate of subsidiary	USD	-	291,219	-	-	-	-	-	-
Consorcio Naviero Peruano S.A.	Foreign	Peru	Current account	Associate of subsidiary	USD	-	72,972	-	-	9,221	1,339	-	-
Terminal Puerto Arica S.A.	99.567.620-6	Chile	Dividends	Associate of subsidiary	USD	1,844	253,060	-	-	15,369	36,821	-	-
Transportes Fluviales Corral S.A.	96.657.210-8	Chile	Services	Associate of subsidiary	CLP	55,942	131,216	-	-	-	-	-	-
Tramarsa S.A.	Foreign	Peru	Services	Associate of subsidiary	USD	-	52,888	-	-	-	68,956	-	-
Iquique Terminal Internacional S.A.	96.915.330-0	Chile	Current account	Associate of subsidiary	USD	19,224	-	-	-	10,451	44,185	-	-
Antofagasta Terminal Internacional S.A.	99.511.240-K	Chile	Services	Associate of subsidiary	CLP	171,515	271,805	-	-	10	-	-	-
San Antonio Terminal Internacional S.A.	96.908.970-K	Chile	Services	Associate of subsidiary	CLP	230,043	42,846	-	-	38,748	12,720	-	-
San Antonio Terminal Internacional S.A.	96.908.970-K	Chile	Dividends	Associate of subsidiary	CLP	288,318	911,818	-	-	-	-	-	-
Portuaria Corral S.A.	96.610.780-4	Chile	Services	Associate of subsidiary	CLP	6,762	45,524	-	-	-	-	-	-
Lng Tugs Chile S.A.	76.028.651-6	Chile	Services	Associate of subsidiary	USD	121,720	90,378	-	-	-	-	-	-
Servicios Portuarios Reloncaví Ltda.	78.353.000-7	Chile	Services	Associate of subsidiary	CLP	7,377	192,138	-	-	-	-	-	-
San Vicente Terminal Internacional S.A.	96.908.930-0	Chile	Services	Associate of subsidiary	USD	69,467	1,232,494	-	-	-	22,093	-	-
Agencias Universales S.A.	96.566.940-K	Chile	Services	Associate of subsidiary	CLP	105,737	164,690	-	-	9,836	12,720	-	-
Transbordadora Austral Broom S.A.	82.074.900-6	Chile	Dividends	Associate of subsidiary	CLP	-	44,597	-	-	-	9,373	-	-
Tug Brasil Apoio Marítimo Portuario S.A.	Foreign	Brazil	Services	Associate of subsidiary	USD	607,988	662,106	-	-	142,622	118,494	-	-
Luckymont	Foreign	Uruguay	Loan	Associate of subsidiary	USD	127,253	229,630	-	-	-	-	-	-
Inmobiliaria Carriel Ltda.	76.140.270-6	Chile	Services	Associate of subsidiary	USD	3,689	-	-	87,701	-	-		
Others	-	-	Invoices		CLP	140,581	275,253	-	7,900	72,019	116,898	-	8.034
Total						20.177.672	19,879,774	-	95,601	1,385,069	1,542,196	-	8,034

(1) The recognition of loans related to lawsuits in Brazil arising from the sales contract of the Cable Unit. For legal purposes (Law 18045 and 18046) Nexans Brasil S.A. is not related to Invexans S.A.

Note 7 – Balances and transactions with related parties (continued)

b) Significant transactions with related parties

The criterion of the parent company is to classify the rights with its associates with respect to dividends as Other assets, in view of the related entity's nature but not quality. Transactions between related parties are carried out at market prices. No collateral has been given or received with respect to accounts receivable or payable between related parties. Significant items when disclosing transactions with related parties are those that exceed UF 10,000 or 1% of the equity, whichever is lower.

				12/31/2017		12/31/2016	
Tax No	**Company**	**Relationship**	**´Transaction description**	**Transaction amount**	**Effect on net income**	**Transaction amount**	**Effect on net income**
				ThCh$	ThCh$	ThCh$	ThCh$
96.790.240-3	Minera Los Pelambres S.A.	Shareholders in common	Sales of products and services	32,993,728	2,187,832	24,606,450	2,175,944
76.079.669-7	Minera Antucoya	Shareholders in common	Sales of products and services	13,129,530	840,698	7,692,481	492,926
76.727.040-2	Minera Centinela S.A.	Shareholders in common	Sales of products and services	61,494,726	3,054,745	48,967,330	3,254,773
81.148.200-5	Ferrocarril Antofagasta Bolivia	Shareholders in common	Sales of products	10,928,796	459,282	6,840,707	162,543
76.049.840-8	Hapag Lloyd Chile S.A.	Associate of subsidiary	Port operations	10,492,387	10,492,387	3,461,566	3,461,566
76.380.217-5	Hapag Lloyd Chile SpA	Associate of subsidiary	Leasehold property	734,852	734,852	895,009	895,009
Foreign	Hapag Lloyd AG	Joint venture of subsidiary	Port operations	5,881,811	5,881,811	3,835,909	3,835,909
99.501.760-1	Ecusa S.A.	Subsidiary of joint venture	Store promotions	298,648	286,329	298,648	286,329
99.501.760-1	Ecusa S.A.	Subsidiary of joint venture	Purchases of products	630,814	(630,814)	-	-
99.554.560-8	Comercial CCU S.A.	Subsidiary of joint venture	Purchases of products	1,494,665	(1,494,665)	966,768	(966,768)
81.095.400-0	Sociedad Nacional de Oleoductos S.A.	Associate of subsidiary	Dividends	3,606,136	3,606,136	3,373,382	3,372,382
82.040.600-1	Sociedad Inversiones de Aviación S.A.	Associate of subsidiary	Services received	507,502	(507,502)	653,514	(653,514)
82.040.600-1	Sociedad Inversiones de Aviación S.A.	Associate of subsidiary	Dividends	1,002,000	1,002,000	666,905	666,905
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Services	1,149,469	(1,149,469)	938,905	(938,905)
89.602.300-4	CSAV Austral SpA	Associate of subsidiary	Port operations and tug boats	1,169,334	1,169,334	-	-
96.908.970-k	San Antonio Terminal Internacional S.A.	Associate of subsidiary	Sales of products	758,272	-	38,687	-
96.908.930-0	San Vicente Terminal Internacional S.A.	Associate of subsidiary	Cost of port terminal services	1,476,391	1,476,391	311,262	311,262
96.566.940-k	Agencias Universales S.A.	Associate of subsidiary	Port services	709,918	709,918	981,185	981,185
76.028.651-6	Lng Tugs Chile S.A.	Associate of subsidiary	Tug boats	1,646,310	1,646,310	1,404,322	1,404,322
82.074.900-6	Transbordadora Austral Broom S.A.	Associate of subsidiary	Sales of products	966,724	8,458	591,841	1,380
87.987.300-2	Southern Shipmanagement Ltda.	Associate of subsidiary	Administrative services received	-	-	1,519,084	(1,519,084)
Foreign	Southern Shipmanagement Co Ltd.	Associate of subsidiary	Administrative services received	-	-	1,622,739	(1,622,739)
Foreign	Nexans Brasil S.A.	Associate of subsidiary	Reimbursement of legal settlement	-	-	604,157	604,157
Foreign	Nexans Brasil S.A.	Associate of subsidiary	Payment of legal settlement	245,130	(245,130)	725,462	(725,462)

Note 7 – Balances and transactions with related parties (continued)

c) Remuneration and benefits received by senior management of the Company

The following is a detail for each year:

	12/31/2017 ThCh$	12/31/2016 ThCh$
Wages and salaries	4,281,494	3,513,626
Fees (allowances and profit sharing)	1,118,238	863,733
Short-term benefits	4,480,544	3,832,519
Total	9,880,276	8,209,878

Note 8 – Inventory

Inventory is detailed as follows as of December 31, 2017 and 2016:

Current inventory	12-31-2017 ThCh$	12-31-2016 ThCh$
Raw materials	166,237	97,751
Fuel and lubricants	84,225,232	75,475,447
Supplies for production	6,229,262	7,032,113
Others (1)	8,891,962	6,817,308
Total	99,512,693	89,422,619

(1) Mainly inventory in transit.

Non-current inventory	12-31-2017 ThCh$	12-31-2016 ThCh$
Spare parts	670,692	1,628,821
Total	**670,692**	**1,628,821**

The costs of inventory recognized as expenses in the consolidated statement of comprehensive income as of December 31 each year are:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Inventory costs booked as expenses	1,669,074,014	1,502,153,319
	1,669,074,014	**1,502,153,319**

Note 9 – Non-current assets or disposal groups classified as held for sale and discontinued operations

This account is detailed as follows as of December 31, 2017 and 2016:

	Invexans		Tech Pack		SM SAAM		CSAV		Total	
	12/31/2017 ThCh$	12/31/2016 ThCh$	12/31/2017 ThCh$	12/31/2016 ThCh$	12/31/2017 ThCh$	12/31/2016 ThCh$	12/31/2017 ThCh$	12/31/2016 ThCh$	12/31/2017 ThCh$	12/31/2016 ThCh$
Non-current assets held for sale	2,157,195	5,680,350	9,065,662	21,447,152	11,754,020	6,992,614	1,137,288	-	24,114,165	34,120,116
Assets from discontinued operations	-	-	125,143	379,776	-	-	-	-	125,143	379,776
Total assets held for sale	**2,157,195**	**5,680,350**	**9,190,805**	**21,826,928**	**11,754,020**	**6,992,614**	**1,137,288**	**-**	**24,239,308**	**34,499,892**
Liabilities from discontinued operations	-	-	613,674	641,167	-	-	698,971	-	1,312,645	641,167
Total liabilities held for sale	**-**	**-**	**613,674**	**641,167**	**-**	**-**	**698,971**	**-**	**1,312,645**	**641,167**

(a) Non-current assets held for sale

Non-current assets held for sale as of December 31, 2017 and 2016, are detailed as follows:

	Invexans		Tech Pack		SM SAAM		CSAV		Total	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Properties	2,157,195	5,680,350	8,907,654	20,812,491	6,283,360	6,992,614	1,137,288	-	18,485,497	33,485,455
Machinery, vehicles and equipment	-	-	-	455,514	684,216	-	-	-	684,216	455,514
Other assets	-	-	158,008	179,147	4,786,444	-	-	-	4,944,452	179,147
Total assets	**2,157,195**	**5,680,350**	**9,065,662**	**21,447,152**	**11,754,020**	**6,992,614**	**1,137,288**	**-**	**24,114,165**	**34,120,116**

a.1 SM SAAM

Part of property, plant and equipment associated with the Port Services segment of the subsidiary SM SAAM is presented as a group of assets classified as held for sale, in accordance with the commitment signed by Management of the following companies:
a) During the third quarter of 2016, the Company began the sale of expendable industrial real estate that is not required for its business and is not being used, through the indirect subsidiaries Cosem SA, Inmobiliaria Maritima Portuaria SpA and Aquasaam SA, reclassifying land and buildings located in Iquique, Valparaíso, Talcahuano, Puerto Montt and Chiloé as Non-current assets held for sale. The sales of these assets are classified as "other gains (losses)". Management has begun the sale process for these assets, which it expects to conclude within twelve months. The land in Iquique, belonging to Inmobiliaria Maritima Portuaria SpA., was sold in December 2016.
b) The increase in 2017 is mainly due to the sale of the Huasteca tug boat by the indirect subsidiary SAAM SMIT Remolcadores Inc., logistics machinery, inventories and expendable properties. In addition, the 15% stake in Terminal Puerto Arica S.A. has been classified as an asset held for sale.

a.2 Tech Pack

The subsidiary Tech Pack has reclassified various properties associated with the Manufacturing segment as asset groups held for sale: The properties located at La Divisa 900, San Bernardo, and San Francisco 4760, San Miguel, are production facilities used by the subsidiary Madeco Mills S.A., which has discontinued operations. Lomas de Zamora in Argentina belongs to the subsidiaries Decker and Metacab, which are discontinued operations that were dedicated to processing metals in Argentina. The property in Panamericana Norte, Quilicura, belonged to Alusa S.A., which was sold during 2016. The property located in Nueva Street, Huechuraba, which are old production facilities used by Alusa Chile S.A., a subsidiary of Alusa S.A. and the land in Yumbo, Colombia, which belonged to Empaques Flexa, also a subsidiary of Alusa SA., which were sold within the same transaction. Finally, the machinery and equipment for sale, as well as the property in Rancagua and the other assets for sale are owned by the subsidiaries Alumco and Indalum, which have discontinued operations, were dedicated to the production and marketing of enclosure solutions. All these assets come from discontinued operations or sold companies, so they do not now fulfill a productive function within the subsidiary and it has decided to sell them to release these resources.

Note 9 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)

Advice was sought from real estate brokers and companies specializing in marketing these properties and assets, who are actively selling them, always taking into consideration their estimated market value. The company expects to sell them in the short term, although some are high market value assets and have limited alternative uses, so it is not possible to accurately anticipate the time it will take to sell them.

a.3 Invexans

The subsidiary Invexans has reclassified various properties associated with the Manufacturing segment as asset groups held for sale. The Invexans assets held for sale are mainly properties that the Company or its subsidiaries used in their production operations or were complementary to them: The property located in Ureta Cox is a community center that was used by the Company for its employees when the Company was operating, and the building located in Quilpué was used by Armat S.A. (former subsidiary) for manufacturing coin blanks. It also includes the recovery of a property located in the municipality of La Florida, which is undeveloped land of around 2,217 m2.

(b) Discontinued operations

b.1 Tech Pack

1) As of September 30, 2013, the Company's Board of Directors decided to suspend the operations of Decker Industrial S.A., a subsidiary that manufactured copper pipes in Argentina, as part of its strategic business development plan and due to various internal and external factors. This measure meant dismissing all its personnel and selling its production units in Buenos Aires. Later, at a Board meeting of Madeco Mills S.A., a subsidiary of Tech Pack S.A., held on December 16, 2013, the Board agreed to terminate its production and commercial activities (manufacture and sale of copper pipes) as of that date.
During 2016, the Peruvian companies Efren Soluciones S.A. and Inmobiliaria Eliseo SA began to be formally dissolved, after the liquidation of their assets and liabilities, and they have been classified as discontinued operations as of 2017. On June 12, 2017, Efren Soluciones SA and Inmobiliaria Eliseo S.A. were closed, according to Article 161 of the regulations governing the registry of Peruvian companies.

2) The Share Purchase Agreement signed on April 18, 2016, was finalized on May 31, 2016, by the transfer of shares. As a result, Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor Holding SpA, and Inmobiliaria Techpack S.A. sold its shares in Alusa S.A. to Amcor Holding SpA. The buyers belong to Amcor, the main global producer of rigid and flexible packaging. Therefore, Tech Pack S.A. ceased to have a direct or indirect interest in the production and marketing of flexible packaging in Chile and abroad.

The transaction generated revenue of US$ 204 million. The effect on the net income of Tech Pack S.A. is the net amount after deducting the book value of the investment that Tech Pack S.A. and Inmobiliaria Techpack S.A. held in these subsidiaries and other deductions related to the transaction costs and estimated taxes. Also included as a cost are the Reserves for currency translation differences that were recorded in Other comprehensive income up to the time of the sale of US$ 11 million.

Previously, Alusa S.A. was classified in the Manufacturing segment, not as a discontinued operation. As of June 30, 2016, and comparably, the net income for the year of the discontinued operation (Alusa SA) and the gain on disposal were classified as Gain (loss) on discontinued operations, net of taxes, as established in IFRS 5.

The sales of these assets are classified as "Other gains (losses)". Management has begun the process of selling these assets, which it expects to conclude within twelve months.

Note 9 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)

(b) Discontinued operations (continued)

The result of discontinued operations, for the subsidiary Tech Pack, is as follows:

	12/31/2017 ThCh$	12/31/2016 ThCh$
Revenue	-	94,315,302
Expenses	(1,120,819)	(92,807,109)
Net income before taxes	**(1,120,819)**	**1,508,193**
Income tax benefit (expense)	143,102	(1,848,748)
Gain (loss) on discontinued operations, net of taxes	**(977,717)**	**(340,555)**
Gain (loss) on the sale of the discontinued operation Alusa S.A., net of taxes	(2,114,835)	14,218,170
Gain on discontinued operations, net of taxes	**(3,092,552)**	**13,877,615**

b.2 CSAV

Net income from discontinued operations at the subsidiary CSAV was as follows:

Income Statement	12-31-2017 ThCh$	12-31-2016 ThCh$
Revenue	9,873,169	8,933,436
Expenses	(10,762,158)	(7,722,161)
Net income before taxes	**(888,989)**	**1,211,275**
Income tax benefit (expense)	56,745	(295,100)
Gain (loss) on discontinued operations, net of taxes	**(832,244)**	**916,175**

Note 10 – Other financial assets, non-current

Other non-current financial assets as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Equity instruments (shares)	39,584,804	43,528,126
Mortgage-funding notes of domestic banks	96,892	98,739
Bonds issued by corporations	17,868,474	16,883,819
Bonds issued by domestic banks	32,207,046	11,426,581
Securities issued by the Chilean Central Bank	40,086,959	35,229,465
Hedge assets	5,313,772	-
Other equity and foreign investments	6,465,283	1,472,648
Total	**141,623,230**	**108,639,378**

Note 10 – Other financial assets, non-current (continued)

a) Equity instruments

Equity instruments as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Sociedad Nacional de Oleoductos S.A. (Sonacol)	39,396,558	42,244,722
Depósitos Asfálticos S.A. (DASA)	87,577	89,076
Others	(2,042,402)	1,194,328
Total	**37,441,733**	**43,528,126**

b) Hedge assets

Non-current hedge assets and their fair values are as follows.

Classification	Coverage	Risk	Hedged Item	Non-current		Fair values	
				12-31-2017 ThCh$	12-31-2016 ThCh$	12-31-2017 ThCh$	12-31-2016 ThCh$
Cross Currency Swap	Swap	Exchange rate	CLF$ 2,800,000	5,306,522	-	5,306,522	-
Other Derivatives				7,250	-	7,250	-
	Total hedge assets			**5,313,772**	**-**	**5,313,772**	**-**

Note 11 – Other non-financial assets, non-current

Other non-current, non-financial assets as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Court deposits Ficap Brasil	8,723,693	9,207,272
Other recoverable taxes	18,839,416	19,152,917
Rentals paid in advance	10,587,650	2,183,884
Sole investment account	590,385	601,678
Loans to Enex distributors	-	37,263
Autopista Central incorporation fee	2,508,080	2,691,641
Others	985,654	673,116
Total	**42,234,878**	**34,547,771**

Note 12 – Investments booked using the equity method

a) Summary of financial information of significant subsidiaries[4]

The summary of financial information of significant subsidiaries as of December 31, 2017, is as follows:

Company	Country of incorporation	Functional currency	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Revenue ThCh$	Expenses ThCh$	Net income (loss) ThCh$
TECH PACK	Chile	USD	100.00%	98,831,691	46,240,504	-	1,257,639	814,580	-	7,602	-	(1,981,679)
INVEXANS	Chile	USD	98.58%	7,836,639	322,079,021	-	904,285	14,842,158	-	1,727	-	23,926,943
LQIF	Chile	CLP	50.00%	828,173	847,118,615	32,824,183,692	4,654,904	235,379,548	29,663,528,718	1,474,869,890	(789,656,021)	238,590,581
ENEX	Chile	CLP	100.00%	297,658,141	559,816,391	-	209,399,043	80,338,722	-	1,888,725,125	(1,693,041,883)	8,773,807
SM SAAM S.A.	Chile	USD	52.20%	248,920,883	660,805,227	-	101,402,399	241,635,480	-	303,261,156	(223,888,043)	39,819,540
CSAV	Chile	USD	56.17%	42,290,498	1,350,710,874	-	23,752,095	67,542,420	-	71,475,831	(66,675,875)	(126,810,830)
Total				**696,366,025**	**3,786,770,632**	**32,824,183,692**	**341,370,365**	**640,552,908**	**29,663,528,718**	**3,738,341,331**	**(2,773,261,822)**	**182,318,362**

The summary of financial information of significant subsidiaries as of December 31, 2016, is as follows:

Company	Country of incorporation	Functional currency	Percentage interest	Current assets ThCh$	Non-current assets ThCh$	Banking assets ThCh$	Current liabilities ThCh$	Non-current liabilities ThCh$	Banking liabilities ThCh$	Revenue ThCh$	Expenses ThCh$	Net income (loss) ThCh$
TECH PACK	Chile	USD	100.00%	160,907,800	8,436,219	-	13,349,592	1,121,798	-	15,461	-	4,285,610
INVEXANS	Chile	USD	98.65%	9,152,229	304,324,252	-	1,577,454	19,203,108	-	41,994	(2,960)	9,071,059
LQIF	Chile	CLP	50.00%	867,708	849,808,650	31,557,747,786	4,585,466	232,711,863	28,665,391,486	1,425,753,342	(788,787,489)	223,674,101
ENEX	Chile	CLP	100.00%	243,450,839	534,179,122	-	145,342,209	71,786,757	-	1,691,433,763	(1,499,639,825)	20,226,611
SM SAAM S.A.	Chile	USD	52.20%	199,321,973	649,217,195	-	96,802,685	172,958,914	-	266,521,815	(197,067,804)	37,001,653
CSAV	Chile	USD	55.97%	56,348,623	1,395,168,785	-	37,051,123	71,199,082	-	85,830,969	(81,276,573)	(16,668,709)
Total				**670,049,172**	**3,741,134,223**	**31,557,747,786**	**298,708,529**	**568,981,522**	**28,665,391,486**	**3,469,597,344**	**(2,566,774,651)**	**277,590,325**

4 Significant subsidiaries are determined by following the same criterion used in establishing the Company's **Operating Segments** (Note 33).

Note 12 – Investments booked using the equity method (continued)

b) Interest in joint ventures

In accordance with paragraph 21 of IFRS 12, the following shows summarized financial information of the significant interests in joint ventures as of December 31, 2017 and 2016:

				12-31-2017						
Company	**Country of incorporation**	**Book value**	**Percentage interest**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Expenses**	**Net income (loss)**
				ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Hapag Lloyd A.G. (1)	Germany	1,187,855,606	25.46%	1,617,284,300	9,311,064,975	2,038,388,050	4,424,847,550	7,708,316,415	6,586,050,360	20,221,010
Inversiones y Rentas S.A. (2)	Chile	320,233,698	50.00%	729,058,534	1,273,086,398	464,139,758	333,661,095	1,698,360,794	(798,738,655)	73,758,918
Foods Compañía de Alimentos CCU S.A.	Chile	5,792,245	50.00%	1,287,750	19,496,323	9,012,587	186,995	2,371,887	(2,127,178)	331,810
Asfaltos Cono Sur S.A.	Chile	5,733,390	50.00%	1,194,966	11,815,662	1,543,845	-	2,919,489	(3,525,851)	(606,362)
Transportes y Servicios Aéreos S.A.	Chile	140,647	50.00%	283,835	-	2,542	-	-	-	4,285
Aerosan Airport Services S.A.	Chile	3,345,470	50.00%	3,773,950	5,841,355	1,222,738	1,554,088	13,570,385	(9,978,487)	1,456,227
Empresa de Servicios Marítimos Hualpén Ltda.	Chile	(45,492)	50.00%	96,516	97,745	281,015	-	209,965	(503,364)	(74,704)
Inmobiliaria Carriel Ltda.	Chile	46,106	50.00%	31,964	327,258	268,031	-	10,300	(68,035)	(71,610)
Inmobiliaria Sepbío Ltda.	Chile	147,540	50.00%	52,869	2,542,606	599,996	1,700,399	187,564	-	16,346
Muellaje del Maipo S.A.	Chile	58,401	50.00%	1,656,137	28,279	1,416,384	151,843	10,799,569	(10,624,591)	9,255
Portuaria Corral S.A.	Chile	3,680,508	50.00%	2,321,911	7,706,506	1,244,254	1,421,917	6,101,679	(4,043,331)	1,166,868
San Antonio Terminal Internacional S.A.	Chile	26,772,977	50.00%	23,929,144	128,377,628	13,751,343	85,318,079	56,172,290	(47,637,864)	2,025,306
San Vicente Terminal Internacional S.A.	Chile	18,772,621	50.00%	18,181,846	91,535,660	30,201,438	41,671,444	44,615,780	(40,435,299)	(225,480)
Servicios Aeroportuarios Aerosan S.A.	Chile	1,662,699	50.00%	5,648,938	1,397,327	2,564,737	1,154,501	11,689,161	(7,845,442)	2,581,161
Servicios Portuarios Reloncaví Ltda.	Chile	3,901,818	50.00%	6,782,537	5,864,100	2,917,604	1,924,168	12,490,998	(11,395,285)	(258,018)
Servicios Portuarios y Extraportuarios Bío Bío Ltda.	Chile	1,844	50.00%	3,689	-	7,992	-	-	-	(514)
Transportes Fluviales Corral S.A.	Chile	864,953	50.00%	1,578,063	2,555,516	1,606,342	852,044	3,573,766	(3,602,253)	(844,298)
Elequip S.A.	Colombia	-	50.00%	61,475	-	127,868	-	-	-	(58,149)
Equimac S.A.	Colombia	1,771,710	50.00%	554,505	2,993,218	4,918	-	-	-	1,463,877
SAAM SMIT Towage Brasil S.A.	Brazil	61,537,705	50.00%	23,749,022	154,465,774	17,279,393	65,077,435	80,594,009	(50,020,107)	12,192,288
Total		**1,642,274,446**		**2,437,531,951**	**11,019,196,330**	**2,586,580,835**	**4,959,521,558**	**9,651,984,051**	**5,595,504,618**	**113,088,216**

(1) Quiñenco has an interest in Hapag Lloyd AG, through its subsidiary Compañía Sud Americana de Vapores (CSAV), over which it has significant influence and joint control through a shareholder agreement with the other controlling shareholders: the City of Hamburg and Kühne Maritime.

(2) Quiñenco also has a joint venture related to its investment in Compañía Cervecerías Unidas S.A. (CCU), recognized using the equity method in Inversiones y Rentas S.A. (IRSA). The Company has an indirect interest in CCU through its 50% holding in IRSA, which is a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, and so they are the joint controllers of 60% of CCU

Note 12 – Investments booked using the equity method (continued)

b) Interest in joint ventures (continued)

				12-31-2016						
Company	**Country of incorporation**	**Book value**	**Percentage interest**	**Current assets ThCh$**	**Non-current assets ThCh$**	**Current liabilities ThCh$**	**Non-current liabilities ThCh$**	**Revenue ThCh$**	**Expenses ThCh$**	**Net income (loss) ThCh$**
Hapag Lloyd A.G. (1)	Germany	1,186,056,083	31.35%	1,061,913,314	6,856,042,270	1,788,288,264	2,594,798,773	4,621,375,090	(4,314,555,874)	(108,587,696)
Inversiones y Rentas S.A. (2)	Chile	307,758,749	50.00%	682,400,359	1,217,327,822	438,780,643	291,516,335	1,558,897,708	(741,819,916)	66,020,633
Hamburg Container Lines Holding	Germany	117,157	50.00%	20,084	2,678	-	-	-	-	(2,145)
Foods Compañía de Alimentos CCU S.A.	Chile	5,625,374	50.00%	6,789,180	18,712,613	12,678,180	1,572,863	24,771,794	(10,121,892)	(1,037,105)
Asfaltos Cono Sur S.A.	Chile	6,036,572	50.00%	1,708,109	12,035,196	1,670,160	-	2,507,126	(2,643,982)	(136,856)
Transportes y Servicios Aéreos S.A.	Chile	138,504	50.00%	279,531	-	2,523	-	-	-	6,934
Aerosan Airport Services S.A.	Chile	2,893,449	50.00%	1,286,052	6,305,068	1,300,780	502,772	11,311,663	(8,356,954)	1,243,407
Empresa de Servicios Marítimos Hualpén Ltda.	Chile	(10,712)	50.00%	170,715	170,715	356,158	6,025	449,294	(533,621)	(157,968)
Inmobiliaria Carriel Ltda.	Chile	81,006	50.00%	14,728	327,371	179,418	-	11,700	(61,425)	(54,041)
Inmobiliaria Sepbío Ltda.	Chile	139,250	50.00%	100,421	2,545,325	563,024	1,803,552	183,652	(39,084)	(42,104)
Muellaje del Maipo S.A.	Chile	58,913	50.00%	2,558,045	40,838	2,337,120	143,936	13,025,073	(12,718,721)	93,048
Portuaria Corral S.A.	Chile	4,318,082	50.00%	3,688,780	8,616,748	1,757,359	1,911,337	7,132,172	(4,640,477)	1,516,274
San Antonio Terminal Internacional S.A.	Chile	30,669,760	50.00%	43,192,196	117,378,845	15,286,678	84,448,285	70,092,180	(55,701,479)	6,232,417
San Vicente Terminal Internacional S.A.	Chile	37,229,227	50.00%	28,817,336	93,551,738	32,461,931	46,028,740	47,130,869	(35,839,208)	5,013,777
Servicios Aeroportuarios Aerosan S.A.	Chile	2,560,723	50.00%	6,536,036	1,626,143	2,090,085	948,639	11,267,247	(7,376,265)	2,992,458
Servicios Portuarios Reloncaví Ltda.	Chile	4,248,457	50.00%	5,601,455	8,334,232	3,039,394	2,399,380	13,582,318	(11,776,017)	586,326
Servicios Portuarios y Extraportuarios Bío Bío Ltda.	Chile	(1,339)	50.00%	4,017	-	6,695	-	-	-	(1,601)
Transportes Fluviales Corral S.A.	Chile	1,301,450	50.00%	1,478,859	2,560,723	755,162	555,660	2,410,329	(1,810,159)	370,349
Elequip S.A.	Colombia	259,754	50.00%	126,530	559,677	167,368	-	-	-	(32,075)
Equimac S.A.	Colombia	1,609,406	50.00%	434,486	3,259,649	6,025	469,968	-	-	1,208,697
SAAM SMIT Towage Brasil S.A.	Brazil	69,211,817	50.00%	39,584,422	168,486,184	18,857,631	80,429,456	81,917,229	(46,870,631)	14,987,974
Total		**1,660,301,682**		**1,886,704,655**	**8,517,883,835**	**2,320,584,598**	**3,107,535,721**	**6,466,065,444**	**(5,254,865,705)**	**(9,779,297)**

There are no contingent liabilities or investment commitments to report, which relate to interests in joint ventures. The method used to book accounting interests in jointly controlled entities is the equity method, which is the same treatment as investments in associates.

(1) Quiñenco has an interest in Hapag Lloyd AG, through its subsidiary Compañía Sud Americana de Vapores (CSAV), over which it has significant influence and joint control through a shareholder agreement with the other controlling shareholders: the City of Hamburg and Kühne Maritime.

(2) Quiñenco also has a joint venture relating to its investment in Compañía Cervecerías Unidas S.A. (CCU), recognized using the equity method in Inversiones y Rentas S.A. (IRSA). The Company has an indirect interest in CCU through its 50% holding in IRSA which is a joint venture with the Dutch brewery group Heineken Americas B.V. (Heineken). As a result, Heineken holds 50% of IRSA and is therefore a partner of Quiñenco, being the joint controllers of 60% of CCU.

Note 12 – Investments booked using the equity method (continued)

c) Interest in associates

(i) Investment in Nexans

In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Invexans therefore uses as the latest available information, the financial statements as of December and June to value this investment at equity value for the accounting closes as of March and September respectively. This has been authorized by the CMF by its Resolution 10,914 of April 30, 2012.

ii) In accordance with paragraph 10 of IFRS 12, the following is summarized financial information on the significant interests in associates as of December 31, 2017 and 2016:

						12-31-2017				
Company	**Country of incorporation**	**Book value**	**Percentage interest**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Expenses**	**Net income (loss)**
		ThCh$		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Nexans S.A. (1) and (2)	France	320,141,641	29.05%	2,498,173,100	1,425,697,923	1,753,860,849	1,048,730,232	4,759,539,410	(3,924,777,201)	85,695,078
Total		**320,141,641**		**2,498,173,100**	**1,425,697,923**	**1,753,860,849**	**1,048,730,232**	**4,759,539,410**	**(3,924,777,201)**	**85,695,078**

						12-31-2016				
Company	**Country of incorporation**	**Book value**	**Percentage interest**	**Current assets**	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Expenses**	**Net income (loss)**
		ThCh$		**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Nexans S.A. (1) and (2)	France	303,174,172	29.05%	2,438,808,916	1,417,723,609	1,716,705,184	1,075,258,884	4,391,822,709	(3,635,015,432)	35,423,406
Total		**303,174,172**		**2,438,808,916**	**1,417,723,609**	**1,716,705,184**	**1,075,258,884**	**4,391,822,709**	**(3,635,015,432)**	**35,423,406**

(1) Relates to the latest information published by the company. These financial statements include the effects of the fair values that Invexans S.A. controls.

(2) In accordance with French regulations, Nexans does not prepare interim financial statements for the March and September quarters. Invexans therefore uses as the latest available information, the financial statements as of June and December to value this investment at equity value for the accounting closes as of March and September respectively. This has been authorized by the CMF by its Resolution 10,914 of April 30, 2012.

Note 12 – Investments booked using the equity method (continued)

d) Movement in investments in associates and joint ventures:

Movements during 2017 are detailed as follows:

Company	Principal business	Country	Functional currency	Percentage interest	Balance as of 01-01-2017 ThCh$	Share of income (loss) ThCh$	Dividends received ThCh$	Investment sold ThCh$	Other increases (decreases) ThCh$	Balance as of 12-31-2017 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00	307,758,749	36,879,459	(12,713,197)	-	(11,691,313)	320,233,698
Nexans S.A. (1) and (2)	Manufacturing	France	EUR	29.05	303,174,172	24,419,030	(4,649,828)	-	(2,347,228)	320,596,146
Foods Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00	5,625,374	165,905	-	-	966	5,792,245
Odfjell & Vapores Ltd. (Bermudas)	Transport	Bermuda	USD	50.00	(227)	-	-	-	227	-
Hamburg Container Lines Holding	Transport	Germany	EUR	50.00	68,913	(1,374)	-	-	(67,539)	-
Hapag-Lloyd A.G. (3) and (4)	Transport	Germany	EUR	25.46	1,186,056,083	(94,855,218)	-	-	96,654,741	1,187,855,606
Transportations y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00	138,504	2,142	-	-	1	140,647
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00	6,036,572	(303,182)	-	-	-	5,733,390
Sociedad Inversiones Aviación SIAV Ltda.	Fuel & lubricants	Chile	CLP	33.33	1,904,453	1,311,429	(1,002,000)	-	-	2,213,882
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00	34,794	(3,443)	-	-	-	31,351
Aerosán Airport Services S.A.	Port services	Chile	USD	50.00	2,893,449	728,113	-	-	(276,092)	3,345,470
Antofagasta Terminal Internacional S.A.	Port services	Chile	USD	35.00	-	(899,601)	-	-	899,601	-
Empresa de Servicios Marítimos Hualpén Ltda.	Port services	Chile	CLP	50.00	(10,712)	(37,352)	-	-	2,573	(45,491)
Inmobiliaria Carriel Ltda.	Real estate	Chile	CLP	50.00	81,006	(35,805)	-	-	905	46,106
Inmobiliaria Sepbío Ltda.	Real estate	Chile	CLP	50.00	139,250	8,172	-	-	118	147,540
LNG Tugs Chile S.A.	Port services	Chile	USD	40.00	166,029	33,009	(9,836)	-	(24,449)	164,753
Muellaje ATI S.A. (5)	Port services	Chile	CLP	0.50	(5,356)	(982)	-	-	805	(5,533)
Muellaje del Maipo S.A.	Port services	Chile	USD	50.00	58,913	4,629	-	-	(5,141)	58,401
Muellaje STI S.A. (5)	Port services	Chile	CLP	0.50	2,008	389	-	-	(553)	1,844
Muellaje SVTI S.A. (5)	Port services	Chile	CLP	0.50	3,347	504	-	-	452	4,303
Portuaria Corral S.A.	Port services	Chile	CLP	50.00	4,318,082	583,434	(1,222,792)	-	1,784	3,680,508
San Antonio Terminal Internacional S.A.	Port services	Chile	USD	50.00	30,669,760	931,433	(2,383,880)	-	(2,444,336)	26,772,977
San Vicente Terminal Internacional S.A.	Port services	Chile	USD	50.00	37,229,227	(112,740)	(1,207,217)	-	(4,916,985)	30,992,285
Servicios Aeroportuarios Aerosan S.A.	Port services	Chile	USD	50.00	2,560,723	1,290,580	(1,974,653)	-	(213,751)	1,662,899
Servicios Logísticos Ltda. (5)	Port services	Chile	CLP	1.00	8,703	1,855	-	-	(722)	9,836
Servicios Portuarios Reloncaví Ltda.	Port services	Chile	CLP	50.00	4,248,457	(129,009)	(50,551)	-	(167,079)	3,901,818
Servicios Portuarios y Extraportuarios Bío Bío Ltda.	Port services	Chile	CLP	50.00	(1,339)	(254)	-	-	(251)	(1,844)
Terminal Puerto Arica S.A. (5)	Port services	Chile	USD	15.00	4,652,817	504,828	-	-	(5,157,645)	-
Transbordadora Austral Broom S.A.	Port services	Chile	CLP	25.00	17,351,992	1,909,539	(1,296,910)	-	(2,647,128)	15,317,493
Transportations Fluviales Corral S.A.	Port services	Chile	CLP	50.00	1,301,450	(422,149)	(47,226)	-	32,878	864,953
Elequip S.A.	Port services	Colombia	USD	50.00	259,754	29,073	(160,159)	-	(128,668)	-
Equimac S.A.	Port services	Colombia	USD	50.00	1,609,406	731,940	(422,370)	-	(147,266)	1,771,710
Puerto Buenavista S.A.	Port services	Colombia	CLP	33.00	3,633,214	24,870	-	-	(288,024)	3,370,060
Tramarsa S.A.	Port services	Peru	USD	35.00	35,599,737	3,167,282	(5,091,240)	(33,839,572)	163,793	-
Gertil S.A.	Port services	Uruguay	USD	49.00	1,568,568	(26,275)	-	(1,547,228)	4,935	-
Riluc S.A. (5)	Port services	Uruguay	USD	17.70	-	(26)	-	-	26	-
Luckymont S.A.	Port services	Uruguay	USD	49.00	713,655	200,350	(196,219)	-	(51,397)	666,389
SAAM SMIT Towage Brasil S.A.	Port services	Brazil	USD	50.00	69,211,817	6,096,144	(8,136,697)	-	(5,633,560)	61,537,704
Kemfa Servicios, Inversiones y Representaciones S.A. (5)	Port services	Bolivia	USD	0.63	5,355	(426)	-	(5,372)	443	-
Total					**2,029,066,699**	**(17,803,727)**	**(40,564,775)**	**(35,392,172)**	**61,555,121**	**1,996,861,146**

(1) The goodwill related to the acquisition of the associate Nexans S.A. is part of the value of the investment. The amount shown of ThCh$320,596,146 is ThCh$318,091,194 in equity and ThCh$2,504,952 in goodwill.
(2) The market value of Invexans' investment in Nexans as of December 31, 2017 and 2016, amounted to 632,795,670 and 619,569,435 Euros, equivalent to ThCh$467,730,919 and ThCh$437,181,440, respectively.
(3) The market value of CSAV's investment in HLAG as of December 31, 2017 and 2016, amounted to 1,495,944,715 and 812,868,709 Euros, equivalent to ThCh$1,105,797,567 and ThCh$573,560,161, respectively.
(4) The effect of the transaction between Hapag Lloyd A.G and UASC is included in CSAV's share of the result, as described in Note 12 e).
(5) These include investments whose direct share is less than 20%, as the sum of direct and indirect shares exceeds 20% or because it has representation on the Board of Directors.

Note 12 – Investments booked using the equity method (continued)

d) Movement in investments in associates and joint ventures (continued):

Movements during 2016 are detailed as follows:

Company	Principal business	Country	Functional currency	Percentage interest	Balance as of 01-01-2016 ThCh$	Share of income (loss) ThCh$	Dividends received ThCh$	Other increases (decreases) ThCh$	Balance as of 12-31-2016 ThCh$
Inversiones y Rentas S.A.	Investments	Chile	CLP	50.00	297,878,765	33,010,317	(11,197,112)	(11,933,221)	307,758,749
SM SAAM S.A. (1)	Transport	Chile	USD	-	279,553,481	-	-	(279,553,481)	-
Habitaria S.A.	Real estate	Chile	CLP	50.00	13,412	-	-	(13,412)	-
Nexans S.A. (2) (3)	Manufacturing	France	EUR	28.35	276,352,432	10,529,776	-	16,291,964	303,174,172
Foods Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00	11,582,085	(518,552)	-	(5,438,159)	5,625,374
Odfjell & Vapores Ltd. (Bermudas)	Transport	Bermuda	USD	50.00	7,812	(7,863)	-	(176)	(227)
Hamburg Container Lines Holding	Transport	Germany	EUR	50.00	78,118	(1,430)	-	(7,775)	68,913
Hapag-Lloyd A.G. (4)	Transport	Germany	EUR	31.35	1,272,902,856	(5,334,764)	-	(81,512,009)	1,186,056,083
Transportations y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00	135,037	3,467	-	-	138,504
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00	6,595,902	(68,428)	(490,902)		6,036,572
Sociedad Inversiones Aviación SIAV Ltda.	Fuel & lubricants	Chile	CLP	33.33	1,447,855	1,123,503	(666,905)	-	1,904,453
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00	35,075	(280)	-	(1)	34,794
Aerosán Airport Services S.A.	Port services	Chile	USD	50.00	-	621,700	(987,030)	3,258,779	2,893,449
Antofagasta Terminal Internacional S.A.	Port services	Chile	USD	35.00	-	(1,256,633)	-	1,256,633	-
Empresa de Servicios Marítimos Hualpén Ltda.	Port services	Chile	CLP	50.00	-	(101,764)	-	91,052	(10,712)
Inmobiliaria Carriel Ltda.	Real estate	Chile	CLP	50.00	-	(27,203)	-	108,209	81,006
Inmobiliaria Sepbío Ltda.	Real estate	Chile	CLP	50.00	-	(21,054)	-	160,304	139,250
LNG Tugs Chile S.A.	Port services	Chile	USD	40.00	-	40,445	(48,418)	174,002	166,029
Muellaje ATI S.A. (5)	Port services	Chile	CLP	0.50	-	(1,430)	-	(3,926)	(5,356)
Muellaje del Maipo S.A.	Port services	Chile	USD	50.00	-	46,522	-	12,391	58,913
Muellaje STI S.A. (5)	Port services	Chile	CLP	0.50	-	399	-	1,609	2,008
Muellaje SVTI S.A. (5)	Port services	Chile	CLP	0.50	-	425	-	2,922	3,347
Portuaria Corral S.A.	Port services	Chile	CLP	50.00	-	754,964	(111,110)	3,674,228	4,318,082
San Antonio Terminal Internacional S.A.	Port services	Chile	USD	50.00	-	3,017,616	(1,935,942)	29,588,086	30,669,760
San Vicente Terminal Internacional S.A.	Port services	Chile	USD	50.00	-	2,506,887	(1,232,494)	35,954,834	37,229,227
Servicios Aeroportuarios Aerosan S.A.	Port services	Chile	USD	50.00	-	1,496,233	(2,661,530)	3,726,020	2,560,723
Servicios Logísticos Ltda. (5)	Port services	Chile	CLP	1.00	-	1,791	-	6,912	8,703
Servicios Portuarios Reloncaví Ltda.	Port services	Chile	CLP	50.00	-	269,060	(229,495)	4,208,892	4,248,457
Servicios Portuarios y Extraportuarios Bío Bío Ltda.	Port services	Chile	CLP	50.00	-	(808)	-	(531)	(1,339)
Terminal Puerto Arica S.A. (5)	Port services	Chile	USD	15.00	-	850,067	(253,059)	4,055,809	4,652,817
Transbordadora Austral Broom S.A.	Port services	Chile	CLP	25.00	-	1,505,312	(1,162,688)	17,009,368	17,351,992
Transportations Fluviales Corral S.A.	Port services	Chile	CLP	50.00	-	171,229	-	1,130,221	1,301,450
Elequip S.A.	Port services	Colombia	USD	50.00	-	(16,036)	(539,656)	815,446	259,754
Equimac S.A.	Port services	Colombia	USD	50.00	-	604,350	(221,704)	1,226,760	1,609,406
Puerto Buenavista S.A.	Port services	Colombia	CLP	33.33	-	63,447	-	3,569,767	3,633,214
G-Star Capital. Inc. Holding	Port services	Panama	USD	35.00	-	(12)	-	12	-
Tramarsa S.A.	Port services	Peru	USD	35.00	-	10,361,137	(15,999,753)	41,238,353	35,599,737
Gertil S.A.	Port services	Uruguay	USD	49.00	-	(90,569)	-	1,659,137	1,568,568
Riluc S.A. (5)	Port services	Uruguay	USD	17.70	-	(4)	-	4	-
Luckymont S.A.	Port services	Uruguay	USD	49.00	-	347,645	-	366,010	713,655
SAAM SMIT Towage Brasil S.A.	Port services	Brazil	USD	50.00	-	7,493,988	(754,996)	62,472,825	69,211,817
Kemfa Servicios, Inversiones y Representaciones S.A. (5)	Port services	Bolivia	USD	0.63	-	(231)	-	5,586	5,355
Total					**2,146,582,830**	**67,373,219**	**(38,492,794)**	**(146,396,556)**	**2,029,066,699**

(6) The goodwill related to the acquisition of the associate Nexans S.A. is part of the value of the investment. The amount shown of ThCh$303,174,172 is ThCh$301,994,231 in equity and ThCh$1,179,941 in goodwill.
(7) These include investments whose direct share is less than 20%, as the sum of direct and indirect shares exceeds 20% or because it has representation on the Board of Directors.
(8) During 2016, Quiñenco acquired additional shares in Sociedad Matriz SAAM, taking control and making it a consolidated subsidiary.

Note 12 – Investments booked using the equity method (continued)

e) CSAV's investment in Hapag-Lloyd A.G.

The subsidiary CSAV has a 25.46% interest as of December 31, 2017, in Hapag-Lloyd AG (HLAG), headquartered in Hamburg, Germany, which makes it its main shareholder. In addition, CSAV participates in a control agreement with the other two largest shareholders of HLAG: the City of Hamburg, through its investment company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), with a 13.9% interest; and the German businessman Klaus Michael Kühne, through Kühne Maritime GmbH (KM) with a 20.5% interest; collectively they own approximately 59.9% of HLAG. Therefore, considering CSAV's investment in HLAG and the existence and characteristics of the before mentioned joint control agreement, this must be accounted for using the equity method, in accordance with IAS 28 and IFRS 11. These conditions have remained unchanged since the date on which CSAV acquired its original interest in HLAG, under the container business combination in 2014.

e.1) Loss from the dilution of its interest: On May 24, 2017, the merger between HLAG and United Arab Shipping Company Limited ("UASC") was closed, which meant that CSAV's interest in HLAG was diluted from 31.35% to 22.58%, thus causing a dilution loss of ThUS$167,194, which reduced the carrying amount of its investment in HLAG.

e.2) Gain from acquiring an interest: On October 17, 2017, HLAG concluded a capital increase of ThUS$414,000, where CSAV subscribed 54.3%, exceeding its 22.58% share, which gave it a 24.7% interest in HLAG. Over the following weeks it continued acquiring additional shares until it had reached 25% by the end of October, and finally 25.46% during December 2017. The total investment in this period was ThUS$293,653, of which ThUS$93,946 was to subscribe its 22.58% share of the capital increase in HLAG, and ThUS$199,707 was to acquire the additional 2.89% in HLAG. In accordance with the provisions of IAS 28, CSAV issued a PPA (Purchase Price Allocation) report, which indicated the fair value of the net assets acquired by the additional 2.89% amounting to ThUS$214,526, which was compared with the aforementioned cost to give negative goodwill of ThUS$14,819, which according to IFRS is recognized as a gain in CSAV's statement of income.

e.3) Share of net income: Net income attributable to the controllers of HLAG for the year ended December 31, 2017, was ThUS$30,000. However, the return for CSAV was ThUS$1,622 based on calculating its share of HLAG's net income on a quarterly basis. This is due to CSAV having a higher interest in HLAG during the first quarter of 2017 at 31.35%, when HLAG produced losses of ThUS$66,900, which were then reversed in the following quarters. CSAV then added to this amount the effect of fair value adjustments to HLAG's assets and liabilities, in accordance with the PPA (Purchase Price Allocation) reports on the acquisition date. Based on the interest held for each quarter, this adjustment for the year ended December 31, 2017, produced an additional ThUS$11,252 over the direct share of HLAG's net income. Therefore, CSAV's combined return on its investment in this joint venture was ThUS$12,874 for 2017.

HLAG is an open stock company in Germany and listed on the Frankfurt Stock Exchange, so the stock market value of CSAV's investment in this joint business as of December 31, 2017, was ThUS$1,802,535. According to IFRS 13, this value could be the fair value of CSAV's investment in HLAG under a Level 1 valuation, but the Company values its interest in this joint venture according to Level 3 valuation methods, which are mainly based on discounted cash flows from the business. This method is similar to the value in use analysis, which is used to evaluate evidence of investment impairment.

As there were indications of impairment in CSAV's investment in HLAG as of December 31, 2017, at the end of the year CSAV conducted impairment testing, which concluded that the recoverable value of its investment in HLAG is greater than its carrying amount, according to the value in use method in IAS 36.

Note 13 – Intangible assets other than goodwill

Classes of intangible assets, net	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**
Intangible assets with finite life, net	180,151,677	103,919,821
Intangible assets with indefinite life, net (1)	179,518,775	179,777,522
Intangible assets, net	**359,670,452**	**283,697,343**

(1) Intangible assets with an indefinite useful life are the Banco de Chile brand and the contracts to use the Citibank brand, which are not amortized because they are trademarks without expiration and they are expected to generate net cash flows indefinitely for the business. Intangible assets with indefinite useful lives are valued at acquisition cost less accumulated impairment and are not amortized. However, these assets are subject to an annual impairment test.

Method used to express the amortization of identifiable intangible assets	**Useful life**	**Minimum useful life**	**Maximum useful life**
Useful life for port concessions, tug boats and others	years	5	20
Useful life for computer programs	years	3	6
Useful life for other identifiable intangible assets	years	5	10

a) Intangible assets as of December 31, 2017 and 2016, are detailed as follows:

As of December 31, 2017	**Gross assets ThCh$**	**Accumulated amortization/ impairment ThCh$**	**Net assets ThCh$**
Patents, trademarks and other rights	180,922,475	(1,403,700)	179,518,775
Port concessions, tug boats and others	214,182,017	(58,197,110)	155,984,907
Computer programs	11,538,550	(6,883,858)	4,654,692
Other intangible assets	260,478,070	(240,965,992)	19,512,078
Total	**667,121,112**	**(307,450,660)**	**359,670,452**

As of December 31, 2016	**Gross assets ThCh$**	**Accumulated Amortization/ impairment ThCh$**	**Net assets ThCh$**
Patents, trademarks and other rights	181,650,542	(1,873,020)	179,777,522
Port concessions, tug boats and others	108,463,512	(33,621,406)	74,842,106
Computer programs	11,608,383	(5,417,613)	6,190,770
Other intangible assets	260,729,335	(237,842,390)	22,886,945
Total	**562,451,772**	**(278,754,429)**	**283,697,343**

Note 13 – Intangible assets other than goodwill (continued)

b) Movement of identifiable intangible assets

The following shows the movement of identifiable intangible assets during 2017:

Movement	Patents, registered trademarks and other rights	Port concessions, tug boats and others	Computer programs	Other intangible assets	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance	179,777,522	74,842,106	6,190,770	22,886,945	283,697,343
Additions	7,992	3,065,144	1,230,853	20,757	4,324,746
Acquisitions through business combinations	-	103,125,234	8,362	-	103,133,596
Transfers to (from) non-current assets and disposal groups held for sale	(50,410)	-	(1,844)	-	(52,254)
Disposals	(44,877)	-	(276,023)	-	(320,900)
Amortization	(105,122)	(14,380,189)	(1,413,714)	(3,259,188)	(19,158,213)
Revaluation increase (decrease) booked in the statement of net income	-	(455,530)	-	-	(455,530)
Impairment losses booked in the statement of net income	-	-	(730,323)	-	(730,323)
Increase (decrease) in currency translation	(52,805)	(10,211,858)	(514,454)	(136,436)	(10,915,553)
Other increases (decreases)	(13,525)	-	161,065	-	147,540
Closing balance	**179,518,775**	**155,984,907**	**4,654,692**	**19,512,078**	**359,670,452**

The following shows the movement of identifiable intangible assets during 2016:

Movement	Patents, registered trademarks and other rights	Port concessions, tug boats and others	Computer programs	Other intangible assets	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Opening balance	185,730,491	-	3,758,372	31,196,468	220,685,331
Additions	-	-	1,603,298	-	1,603,298
Internally-developed additions	-	-	31,592	22,199	53,791
Acquisitions through business combinations	755,610	82,941,580	6,250,828	7,690,323	97,638,341
Disposals through business divestments	(6,231,161)	-	(3,609,086)	(12,162,095)	(22,002,342)
Disposals	(117,165)	-	(82,248)	-	(199,413)
Amortization	(218,974)	(4,850,069)	(1,554,324)	(3,693,544)	(10,316,911)
Increase (decrease) in currency translation	(111,758)	(3,249,405)	(205,358)	(168,710)	(3,735,231)
Other increases (decreases)	(29,521)	-	(2,304)	2,304	(29,521)
Closing balance	**179,777,522**	**74,842,106**	**6,190,770**	**22,886,945**	**283,697,343**

The subsidiary Tech Pack books the amortization of identifiable intangible assets under Administrative expenses in the consolidated statement of comprehensive income. The subsidiary LQIF books the amortization of its intangible assets under Other expenses by function.

Note 14 – Goodwill

Movements in goodwill during 2017 and 2016 are detailed as follows:

Movement	**Banco de Chile and SM-Chile**	**Merger Banco de Chile - Citibank**	**Merger Citigroup Chile II S.A. LQIF**	**Enex**	**Others**	**Total**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
As of December 31, 2017						
Opening balance as of 01-01-2017	514,466,490	108,438,209	31,868,173	194,701,400	879,551	850,353,823
Increase (decrease) in currency translation	-	-	-	-	(232,658)	(232,658)
Other increases (decreases)	-	-	-	-	3,255,333	3,255,333
Closing balance as of 12-31-2017	**514,466,490**	**108,438,209**	**31,868,173**	**194,701,400**	**3,902,226**	**853,376,498**
As of December 31, 2016						
Opening balance as of 01-01-2016	514,466,490	108,438,209	31,868,173	194,701,400	24,945,369	874,419,641
Transfers to (from) non-current assets and disposal groups held for sale	-	-	-	-	(23,430,289)	(23,430,289)
Increase (decrease) in currency translation	-	-	-	-	(635,529)	(635,529)
Closing balance as of 12-31-2016	**514,466,490**	**108,438,209**	**31,868,173**	**194,701,400**	**879,551**	**850,353,823**

Note 15 – Business combinations

In January 2016, Quiñenco obtained control of the subsidiary SM SAAM, acquiring a 49.79% shareholding. This subsequently increased to 52.20% through successive purchases during 2016.

In accordance with IFRS 3, these transactions are defined as a business combination carried out in stages, in which the original investment was reversed as if it had been directly sold. The final valuation of the assets and liabilities acquired at their fair values cannot take longer than one year.

The detail of the transaction and according to IFRS 10 its effect on net income was as follows

	ThCh$
Fair value of preexisting investment (1)	178,971,583
Book value of the investment as of December 31, 2015 (2)	(215,413,846)
Effect of existing fair value investment in SM SAAM	**(36,442,263)**
Fair value of preexisting investment	178,971,583
Purchase price in January 2016	37,612,364
Purchase amount (consideration transferred)	**216,583,947**
Quiñenco's shareholding, 49.79% of equity at fair value of SM SAAM	**276,301,705**
Negative Goodwill	**59,717,758**
Effect on net income for the year ended December 31, 2016	**23,275,495**

(1) The fair value of the investment was determined in accordance with IFRS 13 using the share price in an active market (Stock exchange) at the date on which control was obtained. The market value of the investment of SM SAAM as of December 31, 2016, amounts to ThCh$262,313,265.

(2) Includes the goodwill associated with the investment, deferred taxes and accumulated amounts recognized in other comprehensive income (other reserves).

Note 16 – Transactions with non-controlling interests

- **Fully paid-in shares**

  In March 2017 and 2016, at extraordinary shareholders' meetings of Banco de Chile, shareholders approved the distribution of 40% and 30% respectively of the distributable net income for the year through the issuance of new fully paid-in shares (bonus issue) which were distributed to the shareholders of Banco de Chile pro rata to their shareholdings in the Bank. During the same month, at the ordinary shareholders' meeting of SM Chile, shareholders approved the distribution of new fully paid-in shares received for its direct interest in Banco de Chile to its shareholders pro rata to their interest in the Bank.

  The effect of paying dividends through new fully paid-in shares in 2017 and 2016 was a net decrease in the direct and indirect interest in the Bank without losing control. Consequently, the accounting treatment has been similar to a disposal of shares. This operation has been booked as a charge to Other reserves, considering that the counterparties are non-controlling interests in Banco de Chile.

  The net decrease in the interest of the Bank is at the level of SM Chile and SAOS since these companies do not receive new fully paid-in shares generating a dilution of their interest in the Bank and therefore a decrease in the indirect interest of LQIF in the Bank. Such decrease cannot be compensated by the increased direct interest that LQIF has in Banco de Chile.

- **Acquisition of Banco de Chile shares**

  During 2017, LQIF acquired 199,894,115 shares in Banco de Chile, bringing its direct and indirect interest in Banco de Chile from 51.06% to 51.26% (51.20% as of December 31, 2017). These transactions have been recorded as a charge to Other reserves, as the counterparties are non-controlling interests in Banco de Chile.

- **Shareholding increase in CSAV**

  During the fourth quarter of 2017, Quiñenco contributed to the capital increase in CSAV, bringing its interest in the subsidiary to 56.17%.
  These transactions have been recorded as a credit to Other reserves, as the counterparties are non-controlling interests.

- **Shareholding increase in Invexans**

  During 2017 and 2016, Quiñenco has successively acquired Invexans shares, bringing its interest in the subsidiary to 98.68%.
  These transactions have been recorded as a credit to Other reserves, as the counterparties are non-controlling interests.

- **Shareholding increase in Sociedad Matriz SAAM S.A.**

  During 2016 and after obtaining control, Quiñenco has successively acquired shares in Sociedad Matriz SAAM, bringing its interest in the subsidiary to 52.20%. These transactions have been recorded as a credit to Other reserves, as the counterparties are non-controlling interests.

Note 16 – Transactions with non-controlling interests (continued)

The net accounting effects (considering for these purposes only Quiñenco's interest) generated by these transactions with non-controlling interests as of December 31, 2017 and 2016 are as follows:

	Dividend paid with new fully paid shares in Banco de Chile	Shareholding increase in Banco de Chile	Shareholding increase in CSAV	Shareholding increase in Invexans	Total
	12-31-2017	**12-31-2017**	**12-31-2017**	ThCh$	**12-31-2017**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Acquisition of shares in Banco de Chile	-	(8,832,983)	-	-	(8,832,983)
Equity value	(8,940,558)	2,886,813	465,723	21,849	(5,566,173)
Intangible assets	(43,586)	145,265	-	-	101,679
Net effect on equity	**(8,984,144)**	**(5,800,905)**	**465,723**	**21,849**	**(14,297,477)**

	Dividend paid with new fully paid shares in Banco de Chile	Shareholding increase in Invexans	Shareholding increase in SM SAAM	Shareholding increase in Tech Pack	Total
	12-31-2016	**12-31-2016**	**12-31-2016**	**12-31-2016**	**12-31-2016**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Equity value	(6,442,495)	38,216	2,273,849	6,736,126	2,605,696
Net effect on equity	**(6,442,495)**	**38,216**	**2,273,849**	**6,736,126**	**2,605,696**

Note 17 – Property, plant and equipment

(a) Composition

Property, plant and equipment as of December 31, 2017 and 2016, is detailed as follows:

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of December 31, 2017			
Construction in progress	24,899,279	-	24,899,279
Land	135,640,446	-	135,640,446
Buildings	98,912,712	(33,122,070)	65,790,642
Plant and equipment	319,690,049	(124,263,058)	195,426,991
Computer equipment	16,802,849	(10,973,760)	5,829,089
Fixed installations and accessories	23,139,888	(10,404,934)	12,734,954
Ships and tug boats	309,642,830	(112,006,790)	197,636,040
Motor vehicles	13,962,587	(6,454,309)	7,508,278
Other property, plant and equipment	15,052,439	(8,654,855)	6,397,584
Total as of December 31, 2017	**957,743,079**	**(305,879,776)**	**651,863,303**

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of December 31, 2016			
Construction in progress	76,492,583	-	76,492,583
Land	133,022,481	-	133,022,481
Buildings	96,883,308	(33,785,772)	63,097,536
Plant and equipment	250,590,609	(127,365,374)	123,225,235
Computer equipment	15,899,989	(9,703,190)	6,196,799
Fixed installations and accessories	19,636,187	(7,732,261)	11,903,926
Ships and tug boats	341,847,449	(117,092,961)	224,754,488
Motor vehicles	14,165,870	(5,873,449)	8,292,421
Other property, plant and equipment	12,220,012	(6,993,160)	5,226,852
Total as of December 31, 2016	**960,758,488**	**(308,546,167)**	**652,212,321**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)
Note 17 – Property, plant and equipment (continued)

(b) Movement

Movements in 2017 are detailed as follows:

		Construction in progress	Land	Buildings, net	Plant and equipment, net	Computer equipment, net	Fixed installations and accessories, net	Ships and tug boats, net	Motor vehicles, net	Other property, plant and equipment, net	Property, plant and equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
	Opening balance as of January 1, 2017	76,492,583	133,022,481	63,097,536	123,225,235	6,196,799	11,903,926	224,754,488	8,292,421	5,226,852	652,212,321
Movement	Additions	18,713,965	7,256,952	2,959,791	37,623,593	2,375,424	3,722,433	8,304,043	2,459,598	2,588,884	86,004,683
	Acquisitions through business combinations	-	-	41,803	27,049	154,302	-	-	9,221	147,540	379,915
	Divestments	-	(95,913)	-	(590,775)	(346)	(2,585)	(1,024,788)	(446,166)	-	(2,160,573)
	Transfers to (from) non-current assets and disposal groups held for sale	-	-	(331,350)	(1,004,502)	(89,754)	-	(172,130)	(331,965)	-	(1,929,701)
	Transfers to (from) investment properties	-	-	(61,475)	-	-	-	-	-	-	(61,475)
	Disposals through business combinations	(69,113,180)	653,357	10,067,883	56,520,027	93,442	-	1,463,105	307,375	7,991	-
	Disposals	-	-	(258,149)	(298,779)	(33,987)	(55,730)	-	-	(11,950)	(658,595)
	Charge for depreciation	-	-	(5,163,806)	(15,817,506)	(2,415,804)	(2,833,251)	(20,469,285)	(2,346,612)	(1,572,119)	(50,618,383)
	Impairment loss recognized in Statement of Net Income	(65,164)	-	(462,292)	(264,957)	(45,492)	-	(121,721)	(277,867)	-	(1,237,493)
	Increases (decreases) in exchange differences	(1,128,925)	(5,196,431)	(3,991,868)	(2,679,914)	(210,397)	-	(15,548,285)	(146,541)	(145,327)	(29,047,688)
	Other increases (decreases)	-	-	(107,431)	(1,312,480)	(195,098)	161	450,613	(11,186)	155,713	(1,019,708)
	Closing balance as of December 31, 2017	**24,899,279**	**135,640,446**	**65,790,642**	**195,426,991**	**5,829,089**	**12,734,954**	**197,636,040**	**7,508,278**	**6,397,584**	**651,863,303**

Movements in 2016 are detailed as follows:

		Construction in progress	Land	Buildings, net	Plant and equipment, net	Computer equipment, net	Fixed installations and accessories, net	Ships and tug boats, net	Motor vehicles, net	Improvements to leased assets	Other property, plant and equipment, net	Property, plant and equipment, net
		ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
	Opening balance as of January 1, 2016	68,237,929	91,441,083	48,282,232	147,669,641	6,076,506	5,452,888	17,912,145	3,243,327	451,825	3,419,850	392,187,426
Movement	Additions	30,035,779	4,309,209	1,928,562	32,735,888	1,426,318	8,839,424	7,426,474	5,236,494	-	2,151,620	94.089.768
	Acquisitions through business combinations	17,754,710	40,927,941	30,326,673	39,748,365	1,839,314	-	203,099,369	2,754,711	-	2,107,045	338.558.128
	Divestments	-	(280,430)	(541,863)	(439,909)	(15,948)	-	(4,538,905)	(439,279)	-	-	(6.256.334)
	Transfers to (from) non-current assets and disposal groups held for sale	-	(15,862,357)	(5,125,941)	-	-	-	-	-	-	-	(20.988.298)
	Transfers to (from) investment properties	(32,701,635)	(1,434,005)	706,702	280,108	8,699	-	30,518,166	67,556	-	189,841	(2.364.568)
	Disposals through business combinations	(1,644,509)	(15,229,705)	(28,367,893)	(77,997,771)	(498,795)	(702,428)	-	(411,817)	(427,566)	(791,133)	(126.071.617)
	Disposals	(16,643)	-	(26,003)	(436,815)	(11,183)	(102,465)	(155,722)	(35,982)	-	(8,715)	(793.528)
	Charge for depreciation	-	-	(6,624,042)	(17,538,882)	(2,486,887)	(1,139,360)	(23,720,849)	(1,971,213)	(25,394)	(1,394,725)	(54.901.352)
	Impairment loss recognized in Statement of Net Income	-	-	(593,837)	(1,657,576)	-	-	(49,265)	-	-	-	(2.300.678)
	Increases (decreases) in exchange differences	(1,262,717)	(1,281,995)	(1,489,862)	(2,902,874)	(128,684)	(29,383)	(14,952,509)	(151,155)	1,135	(144,756)	(22.342.800)
	Other increases (decreases)	(3,910,331)	30,432,740	24,622,808	3,765,060	(12,541)	(414,750)	9,215,584	(221)	-	(302,175)	63.396.174
	Closing balance as of December 31, 2016	**76,492,583**	**133,022,481**	**63,097,536**	**123,225,235**	**6,196,799**	**11,903,926**	**224,754,488**	**8,292,421**	**-**	**5,226,852**	**652,212,321**

Note 17 – Property, plant and equipment (continued)

(c) Finance leases

As of December 31, 2017 and 2016, the subsidiaries Enex and SM SAAM have signed contracts to acquire leasehold land, plant and equipment. The lessors for the latter are Banco Santander, Wells Fargo Equipment Finance, Inc. and Metlife Chile.

There are no dividends, additional debt or new lease restrictions in these contracts.

Items of property, plant and equipment under finance leases as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Land	505,812	505,812
Plant and equipment, net	3,512,543	5,525,152
Total	**4,018,355**	**6,030,964**

The present value of future finance lease payments as of December 31, 2017 and 2016, is as follows:

		12-31-2017	
	Gross ThCh$	Interest ThCh$	Present value ThCh$
Less than one year	1,632,893	(67,623)	1,565,270
One to five years	2,412,874	(38,729)	2,374,145
Over five years	-	-	-
Total	**4,045,767**	**(106,352)**	**3,939,415**

		12-31-2016	
	Gross ThCh$	Interest ThCh$	Present value ThCh$
Less than one year	1,828,663	(130,546)	1,698,117
One to five years	4,313,080	(130,547)	4,182,533
Over five years	-	-	-
Total	**6,141,743**	**(261,093)**	**5,880,650**

Note 17 – Property, plant and equipment (continued)

(d) Operating leases

The most significant operating leases relate to the subsidiaries Enex and CSAV, with contracts varying between 1 and 5 years with automatic one-year renewals. There is an option to terminate these leases in advance at Enex, for which the lessor should be notified within the term and conditions set out in each of the contracts.

If a contract is terminated in advance without giving the required notification period, the installments established in the original contract must still be paid.

There are no restrictions imposed by the operating lease contracts.

The future payments under operating leases as of December 31, 2017 and 2016, are as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Less than one year	31,486,021	32,135,299
Between one and five years	45,272,671	41,788,077
Total	**76,758,692**	**73,923,376**

The following are the installments of leases and sub-leases booked in the consolidated statement of comprehensive income as of December 31, 2017 and 2016:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Minimum lease payments under operating leases	15,928,468	14,845,689
Total	**15,928,468**	**14,845,689**

Note 18 – Investment properties

a) Investment properties as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Land	3,862,893	4,197,203
Buildings	12,854,065	14,139,584
Total	**16,716,958**	**18,336,787**

Note 18 – Investment properties (continued)

b) Movement

Movement in investment properties during 2017 and 2016 are detailed as follows:

2017	**Land ThCh$**	**Buildings ThCh$**	**Total ThCh$**
Opening balance, net	4,197,203	14,139,584	18,336,787
Transfers to (from) property, plant and equipment	-	61,475	61,475
Transfers to (from) non-current assets and disposal groups held for sale	-	(11,065)	(11,065)
Disposals	(110,040)	(335,039)	(445,079)
Charge for depreciation	-	(228,709)	(228,709)
Increases in exchange differences	(224,270)	(772,181)	(996,451)
Closing balance, net	**3,862,893**	**12,854,065**	**16,716,958**

2016	**Land ThCh$**	**Buildings ThCh$**	**Total ThCh$**
Opening balance, net	3,684,917	14,136,292	17,821,209
Additions	67,500	-	67,500
Acquisitions through business combinations	1,573,360	31,481	1,604,841
Transfers to (from) investment properties	1,434,005	930,563	2,364,568
Transfers to (from) non-current assets and disposal groups held for sale	(359,494)	-	(359,494)
Disposals	(2,290,165)	(193,248)	(2,483,413)
Charge for depreciation	-	(227,976)	(227,976)
Increases in exchange differences	257,563	-	257,563
Other increases (decreases)	(170,483)	(537,528)	(708,011)
Closing balance, net	**4,197,203**	**14,139,584**	**18,336,787**

c) Revenue from rentals and direct operating expenses of investment properties during 2017 and 2016 are detailed as follows:

	12-31-2017 ThCh$	**12-31-2016 ThCh$**
Revenue from rental of investment properties	2,132,965	2,449,005
Direct operating expenses	(598,230)	(543,612)

d) The fair values of investment properties do not vary significantly from their book values.

Note 19 – Current and deferred taxes

a) General information

The parent company's net income that forms Taxable Income (RAI in Spanish) and Exempt Income (REX in Spanish) are the following:

	ThCh$
Income subject to personal income tax or withholding tax	76,063,486
Income exempt from personal income tax or witholding tax	105,212,915
Non-taxable income	410,748,875
Total taxable income (STUT in Spanish, formerly FUT)	192,015,946

According to the records, the credit balances are:

Accumulated credits from January 1, 2017, subject to restitution and without right to a refund	1,016,795
Accumulated credits as of December 31, 2016 with right to a refund	47,536,286

(b) Deferred taxes

Deferred tax assets and liabilities as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017		12-31-2016	
Deferred taxes	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**
Depreciation	-	57,350,897	-	60,209,471
Amortization	-	19,897,613	-	4,356,241
Provisions	11,388,326	207,786	13,083,586	47,532
Post-employment benefits	2,328,775	562,496	2,538,016	542,070
Revaluations of property, plant and equipment	3,971,357	11,661,535	2,639,051	10,505,730
Revaluations of investment properties	-	-	404,827	-
Intangible assets	-	48,362,462	-	48,362,462
Revaluations of financial instruments	27,283	-	22,764	149,291
Tax losses	152,512,799	-	205,266,760	-
Tax credits	12,518,677	-	9,987,042	-
Deferred tax assets related to others	24,124,096	-	22,723,465	-
Deferred tax liabilities related to others	-	15,073,390	-	25,786,787
Total	**206,871,313**	**153,116,179**	**256,665,511**	**149,959,584**

Note 19 – Current and deferred taxes (continued)

(c) Income tax expense

This account is detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Charge for current taxes	(45,306,094)	(15,822,627)
Charge for other taxes	(67,376)	(580,085)
Adjustment for deferred tax assets and liabilities	(24,601,828)	(12,437,039)
Others	4,812,414	(413,484)
Net income tax expense	**(65,162,884)**	**(29,253,235)**

(d) Reconciliation of applicable taxation

The reconciliation of the income tax expense from the financial result before tax as of December 31 2017 and 2016 is as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Tax benefit (expense) using the statutory rate	**(3,761,919)**	**(20,166,477)**
Tax effect of rates of other jurisdictions	(29,894,111)	(5,897,551)
Tax effect of non-taxable revenue	(9,663,490)	36,664,416
Tax effect of expenses disallowed for tax purposes	(21,017,467)	(27,708,526)
Tax effect of a revaluation of deferred tax assets not booked	988,156	(235,830)
Taxation calculated at applicable rate	(1,158,754)	1,288,065
Income tax on discontinued operations	-	(295,100)
Other decreases in charge for statutory taxes	(655,299)	(12,902,232)
Income tax benefit (expense) using the effective rate	**(65,162,884)**	**(29,253,235)**

Note 20 – Other current and non-current financial liabilities

Other current and non-current financial liabilities as of December 31, 2017 and 2016, are detailed as follows:

	Current		Non-current	
	12-31-2017 ThCh$	12-31-2016 ThCh$	12-31-2017 ThCh$	12-31-2016 ThCh$
Bank loans	61,459,961	64,603,426	183,900,137	194,639,301
Bonds outstanding	39,615,277	39,382,000	904,155,653	842,710,362
Concession liabilities	2,282,567	1,166,217	15,247,030	17,675,347
Finance leases	1,565,270	1,698,117	2,374,145	4,182,533
Guaranteed factoring obligations	3,046,701	-	-	-
Hedge liabilities	329,506	68,286	19,671	73,642
Total	**108,299,282**	**106,918,046**	**1,105,696,636**	**1,059,281,185**

Note 20 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2017, are detailed as follows:

a.1) Book values

Debtor Tax No	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	2.88%	2.73%	32,265	-	32,265	6,129,058	6,129,058	-	-	-	-	6,161,323
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	Libor+2.5%	434,628	434,628	-	27,261,089	6,542,170	6,269,835	5,861,027	5,861,026	2,727,031	27,695,717
96.696.270-4	Inmobiliaria Marítima Portuaria Ltda.	Chile	Banco Estado	CLF	Monthly	4.50%	4.50%	40,573	24,590	15,983	-	-	-	-	-	-	40,573
Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Mexico	Banco Itau Chile	USD	Semi-annually	4.28%	4.00%	1,865,766	-	1,865,766	1,844,250	1,844,250	-	-	-	-	3,710,016
Foreign	Florida International Terminal, Llc.	USA	Banco Crédito e Inversiones	USD	Semi-annually	5.12%	Libor+3%	166,596	12,295	154,301	771,510	154,302	154,302	154,302	154,302	154,302	938,106
Foreign	Iquique Terminal Internacional S.A.	Chile	Banco Estado	USD	Semi-annually	4.13%	Libor+2.5%	1,868,225	921,510	946,715	-	-	-	-	-	-	1,868,225
Foreign	Iquique Terminal Internacional S.A.	Chile	Banco Crédito e Inversiones	USD	Semi-annually	4.94%	Libor+2.3%	1,646,915	-	1,646,915	3,185,634	1,592,817	1,592,817	-	-	-	4,832,549
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.38%	3.21%	1,255,934	673,766	582,168	5,241,972	1,164,951	1,164,951	1,164,951	1,164,951	582,168	6,497,906
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.69%	3.50%	785,651	401,432	384,219	1,152,042	768,438	383,604	-	-	-	1,937,693
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.70%	3.50%	471,512	240,982	230,530	691,594	461,063	230,531	-	-	-	1,163,106
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	4.10%	3.95%	614,136	37,500	576,636	8,645,228	1,152,656	1,152,656	1,152,656	1,152,656	4,034,604	9,259,364
Foreign	Inarpi S.A.	Ecuador	Banco Santander Madrid	USD	Semi-annually	4.89%	Libor+1.8%	1,172,328	-	1,172,328	8,090,110	1,155,730	1,155,730	1,155,730	1,155,730	3,467,190	9,262,438
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	4.28%	4.07%	1,156,959	132,171	1,024,788	11,269,598	2,048,962	2,048,962	2,048,962	2,048,962	3,073,750	12,426,557
Foreign	Saam Operadora de Ptos.de Estiba y Des.Costa Rica S.A.	Costa Rica	Banco Estado	USD	Semi-annually	3.53%	Libor+2%	847,741	463,522	384,219	4,994,846	768,438	768,438	768,438	768,438	1,921,094	5,842,587
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco Davivienda	USD	Monthly	6.66%	6.50%	716,184	178,892	537,292	1,152,656	1,152,656	-	-	-	-	1,868,840
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco Davivienda	USD	Monthly	6.42%	Libor+5.5%	720,488	173,360	547,128	1,380,114	1,380,114	-	-	-	-	2,100,602
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco San José	USD	Monthly	6.28%	Libor+5.5%	899,380	451,227	448,153	-	-	-	-	-	-	899,380
Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	Banco San José	USD	Quarterly	5.68%	Libor+4.25%	1,734,210	598,152	1,136,058	16,154,401	1,588,514	1,678,268	1,777,857	1,881,135	9,228,627	17,888,611
Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	Banco Davivienda Costa Rica	USD	Monthly	6.65%	Libor+5.35%	601,841	151,229	450,612	1,373,351	636,266	679,299	57,786	-	-	1,975,192
Foreign	Saam Remolques S.A. de C.V.	Mexico	Banco Inbursa	USD	Semi-annually	4.60%	4.60%	1,239,951	-	1,239,951	-	-	-	-	-	-	1,239,951
Foreign	Saam Remolques S.A. de C.V.	Mexico	Corpbanca New York Branch	USD	Semi-annually	4.31%	Libor+3%	5,380,292	2,690,146	2,690,146	14,754,000	4,918,000	4,918,000	4,918,000	-	-	20,134,292
Foreign	Smit Marine Canadá Inc	Canada	Scotiabank Canada	CAD	Monthly	3.42%	3.42%	898,150	224,384	673,766	10,578,004	898,150	9,679,854	-	-	-	11,476,154
Foreign	Virtual Logistics Marine Services, Inc	Panama	Banco Rabobank	USD	Semi-annually	5.71%	3.45%	590,774	333,195	257,579	2,013,921	575,406	575,406	575,406	287,703	-	2,604,695
78.080.440-8	Enex S.A.	Chile	Banco BCI	CLP	Monthly	3.63%	3.60%	177,609	177,609	-	-	-	-	-	-	-	177,609
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Monthly	3.95%	3.15%	35,387,540	35,387,540	-	-	-	-	-	-	-	35,387,540
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	4.30%	3.30%	754,313	754,313	-	57,216,759	-	-	11,443,352	11,443,351	34,330,056	57,971,072
			TOTAL					61,459,961			183,900,137						245,360,098

Note 20 – Other current and non-current financial liabilities (continued)

a) Interest-bearing bank loans as of December 31, 2017, are detailed as follows:
a.2) Undiscounted values

Debtor Tax No	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	2.88%	2.73%	171,381	-	171,381	7,019,647	7,019,647	-	-	-	-	7,191,028
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	Libor+2.5%	1,117,616	558,808	558,808	30,682,173	7,239,296	7,014,912	6,772,086	6,507,744	3,148,135	31,799,789
96.696.270-4	Inmobiliaria Marítima Portuaria Ltda.	Chile	Banco Estado	CLF	Monthly	4.50%	4.50%	41,803	25,205	16,598	-	-	-	-	-	-	41,803
Foreign	Terminal Marítima Mazatlán S.A. de C.V.	México	Banco Itau Chile	USD	Semi-annually	4.28%	4.00%	1,975,192	-	1,975,192	1,900,192	1,900,192	-	-	-	-	3,875,384
Foreign	Florida International Terminal, Llc.	USA	Banco Crédito e Inversiones	USD	Semi-annually	5.12%	Libor+3%	100,204	-	100,204	971,920	193,646	186,269	178,892	170,901	242,212	1,072,124
Foreign	Iquique Terminal Internacional S.A.	Chile	Banco Estado	USD	Semi-annually	4.13%	Libor+2.5%	1,870,070	922,125	947,945	-	-	-	-	-	-	1,870,070
Foreign	Iquique Terminal Internacional S.A.	Chile	Banco Crédito e Inversiones	USD	Semi-annually	4.94%	Libor+2.3%	1,706,546	-	1,706,546	3,995,875	799,175	3,196,700	-	-	-	5,702,421
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.38%	3.21%	1,363,516	687,291	676,225	5,668,610	1,326,016	1,288,516	1,249,787	1,212,287	592,004	7,032,126
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.69%	3.50%	829,913	418,030	411,883	1,193,230	802,249	390,981	-	-	-	2,023,143
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.70%	3.50%	497,948	250,818	247,130	716,184	481,349	234,835	-	-	-	1,214,132
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	4.10%	3.95%	943,641	-	943,641	10,030,262	1,487,080	1,442,204	1,394,868	1,348,762	4,357,348	10,973,903
Foreign	Inarpi S.A.	Ecuador	Banco Santander Madrid	USD	Semi-annually	4.89%	Libor+1.8%	1,408,392	-	1,408,392	9,079,244	1,409,622	1,372,737	1,334,622	1,297,123	3,665,140	10,487,636
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	4.28%	4.07%	1,531,957	-	1,531,957	12,665,694	2,492,811	2,409,205	2,323,755	2,239,534	3,200,389	14,197,651
Foreign	Saam Operadora de Ptos.de Estiba y Des.Costa Rica S.A.	Costa Rica	Banco Estado	USD	Semi-annually	3.53%	Libor+2%	963,928	486,267	477,661	5,610,210	937,494	910,445	883,396	856,347	2,022,528	6,574,138
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco Davivienda	USD	Monthly	6.66%	6.50%	1,662,899	823,150	839,749	1,406,548	814,544	592,004	-	-	-	3,069,447
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco Davivienda	USD	Monthly	6.42%	Libor+5.5%	839,749	204,097	635,652	1,477,244	1,477,244	-	-	-	-	2,316,993
Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	Banco San José	USD	Monthly	6.28%	Libor+5.5%	944,256	472,128	472,128	-	-	-	-	-	-	944,256
Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	Banco San José	USD	Quarterly	5.68%	Libor+4.25%	2,472,525	617,824	1,854,701	20,334,087	2,471,910	2,471,910	2,471,910	2,471,910	10,446,447	22,806,612
Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	Banco Davivienda Costa Rica	USD	Monthly	6.65%	Libor+5.35%	708,192	177,048	531,144	1,474,170	707,577	707,577	59,016	-	-	2,182,362
Foreign	Saam Remolques S.A. de C.V.	Mexico	Banco Inbursa	USD	Semi-annually	4.60%	4.60%	1,287,287	-	1,287,287	-	-	-	-	-	-	1,287,287
Foreign	Saam Remolques S.A. de C.V.	Mexico	Corpbanca New York Branch	USD	Semi-annually	4.31%	Libor+3%	5,559,184	2,841,989	2,717,195	15,540,881	5,329,883	5,105,499	5,105,499	-	-	21,100,065
Foreign	Smit Marine Canadá Inc	Canada	Scotiabank Canada	CAD	Monthly	3.42%	3.42%	1,219,664	304,301	915,363	11,168,163	1,165,566	10,002,597	-	-	-	12,387,827
Foreign	Virtual Logistics Marine Services, Inc	Panama	Banco Rabobank	USD	Semi-annually	5.71%	3.45%	661,471	166,597	494,874	2,155,929	641,799	504,710	504,710	504,710	-	2,817,400
78.080.440-8	Enex S.A.	Chile	Banco BCI	CLP	Monthly	3.63%	3.60%	177,609	177,609	-	-	-	-	-	-	-	177,609
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Monthly	3.95%	3.15%	35,387,540	35,387,540	-	-	-	-	-	-	-	35,387,540
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	4.30%	3.30%	2,665,390	2,665,390	-	66,782,181	-	-	15,078,045	15,078,044	36,626,092	69,447,571
			TOTAL					**68,107,873**			**209,872,444**						**277,980,317**

Note 20 – Other current and non-current financial liabilities (continued)

b) Interest-bearing bank loans as of December 31, 2016, are detailed as follows:

b.1) Book values

Debtor Tax No	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	1.46%	1.46%	37,000	37,000	-	10,011,924	-	10,011,924	-	-	-	10,048,924
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	Libor+2.5%	354,819	354,819	-	29,687,647	-	6,596,957	6,597,292	6,597,292	9,896,106	30,042,466
96.696.270-4	Inmobiliaria Marítima Portuaria SpA	Chile	Banco Estado	CLF	Monthly	4.50%	4.50%	93,724	23,431	70,293	41,507	41,507	-	-	-	-	135,231
96.915.330-0	Iquique Terminal Internacional S.A.	Chile	Banco Estado	USD	Semi-annually	3.93%	Libor+2.5%	2,058,620	1,055,754	1,002,866	2,005,063	2,005,063	-	-	-	-	4,063,683
96.915.330-0	Iquique Terminal Internacional S.A.	Chile	Banco Crédito e Inversiones	USD	Semi-annually	4.94%	Libor+2.3%	1,810,916	-	1,810,916	5,199,773	1,733,258	1,733,257	1,733,258	-	-	7,010,689
92.048.000-4	SAAM S.A.	Chile	Banco Santander Chile	USD	Semi-annually	2.85%	Libor +2.1%	6,691,353	-	6,691,353	10,010,583	6,673,946	3,336,637	-	-	-	16,701,936
92.048.000-4	SAAM S.A.	Chile	Banco Santander Chile	USD	Monthly	1.49%	1.49%	20,078,744	20,078,744	-	-	-	-	-	-	-	20,078,744
92.048.000-4	SAAM S.A.	Chile	Banco Estado	USD	Semi-annually	3.12%	3.12%	67,616	-	67,616	16,647,041	3,026,674	3,026,673	3,026,674	3,026,674	4,540,346	16,714,657
92.048.000-4	SAAM S.A.	Chile	Banco Estado	USD	Semi-annually	3.12%	3.12%	1,067,805	-	1,067,805	12,011,630	2,183,811	2,183,811	2,183,811	2,183,811	3,276,386	13,079,435
Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Mexico	Banco Itaú Chile	USD	Semi-annually	4.66%	4.00%	2,043,222	-	2,043,222	4,016,820	2,008,410	2,008,410	-	-	-	6,060,042
Foreign	SAAM Remolques S. A. de C. V.	Mexico	Banco Inbursa	USD	Semi-annually	4.70%	4.60%	2,711,354	-	2,711,354	1,338,940	1,338,940	-	-	-	-	4,050,294
Foreign	SAAM Remolques S. A. de C. V.	Mexico	Corpbanca New York Branch	USD	Semi-annually	3.91%	Libor+3%	5,916,106	3,238,226	2,677,880	21,423,040	5,355,760	5,355,760	5,355,760	5,355,760	-	27,339,146
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.21%	3.21%	1,387,142	753,154	633,988	6,976,548	1,268,646	1,268,646	1,268,646	1,268,646	1,901,964	8,363,690
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.95%	3.95%	40,838	-	40,838	10,042,049	627,293	1,255,256	1,255,256	1,255,256	5,648,988	10,082,887
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.50%	3.50%	862,278	443,859	418,419	2,092,095	836,838	836,838	418,419	-	-	2,954,373
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.50%	3.50%	518,170	267,119	251,051	1,255,257	502,103	502,103	251,051	-	-	1,773,427
Foreign	Inarpi S.A.	Ecuador	Banco Santander	USD	Semi-annually	3.12%	Libor +1.8%	601,854	9,373	592,481	4,146,028	592,481	592,481	592,481	592,481	1,776,104	4,747,882
Foreign	SAAM SMIT Marine Canadá Inc	Canada	Scotiabank Canada	CAD	Monthly	2.62%	2.62%	904,454	226,281	678,173	11,879,076	904,454	904,454	10,070,168	-	-	12,783,530
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Monthly	6.45%	5.60%	3,820,579	-	3,820,579	7,754,745	3,877,372	3,877,373	-	-	-	11,575,324
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Semi-annually	6.45%	5.60%	6,946,507	-	6,946,507	14,099,535	7,049,767	7,049,768	-	-	-	21,046,042
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	6.06%	4.43%	6,590,325	-	6,590,325	24,000,000	6,000,000	6,000,000	6,000,000	6,000,000	-	30,590,325
			TOTAL					**64,603,426**			**194,639,301**						**259,242,727**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 20 – Other current and non-current financial liabilities (continued)

b) Interest-bearing bank loans as of December 31, 2016, are detailed as follows:
b.2) Undiscounted values

Debtor Tax No	Debtor	Debtor country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	1.46%	1.46%	158,786	158,786	-	12,011,445	12,011,445	-	-	-	-	12,170,231
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	Libor+2.5%	1,153,222	567,440	585,782	34,579,081	1,202,388	7,869,827	7,628,757	7,367,548	10,510,561	35,732,303
96.696.270-4	Inmobiliaria Marítima Portuaria SpA	Chile	Banco Estado	CLF	Monthly	4.50%	4.50%	93,726	46,863	46,863	41,507	41,507	-	-	-	-	135,233
96.915.330-0	Iquique Terminal Internacional S.A.	Chile	Banco Estado	USD	Semi-annually	3.93%	Libor+2.5%	2,061,968	1,057,763	1,004,205	2,008,410	1,004,205	1,004,205	-	-	-	4,070,378
96.915.330-0	Iquique Terminal Internacional S.A.	Chile	Banco Crédito e Inversiones	USD	Semi-annually	4.94%	Libor+2.3%	1,817,611	76,989	1,740,622	5,221,866	1,740,622	1,740,622	1,740,622	-	-	7,039,477
92.048.000-4	SAAM S.A.	Chile	Banco Santander Chile	USD	Semi-annually	2.85%	Libor +2.1%	6,974,538	3,502,667	3,471,871	10,228,163	5,114,081	5,114,082	-	-	-	17,202,701
92.048.000-4	SAAM S.A.	Chile	Banco Santander Chile	USD	Monthly	1.49%	1.49%	20,107,531	20,107,531	-	-	-	-	-	-	-	20,107,531
92.048.000-4	SAAM S.A.	Chile	Banco Estado	USD	Semi-annually	3.12%	3.12%	529,551	262,432	267,119	18,324,733	3,452,122	3,452,122	3,356,053	3,356,053	4,708,383	18,854,284
92.048.000-4	SAAM S.A.	Chile	Banco Estado	USD	Semi-annually	3.12%	3.12%	1,539,111	210,883	1,328,228	13,438,941	2,531,712	2,531,713	2,461,195	2,461,195	3,453,126	14,978,052
Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Mexico	Banco Itaú Chile	USD	Semi-annually	4.66%	4.00%	2,232,013	1,106,634	1,125,379	4,220,339	2,110,169	2,110,170	-	-	-	6,452,352
Foreign	SAAM Remolques S. A. de C. V.	Mexico	Banco Inbursa	USD	Semi-annually	4.70%	4.60%	2,833,197	1,431,996	1,401,201	1,370,405	1,370,405	-	-	-	-	4,203,602
Foreign	SAAM Remolques S. A. de C. V.	México	Corpbanca New York Branch	USD	Semi-annually	3.91%	Libor+3%	6,436,284	3,238,226	3,198,058	22,891,188	5,804,193	5,804,194	5,641,400	5,641,401	-	29,327,472
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.21%	3.21%	1,640,871	769,891	870,980	7,543,588	1,417,826	1,417,826	1,371,521	1,371,521	1,964,894	9,184,459
Foreign	Inarpi S.A.	Ecuador	Banco Estado	USD	Semi-annually	3.95%	3.95%	401,012	198,163	202,849	11,952,718	1,299,664	1,299,665	1,569,684	1,569,684	6,214,021	12,353,730
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.50%	3.50%	933,241	469,968	463,273	2,203,226	903,785	903,785	395,656	-	-	3,136,467
Foreign	Inarpi S.A.	Ecuador	Banco Crédito e Inversiones	USD	Semi-annually	3.50%	3.50%	559,677	281,847	277,830	1,322,204	542,271	542,271	237,662	-	-	1,881,881
Foreign	Inarpi S.A.	Ecuador	Banco Santander	USD	Semi-annually	3.12%	Libor +1.8%	742,443	375,573	366,870	4,631,393	698,815	698,815	679,289	679,289	1,875,185	5,373,836
Foreign	SAAM SMIT Marine Canadá Inc	Canada	Scotiabank Canada	CAD	Monthly	2.62%	2.62%	1,302,119	653,403	648,716	12,930,813	1,278,688	1,278,688	5,186,718	5,186,719	-	14,232,932
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Monthly	6.45%	5.60%	4,384,221	-	4,384,221	3,989,862	3,989,862	-	-	-	-	8,374,083
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Semi-annually	6.45%	5.60%	7,971,311	-	7,971,311	14,508,589	7,254,294	7,254,295	-	-	-	22,479,900
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	6.06%	4.43%	7,747,825	-	7,747,825	26,778,000	6,972,300	6,972,300	6,416,700	6,416,700	-	34,525,825
			TOTAL					**71,620,258**			**210,196,471**						**281,816,729**

Note 20 – Other current and non-current financial liabilities (continued)

c) Bonds outstanding as of December 31, 2017, are detailed as follows:

c.1) Book values

Debtor Tax No	Debtor	Debtor Country	Registration Number	Series	Maturity	Currency	Repayment	Effective rate	Nominal rate	Current Debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	385	Series C	2039	CLF	Annually	4.93%	4.85%	2,449,973	-	2,449,973	80,251,545	-	-	-	-	80,251,545	82,701,518
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	2,038,262	-	2,038,262	103,224,372	-	-	-	-	103,224,372	105,262,634
90.160.000-7	CSAV	Chile	839	Series B	2021	USD	At maturity	5.20%	5.20%	-	-	-	30,383,404	-	-	-	-	30,383,404	30,383,404
76.196.718-5	SM SAAM S.A.	Chile	793	Series B	2021	CLF	Semi-annually	2.60%	2.60%	42,418	-	42,418	38,180,278	-	-	-	38,180,278	-	38,222,696
76.196.718-5	SM SAAM S.A.	Chile	794	Series C	2026	CLF	Semi-annually	2.80%	2.80%	46,106	-	46,106	36,639,206	-	-	-	-	36,639,206	36,685,312
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	581,336	-	581,336	26,748,059	8,932,713	8,932,713	8,882,633	-	-	27,329,395
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	1,814,711	-	1,814,711	79,719,553	-	-	-	-	79,719,553	81,534,264
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	966,367	-	966,367	63,749,446	-	-	-	-	63,749,446	64,715,813
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	211,669	-	211,669	61,274,153	-	-	-	-	61,274,153	61,485,822
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	13,600,799	-	13,600,799	-	-	-	-	-	-	13,600,799
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	2,722,067	-	2,722,067	118,947,516	-	-	-	10,962,877	107,984,639	121,669,583
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	12,331,618	-	12,331,618	-	-	-	-	-	-	12,331,618
91.705.000-7	Quiñenco	Chile	820	Series S	2044	CLF	Annually	3.15%	3.15%	346,907	-	346,907	133,009,502	-	-	-	-	133,009,502	133,356,409
91.705.000-7	Quiñenco	Chile	820	Series R	2039	CLF	Annually	3.20%	3.15%	2,463,044	-	2,463,044	132,028,619	-	-	-	-	132,028,619	134,491,663
						TOTAL				**39.615.277**			**904,155,653**						**943,770,930**

QUIÑENCO S.A.

Note 20 – Other current and non-current financial liabilities (continued)

c.2) Undiscounted values

Debtor Tax No	Debtor	Debtor Country	Registration Number	Series	Maturity	Currency	Repayment	Effective rate	Nominal rate	Current Debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	385	Series C	2039	CLF	Annually	4.93%	4.85%	3,685,301	-	3,685,301	140,304,681	3,685,301	3,685,301	3,685,301	12,459,828	116,788,950	143,989,982
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	3,878,563	-	3,878,563	143,966,659	3,878,563	3,878,563	3,878,563	3,878,563	128,452,407	147,845,222
90.160.000-7	CSAV	Chile	839	Series B	2021	USD	At maturity	5.20%	5.20%	2,367,402	789,339	1,578,063	33,893,625	1,578,063	10,771,854	10,771,854	10,771,854	-	36,261,027
76.196.718-5	SM SAAM S.A.	Chile	793	Series B	2021	CLF	Semi-annually	2.60%	2.60%	969,461	-	969,461	41,088,661	969,461	969,461	39,149,739	-	-	42,058,122
76.196.718-5	SM SAAM S.A.	Chile	794	Series C	2026	CLF	Semi-annually	2.80%	2.80%	1,043,231	-	1,043,231	44,985,053	1,043,231	1,043,231	1,043,231	1,043,231	40,812,129	46,028,284
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	991,531	-	991,531	28,781,203	9,924,245	9,593,734	9,263,224	-	-	29,772,734
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	3,095,185	-	3,095,185	128,369,789	3,095,185	3,095,185	3,095,185	3,095,185	115,989,049	131,464,974
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	2,163,950	-	2,163,950	100,432,730	2,163,950	2,163,950	2,163,950	2,163,950	91,776,930	102,596,680
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	2,492,227	-	2,492,227	90,966,286	2,492,227	2,492,227	2,492,227	2,492,227	80,997,378	93,458,513
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	13,847,939	-	13,847,939	-	-	-	-	-	-	13,847,939
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	4,642,778	-	4,642,778	162,798,701	4,642,778	4,642,778	4,642,778	15,605,654	133,264,713	167,441,479
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	12,897,275	-	12,897,275	-	-	-	-	-	-	12,897,275
91.705.000-7	Quiñenco	Chile	820	Series S	2044	CLF	Annually	3.15%	3.15%	4,220,707	-	4,220,707	235,287,669	4,220,707	4,220,707	4,220,707	4,220,707	218,404,841	239,508,376
91.705.000-7	Quiñenco	Chile	820	Series R	2039	CLF	Annually	3.20%	3.15%	4,220,707	-	4,220,707	216,294,487	4,220,707	4,220,707	4,220,707	4,220,707	199,411,659	220,515,194
										60.516.257			**1,367,169,544**						**1,427,685,801**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)
Note 20 – Other current and non-current financial liabilities (continued)

d) Bonds outstanding as of December 31, 2016, are detailed as follows:
d.1) Book values

Debtor Tax No	Debtor	Debtor Country	Registration Number	Series	Maturity	Currency	Repayment	Effective rate	Nominal rate	Current Debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	385	Series C	2039	CLF	Annually	4.93%	4.85%	2,408,700	-	2,408,700	78,894,053	-	-	-	-	78,894,053	81,302,753
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	2,004,023	-	2,004,023	101,199,067	-	-	-	-	101,199,067	103,203,090
90.160.000-7	CSAV	Chile	839	Series B	2021	USD	Annually	5.20%	5.20%	-	-	-	32,979,431	-	-	32,979,431	-	-	32,979,431
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	571,571	-	571,571	26,283,590	-	8,782,660	8,782,660	8,718,270	-	26,855,161
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	1,784,227	-	1,784,227	78,337,678	-	-	-	-	78,337,678	80,121,905
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	950,133	-	950,133	62,684,628	-	-	-	-	62,684,628	63,634,761
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	208,113	-	208,113	60,171,154	-	-	-	-	60,171,154	60,379,267
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	13,691,493	-	13,691,493	12,979,714	12,979,714	-	-	-	-	26,671,207
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	2,676,341	-	2,676,341	116,827,725	-	-	-	-	116,827,725	119,504,066
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	12,324,651	-	12,324,651	11,894,259	11,894,259	-	-	-	-	24,218,910
91.705.000-7	Quiñenco	Chile	820	Series S	2044	CLF	Annually	3.15%	3.15%	341,080	-	341,080	130,739,284	-	-	-	-	130,739,284	131,080,364
91.705.000-7	Quiñenco	Chile	820	Series R	2039	CLF	Annually	3.20%	3.15%	2,421,668	-	2,421,668	129,719,779	-	-	-	-	129,719,779	132,141,447
						TOTAL				**39,382,000**			**842,710,362**						**882,092,362**

d.2) Undiscounted values

Debtor Tax No	Debtor	Debtor Country	Registration Number	Series	Maturity	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.929.880-5	LQIF	Chile	385	Series C	2039	CLF	Annually	4.93%	4.85%	3,833,631	-	3,833,631	146,132,483	3,833,631	3,833,631	3,833,631	3,833,631	130,797,959	149,966,114
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	3,642,608	-	3,642,608	142,321,906	3,642,608	3,642,608	3,642,608	3,642,608	127,751,474	145,964,514
90.160.000-7	CSAV	Chile	839	Series B	2021	USD	Annually	5.20%	5.20%	1,718,596	-	1,718,596	39,488,586	1,718,596	1,718,596	1,718,596	34,332,798	-	41,207,182
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	974,875	-	974,875	29,272,605	974,875	9,757,535	9,432,577	9,107,618	-	30,247,480
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	3,043,192	-	3,043,192	129,256,604	3,043,192	3,043,192	3,043,192	3,043,192	117,083,836	132,299,796
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	2,127,599	-	2,127,599	100,873,240	2,127,599	2,127,599	2,127,599	2,127,599	92,362,844	103,000,839
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	2,450,362	-	2,450,362	91,888,580	2,450,362	2,450,362	2,450,362	2,450,362	82,087,132	94,338,942
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	14,056,647	-	14,056,647	13,615,319	13,615,319	-	-	-	-	27,671,966
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	4,564,788	-	4,564,788	164,628,768	4,564,788	4,564,788	4,564,788	4,564,788	146,369,616	169,193,556
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	13,109,437	-	13,109,437	12,680,624	12,680,624	-	-	-	-	25,790,061
91.705.000-7	Quiñenco	Chile	820	Series S	2044	CLF	Annually	3.15%	3.15%	4,149,807	-	4,149,807	235,485,072	4,149,807	4,149,807	4,149,807	4,149,807	218,885,844	239,634,879
91.705.000-7	Quiñenco	Chile	820	Series R	2039	CLF	Annually	3.20%	3.15%	4,149,807	-	4,149,807	216,810,941	4,149,807	4,149,807	4,149,807	4,149,807	200,211,713	220,960,748
						TOTAL				**57,821,349**			**1,322,454,728**						**1,380,276,077**

Note 20 – Other current and non-current financial liabilities (continued)

e) Financial liabilities for concession contracts as of December 31, 2017, are detailed as follows:

e.1) Book values

Port Company	Debtor Tax No	Debtor	Debtor Country	Currency	Up to 3 months ThCh$	3 to 12 months ThCh$	Current debt ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Non-current debt ThCh$	Total debt ThCh$
Empresa Portuaria Iquique	96.915.330-0	Iquique Terminal Internacional SA	Chile	USD	109,426	339,957	449,383	989,132	1,122,534	5,976,599	8,088,265	8,537,648
Administración Portuaria Integral de Mazatlán	Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Chile	MXN	169,670	509,628	679,298	2,070,478	2,070,478	3,017,809	7,158,765	7,838,063
Instituto Costarricence de Puerto Pacífico	Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	USD	1,025,403	-	1,025,403	-	-	-	-	1,025,403
Instituto Costarricence de Puerto Pacífico	Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	USD	128,483	-	128,483	-	-	-	-	128,483
							2,282,567				**15,247,030**	**17,529,597**

e.2) Undiscounted values

Port Company	Debtor Tax No	Debtor	Debtor Country	Currency	Up to 3 months ThCh$	3 to 12 months ThCh$	Current debt ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Non-current debt ThCh$	Total debt ThCh$
Empresa Portuaria Iquique	96.915.330-0	Iquique Terminal Internacional SA	Chile	USD	245,900	737,700	983,600	1,967,200	1,967,200	7,622,900	11,557,300	12,540,900
Administración Portuaria Integral de Mazatlán	Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Chile	MXN	416,801	1,249,787	1,666,588	4,873,123	4,252,226	23,573,204	32,698,553	34,365,141
Instituto Costarricence de Puerto Pacífico	Foreign	Sociedad Portuaria de Caldera S.A.	Costa Rica	USD	1,025,403	-	1,025,403	-	-	-	-	1,025,403
Instituto Costarricence de Puerto Pacífico	Foreign	Sociedad Portuaria Granelera de Caldera S.A.	Costa Rica	USD	128,483	-	128,483	-	-	-	-	128,483
							3,804,074				**44,255,853**	**48,059,927**

QUIÑENCO S.A.

Note 20 – Other current and non-current financial liabilities (continued)

f) Financial liabilities for concession contracts as of December 31, 2016, are detailed as follows:

f.1) Book values

Port Company	Debtor Tax No	Debtor	Debtor Country	Currency	Up to 3 months ThCh$	3 to 12 months ThCh$	Current debt ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Non-current debt ThCh$	Total debt ThCh$
Empresa Portuaria Iquique	96.915.330-0	Iquique Terminal Internacional SA	Chile	USD	112,471	347,455	459,926	1,566,560	1,222,452	6,508,587	9,297,599	9,757,525
Administración Portuaria Integral de Mazatlán	Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Chile	MXN	174,062	532,229	706,291	908,471	1,453,419	6,015,858	8,377,748	9,084,039
							1,166,217				**17,675,347**	**18,841,564**

f.2) Undiscounted values

Port Company	Debtor Tax No	Debtor	Debtor Country	Currency	Up to 3 months ThCh$	3 to 12 months ThCh$	Current debt ThCh$	1 to 3 years ThCh$	3 to 5 years ThCh$	Over 5 years ThCh$	Non-current debt ThCh$	Total debt ThCh$
Empresa Portuaria Iquique	96.915.330-0	Iquique Terminal Internacional SA	Chile	USD	267,788	803,364	1,071,152	2,142,304	2,142,304	9,372,580	13,657,188	14,728,340
Administración Portuaria Integral de Mazatlán	Foreign	Terminal Marítima Mazatlán S.A. de C.V.	Chile	MXN	394,318	1,192,326	1,586,644	3,272,369	3,862,172	28,832,064	35,966,605	37,553,249
							2,657,796				**49,623,793**	**52,281,589**

QUIÑENCO S.A.

Note 20 – Other current and non-current financial liabilities (continued)

g) Finance leases as of December 31, 2016, are detailed as follows:

g.1) Book values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	ITI SA	Chile	Banco Santander	USD	Monthly	2.86%	2.86%	1,100,402	272,334	828,068	1,709,620	1,131,755	577,865	-	-	-	2,810,022
96.915.330-0	ITI SA	Chile	Banco Santander	USD	Monthly	2.35%	2.35%	149,999	55,942	94,057	-	-	-	-	-	-	149,999
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	4.00%	4.00%	67,008	13,525	53,483	-	-	-	-	-	-	67,008
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	3.74%	3.74%	142,622	35,041	107,581	174,590	148,770	25,820	-	-	-	317,212
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	4.86%	4.75%	4,304	1,230	3,074	12,909	3,688	9,221	-	-	-	17,213
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	5,532	1,230	4,302	6,148	6,148	-	-	-	-	11,680
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	7,992	1,844	6,148	7,992	7,992	-	-	-	-	15,984
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	4,918	1,230	3,688	6,146	5,532	614	-	-	-	11,064
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	40,192	9,799	30,393	202,442	78,711	78,711	45,020	-	-	242,634
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	42,301	10,339	31,962	254,298	82,166	82,165	44,984	44,983	-	296,599
								1,565,270			**2,374,145**						**3,939,415**

g.2) Undiscounted values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective Rate	Nominal rate	Current Debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current Debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	ITI SA	Chile	Banco Santander	USD	Monthly	2.86%	2.86%	1,165,567	291,392	874,175	1,748,349	1,165,566	582,783	-	-	-	2,913,916
96.915.330-0	ITI SA	Chile	Banco Santander	USD	Monthly	2.35%	2.35%	150,614	56,557	94,057	-	-	-	-	-	-	150,614
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	4.00%	4.00%	67,622	14,139	53,483	-	-	-	-	-	-	67,622
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	3.74%	3.74%	143,237	35,656	107,581	173,975	148,770	-	-	-	25,205	317,212
Foreign	FIT LLC	USA	Wells Fargo Equipment Finance, Inc.	USD	Monthly	4.86%	4.75%	3,689	1,230	2,459	12,910	3,689	-	-	-	9,221	16,599
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	6,147	1,844	4,303	6,148	6,148	-	-	-	-	12,295
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	8,606	1,844	6,762	8,607	8,607	-	-	-	-	17,213
Foreign	Kios S.A.	Uruguay	Banco Santander Uruguay	USD	Monthly	5.65%	5.50%	4,919	1,230	3,689	6,148	5,533	615	-	-	-	11,067
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	56,738	14,184	42,554	231,970	92,788	92,788	46,394	-	-	288,708
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	60,901	15,225	45,676	293,269	99,601	99,601	47,034	47,033	-	354,170
								1,668,040			**2,481,376**						**4,149,416**

Note 20 – Other current and non-current financial liabilities (continued)

h) Finance leases as of December 31, 2016, are detailed as follows:

h.1) Book values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Santander	USD	Monthly	2.86%	2.86%	1,165,548	288,542	877,006	3,060,147	1,198,351	1,232,494	629,302	-	-	4,225,695
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Santander	USD	Monthly	2.35%	2.35%	239,670	59,583	180,087	163,351	163,351	-	-	-	-	403,021
Foreign	Florida International Terminal LLC	USA	Well Fargo Equipment Finance, Inc.	USD	Monthly	4.00%	4.00%	57,575	14,059	43,516	72,972	72,972	-	-	-	-	130,547
Foreign	Florida International Terminal LLC	USA	Well Fargo Equipment Finance, Inc.	USD	Monthly	3.74%	3.74%	149,961	36,821	113,140	345,447	155,987	162,012	27,448	-	-	495,408
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	41,431	10,145	31,286	243,592	71,969	71,970	49,826	49,827	-	285,023
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	43,932	10,781	33,151	297,024	75,514	75,515	48,665	48,665	48,665	340,956
								1,698,117			**4,182,533**						**5,880,650**

h.2) Undiscounted values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective Rate	Nominal rate	Current Debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current Debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Santander	USD	Monthly	2.86%	2.86%	1,269,316	634,658	634,658	3,173,288	1,269,315	1,269,315	634,658	-	-	4,442,604
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Santander	USD	Monthly	2.35%	2.35%	246,364	123,182	123,182	164,020	164,020	-	-	-	-	410,384
Foreign	Florida International Terminal LLC	USA	Well Fargo Equipment Finance, Inc.	USD	Monthly	4.00%	4.00%	61,592	30,796	30,796	74,981	74,981	-	-	-	-	136,573
Foreign	Florida International Terminal LLC	USA	Well Fargo Equipment Finance, Inc.	USD	Monthly	3.74%	3.74%	166,028	83,014	83,014	360,175	166,029	166,029	28,117	-	-	526,203
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	60,820	15,205	45,615	288,893	91,229	91,230	53,217	53,217	-	349,713
92.011.000-2	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	65,285	16,321	48,964	353,627	97,927	97,928	52,591	52,591	52,590	418,912
								1,869,405			**4,414,984**						**6,284,389**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)
Note 20 – Other current and non-current financial liabilities (continued)

i) Guaranteed factoring obligations as of December 31, 2017 are detailed as follows:

i.1) Book values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Estado	USD	Monthly	1.60%	1.60%	3,046,701	3,046,701	-	-	-	-	-	-	-	3,046,701
								3,046,701			**-**						**3,046,701**

i.2) Undiscounted values

Debtor Tax No	Debtor	Debtor Country	Creditor	Currency	Repayment	Effective rate	Nominal rate	Current debt ThCh$	Up to 3 months ThCh$	3 to 12 months ThCh$	Non-current debt ThCh$	1 to 2 years ThCh$	2 to 3 years ThCh$	3 to 4 years ThCh$	4 to 5 years ThCh$	Over 5 years ThCh$	Total debt ThCh$
96.915.330-0	Iquique Terminal Internacional SA	Chile	Banco Estado	USD	Monthly	1.60%	1.60%	3,046,701	3,046,701	-	-	-	-	-	-	-	3,046,701
								3,046,701			**-**						**3,046,701**

j) Hedge liabilities as of December 31, 2017 and 2016, are detailed as follows:

			Current		**Non-current**		**Fair value**	
Hedge description	**Company**	**Risk hedged**	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**
Swap	SM SAAM S.A.	Interest rate	9,836	24,770	19,671	73,642	29,507	98,412
Forward	SM SAAM S.A.	Exchange rate	319,670	43,516	-	-	319,670	43,516
		TOTAL	**329,506**	**68,286**	**19,671**	**73,642**	**349,177**	**141,928**

Note 21 – Trade and other payables

Trade and other payables as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Trade payables	201,054,607	163,289,211
Other accounts payable	4,974,949	4,780,058
Total	**206,029,556**	**168,069,269**

Current trade payables past due and not yet due as of December 31, 2017, are detailed as follows:

Suppliers not yet due

Type of Supplier	Amounts according to term						
	Up to 30 days ThCh$	31-60 days ThCh$	61-90 days ThCh$	91-120 days ThCh$	121-365 days ThCh$	Over 365 days ThCh$	Total 12-31-2017 ThCh$
Products	117,996,923	-	-	-	-	-	117,996,923
Services	73,716,485	3,004,051	314,137	1,167,087	124,840	31,967	78,358,567
Others	2,805,643	-	-	-	-	1,911,873	4,717,516
Total	**194,519,051**	**3,004,051**	**314,137**	**1,167,087**	**124,840**	**1,943,840**	**201,073,006**

Suppliers past due

Type of Supplier	Amounts by past due ranges						
	Up to 30 days ThCh$	31-60 days ThCh$	61-90 days ThCh$	91-120 days ThCh$	121-365 days ThCh$	Over 365 days ThCh$	Total 12-31-2017 ThCh$
Products	-	-	-	-	-	-	-
Services	2,224,999	387,141	55,224	178,006	403,023	1,668,815	4,917,208
Others	29,081	1,354	1,367	1,002	5,764	774	39,342
Total	**2,254,080**	**388,495**	**56,591**	**179,008**	**408,787**	**1,669,589**	**4,956,550**

Current trade payables past due and not yet due as of December 31, 2016, are detailed as follows:

Suppliers not yet due

Type of Supplier	Amounts according to term						
	Up to 30 days ThCh$	31-60 days ThCh$	61-90 days ThCh$	91-120 days ThCh$	121-365 days ThCh$	Over 365 days ThCh$	Total 12-31-2017 ThCh$
Products	75,548,499	355,439	76,989	133,894	-	-	76,114,821
Services	63,200,625	3,488,820	1,288,060	945,292	-	-	68,922,797
Others	4,639,603	12,757	594,489	8,791	-	902,446	6,158,086
Total	**143,388,727**	**3,857,016**	**1,959,538**	**1,087,977**	**-**	**902,446**	**151,195,704**

Suppliers past due

Type of Supplier	Amounts by past due ranges						
	Up to 30 days ThCh$	31-60 days ThCh$	61-90 days ThCh$	91-120 days ThCh$	121-365 days ThCh$	Over 365 days ThCh$	Total 12-31-2017 ThCh$
Products	-	-	-	-	-	-	-
Services	6,253,402	816,824	840,812	136,614	1,512,099	6,298,467	15,858,218
Others	478,129	5,019	3,926	1,440	7,379	519,454	1,015,347
Total	**6,731,531**	**821,843**	**844,738**	**138,054**	**1,519,478**	**6,817,921**	**16,873,565**

Note 21 – Trade and other payables (continued)

Non-current trade payables not yet due as of December 31, 2017 and 2016, are detailed as follows

Over 365 days		
Supplier	Total 12-31-2017 ThCh$	Total 12-31-2016 ThCh$
Services	-	1,673,675

As of December 31, 2017 and 2016, there are no Confirming transactions.

The past due balances with suppliers are invoices with documentary reconciliation differences and suppliers that have not collected their respective cashier's checks, and other reasons. There are also open positions, as payments are made through agencies. The subsidiary ENEX has withholdings on contracts with construction companies, which will not be paid until the construction requirements are fulfilled.

Note 22 – Other provisions

a) Composition

Other provisions as of December 31, 2017 and 2016, are detailed as follows:

	Current		Non-Current	
	12-31-2017 ThCh$	12-31-2016 ThCh$	12-31-2017 ThCh$	12-31-2016 ThCh$
Restructuring expenses	2,741,292	2,468,532	-	-
Profit sharing and bonuses	1,052,954	1,389,762	-	-
Legal claims	6,188,688	14,882,988	10,013,663	6,803,155
Onerous contracts	856,962	2,707,337	-	-
Other provisions (1) (2)	20,645,973	17,197,830	23,625,371	31,609,609
Total	**31,485,869**	**38,646,449**	**33,639,034**	**38,412,764**

b) Other provisions

(1) Other current provisions as of December 31, 2017 and 2016, are detailed as follows:

	Current	
	12-31-2017 ThCh$	12-31-2016 ThCh$
Contingencies	15,557,391	11,366,436
Specific taxes, royalties and others	1,750,712	1,825,903
Service station maintenance and operational services	917,150	1,408,401
Brand agreements	835,293	526,396
Commissions and insurance	539,616	716,452
Municipal and other taxes	507,985	543,680
Fees and consultancies	213,409	258,008
General, audit, annual report and other expenses	65,418	87,783
Basic consumables	-	151,046
Others	258,999	313,725
Total	**20,645,973**	**17,197,830**

Note 22 – Other provisions (continued)

b) Other provisions (continued)

(2) Other non-current provisions as of December 31, 2017 and 2016, are detailed as follows:

	Non-Current	
	12-31-2017	12-31-2016
	ThCh$	ThCh$
Contingencies	9,377,504	16,050,916
Tank removal	9,516,066	11,142,561
Incurred but not reported claims (Banchile)	4,731,801	4,416,132
Total	**23,625,371**	**31,609,609**

c) Movements

Movements in provisions in 2017 are detailed as follows:

	Restructuring ThCh$	Legal claims ThCh$	Onerous contracts ThCh$	Other provisions and participations ThCh$	Total ThCh$
Opening balance as of 01-01-2017	2,468,532	21,686,143	2,707,337	50,197,201	77,059,213
Additional provisions	-	563,111	-	41,158,372	41,721,483
Increase (decrease) in existing provisions	272,760	875,404	857,576	10,217,973	12,223,713
Provisions used	-	(5,150,375)	(2,486,663)	(46,703,887)	(54,340,925)
Provisions reversed	-	-	-	(3,534,779)	(3,534,779)
Increase (decrease) in currency translation	-	(1,771,932)	(221,288)	(1,275,097)	(3,268,317)
Other increases (decreases)	-	-	-	(4,735,485)	(4,735,485)
Changes in provisions, total	272,760	(5,483,792)	(1,850,375)	(4,872,903)	(11,934,310)
Closing balance as of 12-31-2017	**2,741,292**	**16,202,351**	**856,962**	**45,324,298**	**65,124,903**

Movements in provisions in 2016 are detailed as follows:

	Restructuring ThCh$	Legal claims ThCh$	Onerous contracts ThCh$	Other provisions and participations ThCh$	Total ThCh$
Opening balance as of 01-01-2016	2,191,385	34,420,745	347,978	41,744,573	78,704,681
Additional provisions	-	121,174	-	36,315,613	36,436,787
Increase (decrease) in existing provisions	277,147	255,921	2,891,621	14,129,982	17,554,671
Acquisitions through business combinations	-	367,863	-	1,641,890	2,009,753
Divestments through disposal of businesses	-	-	-	(96,573)	(96,573)
Provision used	-	(11,600,802)	(350,998)	(41,776,890)	(53,728,690)
Increase (decrease) in currency translation	-	(11,035)	-	541,631	530,596
Other increases (decreases)	-	(1,867,723)	(181,264)	(2,303,025)	(4,352,012)
Changes in provisions, total	277,147	(12,734,602)	2,359,359	8,452,628	(1,645,468)
Closing balance as of 12-31-2016	**2,468,532**	**21,686,143**	**2,707,337**	**50,197,201**	**77,059,213**

Note 22 – Other provisions (continued)

d) Description of main provisions

Legal claims: Provisions for legal claims are mainly estimates of disbursements for legal claims associated with cargo transported and for lawsuits and other legal proceedings, to which the Company is exposed. These include those referring to the investigations by antitrust authorities into the car carrier business.

Profit sharing and bonuses: Provisions for profit sharing and bonuses relate to estimates of the Parent company and some of its subsidiaries of profit sharing and bonuses for performance.

Restructuring expenses: Provisions for restructuring expenses contemplate future expenses to be incurred through reductions in personnel as a result of unification of functions in several companies, and reorganizations.

Onerous contracts: This refers to the estimate of those services (voyages in progress) on which there is a reasonable estimate that the revenue obtained will not cover the costs incurred during the voyage, so it is expected that the voyages will close with operating losses. It is expected that these will be used in the current period considering the business cycle of the subsidiary CSAV S.A. Nevertheless, new provisions may be established in subsequent years.

Other provisions: Amounts have been booked as Other provisions with respect to concepts of contingencies, fees and consultancies received, which as of the closing date are pending payment. These include general, annual report and external audit expenses contracted but not yet paid.

Note 23 – Provisions for employee benefits

a) Composition

Provisions for employee benefits as of December 31, 2017 and 2016, are detailed as follows:

	Current		**Non-Current**	
	12-31-2017 ThCh$	**12-31-2016 ThCh$**	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**
Personnel vacations	5,832,917	5,915,504	-	-
Remuneration	7,655,000	7,573,867	-	-
Termination benefits and retirement fund	314,137	864,286	19,801,367	22,124,276
Other benefits	922,125	1,100,839	50,119	44,717
Total	**14,724,179**	**15,454,496**	**19,851,486**	**22,168,993**

Note 23 – Provisions for employee benefits (continued)

b) Termination benefits

As of December 31, 2017 and 2016, the subsidiaries Enex and SM SAAM have collective agreements with their personnel which establish remuneration and/or short and long-term benefits whose main characteristics are as follows:

i. Short-term benefits are generally based on mixed plans or modality agreements for remunerating services and covering the risks of disability and death of employees.

ii. Long-term benefits are plans or agreements mainly for covering post-employment benefits at the end of the labor relationship.

The cost of these benefits is charged to income in Personnel expenses. The liability booked for post-employment benefit plans is obtained from employee remuneration obligations and it is valued using the actuarial method, and the assumptions used as of December 31, 2017 and 2016, covered staff turnover, retirement age, etc. The actuarial assumptions applied to Enex and SM SAAM as of December 31, 2017 and 2016, are detailed as follows:

b.1) Enex

The Company has negotiated collective agreements with its employees that establish short-term and long-term employee benefits, and the main features are as follows:

i) Short-term benefits are generally based on mixed plans or agreements intended to compensate employees, such as covering the risks of employee disability and death.
ii) Long-term benefits are plans or agreements intended to cover post-employment benefits that arise when the employment relationship terminates.

The cost of these benefits is charged to income under "Personnel expenses."

The liability recorded under post-employment benefit plans is derived from employee benefit obligations and is valued using the actuarial method, where the following actuarial assumptions were used as of December 31 2017 and 2016:

Provision for Termination Benefits	**12-31-2017**	**12-31-2016**
Mortality table	M95H-M95M	M95H-M95M
Annual interest rate	4.53%	4.29%
Voluntary employee turnover rate	Turnover statistics for the last few years	Turnover statistics for the last few years
Involuntary employee turnover rate (business need)	Turnover statistics for the last few years	Turnover statistics for the last few years
Salary increase	2.00%	2.00%
Retirement age		
Men	65	65
Women	60	60

Provision for Post-Employment Benefits	**12-31-2017**	**12-31-2016**
Mortality table	RV-2014	RV-2014
Annual interest rate	2.07%	1.66%

Note 23 – Provisions for employee benefits (continued)

b.1) Enex (continued)

Sensitivity analysis of actuarial variables

The method used to quantify the effect on the provisions for termination and post-employment benefits includes an increase and decrease of 10% in the actuarial variables used to calculate these provisions.
The actuarial variables used by Empresa Nacional de Energía Enex S.A. and its subsidiaries, to measure this liability and for the sensitivity analysis are detailed as follows:

December 31, 2017

Provision for Termination Benefits:

Actuarial assumptions	**-10%**	**Actual**	**+10%**
Mortality table	36%	M95H - M95M al 40%	44%
Annual interest rate (in pesos)	3.96%	4.40%	4.84%
Leaving rate (annual) by Art. 159	4.50%	5.00%	5.50%
Leaving rate (annual) by Art. 161	7.20%	8.00%	8.80%
Salary increment (in pesos)	1.80%	2.00%	2.20%
Average annual future inflation	2.70%	3.00%	3.30%

Effect of the change in actuarial variables	**-10%**	**+10%**
Book value as of 12.31.2017	4,481,665	4,481,665
Actuarial change	(16,528)	14,655
Book value after the actuarial change	**4,465,137**	**4,496,320**

Provision for Post-Employment Benefits:

Actuarial assumptions	**+10%**	**Actual**	**-10%**
Mortality table	90%	Tables at 100% CB-2014, RV-2014-M, B-2014-M	110%
Annual interest rate (in pesos)	1.86%	2.07%	2.28%

Effect of the change in actuarial variables	**-10%**	**+10%**
Book value as of 12.31.2017	8,667,492	8,667,492
Actuarial change	561,338	(489,970)
Book value after the actuarial change	**9,228,830**	**8,177,522**

Note 23 – Provisions for employee benefits (continued)

b.1) Enex (continued)

December 31, 2016

Provision for Termination Benefits:

Actuarial assumptions	**-10%**	**Actual**	**+10%**
Mortality table	36%	M95H - M95M al 40%	44%
Annual interest rate (in pesos)	3.86%	4.29%	4.72%
Leaving rate (annual) by Art. 159	4.50%	5.00%	5.50%
Leaving rate (annual) by Art. 161	7.20%	8.00%	8.80%
Salary increment (in pesos)	1.80%	2.00%	2.20%
Average annual future inflation	2.70%	3.00%	3.30%

Effect of the change in actuarial variables	**+10%**	**-10%**
Book value as of 12.31.2016	5,022,236	5,022,236
Actuarial change	(20,937)	18,305
Book value after the actuarial change	**5,001,299**	**5,040,541**

Provision for Post-Employment Benefits:

Actuarial assumptions	**+10%**	**Actual**	**-10%**
Mortality table	90%	Tables at 100% CB-2014, RV-2014-M, B-2014-M	110%
Annual interest rate (in pesos)	1.49%	1.66%	1.83%

Effect of the change in actuarial variables	**+10%**	**-10%**
Book value as of 12.31.2016	9,227,064	9,227,064
Actuarial change	573,583	(501,996)
Book value after the actuarial change	**9,800,647**	**8,725,068**

b.2) SM SAAM

The defined obligation is for termination benefits that will be paid to all employees under the collective agreements between the company and its employees. The obligations at Iquique Terminal Internacional S.A. are included, which recognize the legal compensation payable to all employees at the end of the concession and that of the Mexican subsidiaries where compensation is an employment right.

The actuarial valuation is based on the following parameters and percentages:

i) Discount rate used 2.03% (2.30% in 2016).
ii) Salary increase rate 1.3% (1.2% in 2016).
iii) Average turnover rate of the group ranging from 4.65% to 5.00% for voluntary retirement and 5.00% and 14.70% for dismissal (4.65% and 5.60% for voluntary retirement and 0.6% and 6.7% for dismissal in 2016).
iv) Mortality table RV-2014 (RV-2014 in 2016).

Note 23 – Provisions for employee benefits (continued)

b.2) SM SAAM (continued)

Sensitivity analysis of actuarial variables

The method used to quantify the effect on the provisions for termination benefits includes an increase and decrease of 10% in the actuarial variables used to calculate these provisions.

The actuarial variables used by SM SAAM to measure this liability and for the sensitivity analysis are detailed as follows:

Provision for Termination Benefits:

Actuarial assumptions	**+10%**	**Actual**	**-10%**
Discount rate table	2.23%	2.03%	1.83%
Salary increment	1.43%	1.30%	1.17%
Employee turnover due to resignation (*)	5.12% - 5.50%	4.65% - 5.00%	4.19% - 4.50%
Employee turnover due to business need (*)	5.50% - 16.70%	5.00% - 14.70%	4.50% - 13.23%

(*) Employee turnover includes the variables applied to each company

The analysis results using these variables are detailed as follows:

Effect of +10% change in actuarial variables	**12.31.2017 ThCh$**	**12.31.2016 ThCh$**
Book value	6,966,347	8,739,262
Actuarial change	(67,623)	(185,573)
Book value after the actuarial change	**6,898,724**	**8,553,689**

Effect of -10% change in actuarial variables	**12.31.2017 ThCh$**	**12.31.2016 ThCh$**
Book value	6,966,347	8,739,262
Actuarial change	71,926	202,444
Book value after the actuarial change	**7,038,273**	**8,941,706**

c) Reconciliation of present value obligation defined benefit plan

	12-31-2017 ThCh$	**12-31-2016 ThCh$**
Present value of defined benefit plan obligation, opening balance	**22,988,562**	**16,475,922**
Cost of current service on defined benefit plan obligation	289,398	2,129,412
Interest cost on defined benefit plan obligation	864,495	940,305
Actuarial gains on defined benefit plan obligation	966,700	283,832
Increase (decrease) in foreign currency translation	(277,804)	(233,579)
Contributions paid on defined benefit plan obligation	(4,715,847)	(2,788,571)
Reductions in defined benefit plan obligation	-	(2,122,051)
Business combinations	-	8,303,292
Present value of defined benefit plan obligation, closing balance	**20,115,504**	**22,988,562**

d) Presentation in the statement of financial position

Post-employment benefits	**12-31-2017 ThCh$**	**12-31-2016 ThCh$**
Liability booked for termination benefits, current	314,137	864,286
Liability booked for termination benefits, non-current	19,801,367	22,124,276
Total obligation for post-employment benefits	**20,115,504**	**22,988,562**

Note 24 – Other non-financial liabilities, current

Other current non-financial liabilities as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Dividends payable to Quiñenco shareholders (minimum dividend)	32,698,808	53,156,676
Dividends payable to minority shareholders of subsidiaries	5,017,139	5,319,189
Sales advances and revenue in process	3,632,735	2,958,117
Others	2,011,236	2,468,995
Total	**43,359,918**	**63,902,977**

Note 25 – Other non-financial liabilities, non-current

Other non-current non-financial liabilities as of December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Insurance company reserves	69,459,649	61,202,537
Others	151,338	316,783
Total	**69,610,987**	**61,519,320**

Note 26 - Classes of financial assets and liabilities

Financial assets as of December 31, 2017 and 2016, are detailed as follows:

		Current		Non-current		Fair value	
		12-31-2017	12-31-2016	12-31-2017	12-31-2016	12-31-2017	12-31-2016
Description of financial asset	**Category and valuation of financial asset**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Cash and cash equivalents	**Financial asset at fair value**	**273,213,861**	**460,605,476**	**-**	**-**	**273,213,861**	**460,605,476**
Equity instruments (investments in shares)	Financial asset at fair value (market value) held for sale	-	-	37,441,733	43,528,126	37,441,733	43,528,126
Financial investments more than 90 days for current assets and more than one year for non-current assets	Financial asset at fair value	184,348,951	141,970,344	98,867,725	65,111,252	283,216,676	207,081,566
Foreign exchange hedges	Fair value hedge instrument	44,262	663,445	5,313,772	-	5,358,034	663,445
Other current and non-current financial assets		**184,393,213**	**142,633,789**	**141,623,230**	**108,639,378**	**326,016,443**	**251,273,167**
Trade and other receivables	**Financial asset at amortized cost**	**225,010,317**	**192,833,243**	**12,239,058**	**13,061,360**	**237,249,375**	**205,894,603**
Accounts receivable from related parties	**Financial asset at amortized cost**	**20,177,672**	**19,879,774**	**-**	**95,601**	**20,177,672**	**19,975,375**
Total financial assets		**702,795,063**	**815,952,282**	**153,862,288**	**121,796,339**	**856,657,351**	**937,748,621**

Note 26 - Classes of financial assets and liabilities (continued)

Financial liabilities as of December 31, 2017 and 2016, are detailed as follows:

Description of financial liability	Category and valuation of financial liability	Current 12-31-2017 ThCh$	Current 12-31-2016 ThCh$	Non-current 12-31-2017 ThCh$	Non-current 12-31-2016 ThCh$	Fair value 12-31-2017 ThCh$	Fair value 12-31-2016 ThCh$
Bank loans, bonds payable and other loans	Financial liabilities	106,404,506	105,151,643	1,103,302,820	1,055,025,010	1,296,918,323	1,189,926,764
Finance lease obligations	Financial liabilities	1,565,270	1,698,117	2,374,145	4,182,533	3,939,415	5,880,650
Foreign exchange hedges	Fair value hedge instrument	329,506	68,286	19,671	73,642	349,177	141,928
Other current and non-current financial liabilities		**108.299.282**	**106,918,046**	**1,105,696,636**	**1,059,281,185**	**1,301,206,915**	**1,195,949,342**
Trade creditors, social-security withholdings, taxes and other accounts payable	**Financial liability at amortized cost**	**206,029,556**	**168,069,269**	**-**	**1,673,802**	**206,029,556**	**169,743,071**
Accounts payable to related parties	**Financial liability at amortized cost**	**1,385,069**	**1,542,196**	**-**	**8,034**	**1,385,069**	**1,550,230**
Total financial liabilities		**315,713,907**	**276,529,511**	**1,105,696,636**	**1,060,963,021**	**1,508,621,540**	**1,367,242,516**

Note 27 - Equity

a) Capital and number of shares

The capital of the Company as of December 31, 2017, is composed as follows:

Number of shares:

Series	No. of subscribed shares	No. of paid-in shares	No. of shares with voting rights
Single	1,662,759,593	1,662,759,593	1,662,759,593

Capital:

	Capital subscribed ThCh$	Capital paid ThCh$
Issued capital	1,223,669,810	1,223,669,810
Share premium	31,538,354	31,538,354
	1,255,208,164	**1,255,208,164**

b) Controlling shareholders

The issued and paid-in shares of Quiñenco S.A. are held 81.4% by the companies Andsberg Inversiones Ltda., Ruana Copper A.G. Agencia Chile, Inversiones Orengo S.A., Inversiones Consolidadas S.A., Inversiones Salta SpA., Inversiones Alaska Ltda., Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. The Luksburg Foundation indirectly holds 100% of the social rights in Andsberg Inversiones Ltda., 100% of the social rights in Ruana Copper A.G. Agencia Chile and 99.76% of the shares of Inversiones Orengo S.A.

Andrónico Luksic Craig and family control 100% of the shares of Inversiones Consolidadas S.A. and Inversiones Alaska Ltda. Andrónico Luksic Craig's family controls 100% of the shares of Inversiones Salta SpA. Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, in which the heirs of Guillermo Luksic Craig† have interests. There is no joint-action agreement between the controllers of the Company.

Note 27 – Equity (continued)

c) Dividend policy

Article 79 of the Corporations Law states that, unless agreed otherwise by the respective shareholders' meeting by all the issued shares, publicly held corporations should distribute a cash dividend annually to their shareholders pro rata to their shares or in the proportion established in the bylaws if there are preferred shares, of at least 30% of the net income for each year, except when accumulated losses from previous years have to be absorbed.

The following dividends have been distributed between January 1, 2016 and December 31, 2017:

Dividend No.	Type of dividend	Date agreed	Payment date	Dividend per share
				Ch$
37 and 38	Final	04/29/2016	05/11/2016	23.24323
39	Final	04/28/2017	05/12/2017	31.91723

The Parent company's policy for determining distributable net income in order to calculate the dividends to be distributed, is to consider the total net income (loss) attributable to holders of instruments in the equity of the controller.

d) Other reserves

Other reserves as of December 31, 2017, are detailed as follows:

	12/31/2017 ThCh$
Revaluation surplus reserves	1,031,342
Currency translation reserves	(57,596,526)
Cash flow hedge reserves	10,009,120
Held for sale reserves	19,209,765
Other miscellaneous reserves	372,377,898
Total Other Reserves	**345,031,599**

As of December 31, 2017, the detail of Other miscellaneous reserves is as follows:

	12/31/2017 ThCh$
Effect of sale of LQIF-D shares	131,642,239
Other reserves from the equity of subsidiary LQIF S.A.	128,866,305
Effect of changes in interest in Banco de Chile	89,335,248
Capital revaluation reserves and other adjustments (ruling 456)	(73,627,503)
Effect of changes in interest in Invexans	50,559,691
Dilution effect of non-concurrence capital increase CCU	40,399,427
Effect of changes in interest in CSAV	(19,548,435)
Effect of changes in interest in Tech Pack	19,389,665
Other reserves from the equity of subsidiary SM SAAM S.A.	6,846,710
Effect of changes in interest in SM SAAM	2,258,411
Other reserves from the equity of other subsidiaries	(3,252,859)
Other effects	(491,001)
Total Other Miscellaneous Reserves	**372,377,898**

The amount shown in exchange differences in the consolidated statement of comprehensive income for the year relates mainly to the effect of the translation of the dollar functional currency of the subsidiaries Invexans, Tech Pack, Compañía Sud Americana de Vapores (CSAV) and SM SAAM to Chilean pesos at the closing of the consolidated statement of financial position.

Note 28 – Revenue and expenses

(a) Revenue

Revenue for the years ended December 31, 2017 and 2016, is detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Sale of goods	1,864,771,800	1,670,170,972
Provision of services	516,382,311	476,787,456
Total	**2,381,154,111**	**2,146,958,428**

(b) Other expenses by function

Other expenses for the years ended December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	12-31-2016 ThCh$
Amortization of intangible assets	(2,686,400)	(2,686,400)
Impairment of property, plant and equipment	(1,863,230)	(2,300,678)
Impairment of inventories and intangible assets	(2,159,778)	-
Lawsuit expenses Brazil	(419,805)	(123,670)
Unrecoverable VAT and additional taxes	(549,637)	-
Other operating expenses	(2,377,734)	(2,181,270)
Total	**(10,056,584)**	**(7,292,018)**

(c) Other gains (losses)

Other gains and losses for the years ended December 31, 2017 and 2016, are detailed as follows

	12-31-2017 ThCh$	12-31-2016 ThCh$
Other gains		
Negative goodwill on investment in SM SAAM	-	59,717,758
Gain on sale of non-controlling interests (1)	47,556,535	608,302
Effect of change in investment in Nexans S.A.	261,655	(28,588)
Gain (loss) on forward hedges	485,413	(1,169,532)
Reversal of contingency provision	3,685,330	9,675,294
Gain on sale of assets	1,293,248	937,800
Gain (loss) on sale of property, plant and equipment	3,440,779	(95,701)
Gain on sale of inventories	222,577	-
Total other gains	**56,945,537**	**69,645,333**
Other losses		
Initial valuation investment in SM SAAM	-	(36,442,263)
Unrecoverable PPUA expenses	-	(655,420)
Directors' allowances, profit sharing and remuneration	(807,663)	(1,283,586)
Contingency provisions	(15,609,462)	(7,661,438)
Amortization of intangible assets	(59,757)	(58,217)
Third-party consultancy	(488,205)	(409,147)
Donations	(97,279)	(91,801)
Other income (expenses)	(270,751)	(276,374)
Total other losses	**(17,333,117)**	**(46,878,246)**
Total other gains (losses), net	**39,612,420**	**22,767,087**

Note 28 – Revenue and expenses (continued)

(d) Finance costs

Finance costs for the years ended December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	**12-31-2016 ThCh$**
Interest on bank loans and bonds issued	(45,083,651)	(37,881,530)
Interest on other financial instruments	(1,157,124)	(2,616,364)
Bank commission, stamp taxes and other finance costs	(4,464,247)	(3,825,342)
Total	**(50,705,022)**	**(44,323,236)**

Note 29 – Personnel expenses

Personnel expenses for the years ended December 31, 2017 and 2016, are detailed as follows:

	12-31-2017 ThCh$	**12-31-2016 ThCh$**
Wages and salaries	(125,224,206)	(112,160,204)
Short-term employee benefits	(12,907,867)	(16,804,068)
Post-employment benefits	(5,902,257)	(6,379,161)
Termination benefits	(1,640,058)	(871,755)
Other personnel expenses	(6,759,236)	(6,606,419)
Total	(152,433,624)	(142,821,607)

Note 30 – Earnings per share

The basic earnings per share are calculated by dividing the result available to shareholders by the weighted average number of shares in circulation during the year.

The calculation as of December 31, 2017 and 2016 is as follows:

	12-31-2017	**12-31-2016**
Net income (loss) attributable to holders of equity instruments of the controller	108,739,810	176,902,259
Result available for common shareholders, basic	108,739,810	176,902,259
Weighted average number of shares, basic	1,662,759,593	1,662,759,593
Basic earnings (loss) per share - ThCh$	**0.065397193**	**0.106390761**

Note 31 –Environment

The Parent company is not affected by this concept as it is an investment company.

As of December 31, 2017, the subsidiaries Invexans, Tech Pack and CSAV have made no disbursements for this concept.

As of December 31, 2017, the subsidiary Enex disbursed ThCh$700,298 (ThCh$689,628 in 2016) to control atmospheric emissions and change fuel tanks in the service station network, in the cleaning of soil and groundwater in order to mitigate the risk that active sources can cause to people and the environment, and the removal of waste.

SM SAAM and its subsidiaries have civil liability insurance in favor of third parties for pollution damages and fines associated with their fleet of tug boats, with an annual aggregate insured limit of ThUS$ 500,000.

The Company has no commitments for future payments in relation to the environment, however, it is constantly evaluating such projects.

Note 32 – Financial risk management policy

Credit risk

Cash surpluses at the corporate level are invested with first class domestic and foreign financial entities within limits established for each entity, which have credit ratings equal or superior to the limits pre-established for each type of instrument.

The risk associated with assets of a financial nature is managed by Techpack according to its investment policy. Cash surpluses or available funds are invested in accordance with this policy, in low-risk, fixed income instruments with institutions having high credit ratings and a diversified investment portfolio based on maximum limits set to diversify by institution. Credit-worthy issuers and institutions and the maximum investment limit for each, are reviewed regularly to evaluate possible changes in solvency that could affect the company.

The credit risk associated with financial liabilities and assets is managed by Invexans in accordance with defined policies. Cash surpluses or available funds are invested in accordance with the policy's criteria, in low-risk instruments (mainly time deposits) with institutions having high credit ratings and within the limits established for each institution (funds are placed in a diversified way). When contracting financial hedges, management selects institutions with strong credit ratings.

The subsidiary LQ Inversiones Financieras has no accounts receivable subject to credit risk. Its investments of surplus cash are made in market conditions in fixed-income instruments to match the maturities of its financial commitments and operational expenses.

The investment policy for the subsidiary Banchile Vida defines the minimum requirements regarding risk classifications for each instrument, which is complemented by an analysis of the financial statements. Credit risk management includes monitoring changes in risk classifications and changes in the credit quality of issuers due to changes in covenants.

The customer credit risk at Enex is managed according to its credit policy and authorizations manual. Sales on credit terms are controlled by the management system which blocks purchase orders when the customer's credit shows past due payments or the previously agreed and approved credit line is exceeded. Approval of customer credit lines is the responsibility of the administration and finance management department of Enex, with support and recommendation of the commercial areas, in accordance with a credit evaluation model which takes into account both commercial and technical aspects. When considered appropriate, collateral and/or other requirements are requested to support the credit requested. Should the credit approved be insufficient to meet the commercial needs, the case is taken to the Credit Committee.

Note 32 – Financial risk management policy (continued)

Financial investments at Enex are limited to fixed-income instruments (such as repurchase agreements and time deposits) and are made in financial entities evaluated at least once a year, with exposure limits assigned by entity according to reports and opinions of well reputed credit-rating agencies, in line with Enex's current treasury policy.

The subsidiary CSAV has a strict policy for managing its accounts receivable portfolio, based on credit lines and credit terms which are determined based on an individual analysis of the solvency, payment capacity, general references of customers, its shareholders, the customer's market and industry, and the historic payment behavior with the company. The credit lines are reviewed at least annually and the payment experience and percentage of use are monitored regularly. Agencies representing CSAV in various markets are constantly monitored to ensure that the administrative, commercial and operational support processes as well as collection and relationships with customers and suppliers in the corresponding markets, are conducted in accordance with existing contracts.

CSAV charters ships and slots to third parties, supported with charter party freight and slot charter agreements. CSAV charters ships to third parties and slots to other shipping companies, always taking into account the counterparty's credit capacity. It is important to mention that, in the case of charter slots, in many cases CSAV charters slots from the same shipping companies to which it leases its own slots, on other routes and services, which significantly reduces the associated collection risk.

The subsidiary CSAV has a financial asset management policy that includes time deposits and repurchase agreements, keeping its checking accounts and investments with financial institutions with investment grade credit ratings. Within its risk control policy, it can take interest rate, exchange rate and oil price hedging positions, also with prestigious financial institutions with investment grade credit ratings.

Credit granted to SM SAAM's customers is regularly reviewed in order to apply the controls defined by the company and to monitor the status of pending accounts receivables. SAAM and SAAM Logistics are subsidiaries of SM SAAM and have credit insurance for certain customers.

Any cash surpluses at SM SAAM are invested in low risk financial instruments.

For details of the balance of financial assets, see Note 26 on Classes of financial assets and liabilities.

Liquidity risk

Quiñenco finances its activities and investments with the dividends and earnings distributions of the companies in which it holds interests and with funds obtained from the sale of assets and/or the issue of debt or shares.

Quiñenco prefers long-term financing in order to maintain a financial structure that is in line with the liquidity of its assets and whose maturity structure is compatible with the cash-flow generation.

The subsidiary Invexans estimates periodically its projected liquidity needs for each period, considering the cash receivable (leases, dividends, etc.), the respective payments (commercial, financial, etc.) and available cash, in order not to have to resort to external short-term financing. Invexan's financing policy seeks that its sources of funds have a balanced structure between short and long term, a low risk exposure and match the cash flows generated by the company.

Note 32 – Financial risk management policy (continued)

The objectives of capital management policy at the subsidiary Techpack include ensuring liquidity and resources are available maintaining adequate liquidity.

The subsidiary LQIF distributes dividends as a function of free cash flows taking into account the company's indispensable expenses and previsions, including financial obligations. The principal source of funds for the payment of interest and principal of LQIF's obligations corresponds to dividends on its direct and indirect shareholding in Banco de Chile. Consequently, its capacity to make the programmed payments of interest and principal depends entirely on the capacity of Banco de Chile to generate positive earnings from its operations and the agreements it makes annually at its shareholders' meetings with respect to the distribution of dividends.

The objective of subsidiary Banchile Vida is to secure a match between the average duration of its obligations and the average maturity of its assets. Its investment policy defines the maximum maturity for the total investment portfolio and each financial instrument.

The subsidiary Enex updates its short-term cash-flow projections periodically, based on information received from its commercial lines. Enex has credit lines with the principal banks with which it operates in order to cover any unexpected cash deficits.

CSAV has no direct exposure to the container ship business, but indirectly as principal shareholder of Hapag-Lloyd, which has limited its liquidity risk to the expected dividend flows and/or additional capital contributions that the joint venture requires. CSAV has specific long term financing to finance its investment in Hapag-Lloyd. CSAV has sufficient liquidity to cover its direct transport services, and has negotiated a line of credit in case extra liquidity is required.

The subsidiary SM SAAM estimates its projected liquidity needs for each period, considering its cash receivable (accounts receivable from customers, dividends, etc.), its respective expenses (commercial, financial, etc.) and the available cash, to avoid using short-term external financing whenever possible. SM SAAM seeks financing with a balanced structure between short and long-term sources, in accordance with the company's cash flow forecasts, and low risk exposure.

For the details of balances and maturities of financial liabilities, see Note Other current and non-current financial liabilities.

Market risk[5]

Exchange-rate risk
At the corporate level, there is no exposure to currency exchange risk as of December 31, 2017, as there are no significant financial assets or liabilities in foreign currency. Financial derivatives (mainly cross currency swaps) can be contracted to eliminate or mitigate exchange rate risk exposure.

In the subsidiary Invexans the exchange-risk exposure derives from its asset and liability positions in currencies other than its functional currency, i.e. the US dollar, and fluctuations occurring between both currencies. Both the Board and management of Invexans revise its net exchange rate exposure regularly, projecting on the basis of variations in the currencies other than the functional currency the financial effects generated by balances of assets or liabilities in those currencies at the time of evaluation. Should significant adverse effects for Invexans be projected, financial derivatives can be contracted (mainly cross-currency swaps) in order to mitigate these possible risks. As of December 31, 2017, Invexans's net exposure to exchange-rate risk is an asset equivalent to Ch$218 million. If a variation of 5% is assumed between currencies other than the functional currency over this exposure, this would generate an estimated effect before taxes of Ch$11 million in the statement of comprehensive income.

[5] Exposure to market risks for financial assets and liabilities is measured at a consolidated level, therefore, any balances between subsidiaries, if there are any, are eliminated in consolidation.

Note 32 – Financial risk management policy (continued)

The exchange-rate risk exposure in the subsidiary Techpack arises from exchange differences arising from the potential mismatching of asset and liability positions denominated in a currency other than the functional currency (US dollar). Both the Board and management of Tech Pack and its subsidiaries analyze and monitor its net exchange rate exposure regularly, projecting on the basis of variations in the currencies other than the functional currency the financial effects generated by balances of assets or liabilities in those currencies at the time of evaluation. Should significant and adverse effects for Techpack be projected, financial derivatives can be contracted (mainly cross-currency swaps) in order to mitigate these possible risks. As of December 31, 2017, Techpack's net exposure to exchange rate risk is an asset equivalent to Ch$4,505 million. If a variation of 5% is assumed between currencies other than the functional currency over this exposure, this would generate an estimated effect before taxes of Ch$225 million in the statement of comprehensive income.

The subsidiary LQIF has no exchange-rate exposure as it has no foreign currency assets or liabilities as of December 31, 2017 and 2016.

The subsidiary Banchile Vida has no exchange-rate exposure as it has no foreign currency assets or liabilities as of December 31, 2017 and 2016.

Exchange-rate risk exposure in the subsidiary Enex arises from certain agreements with suppliers and customers in a currency other than the functional currency (Chilean peso). The most important cases relate to imports of fuels, lubricants and bitumen, where the obligation is generated and is payable in US dollars. To mitigate this, Enex has a policy to minimize the net exposure (assets-liabilities) in foreign currency using as its regular hedging mechanism purchases of currency on the spot market. As of December 31, 2017, the net exchange-rate exposure of Enex is an asset equivalent to Ch$7,514 million. If a 5% fluctuation is assumed in currencies other than the functional currency over this exposure, an estimated effect before taxes of Ch$376 million would be generated in the comprehensive income statement.

The assets and liabilities at CSAV are mainly denominated in its functional currency, i.e. the US dollar. However, there are also assets and liabilities in other currencies. The company manages the exchange risk by regularly converting to US dollars any balance in local currency that exceeds its payment needs in that currency. As of December 31, 2017, the net exposure to exchange risk of CSAV is an asset equivalent to Ch$625 million. If a 5% fluctuation is assumed in the US dollar against other relevant currencies, an estimated effect before taxes of Ch$31 million would be generated in the statement of comprehensive income.

The main currencies to which SM SAAM is exposed other than its functional currency (US dollar) are the Chilean peso, Mexican peso and the Canadian dollar. In general, SM SAAM seeks to mitigate volatility in its results generated by net positions in assets and liabilities in foreign currencies through derivative instruments. As of December 31, 2017, the net exposure to exchange rate risk of SM SAAM is a liability equivalent to Ch$52,456 million. If a 5% fluctuation is assumed in the US dollar against other relevant currencies, an estimated effect of Ch$2,623 million before tax would be generated in the statement of comprehensive income.

Exchange differences produced by translating to pesos, the balances in the functional currencies of consolidated or associate entities whose functional currency is other than the Chilean peso, are recognized as a credit or charge to equity until the clearance of the balance when they will be booked to income.

Assets and liabilities by currencies, including the financial assets and liabilities described here, are presented in Note 34.

Note 32 – Financial risk management policy (continued)

Interest-rate risk
As of December 31, 2017, at the corporate level Quiñenco has financial assets at fair value with changes in income for Ch$169,434 million which are subject to interest-rate risk. A variation of 10 basis points in the interest rate would generate an effect on finance income for the period of Ch$28 million.

At the corporate level, Quiñenco has 100% of its obligations at fixed rates, thus reducing its exposure to interest rates.

Invexans has all its obligations at variable rates.

As of December 31, 2017, Techpack has no financial obligations that generate interest rate risk.

LQIF has all its financial commitments at fixed rates, implying a low exposure to interest rate risk.

Enex has all its financial commitments at fixed rates, which implies a low exposure to interest rate risk.

CSAV has 52.3% of its obligations at fixed rates and 47.7% at variable rates.

SM SAAM has 61.3% of its obligations at fixed rates, 6.7% at protected rates and 32.0% at variable rates.

The following table shows the interest-rate structure at the consolidated level. As can be seen, the interest-rate risk exposure at the consolidated level is reduced as 91.8% of the debt is structured at fixed interest or protected rates.

Consolidated financial debt according to interest rate	12-31-2017	12-31-2016
Fixed rate	90.7%	88.5%
Protected rate	1.1%	0.6%
Variable rate	8.2%	10.9%
Total	**100.0%**	**100.0%**

As of December 31, 2017, the consolidated variable interest-rate exposure is a liability of Ch$97,634 million. A 100-basis point variation in the interest rate would generate an effect on finance costs for the year of Ch$976 million.

Note 33 – Segment reporting

General Information

Quiñenco is structured on the basis of the industrial and financial businesses where its financial resources are invested, and has defined six business segments: Manufacturing, Financial, Energy, Transport, Port Services and Other.

The Manufacturing segment includes Tech Pack (1), Invexans and their subsidiaries.
The Financial segment includes LQIF and its subsidiaries.
The Energy segment includes Enex and its subsidiaries.
The Transport segment includes CSAV and its subsidiaries.
The Port Services segment includes SM SAAM and subsidiaries.
The Other segment includes Quiñenco corporate, CCU, Banchile and SegChile, others and eliminations.

With the exception of the subsidiaries Tech Pack, Invexans, CSAV, SM SAAM, and the associate CCU, all the group's operations are mainly conducted in Chile.

In order to determine segment reporting, those exceeding 10% of the consolidated revenue and the particular information characteristics of the group have been considered.

Quiñenco, as an investment company, defines its revenue as sales of goods and services at its subsidiaries and the net revenue of the banking sector (Banco de Chile).

Geographical area

Revenue from external customers by geographical area as of December 31, 2017 and 2016, is as follows:

	12-31-2017	**12-31-2016**
	ThCh$	**ThCh$**
Chile	2,100,439,399	1,925,487,070
South America	92,796,982	67,151,769
Central America	44,428,649	8,805,458
North America	95,722,743	99,116,199
Europe	30,620,832	27,012,416
Asia	17,145,506	19,385,516
Total revenue from external customers	**2,381,154,111**	**2,146,958,428**

(1) The Share Sale Agreement signed on April 18, 2016 was finalized on May 31, 2016, by the transfer of shares, by which Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor Holding SpA, and Inmobiliaria Techpack S.A. sold its shares in Alusa S.A. to Amcor Holding SpA. The buyers belong to Amcor, a producer of rigid and flexible packaging. Therefore, Tech Pack S.A. ceased to have a direct or indirect interest in the production and commercialization of flexible packaging in Chile and abroad.

Note 33 – Segment reporting (continued)

Geographical area (continued)

Non-current assets by geographic area as of December 31, 2017 and 2016, are detailed as follows

	12-31-2017 ThCh$	12-31-2017 ThCh$
Chile	667,765,617	678,406,825
Rest of America	360,485,096	275,831,251
Asia	-	8,375
Total (*)	**1,028,250,713**	**954,246,451**

(*) Includes balances of property, plant and equipment, investment properties and intangible assets other than goodwill.

Note 33 – Segment reporting (continued)

The net income attributable to owners of the controller for each segment is the final contribution of each segment, and of the constituent companies, to Quiñenco S.A.'s net income.

As of December 31, 2017, the results by segment are as follows:

Income Statement	**Manufacturing**	**Financial**	**Energy**	**Transport**	**Port Services**	**Other**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Revenue	9,329	-	1,888,725,125	71,475,831	303,261,156	117,682,670	2,381,154,111
Revenue from transactions between segments	-	-	-	-	-	-	-
Cost of sales	-	-	(1,693,041,883)	(66,675,875)	(223,888,042)	(41,624,143)	(2,025,229,943)
Gross margin	9,329	-	195,683,242	4,799,956	79,373,114	76,058,527	355,924,168
Other revenue by function	-	-	11,255,791	1,179,401	2,103,948	2,950,475	17,489,615
Distribution costs	-	-	-	-	-	-	-
Administrative expenses	(4,250,113)	(1,339,478)	(180,040,257)	(7,543,678)	(52,392,632)	(77,794,795)	(323,360,953)
Other expenses by function	(419,805)	(2,686,400)	(79,134)	(23)	(6,871,222)	-	(10,056,584)
Other gains (losses)	1,567,160	-	(15,523,793)	1,927,126	49,649,343	1,992,584	39,612,420
Operating income (loss)	(3,093,429)	(4,025,878)	11,295,849	362,782	71,862,551	3,206,791	79,608,666
Finance income	1,883,375	379,450	200,013	635,227	2,172,698	9,466,710	14,737,473
Finance costs	(422,640)	(7,940,196)	(3,985,776)	(3,504,673)	(10,129,326)	(24,722,411)	(50,705,022)
Share of income (loss) of associates and joint ventures accounted for using the equity method	23,964,525	-	1,008,247	(94,856,592)	14,581,525	37,498,568	(17,803,727)
Exchange differences	1,542,560	-	1,210,280	632,421	(293,024)	(66,577)	3,025,660
Gain (loss) from indexation adjustments	206,449	(3,072,339)	-	-	(6,125)	(11,238,410)	(14,110,425)
Income (loss) before taxes	24,080,840	(14,658,963)	9,728,613	(96,730,835)	78,188,299	14,144,671	14,752,625
Income tax benefit (expense)	928,750	1,451,588	(954,807)	(29,676,756)	(36,073,967)	(837,692)	(65,162,884)
Net income (loss) from continued operations	25,009,590	(13,207,375)	8,773,806	(126,407,591)	42,114,332	13,306,979	(50,410,259)
Net income (loss) from discontinued operations	(3,092,552)	-	-	(832,244)	-	-	(3,924,796)
Net income (loss) from non-banking businesses	**21,917,038**	**(13,207,375)**	**8,773,806**	**(127,239,835)**	**42,114,332**	**13,306,979**	**(54,335,055)**
Banking services							
Total net operating revenue	-	1,474,869,890	-	-	-	590,228	1,475,460,118
Total operating expenses	-	(789,656,021)	-	-	-	-	(789,656,021)
Operating income	-	685,213,869	-	-	-	590,228	685,804,097
Result of investments in companies	-	6,057,093	-	-	-	-	6,057,093
Interest on subordinated debt with the Chilean Central Bank	-	(73,066,743)	-	-	-	-	(73,066,743)
Income before taxes	-	618,204,219	-	-	-	590,228	618,794,447
Income tax expense	-	(115,127,836)	-	-	-	-	(115,127,836)
Net income from continuing operations	-	503,076,383	-	-	-	590,228	503,666,611
Net income banking services	-	503,076,383	-	-	-	590,228	503,666,611
Consolidated net income (loss)	**21,917,038**	**489,869,008**	**8,773,806**	**(127,239,835)**	**42,114,332**	**13,897,207**	**449,331,556**
Net income (loss) attributable to owners of the controller	**22,083,967**	**119,295,291**	**8,773,806**	**(71,203,468)**	**19,818,045**	**9,972,169**	**108,739,810**
Net income (loss) attributable to non-controlling interests	(166,929)	370,573,717	-	(56,036,367)	22,296,287	3,925,038	340,591,746
Consolidated net income (loss)	**21,917,038**	**489,869,008**	**8,773,806**	**(127,239,835)**	**42,114,332**	**13,897,207**	**449,331,556**

Note 33 – Segment reporting (continued)

The following shows the depreciation, amortization and components of cash flows by segment, as of December 31, 2017:

	Manufacturing ThCh$	Financial ThCh$	Energy ThCh$	Transport ThCh$	Port Services ThCh$	Other ThCh$	Total ThCh$
Depreciation and amortization	(10,297)	(2,691,193)	(18,989,676)	(716,925)	(47,032,422)	(564,792)	(70,005,305)
Cash flow from non-banking services							
Operating cash flows	(7,959,239)	(175,914)	34,612,833	(8,300,569)	54,645,192	(11,210,780)	61,611,523
Investing cash flows	(61,717,417)	(17,677,154)	(55,396,375)	(181,755,201)	17,928,265	37,541,833	(261,076,049)
Financing cash flows	(3,316,800)	(77,554,611)	27,899,640	181,237,941	(13,255,333)	(167,990,914)	(52,980,077)
Cash flow from banking services							
Operating cash flows	-	1,114,450,720	-	-	-	(4,960,447)	1,109,490,273
Investing cash flows	-	(1,119,886,729)	-	-	-	-	(1,119,886,729)
Financing cash flows	-	121,630,812	-	-	-	308,550	121,939,362

The following shows the assets and liabilities by segment, as of December 31, 2017:

	Manufacturing ThCh$	Financial ThCh$	Energy ThCh$	Transport ThCh$	Port Services ThCh$	Other ThCh$	Total ThCh$
Current assets	106,668,330	828,173	297,658,141	42,290,498	248,920,883	179,742,590	876,108,615
Non-current assets	368,319,525	847,118,615	559,816,391	1,356,263,414	786,855,576	363,754,007	4,282,127,528
Banking assets	-	32,824,183,692	-	-	-	-	32,824,183,692
Total assets	**474,987,855**	**33,672,130,480**	**857,474,532**	**1,398,553,912**	**1,035,776,459**	**543,496,597**	**37,982,419,835**
Current liabailities	2,161,924	4,654,904	209,399,043	23,752,095	101,402,399	90,993,332	432,363,697
Non-current liabilities	15,656,738	235,379,548	80,338,722	69,053,804	261,527,231	719,958,279	1,381,914,322
Banking liabilities	-	29,663,528,718	-	-	-	(48,177,370)	29,615,351,348
Total liabilities	**17,818,662**	**29,903,563,170**	**289,737,765**	**92,805,899**	**362,929,630**	**762,774,241**	**31,429,629,367**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 33 – Segment reporting (continued)

As of December 31, 2016, the results by segment are as follows:

Income Statement	**Manufacturing**	**Financial**	**Energy**	**Transport**	**Port Services**	**Other**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Revenue	57,455	-	1,691,433,763	73,934,263	266,521,815	115,011,132	2,146,958,428
Revenue from transactions between segments	-	-	-	-	-	-	-
Cost of sales	(2,960)	-	(1,499,639,825)	(71,861,848)	(194,220,860)	(37,707,956)	(1,803,433,449)
Gross margin	54,495	-	191,793,938	2,072,415	72,300,955	77,303,176	343,524,979
Other revenue by function	-	-	11,843,036	1,305,051	3,838,953	2,577,757	19,564,797
Distribution costs	-	-	-	-	-	-	-
Administrative expenses	(5,852,891)	(1,428,264)	(167,924,966)	(9,183,962)	(49,592,398)	(77,908,189)	(311,890,670)
Other expenses by function	-	(2,686,400)	(429,239)	-	(4,176,379)		(7,292,018)
Other gains (losses)	319,841	-	(8,172,389)	9,748,641	(472,466)	21,343,460	22,767,087
Operating income (loss)	(5,478,555)	(4,114,664)	27,110,380	3,942,145	21,898,665	23,316,204	66,674,175
Finance income	464,434	337,052	159,090	186,834	993,728	7,379,632	9,520,770
Finance costs	(411,788)	(7,799,552)	(7,346,820)	(2,774,368)	(7,406,578)	(18,584,130)	(44,323,236)
Share of income (loss) of associates and joint ventures accounted for using the equity method	10,435,755	-	1,055,075	(5,344,057)	28,637,473	32,588,973	67,373,219
Exchange differences	445,225	-	218,177	(67,280)	1,485,719	86,974	2,168,815
Gain (loss) from indexation adjustments	7,735	(4,901,271)	-	-	(41,753)	(12,451,467)	(17,386,756)
Income (loss) before taxes	5,462,806	(16,478,435)	21,195,902	(4,056,726)	45,567,254	32,336,186	84,026,987
Income tax benefit (expense)	(4,372,467)	663,249	(969,265)	(14,057,305)	(7,829,126)	(2,688,321)	(29,253,235)
Net income (loss) from continued operations	1,090,339	(15,815,186)	20,226,637	(18,114,031)	37,738,128	29,647,865	54,773,752
Net income (loss) from discontinued operations	13,877,615	-	-	916,175	-	-	14,793,790
Net income (loss) from non-banking businesses	**14,967,954**	**(15,815,186)**	**20,226,637**	**(17,197,856)**	**37,738,128**	**29,647,865**	**69,567,542**
Banking services							
Total net operating revenue	-	1,426,212,158	-	-	-	-	1,426,212,158
Total operating expenses	-	(788,787,489)	-	-	-	-	(788,787,489)
Operating income	-	637,424,669	-	-	-	-	637,424,669
Result of investments in companies	-	4,512,870	-	-	-	-	4,512,870
Interest on subordinated debt with the Chilean Central Bank	-	(73,448,475)	-	-	-	-	(73,448,475)
Income before taxes	-	568,489,064	-	-	-	-	568,489,064
Income tax expense	-	(89,146,655)	-	-	-	-	(89,146,655)
Net income from continuing operations	-	479,342,409	-	-	-	-	479,342,409
Net income banking services	-	479,342,409	-	-	-	-	479,342,409
Consolidated net income (loss)	**14,967,954**	**463,527,223**	**20,226,637**	**(17,197,858)**	**37,738,128**	**29,647,865**	**548,909,951**
Net income (loss) attributable to owners of the controller	**11,877,262**	**111,837,050**	**20,226,637**	**(10,013,931)**	**17,039,019**	**25,936,222**	**176,902,259**
Net income (loss) attributable to non-controlling interests	3,090,692	351,690,173	-	(7,183,927)	20,699,109	3,711,643	372,007,692
Consolidated net income (loss)	**14,967,954**	**463,527,223**	**20,226,637**	**(17,197,858)**	**37,738,128**	**29,647,865**	**548,909,951**

Note 33 – Segment reporting (continued)

The following shows the depreciation, amortization, components of cash flows and the assets and liabilities by segment, as of December 31, 2016:

	Manufacturing	**Financial**	**Energy**	**Transport**	**Port Services**	**Other**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation and amortization	(24,327)	(2,690,327)	(14,442,924)	(2,223,608)	(40,998,333)	(5,066,720)	(65,446,239)
Cash flow from non-banking services							
Operating cash flows	17,034,707	(1,125,572)	63,118,104	(11,366,996)	44,680,954	7,722,819	120,064,016
Investing cash flows	103,250,606	1,236,834	(54,371,492)	2,456,018	(13,876,281)	(57,516,542)	(18,820,857)
Financing cash flows	14,601,249	(107,870,559)	(17,508,401)	10,419,127	(11,308,623)	261,925,584	150,258,377
Cash flow from banking services							
Operating cash flows	-	(226,712,398)	-	-	-	(10,199,368)	(236,911,766)
Investing cash flows	-	495,148,404	-	-	-	-	495,148,404
Financing cash flows	-	(128,718,600)	-	-	-	348,668	(128,369,932)
Current assets	170,060,029	867,708	243,450,839	56,348,623	199,321,973	325,405,753	995,454,925
Non-current assets	312,760,471	849,808,650	534,179,122	1,401,829,342	791,692,362	358,035,468	4,248,305,415
Banking assets	-	31,533,683,545	-	-	-	(252,353)	31,533,431,192
Total assets	**482,820,500**	**32,384,359,903**	**777,629,961**	**1,458,177,965**	**991,014,335**	**683,188,868**	**36,777,191,532**
Current liabilities	14,927,046	4,585,466	145,342,209	37,050,479	96,802,685	112,004,351	410,712,236
Non-current liabilities	20,324,906	232,711,863	71,786,757	73,009,972	196,025,764	739,164,420	1,333,023,682
Banking liabilities	-	28,678,463,846	-	-	-	(37,388,954)	28,641,074,892
Total liabilities	**35,251,952**	**28,915,761,175**	**217,128,966**	**110,060,451**	**292,828,449**	**813,779,817**	**30,384,810,810**

Note 34 – Effect of variations in foreign exchange rates

a) Assets by local and foreign currency as of December 31, 2017, are detailed as follows:

Assets Non-banking businesses Current assets	US Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Peruvian soles ThCh$	Argentine pesos ThCh$	Brazilian reais ThCh$	Colombian pesos ThCh$	Other currencies ThCh$	Total ThCh$
Cash and cash equivalents	214,904,398	49,189,997	-	1,344,349	-	-	212,916	21,063	7,541,138	273,213,861
Other financial assets, current	22,647,793	140,879,141	107,401	-	20,758,878	-	-	-	-	184,393,213
Other non-financial assets, current	6,586,432	17,770,091	-	-	-	-	-	-	463,522	24,820,045
Trade and other receivables, current	38,053,994	180,496,909	-	654	-	-	19,057	9,417	6,430,286	225,010,317
Accounts receivable from related parties, current	3,293,998	16,883,674	-	-	-	-	-	-	-	20,177,672
Inventory, current	8,811,826	89,227,926	-	-	-	-	-	-	1,472,941	99,512,693
Current tax assets	12,332,547	11,333,577	-	-	31,967	-	209,814	-	833,601	24,741,506
Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**306,630,988**	**505,781,315**	**107,401**	**1,345,003**	**20,790,845**	**-**	**441,787**	**30,480**	**16,741,488**	**851,869,307**
Non-current assets or disposal groups classified as held for sale	21,257,086	675,716	-	-	-	14,996	-	2,291,510	-	24,239,308
Total non-current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**21,257,086**	**675,716**	**-**	**-**	**-**	**14,996**	**-**	**2,291,510**	**-**	**24,239,308**
Current assets, total	**327,888,074**	**506,457,031**	**107,401**	**1,345,003**	**20,790,845**	**14,996**	**441,787**	**2,321,990**	**16,741,488**	**876,108,615**
Non-current assets										
Other financial assets, non-current	3,705,204	137,918,026	-	-	-	-	-	-	-	141,623,230
Other non-financial assets, non-current	12,858,726	20,329,100	-	-	-	-	8,723,693	-	323,359	42,234,878
Trade and other receivables, non-current	10,073,294	2,165,764	-	-	-	-	-	-	-	12,239,058
Accounts receivable from related parties, non-current	-	-	-	-	-	-	-	-	-	-
Inventory, non-current	663,315	7,377	-	-	-	-	-	-	-	670,692
Investments accounted for using the equity method	126,972,589	361,436,805	-	1,508,451,752	-	-	-	-	-	1,996,861,146
Intangible assets other than goodwill	140,209,306	212,978,607	-	-	-	-	-	-	6,482,539	359,670,452
Goodwill	3,034,056	850,342,442	-	-	-	-	-	-	-	853,376,498
Property, plant and equipment	327,178,338	290,442,775	-	-	-	-	-	-	34,242,190	651,863,303
Investment properties	9,401,987	7,314,971	-	-	-	-	-	-	-	16,716,958
Tax assets, non-current	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	160,703,359	46,107,708	-	-	-	-	-	-	60,246	206,871,313
Total non-current assets	**794,800,174**	**1,929,043,575**	**-**	**1,508,451,752**	**-**	**-**	**8,723,693**	**-**	**41,108,334**	**4,282,127,528**
Total non-banking business assets	**1,122,688,248**	**2,435,500,606**	**107,401**	**1,509,796,755**	**20,790,845**	**14,996**	**9,165,480**	**2,321,990**	**57,849,822**	**5,158,236,143**

Note 34 – Effect of variations in foreign exchange rates (continued)

b) Liabilities by domestic and foreign currency as of December 31, 2017, are detailed as follows:

Liabilities **Non-banking businesses** **Current liabilities**	US Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Peruvian Soles ThCh$	Argentine pesos ThCh$	Brazilian Reais ThCh$	Colombian pesos ThCh$	Other Currencies ThCh$	Total ThCh$
Other financial liabilities, current	30,664,029	36,319,462	39,738,343	-	-	-	-	-	1,577,448	108,299,282
Trade and other payables, current	34,979,566	168,949,562	715,795	452,244	-	-	57,042	-	875,347	206,029,556
Accounts payable to related parties, current	353,776	1,031,293	-	-	-	-	-	-	-	1,385,069
Other short-term provisions	10,487,898	20,375,994	58,400	55,436	-	-	508,141	-	-	31,485,869
Current tax liabilities	2,430,969	1,286,971	-	-	19,402,740	-	-	-	2,646,499	25,767,179
Provisions for employee benefits, current	2,833,383	11,087,318	-	-	-	-	-	-	803,478	14,724,179
Other non-financial liabilities, current	13,857,695	28,623,875	-	-	10,451	-	-	83,476	784,421	43,359,918
Total current liabilities other than liabilities included in disposal groups classified as held for sale	**95,607,316**	**267,674,475**	**40,512,538**	**507,680**	**19,413,191**	**-**	**565,183**	**83,476**	**6,687,193**	**431,051,052**
Liabilities included in disposal groups classified as held for sale	698,971	93,095	1,073	-	-	519,506	-	-	-	1,312,645
Total current liabilities	**96,306,287**	**267,767,570**	**40,513,611**	**507,680**	**19,413,191**	**519,506**	**565,183**	**83,476**	**6,687,193**	**432,363,697**
Non-current liabilities										
Other financial liabilities, non-current	156,514,119	57,216,759	874,228,989	-	-	-	-	-	17,736,769	1,105,696,636
Trade and other payables, non-current	-	-	-	-	-	-	-	-	-	-
Accounts payable to related parties, non-current	-	-	-	-	-	-	-	-	-	-
Other long-term provisions	9,607,928	14,880,576	-	-	-	-	8,709,139	-	441,391	33,639,034
Deferred tax liabilities	42,486,929	105,010,435	-	-	-	-	-	-	5,618,815	153,116,179
Provisions for employee benefits, non-current	1,231,344	18,473,216	-	-	-	-	-	-	146,926	19,851,486
Other non-financial liabilities, non-current	135,082	69,475,905	-	-	-	-	-	-	-	69,610,987
Total non-current liabilities	**209,975,402**	**265,056,891**	**874,228,989**	**-**	**-**	**-**	**8,709,139**	**-**	**23,943,901**	**1,381,914,322**
Total non-banking business liabilities	**306,281,689**	**532,824,461**	**914,742,600**	**507,680**	**19,413,191**	**519,506**	**9,274,322**	**83,476**	**30,631,094**	**1,814,278,019**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 34 – Effect of variations in foreign exchange rates (continued)

c) Assets by local and foreign currency as of December 31, 2016, are detailed as follows:

Assets Non-banking businesses Current assets	US Dollars ThCh$	Chilean pesos ThCh$	Unidad de Fomento ThCh$	Euros ThCh$	Peruvian soles ThCh$	Argentine pesos ThCh$	Brazilian reais ThCh$	Colombian pesos ThCh$	Other currencies ThCh$	Total ThCh$
Cash and cash equivalents	263,368,402	193,314,484	-	187,201	2,561	-	63,209	46,446	3,623,173	460,605,476
Other financial assets, current	2,247,411	52,392,695	87,424,633	538,254	-	-	-	-	30,796	142,633,789
Other non-financial assets, current	5,220,527	15,432,688	-	-	-	-	-	-	1,107,973	21,761,188
Trade and other receivables, current	29,550,266	141,247,549	-	195,977	-	-	149,292	-	21,690,159	192,833,243
Accounts receivable from related parties, current	6,423,566	13,456,208	-	-	-	-	-	-	-	19,879,774
Inventory, current	10,548,170	77,244,959	-	-	-	-	-	-	1,629,490	89,422,619
Current tax assets	12,477,582	20,472,730	-	-	-	-	217,908	-	650,724	33,818,944
Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**329,835,924**	**513,561,313**	**87,424,633**	**921,432**	**2,561**	**-**	**430,409**	**46,446**	**28,732,315**	**960,955,033**
Non-current assets or disposal groups classified as held for sale	24,986,215	6,750,365	-	-	-	281,781	-	2,481,531	-	34,499,892
Total non-current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**24,986,215**	**6,750,365**	**-**	**-**	**-**	**281,781**	**-**	**2,481,531**	**-**	**34,499,892**
Current assets, total	**354,822,139**	**520,311,678**	**87,424,633**	**921,432**	**2,561**	**281,781**	**430,409**	**2,527,977**	**28,732,315**	**995,454,925**
Non-current assets										
Other financial assets, non-current	1,214,419	107,424,959	-	-	-	-	-	-	-	108,639,378
Other non-financial assets, non-current	4,808,803	20,275,959	-	669	-	-	9,207,272	-	255,068	34,547,771
Trade and other receivables, non-current	11,444,590	1,616,770	-	-	-	-	-	-	-	13,061,360
Accounts receivable from related parties, non-current	87,701	7,900	-	-	-	-	-	-	-	95,601
Inventory, non-current	1,621,456	7,365	-	-	-	-	-	-	-	1,628,821
Investments accounted for using the equity method	187,184,254	352,583,277	-	1,489,299,168	-	-	-	-	-	2,029,066,699
Intangible assets other than goodwill	81,115,270	195,420,083	-	-	-	-	54,897	-	7,107,093	283,697,343
Goodwill	11,381	850,342,442	-	-	-	-	-	-	-	850,353,823
Property, plant and equipment	285,609,411	332,042,190	-	-	-	-	14,059	-	34,546,661	652,212,321
Investment properties	10,852,778	7,484,009	-	-	-	-	-	-	-	18,336,787
Deferred tax assets	201,595,137	54,455,130	-	-	-	-	-	-	615,244	256,665,511
Total non-current assets	**785,545,200**	**1,921,660,084**	**-**	**1,489,299,837**	**-**	**-**	**9,276,228**	**-**	**42,524,066**	**4,248,305,415**
Total non-banking business assets	**1,140,367,339**	**2,441,971,762**	**87,424,633**	**1,490,221,269**	**2,561**	**281,781**	**9,706,637**	**2,527,977**	**71,256,381**	**5,243,760,340**

Note 34 – Effect of variations in foreign exchange rates (continued)

d) Liabilities by domestic and foreign currency as of December 31, 2016, are detailed as follows:

Liabilities **Non-banking businesses** **Current liabilities**	**US Dollars** **ThCh$**	**Chilean pesos** **ThCh$**	**Unidad de Fomento** **ThCh$**	**Euros** **ThCh$**	**Peruvian Soles** **ThCh$**	**Argentine pesos** **ThCh$**	**Brazilian Reais** **ThCh$**	**Colombian pesos** **ThCh$**	**Other Currencies** **ThCh$**	**Total** **ThCh$**
Other financial liabilities, current	48,388,803	17,357,411	39,561,087	-	-	-	-	-	1,610,745	106,918,046
Trade and other payables, current	26,947,749	133,348,272	476,216	1,371,327	-	-	1,161,088	-	4,764,617	168,069,269
Accounts payable to related parties, current	829,264	712,932	-	-	-	-	-	-	-	1,542,196
Other short-term provisions	31,829,352	6,080,447	15,150	114,926	-	-	555,694	-	50,880	38,646,449
Current tax liabilities	11,698,140	2,108,246	-	-	-	-	-	-	1,731,250	15,537,636
Provisions for employee benefits, current	1,324,212	13,097,292	-	-	-	-	-	-	1,032,992	15,454,496
Other non-financial liabilities, current	13,083,453	49,454,892	-	-	-	-	-	202,433	1,162,199	63,902,977
Total current liabilities other than liabilities included in disposal groups classified as held for sale	**134,100,973**	**222,159,492**	**40,052,453**	**1,486,253**	**-**	**-**	**1,716,782**	**202,433**	**10,352,683**	**410,071,069**
Liabilities included in disposal groups classified as held for sale	9,058	251,208	2,853	1,413	-	376,635	-	-	-	641,167
Total current liabilities	**134,110,031**	**222,410,700**	**40,055,306**	**1,487,666**	**-**	**376,635**	**1,716,782**	**202,433**	**10,352,683**	**410,712,236**
Non-current liabilities										
Other financial liabilities, non-current	182,857,027	45,854,280	810,313,054	-	-	-	-	-	20,256,824	1,059,281,185
Trade and other payables, non-current	1,673,802	-	-	-	-	-	-	-	-	1,673,802
Accounts payable to related parties, non-current	-	8,034	-	-	-	-	-	-	-	8,034
Other long-term provisions	6,575,535	22,167,374	-	-	-	-	9,191,184	-	478,671	38,412,764
Deferred tax liabilities	51,889,446	93,035,054	-	-	-	-	-	-	5,035,084	149,959,584
Provisions for employee benefits, non-current	717,002	21,326,799	-	-	-	-	-	-	125,192	22,168,993
Other non-financial liabilities, non-current	121,298	61,398,022	-	-	-	-	-	-	-	61,519,320
Total non-current liabilities	**243,834,110**	**243,789,563**	**810,313,054**	**-**	**-**	**-**	**9,191,184**	**-**	**25,895,771**	**1,333,023,682**
Total non-banking business liabilities	**377,944,141**	**466,200,263**	**850,368,360**	**1,487,666**	**-**	**376,635**	**10,907,966**	**202,433**	**36,248,454**	**1,743,735,918**

Note 35 – Contingencies

(a) Lawsuits

a.1 CSAV is a defendant in litigation and arbitrations relating to cargo transport seeking compensation for damage and injury. Most of the potential contingencies are covered by insurance. There are provisions covering the estimated value of the proportion not covered by insurance, and the respective deductibles.

Regarding the investigation of infringement of anti-trust laws in the car carrier business, and the legislation in other jurisdictions, the Board of CSAV decided to register a provision of ThUS$ 40,000 in the first quarter of 2013 for the possible costs that CSAV may be obliged to pay in the future as a result of the proceedings, based on the volumes of the car carrier business in the different traffics the company has operated globally. The amount provisioned is an estimate of such disbursements, based on reasonable criteria, which have been used to the extent that payments have been recorded in accordance with the procedures and agreements detailed in numbers 1 to 6, contained in the following paragraphs. To date, the original provision is a reasonable estimate of the overall cost of these processes. There is insufficient information to predict the date that these processes will end, except for the investigation conducted by the following authorities, whose status is explained below:

1. On February 27, 2014, CSAV signed a Plea Agreement with the Department of Justice of the United States of America (hereinafter "DOJ") within the framework of the foregoing investigation, under which CSAV agreed to pay a fine of ThUS$8,900, which is covered by the aforementioned provision. It was paid in four installments, with the first three for ThUS$2,250 and the final installment for ThUS$2,150 paid in May 2014, 2015, 2016 and 2017, not including attorney fees. In 2014, the fine imposed by the US Federal Maritime Commission (hereinafter "FMC") of ThUS$625 was paid. These amounts have been duly deducted from the provision recorded in 2013.

In addition, based on the investigation by the DOJ, some vehicle end buyers, car distributors and freight forwarders or direct contractors have filed class action suits "by themselves and on behalf of those in a similar situation" against a group of companies engaged in the car carrier business, including CSAV and its former agency in New Jersey, for damages and losses suffered directly by contracting freight services or indirectly by buying imported cars in the United States. These class action suits were consolidated in the District Court of New Jersey. However, in late August 2015 the court ruled that they should be decided by the FMC, based on a motion filed by CSAV. The US Supreme Court denied these appeals. Fiat Chrysler Automobiles NV, FCA US LLC, and FCA Italy S.p.A. filed a lawsuit before the FMC against a group of companies engaged in maritime transport of vehicles, including CSAV. Rules contained in the US Shipping Act of 1984 and the FMC's rules do not provide for resolving class actions and it is uncertain whether the FMC would accept such proceedings. Therefore, and given the fact that these lawsuits are in their initial stages, it is not yet possible to estimate whether they will have any economic impact on the Company beyond the provisions recorded.

2. On November 25, 2015, the Court of the Administrative Council for the Economic Defense of Brazil (CADE) approved a cessation agreement (compromisso of cessação) previously agreed by the Company and the Superintendent of CADE, under which the Company paid a fine of approximately ThUS$1,822, which was covered by the aforementioned provisions.

3. On December 9, 2015, the Competition Tribunal of South Africa approved a consent agreement between CSAV and the South African Competition Commission, under which the Company agreed to pay a fine equivalent to approximately ThUS$566, which was also covered by the aforementioned provisions.

4. The Company actively cooperated in an investigation launched in China in June 2015, and subsequently the Prices and Antitrust Regulator of the National Commission for Development and Reform of the People's Republic of China (NDRC) sanctioned CSAV on December 15, 2015, with a fine equivalent to approximately ThUS$475, from a total of approximately ThUS$62,860 in fines against eight international shipping companies. This fine for ThUS$475 was also covered by the aforementioned provisions.

Note 35 – Contingencies (continued)

(a) Lawsuits (continued)

5. On August 30, 2016, the Mexican Federal Commission on Economic Competition (COFECE), initiated administrative proceedings against CSAV and four other shipping companies for their involvement in collusive agreements to pre-assign shipping routes to and from Mexican ports. CSAV then applied to a leniency program and, as a result, has committed to collaborating with authorities in exchange for a 50% fine reduction. On June 8, 2017, CSAV was notified of COFECE's ruling to levy a nominal fine of ThUS$5,132, which was reduced by 50% as a result of the immunity benefit, leaving an actual fine of ThUS$2,566. This fine has been fully paid and was covered by the provision referenced above.

6. On September 1, 2017, the Korea Fair Trade Commission (KFTC) decided to fine nine international shipping companies, including CSAV, for having engaged in practices that violated its antitrust law between 2002 and 2012. The total fine was almost ThUS$38,000. Since CSAV has collaborated with the investigation from the start, the Company must pay approximately ThUS$630, or 1.6% of the total fine. This disbursement has no impact on CSAV's profit and loss since a provision was established for such purposes in the 1Q13 financial statements, which was disclosed to the market in May of that year.

On January 27, 2015, the Chilean National Economic Prosecutor's Office (FNE) issued a summons against several shipping companies, including CSAV, for violating letter a) of article 3 of Decree Law 211 of 1973, regarding the Defense of Free Competition ("DL 211"), in the car carrier business (the "Summons"). As indicated in the Summons and set forth in article 39 bis of DL 211, because the Company is cooperating with the FNE's investigation, it is exempt from fines relating to the practices referred to in the Summons and, therefore, these proceedings have no financial impact on the Company's results. The Summons is being processed by Chile's Antitrust Court.

Additionally, on March 13, 2017, the Peruvian National Institute in Defense of Competition and Protection of Intellectual Property (INDECOPI) initiated an administrative procedure against several shipping companies, including the Company, for alleged collusive practices in the maritime vehicle transport business. Subject to confirmation by the authority, the Company is exempt from fines in relation to conduct described in the administrative procedure as a result of its cooperation in the INDECOPI investigation, so this process should not have any financial effect on the results of the Company. The administrative procedure is being processed before INDECOPI.

The fines referenced in 3, 4, 5 and 6 above have been paid in full and were consequently deducted from the respective provision recorded in 2013. As a result, to date they are not part of the current provisions for legal claims.

As of December 31, 2017 claims have been filed against CSAV related to its container shipping business prior to the merger with HLAG. In accordance with the merger agreement between CSAV and HLAG, HLAG is now legally and financially liable for all legal contingencies related to the operations of the container shipping business, including legal expenses and possible disbursements, even when CSAV is party to the claim. This was the case with the administrative proceedings initiated by INDECOPI (Peru) against several shipping companies, including CSAV, for participating in liner conferences, particularly the Asia West Coast South America Agreement (AWCSA) even though Peru ratified the United Nations' "Convention of a Code of Conduct for Liner Conferences." On May 8, 2017, the INDECOPI Free Competition Commission issued a ruling to conclude the proceedings and impose no penalties given a commitment made by the companies under investigation to cease such practices.

Note 35 – Contingencies (continued)

(a) Legal contingencies (continued)

Appropriate provisions have been established for other contingencies not related to the operation of this business, where CSAV estimates that disbursements are reasonably likely. Regarding the case mentioned in previous reports against the NYSA-ILA Pension Fund (hereinafter the "Fund"), during the first half of 2016 the case was successfully resolved in favor of CSAV, including the effective repayment by the Fund of the provisional payments made by CSAV to the date of the agreement. The Fund, which covers longshoremen at the ports of New York and New Jersey in the USA, and to which the Company contributed for its container ship business operated by HLAG, intended to impose and charge CSAV a supposed "Withdrawal liability" of approximately ThUS$ 12,000, which the Company promptly challenged and was able to resolve successfully.

a.2 Although Alusa S.A. and its subsidiaries were sold during the year ended December 31, 2016, Tech Pack S.A. has rights and obligations on contingencies related to transactions involving the packaging operations that occurred prior to the date of the sale of that business.

a.3 As of December 31, 2017, the subsidiaries Invexans S.A. and Enex S.A. have lawsuits pending against them with respect to demands related to their normal businesses which, according to the companies' legal advisors, present no risk of significant losses.

The tax contingencies of Invexans deriving from the sale of the cables unit to Nexans are detailed in Note 35 d).

a.4 The subsidiary SM SAAM has pending litigation and lawsuits for compensation for damages arising from its operations. The amounts under its deductible have been provisioned and it has insurance policies that cover any potential contingent losses.

Note 35 – Contingencies (continued)

(b) Financial contingencies

b.1 As of December 31, 2017, Quiñenco and the group companies are in compliance with the financial covenants related to bond issues. Quiñenco's principal financial covenants as of December 31, 2017, are:

- To maintain unencumbered assets to unsecured debt at book value of at least 1.3 times. As of December 31, 2017, the ratio of unencumbered assets to unsecured debt at book value is 4.9 times, as follows:

Quiñenco individual	**ThCh$**
Total assets	3,729,000,734
Encumbered assets	-
Unencumbered assets	**3,729,000,734**
Total current liabilities	74,007,625
Other short-term provisions	(3,344,652)
Provisions for employee benefits, current	(560,083)
Total non-current liabilities	691,279,979
Other long-term provisions	(200,000)
Unencumbered liabilities	**761,182,869**

- To maintain an unconsolidated financial debt ratio to total capitalization of no more than 0.48. As of December 31, 2017 the financial debt to total equity at book value ratio is 0.20, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	35,494,520
Accounts payable to related parties, current	4,686
Other financial liabilities, non-current	615,020,846
Accounts payable to related parties, non-current	76,059,133
Financial debt	**726,579,185**
Capitalization	
Equity attributable to owners of the controller	2,963,713,130
Financial debt	726,579,185
Capitalization	**3,690,292,315**

- To maintain a consolidated financial debt ratio to total capitalization of no more than 0.62. As of December 31, 2017, the consolidated financial debt ratio to total capitalization at book value is 0.20, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	108,299,282
Accounts payable to related parties, current	1,385,069
Other financial liabilities, non-current	1,105,696,636
Accounts payable to related parties, non-current	-
Financial debt	**1,215,380,987**
Capitalization	
Equity attributable to owners of the controller	2,963,713,130
Financial debt	1,215,380,987
Non-controlling interests (i)	2,031,737,515
Capitalization	**6,210,831,632**

(i) Non-controlling interests in Quiñenco of ThCh$3,589,077,338 less non-controlling interests in LQIF ThCh$1,557,339,823.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

- To maintain a minimum equity of Ch$821,628 million. As of December 31, 2017, the equity attributable to owners of the controller is Ch$ 2,963,713 million.
- The Luksic Group must maintain control of Quiñenco.

b.2 The subsidiary LQIF is subject to certain financial covenants contained in the bond-issue indenture and other loan agreements. The principal restrictions as of December 31, 2017, are:

- LQIF should maintain a leverage ratio in its quarterly financial statements of no more than 0.40 times, measured by the ratio of total adjusted liabilities to total adjusted assets, equivalent to the balances of non-banking service accounts plus the calculation of the investment in companies (equity value), the restitution of lesser and higher values fixed in UF as of December 31, 2008, and restituting balances eliminated in the consolidation.
- During three months prior to payment of coupons on these issues, it should maintain a liquidity reserve equivalent to at least the payment of that corresponding to bond-holders as of that date.
- It should retain its control of Banco de Chile, and the present controller of the company should remain as such.

The leverage ratio as of December 31, 2017, was 0.080 times.

b.3 Tech Pack S.A.
As of December 31, 2017, Tech Pack S.A. has contingencies related to its normal business.

The Share Purchase Agreement signed on April 18, 2016 was finalized on May 31, 2016 by the transfer of shares. As a result, Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A. to Amcor. Under that agreement, Tech Pack S.A. agreed to maintain a balance of cash and cash equivalents of at least ThUS$ 28,493 until October 2017.

The total amount of the transaction was US$435 million (Enterprise Value) for the entire flexible packaging business described above, including Nexus Group's share. Tech Pack's share was approximately US$285 million, from which net debt was deducted, in addition to adjustments for changes in working capital, as is usual in such transactions.

When the business was closed in May 2016, Techpack received US$204 million. It also subsequently sold a logistics center in Chile in 2016, it was reimbursed by the buyer for specific tax credits the same year, and a price adjustment was agreed for changes in working capital recognized in March 2017. These events resulted in Tech Pack SA receiving a total of US$212 million in cash for its interest in the flexible packaging business.

On October 25, 2017, Amcor sent the Company two letters alleging violations to specific guarantees and commitments granted in the Purchase Agreement, valued at approximately US$133 million for Techpack, excluding the interest of Nexus Group.

Amcor did not substantiate its allegations nor include any background information that justified them. The Company does not recognize these accusations and considers them to have no basis whatsoever. For these reasons, it instructed its legal advisors to prepare its response, making it categorically clear that these allegations are unfounded and that it asserts its rights under the Purchase Agreement.

The aforementioned figure refers to the nominal amount that Amcor has discretionally included in its letters; however, the Company believes that this will not significantly affect its financial situation.

According to the aforementioned Purchase Agreement, Tech Pack S.A. maintained specific rights over tax credits related to the flexible packaging business that was sold, which took place prior to the transaction's execution date. By virtue of these rights, Amcor should refund Techpack for the tax refund requested by Alusa Chile S.A. for credits originated prior to the transaction close, nominally valued at US$1.1 million (Ch$698 million). On May 10, 2017, the Company was informed by Amcor that the requested refund was approved by the SII. However, at the date these financial statements were published Amcor has retained these funds, despite the requirement to refund them to Techpack.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.4 Invexans S.A. (legal successor of Madeco S.A.)

In October 2014, Invexans signed a loan agreement for MUS$15 with Banco Estado. On July 6, 2017, Invexans partially repaid MUS$5 early, leaving MUS$10 outstanding.

In addition to the usual obligations for such loans, it must maintain total debt of no more than 1:1 and a minimum equity of MUS$250 in the annual consolidated financial statements. The Luksic Group should also maintain control.

Invexans is in compliance with all the restrictions stated in the above agreement, as follows:

Covenants	**12-31-2017**	**Covenants**
Net total leverage in consolidated statement of financial position	0.03	< 1.00
Minimum equity	ThUS$511,053	> ThUS$250,000
Controlled by Quiñenco	Yes	Yes

b.5 Enex S.A.

As of December 31, 2017, the subsidiary Empresa Nacional de Energía Enex S.A. is in compliance with the financial covenants associated with its bank loans.

- Maintain a debt to equity plus minority interest ratio less than 0.5. As of December 31, 2017, this ratio was 0.17 times, according to the following detail:

	ThCh$ 12-31-2017
Other current financial liabilities	36,401,955
Other non-current financial liabilities	57,673,499
Total financial debt	94,075,454

	ThCh$ 12-31-2017
Equity attributable to the owners of the controller	567,736,769
Non-controlling interests	(2)
Total equity	567,736,767

- Maintain a ratio of EBITDA to finance costs greater than 2.5 times. As of December 31, 2017, EBITDA over finance costs was 11.32 times, according to the following detail:

	ThCh$ 12-31-2017
Operating income	26,124,515
Depreciation	18,989,676
EBITDA	45,114,191
Interest on bank loans	3,562,995
Other interest	422,781
Total finance costs	3,985,776

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.6 CSAV

The financing agreements at CSAV and its subsidiaries have the following covenants:

b.6.1 Loan from Banco Itaú Chile for ThUS$45,000:

a) Maintain consolidated borrowing at levels that keep Total Liabilities / Total Equity to no more than 1.3 times. As of December 31, 2017, CSAV's borrowing ratio was 0.07.
b) Maintain unencumbered assets at 130% of the consolidated financial liabilities. As of December 31, 2017, unencumbered assets reached 23.0 times.
c) Quiñenco S.A. should have control over the issuer or should have at least 37.4% of the subscribed and paid capital of the issuer.
d) Maintain minimum consolidated total assets of ThUS$1,730,325. As of December 31, 2017, total assets were ThUS$2,262,964.

b.6.2 Series B bearer bonds for ThUS$50,000, Securities Registry 839:

a) Maintain consolidated borrowing at levels that keep Total Liabilities / Total Equity to no more than 1.3 times. As of December 31, 2017, CSAV's borrowing ratio was 0.07.
b) Maintain unencumbered assets at 130% of the consolidated financial liabilities. As of December 31, 2017, unencumbered assets reached 23.0 times.
c) Maintain minimum consolidated total assets of ThUS$ 1,730,325. As of December 31, 2017, total assets were ThUS$2,262,964.

b.6.3 Loans from TANNER Servicios Financieros of ThUS$30,000.

a) Maintain consolidated borrowing at levels that keep Total Liabilities / Total Equity to no more than 1.3 times. As of December 31, 2017, CSAV's borrowing ratio was 0.08.
b) Maintain minimum equity of ThUS$350,000. As of December 31, 2017, equity was ThUS$2,006,464.

Furthermore, the aforementioned credits and bond require CSAV to comply with specific affirmative restrictions, such as compliance with the law, payment of taxes, insurance policies, etc., and comply with specific negative restrictions, such as not granting pledges, except those authorized by the respective instrument, not to carry out company mergers unless authorized, or not to sell property, plant and equipment, among other similar obligations.

b.6.4 Mortgages for financial commitments.

As of December 31, 2017 and 2016, CSAV did not have any mortgages over any of its assets, in order to guarantee its financial obligations.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.7 SM SAAM

The subsidiary SM SAAM and its subsidiaries have the following contractual provisions governing its management and financial indicators:

Company	Financial entity	Description	Condition	12-31-2017	12-31-2016
Sociedad Matriz SAAM S.A.	Santander (Bonds)	Net financial debt to equity	Each quarter it must be less than 1.2	0.15	-
		Net financial costs coverage ratio	Each quarter it must be more than 2.75	9.59	-
		Guarantees over total assets	Cannot exceed 5%	0%	-
SAAM S.A. (ThUS$ 20,000)	Banco Estado	Financial debt to equity	As of December 31, each year it must be less than 1.2	N/A	0.31
		Net financial costs coverage ratio	As of December 31, each year it must be more than 2.75	N/A	8.48
SAAM S.A. (ThUS$ 25,000)	Banco Estado	Financial debt to equity	As of December 31, each year it must be less than 1.2	N/A	0.31
		Net financial costs coverage ratio	As of December 31, each year it must be more than 2.75	N/A	8.48
Iquique Terminal Intemacional S.A. (ITI)	Banco de Crédito e Inversiones	Net Financial Debt / EBITDA	As of December 31, it must be less than 3.5 from 2016 onwards.	0.99	0.89
		Financial debt to equity	As of December 31, each year it must be less than 3	0.62	0.62
Iquique Terminal Intemacional S.A.(ITI))	Banco Estado	Net Financial Debt / Equity	As of December 31, each year it must be less than 3	0.67	0.62
		Debt service coverage ratio	As of December 31, each year it must be more than 1	1.38	1.84
		Equity in the financial statements no less than ThUS$ 10,000	As of December 31, each year it must be more than ThUS$ 10,000	ThUS$ 27,973	ThUS$28,227
SAAM Remolques SA de C.V	Banco Inbursa	Net Financial Debt / EBITDA	Every quarter it must be less than 2.5 times	2.21	1.72
		Interest coverage ratio	Every quarter it must be more than 3 times (EBITDA / Financial costs)	8.83	13.76
		Equity in the financial statements no less than MXS 600,000	Every quarter it must be more than MXS 600,000	ThMX$3,135	ThMX$4,475
SAAM Remolques SA de C.V	Banco Corpbanca NY	Net Financial Debt / EBITDA	As of December 31, each year it must be less than 3	2.21	1.42
Terminal Maritima Mazatlan. De C.V	Banco Itaú	Net Financial Debt / Equity	As of December 31 2016 and onwards, it must be less than 1.5	0.46	0.57
Terminal Maritima Mazatlan. De C.V	Banco Itaú	Net Financial Debt / EBITDA	As of December 31 2017 and 2016, it must be less than 2 and 3 respectively	1.34	0.80
Smit Marine Canada Inc	Banco Scotiabank Canada	Debt over net tangible assets	Every quarter it must be less than 2.5 times	1.49	1.61
		Consolidated EBITDA over financial expenses and debt amortization	Every quarter it must be more than 1.25 times	3.77	2.29
Sociedad Portuaria Caldera S.A.	Banco Davivienda	Total liabilities / Total Assets	Quarterly maximum of 83%	63%	-
		Debt servicing coverage	Minimum of 1.2 times	2.3	-
Sociedad Portuaria Granelera de Caldera S.A.	BAC San José	Total liabilities / Equity	Quarterly maximum of 3.5 times	2.0	-
		Debt servicing coverage	Quarterly minimum of 1.25 times	2.7	-
Sociedad Portuaria Granelera de Caldera S.A.	Banco Devivienda	Total liabilities / Total Assets	Quarterly maximum of 83%	67%	-
		Debt servicing coverage	Quarterly minimum of 1.2 times	2.7	-
Florida International Terminal	BCI Miami	Total liabilities / Equity	Maximum of 2.5 times	0.7	-
		Financial debt / EBITDA	Maximum of 2.5 times	0.3	-

N/A: At the closing date of thesew financial staements, the company cancelled the financial obligation.

(c) Other contingencies

Sale of the Cable Unit to Nexans

On September 30, 2008, the sale of the company's cable unit to Nexans was completed. This cable unit had operations in Chile, Peru, Brazil, Argentina and Colombia.

The main contingencies and restrictions arising from this contract are summarized below:

c.1 Reps and warranties

The Nexans contract establishes reps and warranties customary for such contracts. These reps and warranties essentially refer to ownership by Invexans and its subsidiaries of the cable assets transferred to Nexans, to compliance with current regulations and the absence of contingencies, except those stated in the contract. Therefore, the seller, Invexans, took charge of specific contingencies that materialized after September 30, 2008, but which had originally arisen before that date.

Note 35 – Contingencies (continued)

(c) Other contingencies (continued)

In general, the warranties and assurances made by Invexans were valid until December 2009, except for: (i) labor and tax matters, which will remain valid until the applicable statutory limitation periods expire (the limitation period for taxation obligations in Brazil expired on January 1, 2014); ii) general environmental issues, which expired on September 30, 2011; and iii) those relating to the ownership of the companies sold and real estate ownership, which will expire on September 30, 2018.

c.2 Indemnities

Nexans has the right to be compensated for any breach of these reps and warranties, and to the other obligations established in the contract.

Furthermore, Nexans is entitled to compensation, considering the validity of these reps and warranties, among others, for: i) tax payable by the business, due prior to September 30, 2008, except the declared processes with respect to Chile, Peru and Colombia in the reps and warranties (i.e. the right to be compensated for the indicated tax in Brazil); ii) Brazil's civil and labor legal cases detailed as of September 30, 2008 – Invexans's obligations on this point were substantially limited in the agreement that was signed with Nexans in 2012; (iii) undeclared environmental liabilities; and iv) obligations of the sold companies that are not related to their business.

Regarding the obligation to compensate for Brazilian taxes accrued up to the date of sale, Invexans is liable for 90% and Nexans is liable for the remaining 10%, limited to: i) US$2.8 million for lawsuits at the time of sale; and, (ii) US$24 million for subsequent lawsuits.

c.3 Limitation of liability of Invexans

The sale contract states that Invexans is not liable for damages caused by individual events when these do not exceed US$73,000. It also limits the general liability of Invexans to US$ 147 million, as informed by Nexans.

(d) Tax contingencies

d.1 Lawsuits following the acquisition of Ficap S.A.

On July 19, 2006, Ficap S.A., a former Invexans cables subsidiary and now Nexans Brasil S.A. ("Nexans Brasil – ex Ficap"), received a notice of tax assessment from the Brazilian Federal Tax Authority for the tax years 2001 to 2005, which rejected the amortization of the goodwill that arose when it was acquired by Madeco. This assessment was paid by Invexans at the end of 2014 under a tax amnesty program in Brazil.

In applying the same criteria for taxable years 2006 and following, Nexans Brasil -ex Ficap made court deposits in order to avoid paying interest and fines on the additional income tax that it would have had to pay if the law were to be interpreted as indicated by the tax authorities in that assessment.

Simultaneously, Nexans Brasil - ex Ficap initiated a legal action in order to obtain a judgment recognizing its right to amortize the goodwill.

In accordance with the agreement with Nexans, Invexans retains the right to receive those deposits if they are returned by the courts. Invexans also has control over these cases.

The amount claimed by the Brazilian tax authorities for the tax years 2006 and following is largely guaranteed by those deposits.

Note 35 – Contingencies (continued)

(d) Tax contingencies (continued)

d.2 ICMS State of Rio de Janeiro

The tax authorities of the State of Rio de Janeiro in executive collection proceedings, require Nexans Brasil -ex Ficap to pay ICMS taxes (similar to the VAT in Chile) allegedly owed by its production plant located in that State. They allege that such taxes had not been paid during 1983 to 1991, at which time the company SAM Industrias S.A., a company controlled by Mr. Daniel Birmann, owned that production plant.

In order to be able to appeal against these fiscal proceedings and to avoid their collection while these claims are being substantiated, Nexans Brasil -ex Ficap established bank securities to guarantee their payment.

Only one case remains pending, and Nexans Brasil (formerly Ficap) received a favorable ruling from the second-instance court. However, the tax authority filed an appeal with the Superior Courts. The historical value of these proceedings amounted to ThBRL2,168.

d.3 Lawsuit for income tax on the sale of Ficap S.A. to Nexans

During December 2013, Nexans Brasil was notified of a tax charge of ThBRL 31,765 referring to a possible difference in income tax due to capital gains ("withholding income tax") where a rate of 15% was used instead of 25% on the sale of Ficap SA to Nexans. Given the weight of the arguments presented, the Company's legal advisors consider that there is a good possibility of reversing this charge. Subsequently, at the start of 2017, a favorable ruling was handed down by the second-instance court that rejected the indicated charge. However, the tax authority filed an appeal with the higher instance of this court.

d.4 Enex S.A.

Enex Tax Appeal against Resolution 73 dated May 9, 2014, issued by the Director of Large Taxpayers of the Internal Revenue Service, filed before the Second Tax and Customs Court of the Metropolitan Region, in which it requests repayment of the provisional payment for absorbed profits (PPUA) for ThCh$ 6,220,088; monthly provisional payments (PPM) for ThCh$ 4,867,703 and credits for training expenses for ThCh$ 18,150. On July 12, 2016, the Second Tax and Customs Court of the Metropolitan Region issued a judgment rejecting the appeal entirely. On August 4, 2016, an appeal was filed before the Second Tax and Customs Court of the Metropolitan Region, which accepted the appeal, ordering that the case files be transferred to the Santiago Appeals Court. On May 5, 2017, the Santiago Appeals Court upheld the ruling of the first-instance court. On May 22, 2017, an appeal was filed with the Supreme Court, which was declared admissible on June 19, 2017.

Note 36 – Guarantees

The Company has received no guarantees from third parties as of December 31, 2017 and 2016.

Note 37 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the CMF or any other regulatory authority during 2017 and 2016.

Note 38 – Subsequent events

On March 14, 2018 Compañía Cervecerías Unidas reported the following subsequent event:

"In compliance with Article 9 and sub-paragraph two of Article 10 of Law 18,045 and Section II Number 1 of Article 2.2.A of General Standard 30 and Circular 75 issued by your Commission, on behalf of the Board of Directors and being specially authorized to do so, I report the following Material Event regarding Compañía Cervecerías Unidas SA ("CCU"):

On September 6, 2017, CCU reported as a Material Event (the "Material Event") the agreement between Compañía Cervecerías Unidas Argentina S.A. ("CCU-A"), a company incorporated under the laws of the Argentine Republic and a subsidiary of CCU, and Anheuser-Busch InBev S.A./N.V. ("ABI" and jointly with CCU-A the "Parties"), an offer letter (hereinafter the "Transaction"), which contained the following:

a) The license agreement for the "Budweiser" brand in Argentina that was signed between CCU-A and Anheuser-Busch, Incorporated (now Anheuser-Busch LLC, a subsidiary of ABI), on March 26, 2008, which is subject to the laws of the State of New York, United States of America, will be early terminated;

b) ABI will transfer to CCU-A (i) ownership of the Isenbeck and Diosa brands and specific assets related to these brands (not including the production plant owned by Cervecería Argentina SA Isenbeck, nor the contracts with its employees and distributors, nor transfer any liabilities of that entity); (ii) ownership of the following registered trademarks in Argentina: Norte, Iguana and Báltica; and (iii) ABI's obligation to make its best and reasonable efforts to obtain the license for the Warsteiner and Grolsch brands in Argentina for CCU-A. The remaining Transaction terms and conditions are described in the Material Event.

c) ABI will pay to CCU-A up to MUS$400 (four hundred million US dollars) within a period of up to 3 years.

The Transaction is subject to the approval by the National Free Trade Commission ("NFTC") and the Commercial Secretary of the Argentine Ministry of Production ("SECOM"), which is the authority that applies free trade law in Argentina (the "Suspensive Condition").

We report that on this date CCU-A has been notified of the SECOM resolution approving the Transaction (the "Resolution"), based on the favorable opinion of the NFTC. The Resolution establishes that within 60 business days of this date, the Parties must submit to the NFTC, for its review and approval, draft contracts that contain all the Transaction terms and conditions. The NFTC will then have 30 business days for its review and approval.

The Parties shall submit draft contracts to the NFTC as soon as possible, in order to obtain the required approval and promptly close the Transaction. Any relevant developments will be reported in a timely manner."

Note 38 – Subsequent events (continued)

On March 22, 2018, the subsidiary Tech Pack reported the following subsequent event:

"In compliance with Article 9 and Article 10 of Law 18,045 and General Standard 30 issued by your Commission, in my capacity as Chief Executive Officer of Tech Pack S.A. (the" Company ") and being specially authorized to do so by the Board, I report the following Material Event.

1. The Material Event reported on October 30, 2017 described how Amcor Holding and Amcor Chile Holding SpA (jointly "Amcor") sent the Company and its subsidiary Inmobiliaria Techpack S.A. ("ITP") a letter called "Indemnity Notice" and a letter called "Third Party Claim Notice", claiming approximately MUS$133 in compensation for damages; all referring to alleged violations of specific guarantees and commitments in the share sale agreement dated April 17, 2016 ("Purchase Agreement").

2. The Material Event reported on October 30, 2017 mentioned that the Company does not recognize these allegations and considers that the accusation of intentional non-compliance is simply an Amcor strategy to avoid the indemnity limit established in the Purchase Agreement.

3. Amcor has not yet submitted any background information to the Company that justifies its claims for the alleged violations of the Purchase Agreement.

The Company continues to believe that these allegations are without foundation. Hence, it has jointly decided together with ITP and the companies within the Peruvian group Nexus to exercise its rights and today filed before the Supreme Court of the State of New York, County of New York, legal proceedings declaring that the sellers are not in default, intentionally or otherwise, of the Purchase Agreement and are therefore not obliged to indemnify Amcor.

As indicated in these legal proceedings, Amcor's claims are also inconsistent with various public statements from Amcor regarding the performance of that business since the announcement of the acquisition and even after these claims against the Company were submitted.

4. The Material Event reported on October 30, 2017, also mentioned that the Company believes that these claims will not significantly affect its financial situation."

There were no other events of a financial or other nature between December 31, 2017, and the date of issue of these consolidated financial statements that might affect significantly their interpretation.

Note 39 – Additional Notes

The following are the Notes to the financial statements of SM Chile S.A. and subsidiaries under the regulations of the Superintendency of Banks and Financial Institutions (SBIF).

Note 39.1 – Company information

The Extraordinary Shareholders' Meeting held on July 18, 1996, recorded in public deed dated July 19, 1996, before the Santiago notary, René Benavente Cash, resolved that the company previously called Banco de Chile accept the provisions of the third and fifth paragraphs of Law 19,396 which modified the conditions of payment of the Subordinated Obligation with the Chilean Central Bank. By this resolution, the company was transformed, changing its name to Sociedad Matriz del Banco de Chile S.A., or SM-Chile S.A., and modifying its corporate object to being the holder of shares in Banco de Chile and carrying out the other activities permitted by Law 19,396. It was also agreed to transfer all the assets and liabilities of the company, with the sole exception of the Subordinated Obligation with the Chilean Central Bank, to a new banking corporation to be called Banco de Chile, and agreed to create a closely-held corporation called Sociedad Administradora de la Obligación Subordinada SAOS S.A., to which would be transferred this obligation with the Chilean Central Bank as a part of the shares in the new banking company, Banco de Chile.

On November 8, 1996, Banco de Chile thus became Sociedad Matriz del Banco de Chile S.A., or SM-Chile S.A., and all of its assets, liabilities and memorandum accounts were transferred, except for the Subordinated Obligation, to the new banking company Banco de Chile. On the same date, the company subscribed and paid a capital increase in Sociedad Administradora de la Obligación Subordinada SAOS S.A. through the transfer of ownership of 28,593,701,789 shares in the new Banco de Chile, granting a special pledge in favor of the Chilean Central Bank, which shares represent 28.75% of the share capital of that bank (29.29% in 2016) and transferred to that company the responsibility for paying the Subordinated Obligation, thus releasing Sociedad Matriz del Banco de Chile S.A. from that obligation. The Company retains the commitment to transfer to Sociedad Administradora de la Obligación Subordinada SAOS S.A. the dividends and fully paid-in shares corresponding to 567,712,826 shares in Banco de Chile that its holds, while the latter company maintains the Subordinated Obligation with the Chilean Central Bank.

The shareholders in SM Chile S.A. directly exercise the speaking and voting rights of the shares pledged in favor of the Chilean Central Bank in the proportions established in the corporate bylaws. These shareholders have a preferential right to acquire those shares should SAOS S.A. dispose of them in any circumstances.

As of December 31, 2017, the contractual value of the Subordinated Obligation with the Chilean Central Bank, including interest, amounts to UF 8,630,858.50 (UF 13,473,746.91 in 2016), net of the surplus balance in the Surpluses for Future Deficits account.

The Subordinated Obligation is to be amortized over a period expiring on April 30, 2036, contemplating fixed annual payments of U.F. 3,187,363.9765 each. However, SAOS S.A. is obliged to pay annually an amount called annual quota, constituted by the sum of the dividends received on the shares it holds in Banco de Chile, plus an amount it will receive annually from SM Chile equal to the dividends on that company's holding of 567,712,826 shares in Banco de Chile. The so-called annual quota may be greater or lower than the fixed quota. If the annual quota is more than the fixed quota, the excess will be recorded in an account with the Chilean Central Bank called "Surpluses for Future Deficits Account", whose balance will be used to cover future deficits. If the annual quota is below the fixed quota, the difference will be covered by the accumulated balance in the Surpluses for Future Deficits Account should there be a balance or booked in that account. If at some time the Surpluses for Future Deficits Account accumulates a balance due by SAOS S.A. of more than 20% of the paid capital and reserves of Banco de Chile, SAOS S.A. shall sell the shares pledged in the form established in Law 19,396 and the respective contract, to cover the whole deficit with the proceeds.

Note 39 – Additional notes (continued)

Note 39.1 – Company information (continued)

The annual quota for 2017 amounts to ThCh$152,930,211 (ThCh$142,003,347 in 2016). As of December 31, 2017, there is a surplus in the Surpluses for Future Deficits Account of UF 30,169,324.81 (UF 26,590,768.25 in 2016).

The obligation with the Chilean Central Bank will be extinguished if this has been fully paid or if no shares of Banco de Chile remain held by Sociedad Administradora de la Obligación Subordinada SAOS S.A. pledged in favor of the Chilean Central Bank.

SM Chile will exist until it has extinguished the Subordinated Obligation that its subsidiary Sociedad Administradora de la Obligación Subordinada SAOS S.A. has with the Chilean Central Bank and, at that moment, its shareholders will be awarded the shares that the company holds in Banco de Chile.

SM Chile is governed by Law 19,396 and is subject to the regulatory authority of the SBIF.

Note 39.2 – Accounting changes

During the year ended December 31, 2017, there have been no significant accounting changes affecting the presentation of these consolidated financial statements.

Note 39.3 – Material information on the banking subsidiaries

a) On January 26, 2017, the Board of the subsidiary Banco de Chile held Ordinary Meeting BCH 2,853, and convened an Ordinary Shareholders' Meeting for March 23, 2017, with the purpose of proposing, among other matters, the distribution of dividend 205 of Ch$ 2.92173783704 for each of the 97,624,347,430 shares, payable from the distributable net income for the year ended December 31, 2016, corresponding to 60% of its net income.

   Furthermore, the Board of Directors convened an Extraordinary Shareholders' Meeting for the same date, in order to propose, among other matters, the capitalization of 40% of the Bank's net distributable income for 2016, through the issuing of new fully paid-in shares, with no par value, at a value of Ch$73.28 per share, distributed among the shareholders at the rate of 0.02658058439 shares per share held, and adopt the necessary agreements, subject to the exercise of the options provided for in Article 31 of Law 19,396.

b) On January 26, 2017, the Board of Directors of the Sociedad Matriz del Banco de Chile S.A. held Ordinary Meeting SM-242 where they agreed to convene an Ordinary Shareholders' Meeting for March 23, 2017, with the purpose of proposing, among other matters, the distribution of dividend 21 of Ch$2.93471581504 for each share of the "B", "D" and "E" series and propose to distribute among shareholders of the same series the new fully paid-in shares to be received by the Sociedad Matriz del Banco de Chile S.A. as a result of capitalizing 40% of Banco de Chile's net distributable income for 2016, which will be distributed at a rate of 0.02658058439 "Banco de Chile" shares for each share in the aforementioned series.

Note 39 – Additional notes (continued)

Note 39.3 – Material information on the banking subsidiaries (continued)

c) On February 9, 2017 and in accordance with Articles 19 and following of Law 19,913, the Financial Analysis Unit imposed a warning and a fine of UF 500 on the subsidiary Banco de Chile, in relation to information sent to that Unit that was required by Article 5 of that law for the period April 2011 to June 2012, which was incorrect.

d) On March 21, 2017 the subsidiary Banchile Securitizadora S.A. entirely renewed its Board, due to changes in the composition of the Board over the course of the year, and in accordance with the law and its bylaws.

In accordance with the seventh and eighth articles of the bylaws, the following directors were unanimously appointed: Pablo Granifo Lavín, Juan Alberdi Monforte, Eduardo Ebensperger Orrego, José Miguel Quintana Malfanti and Marcos Frontaura De La Maza. These positions will continue for the statutory period of three years, until the Annual General Shareholders Meeting in 2020.

e) On March 23, 2017, the Banco de Chile Annual General Shareholders' Meeting approved the distribution of dividend 205, of Ch$2.92173783704 per share, payable from the distributable net income for 2016. Additionally, the Extraordinary Meeting held on the same date, agreed to capitalize 40% of the distributable net income 2016, by issuing bonus shares with no par value at a value of Ch$73.28 per share.

f) On March 23, 2017, Banco de Chile's Annual General Shareholders' Meeting appointed the Board of Directors, as the prior statutory three-year period had expired.

At this meeting, shareholders voted on the people nominated and the following were appointed as Bank Directors for a new period of three years:

Directors:

Andrés Ergas Heymann
Alfredo Ergas Segal (Independent)
Jaime Estévez Valencia (Independent)
Jane Fraser
Pablo Granifo Lavín
Samuel Libnic
Andrónico Luksic Craig
Jean Paul Luksic Fontbona
Gonzalo Menéndez Duque
Francisco Pérez Mackenna
Juan Enrique Pino Visinteiner

First Alternate Director:

Rodrigo Manubens Moltedo

Second Alternate Director:

Thomas Fürst Freiwirth (Independent)

Ordinary Board Meeting BCH 2,856 dated March 23, 2017 agreed the following appointments:

Chairman:	Pablo Granifo Lavín
Vice President:	Andrónico Luksic Craig
Vice President:	Jane Fraser
Board Advisor:	Hernán Büchi Buc

Note 39 – Additional notes (continued)

Note 39.3 – Material information on the banking subsidiaries (continued)

g) On March 23, 2017, SM Chile SA's Annual General Shareholders' Meeting agreed to distribute a dividend of Ch$2.93471581504 for each series B, D and E share from net income for the year ended December 31, 2016, and distribute as a dividend to the series B, D and E shareholders the bonus shares that will be received from the subsidiary Banco de Chile, at the rate of 0.02658058439 shares in Banco de Chile for each share of the aforementioned series.

h) On March 23, 2017, SM Chile SA's Annual General Shareholders' Meeting appointed the Board of Directors, as the prior statutory three-year period had expired.

At this meeting, shareholders voted on the people nominated and the following were appointed as Bank Directors for a new period of three years:

Directors:

Pablo Granifo Lavín
Samuel Libnic
Andrónico Luksic Craig
Rodrigo Manubens Moltedo
Gonzalo Menéndez Duque
Francisco Pérez Mackenna
Juan Enrique Pino Visinteiner
Jaime Estévez Valencia (Independent)
Thomas Fürst Freiwirth (Independent)

Ordinary Board Meeting No. 244 dated March 23, 2017 agreed the following appointments:

President:	Andrónico Luksic Craig
Vice President:	Pablo Granifo Lavín

i) On March 28, 2017, the Chilean Central Bank Council communicated to the subsidiary Banco de Chile that in Special Meeting 2051E held on March 27, 2017, considering the resolutions adopted at the Extraordinary Shareholders' Meeting of Banco de Chile, held on March 23, 2017, in respect of the distribution of dividends and of the capital increase through issuing new fully paid bonus shares for 40% of net income for the year ended December 31, 2016, decided to opt for all its corresponding surpluses, including the portion of the agreed capitalized net income to be paid in cash, in accordance with section b) of Article 31 of Law 19,396, on the modification of the form of payment of subordinated obligations, and other applicable regulations.

Note 39 - Additional Notes (continued)

Note 39.3 – Material information on the banking subsidiaries (continued)

j) On July 13, 2017, with respect to the capitalization of 40% of net distributable income for 2016, through issuing new fully paid-in shares agreed at the Extraordinary Shareholders' Meeting held on March 23, 2017, the subsidiary Banco de Chile reported the following Material Event:

- a) At the aforementioned Extraordinary Shareholders' Meeting, it was agreed to increase the capital of the Bank by Ch$133,353,827,359 through issuing 1,819,784,762 new fully paid-in shares, with no par value, payable from net distributable income for 2016, which was not distributed as a dividend as agreed at the Ordinary Shareholders' Meeting held on the same day.

  The Superintendency of Banks and Financial Institutions approved the amendment of its bylaws, in Resolution 260 dated May 25, 2017, which was registered in the Commercial Registry of Santiago on page 43,218 number 23,646 of 2017 and published in the Official Gazette on June 1, 2017.

  These new fully paid-in shares were recorded in the Securities Registry of the Superintendency at 1/2017, dated July 11, 2017.

- b) The Board of Directors of Banco de Chile Meeting BCH 2,862 held on July 13, 2017, agreed to issue and distribute the new fully paid-in shares on July 27, 2017.

- c) Shareholders who are registered in the Company's Register of Shareholders on July 21, 2017 will be entitled to receive the new shares, at a rate of 0.02658058439 new fully paid-in shares for each share held.

- d) The respective shares will be duly assigned to each shareholder and will only be printed for those who request it in writing to the Department of Shares of Banco de Chile.

- e) As a result of issuing new fully paid-in shares, the Bank's capital is divided into 99,444,132,192 registered shares, with no par value, which are fully subscribed and paid.

k) On August 24, 2017, Banco de Chile reported that in conjunction with Citigroup Inc. it has agreed to extend the validity of the Cooperation Agreement signed on October 22, 2015 from January 1, 2018 and until January 1, 2020. The parties may agree before August 31, 2019 to extend it for another two years from January 1, 2020. In the absence of such an agreement, the contract will be extended only once for one year from January 1, 2020 until January 1, 2021. The same renewal procedure may be used as many times as agreed by the parties.

This extension also extends to the Global Connectivity Agreement and the License and Master Services Agreement that Banco de Chile has signed with Citigroup Inc.

Banco de Chile Board Meeting BCH 2,865 dated August 24, 2017, approved this extension, under the terms established in Articles 146 onwards of Corporate Law.

l) On November 30, 2017, the Board of the subsidiary Banchile Securitizadora S.A., accepted the resignation of the Director Mr. Marcos Frontaura De la Maza with effect from December 1, 2017.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments

For management purposes, the Bank is organized into four segments, which are defined in accordance with the types of products and services offered and the type of customer targeted. These business segments are as follows:

Retail: This segment focuses on individuals and small and medium-sized businesses (SMEs) with annual sales up to UF 70,000, where the products are focused primarily on consumer loans, commercial loans, checking accounts, credit cards, credit lines and mortgage loans.

Wholesale: This segment focuses on corporate clients and large companies, whose annual revenue exceeds UF 70,000, where the products focus primarily on commercial loans, checking accounts and cash-management services, debt instruments, foreign trade, derivative contracts and leases.

Treasury: This segment includes revenue associated with managing the Bank's investment portfolio and its finance and exchange operations.

Transactions with customers carried out by the Treasury are shown in the above respective segments. These products are generally highly transaction-focused and include foreign exchange transactions, derivative contracts and financial instruments.

Subsidiaries: Corresponds to companies and corporations controlled by the Bank, where income is obtained individually by the respective subsidiary, although their management is related to the aforementioned segments. The companies that comprise this segment are:

Entity
- Banchile Administradora General de Fondos S.A.
- Banchile Asesoría Financiera S.A.
- Banchile Corredores de Seguros Ltda.
- Banchile Corredores de Bolsa S.A.
- Banchile Securitizadora S.A.
- Socofin S.A.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

The financial information used to measure the performance of the Bank's business segments is not comparable with similar information from other financial companies because it is based on internal reporting policies. The accounting policies used to prepare the Bank's operating segment information are similar to those described in the summary of significant accounting principles. The Bank obtains most of its revenue from interest, indexation adjustments and fees, less provisions and expenses. Management is mainly based on these concepts in its evaluation of segment performance and decision-making regarding goals and the allocation of resources for each unit. Although the results of the segments reconcile with those of the Bank at the total level, this is not necessarily so at the level of different concepts, since the performance is measured and controlled individually, not on consolidated bases, and applying the following criteria:

- The net interest margin of loans and deposits is measured from the aggregation of the net financial margins of each of the Bank's individual credit and deposit operations. The volume of each operation and its contribution margin are used for this purpose, which in turn corresponds to the difference between the customer's effective rate and the internal transfer price established according to the term and currency of each operation.

- Capital and its financial impacts on income have been assigned to each segment in accordance with their risk-weighted assets.

- Operating expenses are shown at each of the Bank's functional areas. Expenses are allocated from functional areas to business segments using various allocation criteria, by concepts and expenditure headings.

Taxes are managed on a corporate basis and are not allocated to business segments.

There were no transactions with a customer or counterparty that exceed 10% of the Bank's total revenue for the years ended December 31, 2017 and 2016.

Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

The following table shows the results for 2017 and 2016 by each segment of the subsidiary Banco de Chile:

	Retail		Wholesale		Treasury		Subsidiaries (**)		Subtotal		Consolidation adjustment		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Net interest and indexation income	914,394,883	873,669,424	321,178,434	346,828,509	(3,772,310)	4,208,221	(4,336,059)	(4,337,940)	1,227,464,948	1,220,368,214	1,973,646	1,000,695	1,229,438,594	1,221,368,909
Net fee income	184,045,004	170,530,221	43,446,542	42,201,843	(4,306,044)	(2,473,408)	135,987,053	121,383,104	359,172,555	331,641,760	(11,499,467)	(10,369,559)	347,673,088	321,272,201
Other operating revenue	36,001,898	93,138,012	35,201,165	33,321,567	38,931,257	44,754,006	26,883,862	23,923,411	137,018,182	195,136,996	(4,860,990)	(2,980,006)	132,157,192	192,156,990
Total operating revenue	1,134,441,785	1,137,337,657	399,826,141	422,351,919	30,852,903	46,488,819	158,534,856	140,968,575	1,723,655,685	1,747,146,970	(14,386,811)	(12,348,870)	1,709,268,874	1,734,798,100
Loan loss provisions (*)	(256,263,185)	(301,490,155)	21,415,000	(8,242,531)	—	—	(134,740)	(693)	(234,982,925)	(309,733,379)	—	—	(234,982,925)	(309,733,379)
Depreciation and amortization	(27,675,886)	(25,228,170)	(4,539,618)	(4,911,919)	(140,792)	(172,143)	(2,894,120)	(2,976,269)	(35,250,416)	(33,288,501)	—	—	(35,250,416)	(33,288,501)
Other operating expenses	(507,911,061)	(504,046,228)	(153,218,226)	(152,858,860)	(5,022,058)	(5,596,008)	(102,280,895)	(104,847,366)	(768,432,240)	(767,348,462)	14,386,811	12,348,870	(754,045,429)	(754,999,592)
Share of income (loss) of investments in companies	4,006,263	3,077,601	1,339,102	914,337	161,195	78,617	550,533	442,315	6,057,093	4,512,870	—	—	6,057,093	4,512,870
Income before taxes	346,597,916	309,650,705	264,822,399	257,252,946	25,851,248	40,799,285	53,775,634	33,586,562	691,047,197	641,289,498	—	—	691,047,197	641,289,498
Income tax expense													(115,033,952)	(89,040,533)
Net income after taxes													576,013,245	552,248,965

(*) As of December 31, 2016, the Retail and Wholesale segments include additional provisions based on their risk-weighted assets.

The following table shows the total balances of assets and liabilities as of December 31, 2017 and 2016, for each of the above segments:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Assets	16,099,922,531	15,198,632,284	10,558,278,057	11,526,684,541	5,469,828,748	4,121,333,292	637,859,917	535,727,146	32,765,889,253	31,382,377,263	(232,137,254)	(137,201,081)	32,533,751,999	31,245,176,182
Current and deferred taxes													290,431,693	288,506,010
Total assets													32,824,183,692	31,533,682,192
Liabilities	10,380,244,891	10,234,711,072	10,272,607,372	10,277,326,190	8,815,056,472	7,880,847,412	479,243,832	390,452,711	29,947,152,567	28,783,337,385	(232,137,254)	(137,201,081)	29,715,015,313	28,646,136,304
Current and deferred taxes													3,452,877	134,925
Total liabilities													29,718,468,190	28,646,271,229

Note 39 – Additional notes (continued)

Note 39.5 – Cash and cash equivalents

(a) The detail of the balances of cash and cash equivalents and their reconciliation to the statement of cash flows as of December 31, 2017 and 2016, are as follows:

	2017 ThCh$	2016 ThCh$
Cash and bank deposits:		
Cash (*)	522,868,909	665,463,820
Deposits with Chilean Central Bank (*)	162,420,335	118,501,034
Deposits with banks in Chile	9,921,840	8,432,850
Foreign deposits	362,181,239	615,768,782
Subtotal – cash and deposits in banks	1,057,392,323	1,408,166,486
Transactions pending settlement – net	226,096,921	181,270,241
Highly liquid financial instruments (**)	719,068,192	467,595,042
Repurchase agreements	76,838,578	39,950,556
Total cash and cash equivalents	2,079,396,014	2,096,982,325

(*) The funds in cash and with the Chilean Central Bank reflect average monthly cash-reserve requirements.

(**) Trading instruments and investment instruments available for sale that mature in less than three months from their acquisition date.

Highly liquid financial instruments:	2017 ThCh$	2016 ThCh$
Trading instruments	710,161,181	467,595,042
Investment instruments available for sale	8,907,011	—
Total	719,068,192	467,595,042

(b) Transactions pending settlement:

Transactions pending settlement are transactions for which the only remaining step is settlement, which will increase or decrease funds with the Chilean Central Bank or in foreign banks, normally occurring within 24 to 48 business hours, detailed as follows:

	2017 ThCh$	2016 ThCh$
Assets		
Documents payable by other banks (clearing)	204,624,349	191,105,461
Funds receivable	317,185,450	185,147,145
Subtotal – assets	521,809,799	376,252,606
Liabilities		
Funds payable	(295,712,878)	(194,982,365)
Subtotal – liabilities	(295,712,878)	(194,982,365)
Transactions pending settlement, net	226,096,921	181,270,241

Note 39 – Additional notes (continued)

Note 39.6 – Trading instruments

Instruments classified as financial instruments for trading are detailed as follows:

	2017 ThCh$	2016 ThCh$
Instruments of the State and the Chilean Central Bank		
Bonds of the Chilean Central Bank	400,368,469	30,545,439
Notes of the Chilean Central Bank	662,190,339	393,019,108
Other instruments of the State and the Chilean Central Bank	254,605,828	58,780,337
Instruments of Other Domestic Institutions		
Bonds of other companies in Chile	279	279
Bonds of banks in Chile	2,069,917	—
Deposits in banks in Chile	218,306,630	896,553,924
Other instruments issued in Chile	714,688	672,097
Instruments of Foreign Institutions		
Foreign sovereign or central bank instruments	—	—
Other foreign instruments	321,510	385,724
Investments in Mutual Funds		
Funds managed by related parties	78,069,253	25,823,401
Funds managed by others	—	—
Total	1,616,646,913	1,405,780,309

Instruments issued by the State and the Chilean Central Bank include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$45,095,956 as of December 31, 2017 (ThCh$21,788,804 as of December 31, 2016). The repurchase agreements have an average maturity of 7 days at the end of 2017 (4 days in December 31, 2016). Instruments are held that guarantee margins on offset hedging transactions through Comder Contraparte Central S.A. of ThCh$34,584,799 as of December 31, 2017 (ThCh$9,945,000 as of December 31, 2016).

Instruments of other domestic institutions include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$158,731,421 as of December 31, 2017 (ThCh$159,802,789 as of December 31, 2016). Repurchase agreements have an average maturity of 7 days as of December 31, 2017 (10 days in 2016).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$15,032,293 as of December 31, 2017 (ThCh$19,468,500 as of December 31, 2016), which are shown deducted from Debt instruments issued.

Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and securities lending

(a) Repurchase agreement rights: The Bank grants financing to its customers through repurchase operations and securities lending, in which it obtains financial instruments in guarantee. The detail as of December 31, 2017 and 2016, is as follows:

	Up to 1 month		Over 1 and up to 3 months		Over 3 and up to 12 months		Over 1 and up to 3 years		Over 3 and up to 5 years		More than 5 years		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Instruments of the State and the Chilean Central Bank														
Bonds of the Chilean Central Bank	4,114,271	—	—	—	—	—	—	—	—	—	—	—	4,114,271	—
Notes of the Chilean Central Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments of the State and the Chilean Central Bank	2,576,146	—	—	—	—	—	—	—	—	—	—	—	2,576,146	—
Instruments of Other Domestic Institutions														
Deposit notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mortgage-funding notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bonds issue by banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deposits in banks in Chile	13,297,362	—	—	—	—	—	—	—	—	—	—	—	13,297,362	—
Bonds of other Chilean companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments issued in Chile	47,356,297	30,963,709	19,206,655	21,966,664	5,089,801	2,772,763	—	—	—	—	—	—	71,652,753	55,703,136
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other foreign instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mutual Fund Investments														
Funds managed by related parties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Funds managed by third parties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	67,344,076	30,963,709	19,206,655	21,966,664	5,089,801	2,772,763	—	—	—	—	—	—	91,640,532	55,703,136

Instruments bought:

The Bank and its subsidiaries have received financial instruments that they can sell or give in guarantee should the owner of these instruments fall into a cessation of payments or bankruptcy. As of December 31, 2017, the fair value of the instruments received was ThCh$95,664,663 (ThCh$54,498,725 as of December 31, 2016).

Note 39 – Additional notes (continued)

Note 39.7 – Repurchase agreements and securities lending (continued)

(b) Obligations under repurchase agreements: The Bank obtains funds by selling financial instruments and promising to repurchase them at future dates plus interest at a pre-fixed rate. The detail of these repurchase agreements as of December 31, 2017 and 2016, is as follows:

	Up to 1 month		Over 1 and up to 3 months		Over 3 and up to 12 months		Over 1 and up to 3 years		Over 3 and up to 5 years		More than 5 years		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Instruments of the State and the Chilean Central Bank														
Bonds of the Chilean Central Bank	5,169,394	10,568,045	—	—	—	—	—	—	—	—	—	—	5,169,394	10,568,045
Notes of the Chilean Central Bank	5,095,401	16,164,845	—	—	—	—	—	—	—	—	—	—	5,095,401	16,164,845
Other instruments of the State and the Chilean Central Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Instruments of Other Domestic Institutions														
Deposit notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mortgage-funding notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bonds of banks in Chile	2,012,608	—	—	—	—	—	—	—	—	—	—	—	2,012,608	—
Deposits of banks in Chile	114,359,497	174,078,275	—	16,006,012	56,761,645	—	—	—	—	—	—	—	171,121,142	190,084,287
Bonds of other companies in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments in the country	11,993,317	—	—	—	—	—	—	—	—	—	—	—	11,993,317	—
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other foreign instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mutual Fund Investments														
Funds managed by related parties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Funds managed by third parties	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	138,630,217	200,811,165	—	16,006,012	56,761,645	—	—	—	—	—	—	—	195,391,862	216,817,177

Instruments sold:

The fair value of financial instruments given in guarantee by the Bank and its subsidiaries in sale operations under repurchase agreements as of December 31, 2017 amounts to ThCh$195,437,288 (ThCh$223,721,178 as of December 31, 2016). Should the Bank and its subsidiaries fall into a cessation of payments or bankruptcy, the counterparty is authorized to sell or give in guarantee these investments.

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting

a) The Bank as of December 31, 2017 and 2016, has the following portfolio of derivative instruments:

	Notional amount of contracts with final maturity in							Fair Value	
As of December 31, 2017	**Up to 1 month**	**Over 1 and up to 3 months**	**Over 3 and up to 12 months**	**Over 1 and up to 3 years**	**Over 3 and up to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Derivatives held for fair value hedges									
Currency and rate swaps	—	—	—	—	13,914,422	—	13,914,422	—	3,652,430
Interest-rate swaps	—	—	—	25,232,630	12,592,929	41,143,957	78,969,516	277,354	1,677,785
Total derivative hedges at fair value	—	—	—	25,232,630	26,507,351	41,143,957	92,883,938	277,354	5,330,215
Cash flow hedge derivatives									
Currency and rate swaps	—	—	254,723,642	377,072,180	30,874,363	485,891,479	1,148,561,664	27,571,712	80,888,398
Total cash flow hedge derivatives	—	—	254,723,642	377,072,180	30,874,363	485,891,479	1,148,561,664	27,571,712	80,888,398
Derivatives for trading									
Currency forwards	6,217,692,417	6,739,730,400	14,706,493,144	1,630,626,909	138,946,312	6,154,300	29,439,643,482	506,502,002	578,083,004
Interest rate forwards	14,000,200	—	—	—	—	—	14,000,200	—	205,721
Interest rate swaps	3,450,542,788	8,494,249,453	17,762,446,853	13,242,961,263	5,287,261,343	7,379,643,324	55,617,105,024	243,930,255	241,612,777
Currency and-rate swaps	156,413,981	458,005,952	1,934,358,247	3,126,559,594	2,440,813,887	3,165,088,109	11,281,239,770	466,191,959	504,209,256
Currency call options	23,191,109	32,443,799	94,359,138	3,781,817	—	—	153,775,863	513,731	474,785
Currency put options	19,140,223	25,162,602	97,633,706	3,935,675	—	—	145,872,206	2,840,769	3,432,930
Total derivatives for trading	9,880,980,718	15,749,592,206	34,595,291,088	18,007,865,258	7,867,021,542	10,550,885,733	96,651,636,545	1,219,978,716	1,328,018,473
Total	9,880,980,718	15,749,592,206	34,850,014,730	18,410,170,068	7,924,403,256	11,077,921,169	97,893,082,147	1,247,827,782	1,414,237,086

	Notional amount of contracts with final maturity in							Fair Value	
As of December 31, 2016	**Up to 1 month**	**1 to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**	**Asset**	**Liability**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Derivatives held for fair value hedges									
Currency and rate swaps	—	—	—	—	—	16,720,837	16,720,837	—	4,304,179
Interest-rate swaps	—	—	10,726,400	50,212,960	19,776,800	41,365,021	122,081,181	217,697	5,989,111
Total derivative hedges at fair value	—	—	10,726,400	50,212,960	19,776,800	58,085,858	138,802,018	217,697	10,293,290
Cash flow hedge derivatives									
Currency and rate swaps	—	—	203,881,619	546,728,936	30,882,818	416,506,900	1,198,000,273	63,482,499	45,722,223
Total cash flow hedge derivatives	—	—	203,881,619	546,728,936	30,882,818	416,506,900	1,198,000,273	63,482,499	45,722,223
Derivatives for trading									
Currency forwards	5,464,264,885	6,186,900,692	10,373,904,548	740,167,110	53,336,460	6,704,000	22,825,277,695	163,701,193	138,573,848
Interest rate forwards	—	—	—	—	—	—	—	—	—
Interest rate swaps	1,146,528,243	4,015,500,071	7,430,119,829	10,543,378,344	4,924,192,794	6,837,253,988	34,896,973,269	253,306,346	249,930,164
Currency and-rate swaps	185,591,643	563,298,857	1,512,445,920	1,999,816,936	1,641,550,992	3,239,684,666	9,142,389,014	455,784,417	554,721,821
Currency call options	31,432,019	51,502,488	80,547,481	10,578,912	—	—	174,060,900	1,557,862	1,978,728
Currency put options	19,175,273	29,093,188	63,861,765	10,578,912	—	—	122,709,138	1,583,835	867,332
Total derivatives for trading	6,846,992,063	10,846,295,296	19,460,879,543	13,304,520,214	6,619,080,246	10,083,642,654	67,161,410,016	875,933,653	946,071,893
Total	6,846,992,063	10,846,295,296	19,675,487,562	13,901,462,110	6,669,739,864	10,558,235,412	68,498,212,307	939,633,849	1,002,087,406

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting (continued)

(b) Fair value hedges:

The Bank uses cross-currency and interest-rate swaps to cover its exposure to changes in the fair value of the financial instruments hedged attributable to interest rates. The hedge instruments mentioned modify the effective cost of long-term issues, from a fixed interest rate to a variable interest rate, reducing the term and modifying the sensitivity to the shortest sections of the curve.

The items and instruments hedged at fair value outstanding as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	2016 ThCh$
Hedged item		
Commercial loans	13,914,422	16,720,837
Corporate bonds	78,969,516	122,081,181
Hedge instrument		
Cross-currency swap	13,914,422	16,720,837
Interest-rate swap	78,969,516	122,081,181

(c) Cash flow hedges:

(c.1) The Bank uses cross-currency swap derivative instruments to hedge the risk of variability of cash flows attributable to changes in interest rates and fluctuations in exchange rates with respect to bonds issued abroad in US dollars, Hong Kong dollars, Peruvian soles, Swiss francs, Japanese yen and euros. The cash flows of the cross-currency swaps contracted are similar to the flows of the items hedged, and modify uncertain flows by known flows at a fixed interest rate.

These cross-currency swap contracts are also used to hedge the risk of variations in the Unidad de Fomento (UF) on asset flows denominated in UF up to a nominal amount equivalent to the notional portion in UF of the hedge instrument, whose indexation impacts daily on interest and indexation income in the income statement.

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting (continued)

(c) Cash flow hedges (continued):

(c.2) The cash flows of due to banks and bonds issued abroad subject to this hedge and the cash flows of the asset part of the derivative instrument are detailed as follows:

	Up to 1 month		Over 1 and up to 3 months		Over 3 and up to 12 months		Over 1 and up to 3 years		Over 3 and up to 5 years		More than 5 years		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Hedged item														
Cash outflows:														
Corporate bond EUR	—	—	—	—	(1,245,637)	(552,408)	(2,491,273)	(1,104,815)	(2,491,273)	(1,104,815)	(82,347,840)	(35,467,170)	(88,576,023)	(38,229,208)
Corporate bond HKD	—	—	—	—	(11,052,132)	(12,143,892)	(68,634,097)	(76,922,435)	(19,201,664)	(21,084,129)	(298,775,837)	(338,517,117)	(397,663,730)	(448,667,573)
Corporate bond PEN	—	—	—	—	—	(15,614,058)	—	—	—	—	—	—	—	(15,614,058)
Corporate bond CHF	—	—	(986,468)	(1,031,308)	(161,529,265)	(87,307,994)	(192,519,169)	(370,925,549)	(473,505)	(495,028)	(95,174,469)	(99,748,153)	(450,682,876)	(559,508,032)
Obligation USD	(212,323)	(530,763)	(234,516)	—	(93,173,230)	(115,113,017)	(43,385,012)	(101,477,610)	—	—	—	—	(137,005,081)	(217,121,390)
Corporate bond JPY	—	—	(291,511)	(306,317)	(1,150,279)	(623,048)	(72,097,597)	(46,414,965)	(28,886,360)	(29,418,318)	(63,001,934)	(28,866,396)	(165,427,681)	(105,629,044)
Hedge instrument														
Cash inflows:														
Cross-currency swap EUR	—	—	—	—	1,245,637	552,408	2,491,273	1,104,815	2,491,273	1,104,815	82,347,840	35,467,170	88,576,023	38,229,208
Cross-currency swap HKD	—	—	—	—	11,052,132	12,143,892	68,634,097	76,922,435	19,201,664	21,084,129	298,775,837	338,517,117	397,663,730	448,667,573
Cross-currency swap PEN	—	—	—	—	—	15,614,058	—	—	—	—	—	—	—	15,614,058
Cross-currency swap CHF	—	—	986,468	1,031,308	161,529,265	87,307,994	192,519,169	370,925,549	473,505	495,028	95,174,469	99,748,153	450,682,876	559,508,032
Cross-currency swap USD	212,323	530,763	234,516	—	93,173,230	115,113,017	43,385,012	101,477,610	—	—	—	—	137,005,081	217,121,390
Cross-currency swap JPY	—	—	291,511	306,317	1,150,279	623,048	72,097,597	46,414,965	28,886,360	29,418,318	63,001,934	28,866,396	165,427,681	105,629,044
Net cash flows	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting (continued)

(c) Cash flow hedges (continued):

(c.2) The cash flows of underlying assets and cash flows of the liability part of the derivative instrument are detailed as follows:

	Up to 1 month		Over 1 and up to 3 months		Over 3 and up to 12 months		Over 1 and up to 3 years		Over 3 and up to 5 years		Over 5 years		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Hedged item														
Cash inflows:														
Cash flow in CHF	—	1,155,420	2,343,505	2,304,138	281,376,532	232,832,918	414,763,511	592,204,401	59,736,900	54,094,113	555,461,155	470,207,178	1,313,681,603	1,352,798,168
Hedge instrument														
Cash outflows:														
Cross-currency swap HKD	—	—	—	—	(9,404,274)	(9,253,255)	(66,188,469)	(66,277,715)	(16,364,704)	(16,091,023)	(285,066,417)	(288,321,811)	(377,023,864)	(379,943,804)
Cross-currency swap PEN	—	—	—	—	—	(16,587,479)	—	—	—	—	—	—	—	(16,587,479)
Cross-currency swap JPY	—	—	(1,060,522)	(1,042,707)	(3,371,462)	(1,866,714)	(85,596,748)	(52,106,592)	(35,062,439)	(32,878,081)	(77,895,391)	(30,760,659)	(202,986,562)	(118,654,753)
Cross-currency swap USD	—	—	—	—	(111,076,997)	(114,210,148)	(44,839,720)	(108,691,412)	—	—	—	—	(155,916,717)	(222,901,560)
Cross-currency swap CHF	—	(1,155,420)	(1,282,983)	(1,261,431)	(155,767,015)	(89,876,102)	(214,620,193)	(363,044,531)	(4,793,285)	(3,560,469)	(107,869,806)	(109,592,365)	(484,333,282)	(568,490,318)
Cross-currency swap EUR	—	—	—	—	(1,756,784)	(1,039,220)	(3,518,381)	(2,084,151)	(3,516,472)	(1,564,540)	(84,629,541)	(41,532,343)	(93,421,178)	(46,220,254)
Net cash flows	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting (continued)

(c) Cash flow hedges (continued):

With respect to the UF assets hedged, these are revalued monthly as a function of the variation of the UF which is the equivalent of reinvesting the assets monthly until maturity of the hedge.

(c.3) The proportional unrealized result generated by adjustment to market value in 2017 in the subsidiary Banco de Chile for derivative contracts that are hedge instruments in this cash-flow hedging strategy has been booked as a credit to equity amounting to ThCh$6,345,778 (charge to equity of ThCh$21,211,484 in 2016). The net effect of deferred taxes is a a credit to equity amounting to ThCh$4,727,923 in 2017 (charge to equity of ThCh$16,123,137 in 2016).

The accumulated balance for this concept as of December 31, 2017, is a charge to equity of ThCh$5,140,665 (charge of ThCh$11,486,443 in 2016).

(c.4) The effect of the cash-flow hedge derivatives in Banco de Chile, which offsets the effect of the instruments hedged, is a charge to income of ThCh$93,612,122 (charge to income of ThCh$135,927,771 in 2016).

(c.5) As of December 31, 2017 and 2016, there is no inefficiency in the cash-flow hedges as both the element hedged and the object of the hedge mirror each other, which implies that all variations in value attributable to components of rate and indexation are completely offset.

(c.6) As of December 31, 2017 and 2016, the Bank has no hedges of net investment in foreign businesses.

Note 39 – Additional notes (continued)

Note 39.9 – Loans and advances to banks

(a) As of December 31, 2017 and 2016, the balances of loans and advances to banks are as follows:

	2017 ThCh$	2016 ThCh$
Banks in Chile		
Overdrafts on current accounts	-	4
Interbank liquidity loans	120,016,667	200,019,444
Interbank commercial loans	-	8,384,310
Provisions on loans to banks in Chile	(43,206)	(99,649)
Subtotal	119,973,461	208,304,109
Foreign banks		
Interbank commercial loans	187,005,555	129,903,758
Foreign trade finance between other countries	61,090,650	77,049,332
Foreign trade finance Chilean exports	41,255,161	57,748,822
Provisions on loans to banks abroad	(540,364)	(428,622)
Subtotal	288,811,002	264,273,290
Chilean Central Bank		
Restricted deposits in Central Bank	350,000,000	700,000,000
Other credits with Central Bank	915,540	340,683
Subtotal	350,915,540	700,340,683
Total	759,700,003	1,172,918,082

(b) Movements in provisions for Loans and advances to banks during 2017 and 2016 are detailed as follows:

	Banks in		
	Chile ThCh$	Abroad ThCh$	Total ThCh$
Balance as of January 1, 2016	71,749	629,931	701,680
Provisions recorded	27,900	-	27,900
Provisions released	-	(201,309)	(201,309)
Balances as of December 31, 2016	99,649	428,622	528,271
Provisions recorded	-	111,742	111,742
Provisions released	(56,443)	-	(56,443)
Balances as of December 31, 2017	43,206	540,364	583,570

Note 39– Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers

(a1) Loans and accounts receivable from customers:

Loans as of December 31, 2017 and 2016, are detailed as follows:

	December 31, 2017							
	Assets before provisions				Provisions recorded			
	Normal portfolio ThCh$	Substandard portfolio ThCh$	Default portfolio ThCh$	Total ThCh$	Individual provisions ThCh$	Group provisions ThCh$	Total ThCh$	Net asset ThCh$
Commercial loans								
Commercial loans	10,199,047,966	67,602,133	294,975,826	10,561,625,925	(118,709,565)	(81,377,078)	(200,086,643)	10,361,539,282
Foreign trade finance	948,547,583	10,627,302	24,364,451	983,539,336	(38,752,235)	(2,310,578)	(41,062,813)	942,476,523
Checking account debtors	265,841,191	2,706,079	2,392,353	270,939,623	(3,509,266)	(6,350,321)	(9,859,587)	261,080,036
Factoring operations	643,351,796	2,552,060	930,808	646,834,664	(9,348,560)	(2,036,866)	(11,385,426)	635,449,238
Student loans	44,406,522	—	1,617,278	46,023,800	—	(1,318,666)	(1,318,666)	44,705,134
Commercial lease operations (1)	1,337,411,109	17,467,771	26,636,771	1,381,515,651	(4,945,949)	(8,214,989)	(13,160,938)	1,368,354,713
Other loans and accounts receivable	55,519,845	297,627	6,815,360	62,632,832	(913,196)	(5,688,627)	(6,601,823)	56,031,009
Subtotal	13,494,126,012	101,252,972	357,732,847	13,953,111,831	(176,178,771)	(107,297,125)	(283,475,896)	13,669,635,935
Residential mortgage loans								
Loans with mortgage-funding notes	27,568,118	—	2,104,881	29,672,999	—	(10,922)	(10,922)	29,662,077
Endorsable mortgage loans	52,229,116	—	1,800,143	54,029,259	—	(58,337)	(58,337)	53,970,922
Other residential mortgage loans	7,229,037,094	—	151,690,792	7,380,727,886	—	(31,477,977)	(31,477,977)	7,349,249,909
Loans from the ANAP	8,241	—	—	8,241	—	—	—	8,241
Housing leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	8,127,364	—	440,774	8,568,138	—	(216,984)	(216,984)	8,351,154
Subtotal	7,316,969,933	—	156,036,590	7,473,006,523	—	(31,764,220)	(31,764,220)	7,441,242,303
Consumer loans								
Installment consumer loans	2,311,481,693	—	227,238,824	2,538,720,517	—	(175,658,928)	(175,658,928)	2,363,061,589
Checking account debtors	314,505,911	—	2,148,850	316,654,761	—	(10,446,154)	(10,446,154)	306,208,607
Credit card debtors	1,134,475,901	—	22,654,074	1,157,129,975	—	(56,524,726)	(56,524,726)	1,100,605,249
Consumer leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	8,258	—	901,729	909,987	—	(313,163)	(313,163)	596,824
Subtotal	3,760,471,763	—	252,943,477	4,013,415,240	—	(242,942,971)	(242,942,971)	3,770,472,269
Total	24,571,567,708	101,252,972	766,712,914	25,439,533,594	(176,178,771)	(382,004,316)	(558,183,087)	24,881,350,507

(1) Banco de Chile finances its customers to acquire assets, whether real estate or personal property, under finance lease contracts. As of December 31, 2016, ThCh$653,574,593 relate to real estate finance leases, and ThCh$727,941,058 relate to personal property finance leases.

Note 39– Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(a1) Loans and accounts receivable from customers (continued):

	December 31, 2016							
	Assets before provisions				Provisions recorded			
	Normal portfolio ThCh$	Substandard portfolio ThCh$	Default portfolio ThCh$	Total ThCh$	Individual provisions ThCh$	Group provisions ThCh$	Total ThCh$	Net asset ThCh$
Commercial loans								
Commercial loans	10,603,056,044	132,307,588	296,858,583	11,032,222,215	(126,703,987)	(79,779,843)	(206,483,830)	10,825,738,385
Foreign trade finance	1,167,598,068	47,316,844	53,702,340	1,268,617,252	(74,818,017)	(3,410,281)	(78,228,298)	1,190,388,954
Checking account debtors	209,032,440	2,498,574	2,290,905	213,821,919	(2,944,194)	(4,467,006)	(7,411,200)	206,410,719
Factoring operations	507,807,653	1,724,328	808,686	510,340,667	(8,671,301)	(1,953,030)	(10,624,331)	499,716,336
Student loans	41,738,923	—	948,613	42,687,536	—	(1,277,645)	(1,277,645)	41,409,891
Commercial lease operations (1)	1,312,739,299	12,549,292	25,823,464	1,351,112,055	(7,062,045)	(10,574,341)	(17,636,386)	1,333,475,669
Other loans and accounts receivable	66,048,529	417,795	5,269,111	71,735,435	(885,679)	(3,711,951)	(4,597,630)	67,137,805
Subtotal	13,908,020,956	196,814,421	385,701,702	14,490,537,079	(221,085,223)	(105,174,097)	(326,259,320)	14,164,277,759
Residential mortgage loans								
Loans with mortgage-funding notes	37,354,702	—	2,873,993	40,228,695	—	(44,877)	(44,877)	40,183,818
Endorsable mortgage loans	66,385,061	—	2,085,007	68,470,068	—	(94,683)	(94,683)	68,375,385
Other residential mortgage loans	6,673,028,634	—	130,499,347	6,803,527,981	—	(33,550,720)	(33,550,720)	6,769,977,261
Loans from the ANAP	13,023	—	—	13,023	—	(2)	(2)	13,021
Housing leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	7,831,380	—	114,219	7,945,599	—	(175,918)	(175,918)	7,769,681
Subtotal	6,784,612,800	—	135,572,566	6,920,185,366	—	(33,866,200)	(33,866,200)	6,886,319,166
Consumer loans								
Installment consumer loans	2,266,116,695	—	222,825,805	2,488,942,500	—	(201,097,339)	(201,097,339)	2,287,845,161
Checking account debtors	326,011,783	—	3,163,441	329,175,224	—	(6,139,020)	(6,139,020)	323,036,204
Credit card debtors	1,131,412,165	—	24,262,619	1,155,674,784	—	(42,231,605)	(42,231,605)	1,113,443,179
Consumer leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	8,285	—	758,347	766,632	—	(398,501)	(398,501)	368,131
Subtotal	3,723,548,928	—	251,010,212	3,974,559,140	—	(249,866,465)	(249,866,465)	3,724,692,675
Total	24,416,182,684	196,814,421	772,284,480	25,385,281,585	(221,085,223)	(388,906,762)	(609,991,985)	24,775,289,600

(2) Banco de Chile finances its customers to acquire assets, whether movable or immovable, under finance lease contracts. As of December 31, 2016, ThCh$631,499,682 relate to real estate finance leases, and ThCh$719,612,373 relate to movable asset finance leases.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(a.2) Impaired portfolio

As of December 31, 2017 and 2016, the details of the normal and impaired portfolios are as follows:

	Assets before provisions						Provisions							
	Normal portfolio		Impaired portfolio		Total		Individual provisions		Group provisions		Total		Net assets	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Commercial loans	13,593,247,214	14,021,924,638	359,864,617	468,612,441	13,953,111,831	14,490,537,079	(176,178,771)	(221,085,223)	(107,297,125)	(105,174,097)	(283,475,896)	(326,259,320)	13,669,635,935	14,164,277,759
Residential mortgage loans	7,316,969,933	6,784,612,800	156,036,590	135,572,566	7,473,006,523	6,920,185,366	—	—	(31,764,220)	(33,866,200)	(31,764,220)	(33,866,200)	7,441,242,303	6,886,319,166
Consumer loans	3,760,471,763	3,723,548,928	252,943,477	251,010,212	4,013,415,240	3,974,559,140	—	—	(242,942,971)	(249,866,465)	(242,942,971)	(249,866,465)	3,770,472,269	3,724,692,675
Total	24,670,688,910	24,530,086,366	768,844,684	855,195,219	25,439,533,594	25,385,281,585	(176,178,771)	(221,085,223)	(382,004,316)	(388,906,762)	(558,183,087)	(609,991,985)	24,881,350,507	24,775,289,600

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

b) Loan loss provisions

Movements in loan loss provisions during 2017 and 2016 are detailed as follows:

	Commercial		Mortgage	Consumer	
	Individual ThCh$	Group ThCh$	Group ThCh$	Group ThCh$	Total ThCh$
Balance as of January 1, 2016	263,718,643	107,080,115	34,952,632	196,014,951	601,766,341
Charge-offs	(14,913,455)	(44,930,159)	(4,190,409)	(213,023,460)	(277,057,483)
Loans sold or assigned	(24,923,687)	—	—	—	(24,923,687)
Provisions recorded	—	43,024,141	3,103,977	266,874,974	313,003,092
Provisions released	(2,796,278)	—	—	—	(2,796,278)
Balance as of December 31, 2016	221,085,223	105,174,097	33,866,200	249,866,465	609,991,985
Balance as of January 1, 2017	221,085,223	105,174,097	33,866,200	249,866,465	609,991,985
Charge-offs	(13,773,576)	(44,942,247)	(5,093,263)	(254,981,141)	(318,790,227)
Loans sold or assigned	(13,073,799)	—	—	—	(13,073,799)
Provisions recorded	—	47,065,275	2,991,283	248,057,647	298,114,205
Provisions released	(18,059,077)	—	—	—	(18,059,077)
Balance as of December 31, 2017	176,178,771	107,297,125	31,764,220	242,942,971	558,183,087

Apart from these loan loss provisions, country-risk provisions are also made to cover foreign transactions as well as additional provisions agreed upon by the Board, which are shown in liabilities in Provisions (Note 39.22).

Complementary Disclosures:

1. As of December 31, 2017 and 2016, loan portfolio purchases and sales were made by the Bank and its subsidiaries that had a net effect of no more than 5% of net income before taxes. See detail in Note 39.10 (e) and (f).

As of December 31, 2017 and 2016, Banco de Chile and its subsidiaries has eliminated its entire sold loan portfolio, as all or substantially all the risks and benefits associated with these financial assets have been transferred, (see Note 39.10 (f)).

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

c) Finance lease contracts

The cash flows receivable by the Bank under lease contracts have the following maturities:

	Total receivable		Deferred interest		Net balance receivable (*)	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Up to 1 year	461,353,715	463,295,334	(54,216,317)	(54,346,506)	407,137,398	408,948,828
From 1 to 2 years	338,305,084	325,230,348	(39,946,429)	(40,165,872)	298,358,655	285,064,476
From 2 to 3 years	230,920,129	223,796,353	(26,135,745)	(26,156,222)	204,784,384	197,640,131
From 3 to 4 years	146,921,010	147,047,172	(17,679,952)	(18,162,004)	129,241,058	128,885,168
From 4 to 5 years	99,268,364	99,991,980	(12,564,260)	(12,698,121)	86,704,104	87,293,859
Over 5 years	278,606,851	265,660,247	(27,314,997)	(28,399,302)	251,291,854	237,260,945
Total	1,555,375,153	1,525,021,434	(177,857,700)	(179,928,027)	1,377,517,453	1,345,093,407

(*) The net balance receivable does not include doubtful credits amounting to ThCh$3,998,198 as of December 31, 2017 (ThCh$6,018,648 in 2016).

The Bank has finance lease operations mainly related to real estate, industrial machinery, vehicles and transport equipment. These leases have an average useful life of between 2 and 14 years.

d) Loans by economic activity

As of December 31, 2017 and 2016, the portfolio before provisions by customers' economic activity is as follows:

	Loans				Total			
	Chile		Abroad					
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	%	2016 ThCh$	%
Commercial loans								
Commerce	2,005,705,780	2,182,770,976	21,718,311	52,455,945	2,027,424,091	7.97	2,235,226,921	8.81
Services	1,964,237,943	1,937,427,965	—	—	1,964,237,943	7.72	1,937,427,965	7.63
Financial services	1,845,463,856	2,102,582,965	6,185,278	13,621,436	1,851,649,134	7.28	2,116,204,401	8.34
Transport and telecommunications	1,612,930,455	1,636,993,934	—	—	1,612,930,455	6.34	1,636,993,934	6.45
Construction	1,493,372,620	1,647,861,686	—	—	1,493,372,620	5.87	1,647,861,686	6.49
Manufacturing	1,369,292,920	1,517,435,670	30,398,572	44,301,288	1,399,691,492	5.50	1,561,736,958	6.15
Agriculture and livestock	1,354,068,743	1,184,868,881	—	—	1,354,068,743	5.32	1,184,868,881	4.67
Electricity, gas and water	565,694,580	566,437,918	—	—	565,694,580	2.22	566,437,918	2.23
Mining	422,176,398	432,821,879	—	—	422,176,398	1.66	432,821,879	1.70
Fishing	145,265,514	264,042,465	—	—	145,265,514	0.57	264,042,465	1.04
Others	1,116,600,861	907,166,424	—	—	1,116,600,861	4.39	907,166,424	3.57
Subtotal	13,894,809,670	14,380,410,763	58,302,161	110,378,669	13,953,111,831	54.84	14,490,789,432	57.08
Residential mortgage loans	7,473,006,523	6,920,185,366	—	—	7,473,006,523	29.38	6,920,185,366	27.26
Consumer loans	4,013,415,240	3,974,559,140	—	—	4,013,415,240	15.78	3,974,559,140	15.66
Total	25,381,231,433	25,275,155,269	58,302,161	110,378,669	25,439,533,594	100.00	25,385,533,938	100.00

(e) Purchase of loan portfolio

During the year ended December 31, 2017, the Bank's portfolio purchases totaled ThCh$1,495,120.

During 2016, the Bank acquired a loan portfolio with a nominal value of ThCh$54,968,690.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(f) Sale or assignment of loans

During 2017 and 2016 the following loans from the loan portfolio were sold or assigned:

	2017			
	Loan value ThCh$	Provision ThCh$	Sale value ThCh$	Effect on income (loss) gain ThCh$
Sale of loans	33,680,650	(13,073,799)	24,126,059	3,519,208
Sale of charged-off loans (*)	—	—	23,000	23,000
Total	**33,680,650**	**(13,073,799)**	**24,149,059**	**3,542,208**

	2016			
	Loan value ThCh$	Provision ThCh$	Sale value ThCh$	Effect on income (loss) gain ThCh$
Sale of loans	130,044,927	(24,923,687)	110,050,579	4,929,339
Sale of charged-off loans (*)	—	—	—	—
Total	**130,044,927**	**(24,923,687)**	**110,050,579**	**4,929,339**

(*) The nominal value of the loans at the time of the sale was ThCh$327,360,492

(g) Securitization of own assets

No own asset securitization transactions were carried out during 2017 and 2016.

Note 39.11 – Investment instruments

Investment instruments designated as held for sale and held to maturity as of December 31, 2017 and 2016, are detailed as follows:

	2017			2016		
	Held for sale ThCh$	Held to maturity ThCh$	Total ThCh$	Held for sale ThCh$	Held to maturity ThCh$	Total ThCh$
Instruments of the State and the Chilean Central Bank						
Bonds of the Chilean Central Bank	204,127,751	—	204,127,751	20,943,835	—	20,943,835
Notes of the Chilean Central Bank	3,346,067	—	3,346,067	—	—	—
Other state instruments and the Chilean Central Bank	148,894,103	—	148,894,103	38,256,232	—	38,256,232
Instruments of Other Chilean Institutions						
Deposit notes of banks in Chile	—	—	—	—	—	—
Mortgage-funding notes of banks in Chile	99,572,264	—	99,572,264	108,932,786	—	108,932,786
Bonds of banks in Chile	5,415,317	—	5,415,317	7,973,279	—	7,973,279
Deposits with banks in Chile	956,732,970	—	956,732,970	24,031,679	—	24,031,679
Bonds of other companies in Chile	14,969,048	—	14,969,048	29,524,979	—	29,524,979
Notes of other companies in Chile	—	—	—	—	—	—
Other instruments issued in Chile	83,006,301	—	83,006,301	138,322,304	—	138,322,304
Instruments of Foreign Institutions						
Foreign sovereign or central bank instruments	—	—	—	—	—	—
Other instruments	—	—	—	—	—	—
Total	1,516,063,821	—	1,516,063,821	367,985,094	—	367,985,094

Note 39 – Additional notes (continued)

Note 39.11 – Investment instruments (continued)

Instruments issued by the Chilean State and the Chilean Central Bank include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$5,176,875 as of December 31, 2017 (ThCh$4,974,547 in 2016). The repurchase agreements had an average maturity of 3 days in December 2017 (7 days in 2016). Instruments are also held that guarantee margins for offset hedging transactions through Comder Contraparte Central S.A. of ThCh$31,415,408 as of December 31, 2017 (ThCh$2,099,000 in 2016.

Instruments under foreign institutions include mainly bank bonds.

The portfolio of instruments held for sale as of December 31, 2017 includes a net accumulated unrealized gain of ThCh$699,400 (unrealized gain of ThCh$352,855 in 2016), booked as valuation adjustment in equity.

During the years 2017 and 2016 there is no evidence of impairment of investment instruments held for sale.

Gross realized gains and losses on the sale of instruments held for sale are shown in Net gain (loss) from financial operations, as of December 31, 2017 and 2016 (Note 39.27), with the annual movements as follows.

	2017 ThCh$	2016 ThCh$
Unrealized gain during the year	2,124,308	5,272,506
Realized loss (reclassified to income)	(1,777,763)	(27,130,256)
Subtotal	346,545	(21,857,750)
Income tax on other comprehensive income	(56,113)	5,241,385
Net effect on equity	290,432	(16,616,365)

Note 39 – Additional notes (continued)

Note 39.12 – Investments in other companies

a) Investments in companies shows a total of ThCh$38,041,019 as of December 31, 2017 (ThCh$32,588,475 in 2016), detailed as follows:

		Percentage interest		Equity of the company		Investment			
						Value		Result (**)	
		2017	2016	2017	2016	2017	2016	2017	2016
Company	**Shareholder**	**%**	**%**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Associate									
Transbank S.A.	Banco de Chile	26.16	26.16	56,804,113	49,518,176	15,069,665	12,953,972	2,117,488	1,362,596
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	13,781,447	10,809,085	3,821,777	2,789,458	884,456	493,096
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	15,489,891	13,907,210	3,097,978	2,781,511	316,536	229,910
Redbanc S.A.	Banco de Chile	38.13	38.13	7,484,287	6,422,014	2,894,342	2,449,039	402,853	425,192
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	4,696,244	3,984,883	1,588,846	1,328,230	235,881	248,038
Sociedad Imerc OTC S.A.	Banco de Chile	12.33	12.33	11,490,108	10,991,269	1,416,963	1,346,551	65,946	134,776
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	3,659,462	3,100,714	995,269	831,224	214,943	175,232
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	5,838,062	5,472,001	908,642	820,864	65,865	100,086
Subtotal Associates				119,243,614	104,205,352	29,793,482	25,300,849	4,303,968	3,168,926
Joint ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	9,997,116	8,596,282	4,998,558	4,298,203	700,417	409,084
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,654,391	1,430,723	979,168	715,417	506,573	440,774
Subtotal Joint ventures				11,651,507	10,027,005	5,977,726	5,013,620	1,206,990	849,858
Subtotal				130,895,121	114,232,357	35,771,208	30,314,469	5,510,958	4,018,784
Investments at cost (1)									
Bolsa de Comercio de Santiago S.A. (*)	Banchile Corredores de Bolsa					1,645,820	1,645,820	487,630	438,000
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)	Banco de Chile					308,858	308,858	58,505	61,114
Bolsa Electrónica de Chile S.A.	Banchile Corredores de Bolsa					257,033	257,033	—	—
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)	Banco de Chile					50,113	54,308	—	—
CCLV Contraparte Central S.A.	Banchile Corredores de Bolsa					7,987	7,987	—	—
Subtotal						2,269,811	2,274,006	546,135	499,114
Total						38,041,019	32,588,475	6,057,093	4,517,898

(1) Income relating to investments booked at cost is revenue booked on a received basis (dividends).

(*) The Bolsa de Comercio (Santiago Stock Exchange) issued a Material Event on May 30, 2017 where each shareholder received 1,000,000 shares for each share held as of April 20, 2017. On this date the subsidiary BanChile Corredores de Bolsa S.A owned three shares, so received 3,000,000 shares under this exchange.

(**) The 2016 financial year does not include a loss of ThCh$5,028 reflected by Banchile Asesoría Financiera for the investment held in Promarket SA, which was dissolved on December 30, 2016.

Note 39 – Additional notes (continued)

Note 39.12 - Investments in companies (continued)

(b) Associates

	2017								
	Centro de Compensación Automatizado S.A.	Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Sociedad Interbancaria de Depósitos de Valores S.A.	Redbanc S.A.	Transbank S.A.	Administrador Financiero del Transantiago S.A.	Sociedad Imerc OTC S.A.	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Current assets	2,350,228	5,114,075	11,113,674	50,755	6,371,471	744,681,406	50,473,917	11,270,655	831,426,181
Non-current assets	4,520,298	1,223,936	21,555,755	3,668,817	14,863,620	76,096,915	829,945	6,642,572	129,401,858
Total assets	**6,870,526**	**6,338,011**	**32,669,429**	**3,719,572**	**21,235,091**	**820,778,321**	**51,303,862**	**17,913,227**	**960,828,039**
Current liabilities	1,825,771	499,949	13,735,264	60,110	8,701,339	763,236,018	34,895,713	3,302,718	826,256,882
Non-current liabilities	348,511	—	5,152,718	—	5,049,465	738,190	918,258	3,111,780	15,318,922
Total liabilities	2,174,282	499,949	18,887,982	60,110	13,750,804	763,974,208	35,813,971	6,414,498	841,575,804
Equity	4,696,244	5,838,062	13,781,447	3,659,462	7,484,287	56,804,113	15,489,891	11,490,108	119,243,614
Non-controlling interests	—	—	—	—	—	—	—	8,621	8,621
Total liabilities and equity	**6,870,526**	**6,338,011**	**32,669,429**	**3,719,572**	**21,235,091**	**820,778,321**	**51,303,862**	**17,913,227**	**960,828,039**
Operating revenue	2,274,035	3,086,263	49,403,289	8,629	34,083,164	175,975,022	3,358,126	6,314,250	274,502,778
Operating expenses	(1,358,858)	(2,666,424)	(44,664,168)	(33,306)	(32,334,435)	(167,051,875)	(1,997,626)	(5,280,774)	(255,387,466)
Other income (expenses)	389	140,736	(186,993)	826,482	(338,698)	1,624,988	648,922	88,065	2,803,891
Income before taxes	915,566	560,575	4,552,128	801,805	1,410,031	10,548,135	2,009,422	1,121,541	21,919,203
Income tax expense	(207,852)	(121,477)	(1,124,801)	—	(353,617)	(2,452,649)	(426,742)	(585,910)	(5,273,048)
Net income for the year	**707,714**	**439,098**	**3,427,327**	**801,805**	**1,056,414**	**8,095,486**	**1,582,680**	**535,631**	**16,646,155**

Note 39 – Additional notes (continued)

Note 39.12 - Investments in companies (continued)

(b) Associates (continued)

	2016								
	Centro de Compensación Automatizado S.A.	**Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.**	**Soc. Operadora de Tarjetas de Crédito Nexus S.A.**	**Sociedad Interbancaria de Depósitos de Valores S.A.**	**Redbanc S.A.**	**Transbank S.A.**	**Administrador Financiero del Transantiago S.A.**	**Sociedad Imerc OTC S.A.**	**Total**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Current assets	1,748,009	5,730,780	10,915,257	70,956	4,642,354	647,384,163	51,802,401	21,721,617	744,015,537
Non-current assets	3,760,211	367,944	19,123,039	3,133,198	15,284,952	63,091,335	819,494	7,536,257	113,116,430
Total assets	**5,508,220**	**6,098,724**	**30,038,296**	**3,204,154**	**19,927,306**	**710,475,498**	**52,621,895**	**29,257,874**	**857,131,967**
Current liabilities	1,146,139	626,723	15,140,876	103,440	7,884,362	660,720,399	37,911,336	15,191,944	738,725,219
Non-current liabilities	377,198	—	4,088,335	—	5,620,930	236,923	803,349	3,065,725	14,192,460
Total liabilities	1,523,337	626,723	19,229,211	103,440	13,505,292	660,957,322	38,714,685	18,257,669	752,917,679
Equity	3,984,883	5,472,001	10,809,085	3,100,714	6,422,014	49,518,176	13,907,210	10,991,269	104,205,352
Non-controlling interests	—	—	—	—	—	—	—	8,936	8,936
Total liabilities and equity	**5,508,220**	**6,098,724**	**30,038,296**	**3,204,154**	**19,927,306**	**710,475,498**	**52,621,895**	**29,257,874**	**857,131,967**
Operating revenue	2,137,651	3,142,893	48,150,295	2,333	33,602,807	156,207,255	3,293,048	6,260,353	252,796,635
Operating expenses	(1,165,225)	(2,497,308)	(45,658,186)	(30,128)	(31,685,990)	(150,785,171)	(2,142,434)	(4,953,355)	(238,917,797)
Other income (expenses)	(27,770)	167,598	(121,206)	693,437	(446,235)	1,046,585	623,573	12,237	1,948,219
Income before taxes	944,656	813,183	2,370,903	665,642	1,470,582	6,468,669	1,774,187	1,319,235	15,827,057
Income tax expense	(200,468)	(156,020)	(460,124)	—	(355,587)	(1,259,252)	(624,639)	(225,302)	(3,281,392)
Net income for the year	**744,188**	**657,163**	**1,910,779**	**665,642**	**1,114,995**	**5,209,417**	**1,149,548**	**1,093,933**	**12,545,665**

Note 39 – Additional notes (continued)

Note 39.12 - Investments in companies (continued)

(c) Joint ventures:

The Bank has a 50% interest in the companies Artikos S.A. and Servipag Ltda., two jointly controlled entities. The Bank's interests in both entities are booked using the equity method in the consolidated financial statements.

The following is summarized financial information on the jointly-controlled companies:

	Artikos S.A.		Servipag Ltda.	
	2017 ThCh$	**2016 ThCh$**	**2017 ThCh$**	**2016 ThCh$**
Current assets	1,231,298	1,149,652	56,188,611	49,477,460
Non-current assets	1,246,045	1,028,764	16,668,650	17,349,746
Total assets	**2,477,343**	**2,178,416**	**72,857,261**	**66,827,206**
Current liabilities	822,952	747,693	56,397,582	53,545,079
Non-current liabilities	—	—	6,462,563	4,685,845
Total liabilities	**822,952**	**747,693**	**62,860,145**	**58,230,924**
Equity	1,654,391	1,430,723	9,997,116	8,596,282
Total liabilities and equity	**2,477,343**	**2,178,416**	**72,857,261**	**66,827,206**
Operating revenue	3,194,871	2,752,132	40,579,288	39,586,692
Operating expenses	(2,352,020)	(2,072,406)	(38,400,753)	(38,123,973)
Other income (expenses)	16,611	22,730	(472,599)	(541,883)
Income before taxes	**859,462**	**702,456**	**1,705,936**	**920,836**
Income tax benefit (expense)	153,685	179,092	(305,102)	(102,667)
Net income for the year	**1,013,147**	**881,548**	**1,400,834**	**818,169**

d) The movement of permanent investments in companies that are not consolidated in 2017 and 2016 is as follows:

	2017 ThCh$	**2016 ThCh$**
Initial book value	30,314,469	25,848,730
Acquisition of investments	—	1,129,342
Share of income (loss) from investments with significant influence and joint control	5,510,958	4,018,784
Dividends receivable	(136,260)	(560,110)
Minimum dividends	560,110	535,193
Dividends received	(484,113)	(666,870)
Others	6,044	9,400
Total	35,771,208	30,314,469

(e) There was no impairment of these investments during the years ended December 31, 2017 and 2016.

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets

a) Intangible assets as of December 31, 2017 and 2016, are detailed as follows:

	Years									
	Average Useful life		Average remaining amortization		Gross balance		Accumulated amortization		Net balance	
	2017	2016	2017	2016	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Other intangible assets:										
Software or computer programs	6	6	5	5	122,473,548	109,484,660	(83,428,737)	(80,143,868)	39,044,811	29,340,792
Total					122,473,548	109,484,660	(83,428,737)	(80,143,868)	39,044,811	29,340,792

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets (continued)

b) Movements in intangible assets during 2017 and 2016 are detailed as follows:

2017	**Software or computer programs ThCh$**
Gross balance	
Balance as of January 1, 2017	109,484,660
Acquisitions	18,778,602
Disposals/write-offs	(5,789,714)
Impairment loss (*)	—
Total	122,473,548
Accumulated amortization	
Balance as of January 1, 2017	(80,143,868)
Amortization for the year (*)	(9,074,583)
Disposals/write-offs	5,789,714
Total	(83,428,737)
Balance as of December 31, 2017	39,044,811

2016	**Software or computer programs ThCh$**
Gross balance	
Balance as of January 1, 2016	99,993,614
Acquisitions	11,248,256
Disposals/write-offs	(1,757,210)
Impairment loss (*)	—
Total	109,484,660
Accumulated amortization	
Balance as of January 1, 2016	(73,274,833)
Amortization for the year (*)	(8,594,893)
Disposals/write-offs	1,725,858
Total	(80,143,868)
Balance as of December 31, 2016	29,340,792

(*) See Note 39.32 on depreciation, amortization and impairment.

c) As of December 31, 2017 and 2016, the following commitments have been made by the Bank for technological developments:

	Amount of Commitment	
	2017 ThCh$	**2016 ThCh$**
Software and licenses	5,128,901	3,023,862

Note 39 – Additional notes (continued)

Note 39.14 –Property, plant and equipment

(a) Property, plant and equipment as of December 31, 2017 and 2016, is detailed as follows:

	Years									
	Average Useful life		Average remaining depreciation		Gross balance		Accumulated depreciation		Net balance	
	2017	2016	2017	2016	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Description										
Land and buildings	27	27	21	22	311,428,409	302,187,227	(142,768,407)	(134,900,334)	168,660,002	167,286,893
Equipment	5	5	3	4	184,368,588	180,321,312	(148,006,493)	(139,277,217)	36,362,095	41,044,095
Others	7	8	4	5	52,552,468	50,403,617	(41,315,146)	(39,652,516)	11,237,322	10,751,101
Total					548,349,465	532,912,156	(332,090,046)	(313,830,067)	216,259,419	219,082,089

(b) Movements in property, plant and equipment during 2017 and 2016 are detailed as follows:

	2017			
	Land and buildings ThCh$	Equipment ThCh$	Others ThCh$	Total ThCh$
Gross balance				
Balance as of January 1, 2017	302,187,227	180,321,312	50,403,617	532,912,156
Additions	10,606,369	8,897,652	3,720,038	23,224,059
Write-offs/disposals	(1,365,187)	(4,850,376)	(1,567,696)	(7,783,259)
Impairment (*) (***)	—	—	(3,491)	(3,491)
Total	311,428,409	184,368,588	52,552,468	548,349,465
Accumulated depreciation				
Balance as of January 1, 2017	(134,900,334)	(139,277,217)	(39,652,516)	(313,830,067)
Depreciation for the year (*) (**)	(9,040,254)	(13,723,463)	(3,044,534)	(25,808,251)
Write-offs and sales in year	1,172,181	4,850,368	1,525,123	7,547,672
Transfers	—	143,819	(143,219)	600
Total	(142,768,407)	(148,006,493)	(41,315,146)	(332,090,046)
Balance as of December 31, 2017	168,660,002	36,362,095	11,237,322	216,259,419

	2016			
	Land and buildings ThCh$	Equipment ThCh$	Others ThCh$	Total ThCh$
Gross balance				
Balance as of January 1, 2016	292,165,602	167,873,561	47,960,821	507,999,984
Additions	10,174,174	14,103,606	3,539,897	27,817,677
rite-offs/disposals	(138,008)	(1,652,190)	(1,071,472)	(2,861,670)
Impairment (*) (***)	(14,541)	(3,665)	(25,629)	(43,835)
Total	302,187,227	180,321,312	50,403,617	532,912,156
Accumulated depreciation				
Balance as of January 1, 2016	(126,569,042)	(127,643,621)	(38,116,507)	(292,329,170)
Depreciation for the year (*) (**)	(8,469,300)	(13,268,583)	(2,588,143)	(24,326,026)
Write-offs and disposals	138,008	1,652,190	1,034,931	2,825,129
Transfers	—	(17,203)	17,203	—
Total	(134,900,334)	(139,277,217)	(39,652,516)	(313,830,067)
Balance as of December 31, 2016	167,286,893	41,044,095	10,751,101	219,082,089

(*) See Note 39.32 on depreciation, amortization and impairment
(**) Excludes depreciation for the year on investment properties that are included in Other assets for ThCh$367,582 in 2017 and in 2016.
(***) Excludes provisions for write-offs of property, plant and equipment of ThCh$162,920 (ThCh$229,780 in 2016).

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant and equipment (continued)

(c) As of December 31, 2017 and 2016, Banco de Chile had operating lease contracts that cannot be rescinded unilaterally. Future rental payments are as follows:

	Expense for year ThCh$	Up to 1 month ThCh$	Over 1 and up to 3 months ThCh$	Over 3 and up to 12 months ThCh$	Over 1 and up to 3 years ThCh$	Over 3 and up to 5 years ThCh$	Over 5 years ThCh$	Total ThCh$
2017	33,017,334	2,763,546	5,522,406	23,461,587	45,891,238	33,789,094	34,401,016	145,828,887
2016	34,489,778	2,750,378	5,457,970	22,841,229	51,241,695	36,213,344	46,901,773	165,406,389

As these are operating lease contracts, the assets leased are not shown in the consolidated statement of financial position, in accordance with IAS17.

The Bank has commercial leases on investment properties. These leases have an average life of 5 years.

(d) There are no finance lease contracts outstanding as of December 31, 2017 and 2016, so there are no balances of property, plant and equipment under finance leases as of those dates.

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes

a) Current taxes

The Bank and its subsidiaries have made a provision for corporate income tax for 2017 and 2016 in accordance with current tax laws. This provision is shown as the net amount of recoverable or payable taxes as of December 31, 2017 and 2016, as follows:

	2017 ThCh$	2016 ThCh$
Income tax	108,937,671	122,749,817
Less:		
Monthly provisional payments	(123,805,725)	(126,372,145)
Training expense credits	(2,036,332)	(2,031,324)
Others	(2,669,492)	(1,003,883)
Total	(19,573,878)	(6,657,535)
Income tax rate	25.5%	24.0%

	2017 ThCh$	2016 ThCh$
Current tax assets	23,031,694	6,792,460
Current tax liabilities	(3,457,816)	(134,925)
Total tax recoverable	19,573,878	6,657,535

b) Income tax

The tax charge during the years ended December 31, 2017 and 2016, is composed of the following concepts:

	2017 ThCh$	2016 ThCh$
Income tax:		
Tax current year	105,117,908	134,865,323
Tax previous years	(1,401,110)	1,029,564
Subtotal	103,716,798	135,894,887
Deferred taxes:		
Origination and reversal of timing differences	20,962,428	(34,198,070)
Tax rate change effect on deferred taxes	(6,975,585)	(12,176,688)
Subtotal	13,986,843	(46,374,758)
Others	(2,575,805)	(373,474)
Net income tax expense	115,127,836	89,146,655

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes (continued)

c) Reconciliation of effective tax rate:

The following is the reconciliation between the income tax rate and the effective rate applied in the determination of the charge as of December 31, 2017 and 2016:

	2017		2016	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial result	25.50	176,274,095	24.00	153,954,894
Additions or deductions	(0.21)	(1,482,194)	(0.33)	(2,103,416)
Subordinated obligation (*)	(5.64)	(38,997,204)	(5.31)	(34,092,087)
Indexation on taxation	(2.65)	(18,311,487)	(3.78)	(24,229,017)
Taxes from previous years	(0.20)	(1,401,110)	0.16	1,029,564
Effect on deferred taxes (change in rates)	(1.01)	(6,975,585)	(1.90)	(12,176,688)
Others	0.87	6,021,321	1.05	6,763,405
Effective rate and income tax expense	16.66	115,127,836	13.89	89,146,655

(*) The tax expense associated with the subordinated obligation held by SAOS S.A, will be extinguished when it is fully paid.

The effective rate for income tax for the year 2017 is 16.66% (13.89% in December 2016).

On September 29, 2014, Law 20,780 was published in the Official Gazette that modifies the Income Taxation System and introduces various adjustments to the tax system.

Subsequently, on February 8, 2016, Law 20,899 was published, which established that publicly traded corporations must apply by default the corporate income tax regime with partial credit deduction of final taxes. Under this regime shareholders are only entitled to a credit against personal taxes (overall supplementary or withholding tax) of 65% of the corporate income tax paid by the company.

This Law established a gradual increase in the corporate income tax rates under this regime, as follows:

Year	Rate
2014	21.0%
2015	22.5%
2016	24.0%
2017	25.5%
2018	27.0%

Furthermore, paragraph 11 of Article 1 of Law 20,780 established that the addional tax on rejected expenses increased from 35% to 40% with effect from January 1, 2017.

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes (continued)

d) Effect of deferred taxes on net income and equity

The Bank and its subsidiaries have recognized deferred taxes in their financial statements:

The effects of deferred taxes on assets, liabilities and net income as of December 31, 2016, are as follows:

		Recognized in		
	12.31.2016 ThCh$	**Net Income ThCh$**	**Equity ThCh$**	**12.31.2017 ThCh$**
Debtor differences:				
Loan loss provisions	204,055,541	(8,864,031)	—	195,191,510
Provisions relating to personnel	10,947,957	1,289,675	—	12,237,632
Provision for vacations	6,674,298	233,928	—	6,908,226
Accrued interest and indexation on impaired portfolio	3,354,719	59,583	—	3,414,302
Termination benefits	969,531	(351,798)	(44,335)	573,398
Provision for credit card related expenses	12,459,400	(3,503,948)	—	8,955,452
Provision for accrued expenses	14,488,532	1,869,645	—	16,358,177
Leases	37,118,761	(4,570,151)	—	32,548,610
Others adjustments	15,961,736	1,410,100	(1)	17,371,835
Total debtor differences	**306,030,475**	**(12,426,997)**	**(44,336)**	**293,559,142**
Creditor differences:				
Depreciation and indexation on property, plant and equipment	11,815,200	2,466,097	—	14,281,297
Revaluation of investments held for sale	215,965	—	282,703	498,668
Transitory assets	3,616,965	714,473	—	4,331,438
Accrued loans effective rate	2,251,937	(644,132)	—	1,607,805
Other adjustments	6,416,527	(976,592)	—	5,439,935
Total creditor differences	**24,316,594**	**1,559,846**	**282,703**	**26,159,143**
Net Total	**281,713,881**	**(13,986,843)**	**(327,039)**	**267,399,999**

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes (continued)

e) In compliance with Joint Circular 47 of the Internal Tax Service (S.I.I.) and 3.478 of the SBIF dated August 18, 2009, the following provides a detail of the movement and effects generated by the application of article 31, No.4 of the Income Tax Law.

As required, the information relates just to credit operations of the Bank and not the operations of the subsidiaries consolidated in these consolidated financial statements.

2017

(e.1) Loans and advances to banks, loans and accounts receivable from customers as of 12.31.2017	Assets at book value (*) ThCh$	Assets at tax value ThCh$	Assets at tax value: Past due portfolio with collateral ThCh$	Past due portfolio without collateral ThCh$	Total past due portfolio ThCh$
Loans and advances to banks	759,700,003	760,283,573	—	—	—
Commercial loans	11,698,415,607	12,187,728,068	22,604,252	52,169,198	74,773,450
Consumer loans	3,770,472,269	4,366,937,095	681,621	24,024,395	24,706,016
Residential mortgage loans	7,441,242,303	7,471,120,581	9,116,655	211,367	9,328,022
Total	23,669,830,182	24,786,069,317	32,402,528	76,404,960	108,807,488

2016

(e.1) Loans and advances to banks, loans and accounts receivable from customers as of 12.31.2016	Assets at book value (*) ThCh$	Assets at tax value ThCh$	Assets at tax value: Past due portfolio with collateral ThCh$	Past due portfolio without collateral ThCh$	Total past due portfolio ThCh$
Loans and advances to banks	1,172,918,082	1,173,446,353	—	—	—
Commercial loans	12,273,578,065	12,776,130,710	22,954,723	54,044,024	76,998,747
Consumer loans	3,724,692,675	4,262,051,300	447,582	22,386,372	22,833,954
Residential mortgage loans	6,886,319,166	6,917,508,544	7,403,749	168,248	7,571,997
Total	24,057,507,988	25,129,136,907	30,806,054	76,598,644	107,404,698

(*) According to the circular mentioned and the SII instructions, the value of the assets in the financial statements is shown on an individual basis (just Banco de Chile) net of loan loss provisions and excludes lease and factoring operations.

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes (continued)

(e.2) Provisions for past due portfolio			2017		
	Balance as of 01.01.2017 ThCh$	Charge-offs against provisions ThCh$	Provisions recorded ThCh$	Provisions released ThCh$	Balance as of 12.31.2017 ThCh$
Commercial loans	54,044,024	(40,761,180)	83,773,073	(44,886,720)	52,169,197
Consumer loans	22,386,372	(251,608,167)	278,168,420	(24,922,229)	24,024,396
Residential mortgage loans	168,248	(1,319,514)	11,375,013	(10,012,380)	211,367
Total	76,598,644	(293,688,861)	373,316,506	(79,821,329)	76,404,960

(e.2) Provisions for past due portfolio			2016		
	Balance as of 01.01.2016 ThCh$	Charge-offs against provisions ThCh$	Provisions recorded ThCh$	Provisions released ThCh$	Balance as of 12.31.2016 ThCh$
Commercial loans	69,941,717	(42,953,610)	87,648,024	(60,592,107)	54,044,024
Consumer loans	17,298,452	(209,682,447)	235,743,026	(20,972,659)	22,386,372
Residential mortgage loans	136,063	(1,595,032)	2,187,398	(560,181)	168,248
Total	87,376,232	(254,231,089)	325,578,448	(82,124,947)	76,598,644

(e.3) Direct charge-offs and recoveries	2017 ThCh$	2016 ThCh$
Direct charge-offs (Art. 31 No.4, 2nd paragraph)	17,001,526	15,889,953
Forgiven debt originating release of provisions	747,305	1,148,666
Recoveries or re-negotiation of charged-off loans	49,478,648	45,103,019

(e.4) Application of Art. 31 No.4 1st and 3rd paragraphs of Income Tax Law	2017 ThCh$	2016 ThCh$
Charge-offs (according to the 1st paragraph)	—	—
Pardoned debt (according to the 3rd paragraph)	747,305	1,148,666

Note 39 – Additional notes (continued)

Note 39.16 – Other assets

a) Composition

Other assets as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	**2016 ThCh$**
Assets for lease (*)	127,979,259	103,077,588
Assets received or awarded in lieu of payment (**)		
Assets awarded in court auction	11,433,065	7,281,886
Assets received in lieu of payment	2,730,468	6,117,054
Provisions for assets received in lieu of payment or awarded	(818,469)	(2,104,417)
Subtotal	13,345,064	11,294,523
Other assets		
Derivative margin deposits	174,254,139	178,528,935
Other accounts and notes receivable	99,201,458	51,626,128
Document broking (***)	32,592,810	32,243,371
Recoverable tax	20,437,473	6,277,531
Investment properties	14,306,333	14,673,915
Servipag available funds	12,626,488	14,482,342
Prepaid expenses	12,180,046	10,740,061
VAT recoverable	11,965,154	13,413,506
Fees receivable	6,386,824	6,713,643
Receivables on the sale of assets received in lieu of payment	3,353,455	245,028
Leased assets recovered for sale	3,052,861	589,055
Pending transactions	2,150,177	5,069,467
Rental guarantees	1,848,398	1,815,083
Materials and supplies	661,803	741,665
Others	11,633,328	10,652,492
Subtotal	406,650,747	347,812,222
Total	547,975,070	462,184,333

(*) Relate to property, plant and equipment to be delivered under finance leases.

(**) Assets received in lieu of payment are those with respect to customers with past due debts. The combination of assets held acquired in this way does not at any time exceed 20% of the Bank's effective equity. These assets currently represent 0.0694% (0.1640% in 2016) of the Bank's effective equity.

Assets awarded in a court auction are not subject to the margin commented above. These are assets held for sale and it is expected to complete the sale within one year of the asset being received or acquired. Should the asset not be sold within a year, it has to be written off.

The provision for assets received in lieu of payment or awarded is booked as indicated in the Compendium of Accounting Standards, which implies the booking of a provision for the difference between the initial value plus any additions and their realizable value, when the former is greater.

(***) This mainly includes simultaneous operations made by the subsidiary Banchile Corredores de Bolsa S.A.

Note 39 – Additional notes (continued)

Note 39.16 – Other assets (continued)

b) Movements in the provision for assets received in lieu of payment or awarded during 2017 and 2016 are detailed as follows:

Provisions for assets received in lieu of payment	**ThCh$**
Balance as of January 1, 2016	175,524
Provisions used	(751,033)
Provisions recorded	2,679,926
Provisions released	—
Balance as of December 31, 2016	2,104,417
Provisions used	(2,947,012)
Provisions recorded	1,661,064
Provisions released	—
Balance as of December 31, 2017	818,469

Note 39.17 – Demand deposits and other obligations

Demand deposits and other obligations as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	**2016 ThCh$**
Current accounts	7,177,024,063	6,891,622,972
Other demand obligations	1,081,221,261	856,710,077
Other deposits and sight accounts	611,106,418	535,597,216
Total	8,869,351,742	8,283,930,265

Note 39.18 – Deposits and term obligations

Deposits and term obligations as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	**2016 ThCh$**
Time deposits	9,739,898,710	10,274,967,919
Time savings accounts	214,119,751	208,435,256
Other term creditor balances	109,691,420	67,173,154
Total	10,063,709,881	10,550,576,329

Note 39 – Additional notes (continued)

Note 39.19 – Due to banks

(a) Due to banks, as of December 31, 2017 and 2016, is detailed as follows:

	2017 ThCh$	2016 ThCh$
Banks in Chile		
Banco do Brasil	1,100,138	—
Banks abroad		
Foreign trade financing		
Citibank N.A.	246,937,491	234,629,332
Wells Fargo Bank	185,255,179	67,623,906
Bank of America	166,650,900	169,181,638
Sumitomo Mitsui Banking	120,107,365	127,447,301
Standard Chartered Bank	76,267,807	20,554,273
Bank of Nova Scotia	73,904,712	—
Commerzbank A.G.	71,601,719	3,241,707
ING Bank	57,330,595	—
HSBC Bank USA	46,179,046	—
The Bank of New York Mellon	43,143,419	114,095,517
HSBC Bank Plc	—	114,488,286
Mizuho Bank Ltd	—	60,339,911
Zuercher Kantonalbank	—	14,106,718
4,618,3967,776,399Others	120,441	482,785
Loans and other obligations		
Wells Fargo Bank	92,682,505	100,885,075
Deutsche Bank AG	5,551,370	—
Citibank N.A.	4,618,396	7,776,399
Banco Santander Euro	3,574,824	1,686,745
Deutsche Bank Trust Co	—	3,411,105
Others	—	72,564
Subtotal banks abroad	1,193,925,769	1,040,023,262
Chilean Central Bank	576	3,027
Total	1,195,026,483	1,040,026,289

Note 39 – Additional notes (continued)

Note 39.19 – Due to banks (continued)

(a) Obligations with the Chilean Central Bank:

The debts with the Chilean Central Bank include lines of credit for the renegotiation of loans and other debts with the Chilean Central Bank.

The following are the total amounts due to the Chilean Central Bank:

	2017 ThCh$	2016 ThCh$
Loans and other obligations	—	—
Line of credit for renegotiation of obligations with Central Bank	576	3,027
Total	576	3,027

Note 39.20 – Debt instruments issued

Debt instruments issued as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	2016 ThCh$
Mortgage-funding notes	23,424,456	32,914,146
Bonds	5,769,334,174	5,431,574,615
Subordinated bonds	696,216,784	713,437,868
Total	6,488,975,414	6,177,926,629

During the year ended December 31, 2017, Banco de Chile placed bonds amounting to ThCh$1,399,000,505, consisting of senior bonds totaling ThCh$590,051,819 and commercial papers totaling ThCh$808,948,686, as follows:

Bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
BCHIBQ0915	58,643,368	13	3.00	UF	01/20/2017	01/20/2030
BCHIBH0915	56,337,585	9	2.70	UF	02/01/2017	02/01/2026
BCHIBP1215	58,156,986	13	3.00	UF	03/06/2017	03/06/2030
BCHIBC1215	30,544,071	6	2.50	UF	03/06/2017	03/06/2023
BCHIBC1215	5,554,301	6	2.50	UF	03/07/2017	03/07/2023
BCHIBC1215	19,599,978	6	2.50	UF	04/12/2017	04/12/2023
BONO EUR	36,782,000	15	1.71	EUR	04/26/2017	04/26/2032
BCHIBG1115	85,114,507	9	2.70	UF	09/05/2017	05/09/2026
BCHIBE1115	55,096,621	7	2.70	UF	10/16/2017	10/16/2024
BONO JPY	55,506,000	20	1.02	JPY	10/17/2017	10/17/2037
BCHIBR1215	57,349,702	13	3.00	UF	11/17/2017	11/17/2030
BONO USD	71,366,700	20	2.49	USD	12/20/2017	12/20/2037
Total as of December 31, 2017	**590,051,819**					

Note 39 – Additional notes (continued)

Note 39.20 – Debt instruments issued (continued)

Commercial papers

Counterparty	Amount ThCh$	Interest rate %	Currency	Issue date	Maturity date
Citibank N.A.	13,222,851	1.37	USD	01/05/2017	06/05/06/2017
Wells Fargo Bank	16,701,750	1.50	USD	01/06/2017	07/03/07/2017
Wells Fargo Bank	6,680,700	1.48	USD	01/06/2017	07/05/07/2017
Wells Fargo Bank	3,340,350	1.38	USD	01/06/2017	06/05/06/2017
Wells Fargo Bank	3,340,350	1.27	USD	01/06/2017	05/08/05/2017
Wells Fargo Bank	3,340,350	1.17	USD	01/06/2017	04/06/04/2017
Wells Fargo Bank	24,905,601	1.20	USD	01/09/2017	04/10/04/2017
Wells Fargo Bank	671,310	1.47	USD	01/09/2017	07/10/07/2017
Citibank N.A.	2,685,240	1.47	USD	01/09/2017	07/28/07/2017
Citibank N.A.	67,131,000	1.27	USD	01/09/2017	05/12/05/2017
Wells Fargo Bank	20,104,500	1.36	USD	01/10/2017	06/09/06/2017
Bofa Merrill Lynch	16,753,750	1.35	USD	01/10/2017	06/09/06/2017
Wells Fargo Bank	1,318,160	1.23	USD	01/13/2017	05/12/05/2017
Wells Fargo Bank	3,295,400	1.43	USD	01/13/2017	07/12/07/2017
Bofa Merrill Lynch	3,883,980	1.70	USD	02/07/2017	02/06/02/2018
Bofa Merrill Lynch	4,531,310	1.70	USD	02/07/2017	02/06/02/2018
Bofa Merrill Lynch	11,016,510	1.70	USD	02/08/2017	02/07/02/2018
Wells Fargo Bank	12,797,000	1.40	USD	02/10/2017	09/01/09/2017
Wells Fargo Bank	19,195,500	1.40	USD	02/10/2017	09/11/09/2017
Wells Fargo Bank	19,284,000	1.70	USD	02/13/2017	02/12/02/2018
Wells Fargo Bank	1,607,000	1.32	USD	02/13/2017	08/14/08/2017
Citibank N.A.	10,992,176	1.04	USD	02/15/2017	05/15/05/2017
Citibank N.A.	15,977,000	1.34	USD	02/15/2017	08/15/08/2017
Citibank N.A.	4,473,560	1.34	USD	02/15/2017	08/15/2017
Citibank N.A.	4,471,320	1.35	USD	02/16/2017	09/08/2017
Wells Fargo Bank	9,885,450	1.40	USD	03/21/2017	09/29/2017
Bofa Merrill Lynch	33,024,000	1.16	USD	03/24/2017	06/23/2017
Bofa Merrill Lynch	26,419,200	1.16	USD	03/24/2017	06/23/2017
Bofa Merrill Lynch	33,165,000	1.42	USD	03/30/2017	09/27/2017
Wells Fargo Bank	16,650,990	1.30	USD	04/10/2017	08/08/2017
Wells Fargo Bank	13,351,188	1.45	USD	04/11/2017	10/10/2017
Citibank N.A.	33,061,000	1.30	USD	06/12/2017	09/12/2017
Wells Fargo Bank	2,644,880	1.48	USD	06/12/2017	12/11/2017
Bofa Merrill Lynch	7,972,080	1.30	USD	06/16/2017	09/15/2017
Wells Fargo Bank	6,643,400	1.75	USD	06/16/2017	06/15/2018
Wells Fargo Bank	6,786,264	1.81	USD	06/21/2017	06/20/2018
Citibank N.A.	10,417,995	1.48	USD	06/23/2017	12/19/2017
Citibank N.A.	5,959,530	1.46	USD	06/27/2017	12/19/2017
Citibank N.A.	26,486,800	1.35	USD	06/27/2017	10/23/2017
Jp.Morgan Chase	33,322,000	1.48	USD	07/11/2017	11/08/2017
Citibank N.A.	32,870,500	1.52	USD	07/14/2017	01/12/2018
Wells Fargo Bank	16,283,500	1.55	USD	07/31/2017	01/31/2018
Wells Fargo Bank	3,256,700	1.55	USD	07/31/2017	01/31/2018
Wells Fargo Bank	6,513,400	1.42	USD	07/31/2017	10/31/2017
Wells Fargo Bank	6,513,400	1.42	USD	07/31/2017	10/31/2017
Wells Fargo Bank	10,951,876	1.52	USD	08/14/2017	02/09/2018
Wells Fargo Bank	12,852,200	1.52	USD	08/21/2017	02/16/2018
Wells Fargo Bank	19,047,000	1.47	USD	08/25/2017	12/22/2017
Wells Fargo Bank	18,708,000	1.63	USD	10/13/2017	04/11/2018
Wells Fargo Bank	12,472,000	1.63	USD	10/13/2017	04/09/2018
Wells Fargo Bank	24,944,000	1.77	USD	10/13/2017	07/10/2018
Wells Fargo Bank	6,236,000	1.91	USD	10/13/2017	10/12/2018
Bofa Merrill Lynch	12,472,000	1.63	USD	10/13/2017	04/12/2018
Jp.Morgan Chase	8,215,090	1.83	USD	11/14/2017	08/13/2018
Wells Fargo Bank	15,882,500	1.65	USD	11/21/2017	03/21/2018
Wells Fargo Bank	42,623,750	1.75	USD	12/07/2017	03/05/2018
Wells Fargo Bank	1,596,325	2.25	USD	12/14//2017	12/13/2018
Total as of December 31, 2017	**808,948,686**				

No subordinated bonds were issued during the year ended December 31, 2017.

Note 39 – Additional notes (continued)

Note 39.20 – Debt instruments issued (continued)

During the year ended December 31, 2016, Banco de Chile placed bonds amounting to ThCh$1,420,036,996, consisting of bonds of ThCh$804,979,082, commercial papers of ThCh$532,852,310 and subordinated bonds of ThCh$82,205,604, detailed as follows:

Bonds

Series	**Amount ThCh$**	**Term**	**Issue rate %**	**Currency**	**Issue date**	**Maturity date**
BCHIAR0613	8,497,136	10	3.60	UF	01/29/2016	01/29/2026
BCHIAR0613	10,869,495	10	3.60	UF	02/18/2016	02/18/2026
BCHIBJ0915	53,552,754	10	2.90	UF	05/25/2016	05/25/2026
BCHIBF0915	79,626,295	8	2.70	UF	05/25/2016	05/25/2024
BCHIBK0915	53,484,785	11	2.90	UF	05/25/2016	05/25/2027
BCHIBL1115	79,806,040	11	2.90	UF	05/25/2016	05/25/2027
BCHIBA0815	53,480,262	5	2.50	UF	06/29/2016	06/29/2021
BCHIBI1115	80,404,850	10	2.90	UF	06/29/2016	06/29/2026
BCHIBB0815	6,706,202	6	2.50	UF	07/05/2016	07/05/2022
BCHIBB0815	46,949,702	6	2.50	UF	07/06/2016	07/06/2022
BOND USD	19,704,600	5	1.97	USD	08/05/2016	08/05/2021
BOND USD	68,060,000	5	1.96	USD	09/01/2016	09/01/2021
BCHIBM0815	85,147,671	12	2.90	UF	09/28/2016	09/28/2028
BOND CHF	101,560,290	8	0.25	CHF	11/11/2016	11/11/2024
BOND JPY	57,129,000	5	0.35	JPY	12/21/2016	12/21/2021
Total as of December 31, 2016	**804,979,082**					

Note 39 – Additional notes (continued)

Note 39.20 – Debt instruments issued (continued)

Commercial papers

Counterparty	Amount ThCh$	Annual interest rate %	Currency	Issue date	Maturity date
Merrill Lynch	14,716,540	0.94	USD	01/04/2016	07/05/2016
JP. Morgan Chase	30,879,203	0.70	USD	01/05/2016	04/04/2016
Wells Fargo Bank	10,882,950	0.62	USD	01/14/2016	04/13/2016
Citibank N.A.	10,810,200	0.95	USD	01/25/2016	07/22/2016
Citibank N.A.	10,722,750	0.75	USD	01/27/2016	05/23/2016
Citibank N.A.	11,362,080	0.95	USD	01/28/2016	07/27/2016
Citibank N.A.	3,550,650	0.75	USD	01/28/2016	05/27/2016
Merrill Lynch	3,534,500	0.90	USD	02/03/2016	08/02/2016
Merrill Lynch	10,744,880	0.68	USD	02/03/2016	05/04/2016
JP. Morgan Chase	19,943,210	0.65	USD	04/04/2016	07/01/2016
Merrill Lynch	4,689,510	1.25	USD	05/04/2016	04/28/2017
Merrill Lynch	13,295,600	0.95	USD	05/06/2016	11/03/2016
Citibank N.A.	12,216,960	0.77	USD	05/10/2016	09/08/2016
Wells Fargo Bank	10,180,800	1.07	USD	05/10/2016	02/10/2017
Merrill Lynch	10,203,150	0.56	USD	05/11/2016	07/12/2016/
Citibank N.A.	41,097,000	0.59	USD	05/12/2016	07/11/2016
Citibank N.A.	10,274,250	0.98	USD	05/12/2016	11/09/2016
Citibank N.A.	18,155,422	0.79	USD	05/16/2016	09/16/2016
Citibank N.A.	27,614,400	0.59	USD	05/18/2016	07/18/2016
Citibank N.A.	1,989,951	0.98	USD	06/15/2016	11/15/2016
Wells Fargo Bank	11,462,420	1.25	USD	06/22/2016	06/21/2017
JP. Morgan Chase	10,313,784	0.70	USD	07/01/2016	10/03/2016
Merrill Lynch	13,266,000	0.71	USD	07/05/2016	10/04/2016
Citibank N.A.	33,132,500	1.04	USD	07/06/2016	01/05/2017
Wells Fargo Bank	3,329,950	1.02	USD	07/07/2016	12/28/2016
Merrill Lynch	6,659,900	1.00	USD	07/07/2016	01/09/2017
Citibank N.A.	3,304,550	0.74	USD	07/11/2016	10/19/2016
Merrill Lynch	3,281,750	1.02	USD	07/13/2016	01/09/2017
Wells Fargo Bank	1,969,050	0.84	USD	07/13/2016	11/10/2016
Wells Fargo Bank	32,548,000	1.05	USD	07/14/2016	01/10/2017
Merrill Lynch	9,764,400	1.05	USD	07/14/2016	01/11/2017
Merrill Lynch	3,905,760	1.30	USD	07/14/2016	07/12/2017
JP. Morgan Chase	12,368,240	0.78	USD	07/14/2016	10/14/2016
Citibank N.A.	25,896,310	0.83	USD	07/15/2016	12/13/2016
Citibank N.A.	13,410,200	0.87	USD	09/09/2016	12/06/2016
Citibank N.A.	6,699,800	0.85	USD	09/12/2016	12/06/2016
Merrill Lynch	18,004,950	1.26	USD	10/07/2016	04/05/2017
JP. Morgan Chase	12,738,740	1.06	USD	10/14/2016	02/15/2017
Citibank N.A.	33,932,000	0.91	USD	11/18/2016	02/15/2017
Total as of December 31, 2016	**532,852,310**				

Subordinated bonds

Series	Amount ThCh$	Term	Annual interest rate %	Currency	Issue date	Maturity date
UCHIG1111	30,797,372	25	3.75	UF	08/18/2016	108/8/2041
UCHIG1111	9,257,425	25	3.75	UF	09/01/2016	09/01/2041
UCHIG1111	42,150,807	25	3.75	UF	09/02/2016	09/02/2041
Total as of December 31, 2016	**82,205,604**					

During 2017 and 2016 the Bank has not defaulted on its payments of principal and interest on its debt instruments. Neither has there been any non-compliance with covenants or other commitments associated with its debt instruments.

Note 39 – Additional notes (continued)

Note 39.21 – Other financial obligations

Other financial obligations as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	2016 ThCh$
Other obligations in Chile	104,664,921	149,602,798
Obligations with the public sector	32,497,924	36,596,344
Total	137,162,845	186,199,142

Note 39.22 - Provisions

a) Provisions as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	2016 ThCh$
Provisions for minimum dividends shareholders SM-Chile	25,587,292	23,759,068
Provisions for minimum dividends other shareholders	99,788,485	90,471,218
Provisions for employee benefits and remuneration	86,628,220	83,344,958
Provisions for contingent credits risk	58,031,535	53,680,388
Provisions for contingencies:		
Additional provisions (*)	213,251,877	213,251,877
Provisions for country risk	3,317,035	4,619,657
Other provisions for contingencies	21,733,479	21,893,479
Total	508,337,923	491,020,645

(*) Additional provisions during the year ended December 31, 2016 were ThCh$52,074,576. See Note 39.22 (b).

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

(b) Movements in provisions during 2017 and 2016 are detailed as follows:

	Minimum dividend ThCh$	Employee benefits and remuneration ThCh$	Contingent credit risks ThCh$	Additional ThCh$	Country risk and other contingencies ThCh$	Total ThCh$
Balance as of January 1, 2016	125,401,618	74,790,851	59,212,535	161,177,301	19,393,440	439,975,745
Provisions recorded	114,230,286	67,822,389	—	52,074,576	7,239,346	241,366,597
Provisions used	(125,401,618)	(59,268,282)	—	—	—	(184,669,900)
Provisions released	—	—	(5,532,147)	—	(119,650)	(5,651,797)
Balance as of December 31, 2016	114,230,286	83,344,958	53,680,388	213,251,877	26,513,136	491,020,645
Provisions recorded	125,375,777	68,491,579	4,351,147	—	—	198,218,503
Provisions used	(114,230,286)	(65,208,317)	—	—	—	(179,438,603)
Provisions released	—	—	—	—	(1,462,622)	(1,462,622)
Balance as of December 31, 2017	125,375,777	86,628,220	58,031,535	213,251,877	25,050,514	508,337,923

(c) Provisions for personnel benefits and remuneration:

	2017 ThCh$	2016 ThCh$
Provisions for performance bonuses	41,727,850	37,867,687
Provisions for vacations	25,159,467	25,538,760
Provisions for termination benefits	7,675,596	8,850,848
Provisions for other employee benefits	12,065,307	11,087,663
Total	86,628,220	83,344,958

d) Termination benefits:

(i) Movements in termination benefit provisions:

	2017 ThCh$	2016 ThCh$
Opening balance	8,850,848	10,727,608
Increase (decrease) in provision	257,278	427,501
Payments made	(1,268,326)	(2,134,796)
Effect of change in factors	(164,204)	(169,465)
Closing balance	7,675,596	8,850,848

(ii) Net cost of benefits:

	2017 ThCh$	2016 ThCh$
Increase (decrease) in provision	(86,210)	58,869
Interest cost of benefit obligations	343,488	368,632
Effect of change in actuarial factors	(164,204)	(169,465)
Net cost of benefits	93,074	258,036

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

d) Termination benefits (continued)

(iii) Factors used in the calculation of the provision:

The principal assumptions used in the determination of termination benefits for Banco de Chile's plan are as follows:

	December 31, 2017 %	December 31, 2016 %
Discount rate	4.53	4.29
Salary increase rate	4.14	4.56
Probability of payment	99.99	99.99

The most recent actuarial valuation of the provision for termination benefits was made as of December 31, 2017.

(e) Movement in provision for performance bonuses:

	2017 ThCh$	2016 ThCh$
Opening balance	37,867,687	34,307,198
Provisions recorded	36,170,949	37,338,856
Provisions used	(32,310,786)	(33,778,367)
Provisions released	—	—
Closing balance	**41,727,850**	**37,867,687**

(f) Movement in provision for personnel vacations:

	2017 ThCh$	2016 ThCh$
Opening balance as of January 1	25,538,760	25,480,474
Provisions recorded	5,626,561	5,931,657
Provisions used	(6,005,854)	(5,873,371)
Provisions released	—	—
Closing balance	**25,159,467**	**25,538,760**

(g) Provision for employee benefits in shares:

As of December 31, 2017 and 2016, the Bank and its subsidiaries have no share compensation plan.

(h) Contingent loan provisions:

As of December 31, 2017, the Bank and its subsidiaries had provisions for contingent loans of ThCh$58,031,535 (ThCh$53,680,388 in 2016). See Note 39.24 (d).

Note 39 – Additional notes (continued)

Note 39.23 – Other liabilities

Other liabilities as of December 31, 2017 and 2016, are detailed as follows:

	2017 ThCh$	2016 ThCh$
Accounts and notes payable (*)	190,129,401	146,410,149
Income received in advance	5,576,210	6,077,607
Dividends payable	844,796	1,001,607
Other liabilities		
Document broking transactions (**)	49,672,661	52,313,784
Co-branding	32,904,863	47,462,032
VAT debit	12,882,375	12,548,860
Securities being settled	2,618,331	12,376,234
Transactions pending settlement	674,334	757,570
Insurance payables	477,505	163,410
Others	14,417,617	13,835,068
Total	310,198,093	292,946,321

(*) Includes obligations that fall outside business operations such as withholding taxes, social-security payments, balances due for materials purchases and provisions for expenses payable.

(**) Includes mainly the financing of simultaneous transactions carried out by the subsidiary Banchile Corredores de Bolsa S.A.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments

a) Commitments and responsibilities booked in memorandum accounts:

In order to meet its customers' needs, the Bank has acquired several irrevocable commitments and contingent obligations. Although these obligations cannot be shown in the statement of financial position, they involve credit risks and are therefore part of Banco de Chile's overall risk.

Banco de Chile and its subsidiaries book in memorandum accounts the following balances related to such commitments and business-related liabilities:

	2017 ThCh$	2016 ThCh$
Contingent liabilities		
Guarantees	285,034,952	279,362,347
Confirmed foreign letters of credit	64,970,294	64,044,177
Documentary letters of credit opened	94,313,163	152,118,451
Performance bonds	2,220,828,060	2,150,307,101
Committed lines of credit	7,240,406,336	7,572,687,493
Other credit commitments	60,608,619	148,189,911
Operations on behalf of third parties		
Documents for collection	168,353,200	137,259,340
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	7,120,950	39,713,684
Other assets managed on behalf of third parties	—	—
Financial assets acquired in own name	133,793,607	174,021,873
Other assets acquired in own name	—	—
Custody of securities		
Valuables held in custody with the Bank	13,623,724,654	9,586,026,298
Valuables in custody deposited in other entity	7,105,587,189	5,607,815,076
Total	31,004,741,024	25,911,545,751

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

b) Lawsuits and legal proceedings:

b.1) Normal court contingencies for the industry:

There are legal proceedings against the subsidiary Banco de Chile and its subsidiaries at the date of issue of these consolidated financial statements with respect to their business. As of December 31, 2017, the Bank and its subsidiaries have provisions for legal contingencies of ThCh$21,469,999 (ThCh$21,629,999 in December 2016), which form part of "Provisions" in the statement of financial position.

The most important case is the class action suit filed by the National Consumer Service in accordance with Law 19,496 with the Twelfth Civil Court in Santiago. This legal action contests some clauses of the Unified Contract of Personal Products with respect to the commissions on lines of credit and the validity of tacit consent to changes in the rates, charges and other conditions in consumer contracts. The evidence stage has been completed.

The following shows the estimated dates of termination of the lawsuits:

	December 31, 2017				
	2018 ThCh$	2019 ThCh$	2020 ThCh$	2021 ThCh$	Total ThCh$
Court contingencies	21,268,999	201,000	—	—	21,469,999

b.2) Contingencies for significant lawsuits in the courts:

As of December 31, 2017 and 2016, there are no significant lawsuits in the courts that affect or could affect these consolidated financial statements.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

c) Business guarantees:

c.1) Subsidiary Banchile Administradora General de Fondos S.A.:

In compliance with article 12 of Law 20,712, Banchile Administradora General de Fondos S.A., has designated Banco de Chile as the representative of the beneficiaries of the guarantees it has established and in that role the Bank has issued performance bonds totaling UF 2,588,500, maturing January 10, 2018 (UF 2,642,000, maturing January 10, 2017 in 2016). For real estate funds the company took out guarantee insurance policies with Mapfre Seguros Generales S.A., for a guaranteed total of UF 382,900.

As of December 31, 2017 and 2016, there were no guaranteed mutual funds.

In compliance with letter f) of CMF Circular 1,894 of September 24, 2008, the company has given a guarantee in favor of investors in portfolio management. This guarantee corresponds to a performance bond for UF 372,200 maturing on January 10, 2018.

c.2) Subsidiary Banchile Corredores de Bolsa S.A.:

In order to ensure the correct and full compliance with all its obligations as a stockbroker in accordance with article 30 onward of the Securities Market Law 18,045, Banchile Corredores de Bolsa S.A. contracted an insurance guarantee for UF 20,000 with HDI Seguros de Garantía y Créditos S.A. that expires on April 22, 2018, whereby the Santiago Stock Exchange was appointed as the creditors' representative.

	2017	2016
Securities in guarantee:	**ThCh$**	**ThCh$**
Shares in guarantee of simultaneous sales transactions on:		
Securities exchange of the Bolsa de Comercio de Santiago	20,249,101	17,750,323
Securities exchange of the Bolsa Electrónica de Chile	29,925,987	22,473,291
Fixed-income securities to guarantee CCLV system		
Securities exchange of the Bolsa de Comercio de Santiago	3,994,966	2,992,190
Fixed-income securities to guarantee loans of shares		
Securities exchange of the Bolsa Electrónica de Chile	—	—
Shares to guarantee equity lending	3,864,202	609,748
Securities exchange of the Bolsa Electrónica de Chile	—	883,857
Secdurities exchange of the Bolsa de Comercio de Santiago		
Total	58,034,256	44,709,409

In accordance with the internal regulations of the stock exchanges in which it participates, and to ensure the broker's correct performance, the company has granted a pledge over one million shares of the Santiago Stock Exchange in favor of that institution, as recorded in public deed on September 13, 1990, signed before the Santiago public notary Raúl Perry Pefaur, and over one share in the Chilean Electronic Exchange in favor of that institution, as recorded in a contract entered into by both parties on May 16, 1990.

Banchile Corredores de Bolsa S.A. has an integral insurance policy with AIG Chile - Compañía de Seguros Generales S.A., expiring on January 2, 2018, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

c) Guarantees granted for operations (continued)

c.2) Subsidiary Banchile Corredores de Bolsa S.A. (continued):

According to instructions from the Chilean Central Bank, a performance bond for UF10,500 has been given to comply with the contract SOMA (Contract for Open Market Operations System Service) of the Chilean Central Bank. This performance bond is in UF for a fixed term and not endorsable, with expiry on July 20, 2018.

A performance bond No. 358131-4 for UF 229,100 was given for the benefit of investors with portfolio management contracts. This performance bond is in UF for a fixed term and not endorsable, with expiry on January 10, 2018.

A cash guarantee was granted for US$ 122,494.32 to cover obligations contracted with Pershing, for operations made through this broker.

c.3) Subsidiary Banchile Corredores de Seguros Ltda

In accordance with article 58, letter D, of D.F.L. 251, as of December 31, 2017, the entity has two insurance policies covering possible damages that could affect it due to breaches of the law, regulations and complementary rules that regulate insurance brokers, and especially when non-compliance results from acts, mistakes or omissions of the brokers, its representatives, agents or dependents that participate in the broking.

The policies contracted are the following:

Matter insured	**Amount Insured (UF)**
Responsibility for errors and omissions	60,000
Civil liability	500

Note 39 – Additional notes (continued)

Note 39.24 - Contingencies and commitments (continued)

d) Provisions for contingent credits:

The following provisions were made for the credit risk of contingent operations:

	2017 ThCh$	**2016 ThCh$**
Unrestricted credit lines	34,030,646	30,798,546
Performance bonds	20,509,444	19,159,252
Guarantees	2,870,761	3,027,850
Letters of credit	360,638	508,862
Other credit commitments	260,046	185,878
Total	58,031,535	53,680,388

e) On January 30, 2014, the CMF filed administrative charges against Banchile Corredores de Bolsa S.A. for alleged infractions to the second paragraph of Article 53 of the Securities Market Law in relation to certain transactions carried out during 2009, 2010 and 2011 in shares of Sociedad Química y Minera de Chile S.A. (SQM). The second paragraph of Article 53 of the Securities Market Law provides that "... No person may carry out transactions or induce or attempt to induce the purchase or sale of securities, whether or not governed by this law, by means any deceptive or fraudulent act, practice, mechanism or device ... "

On October 30, 2014, the CMF imposed a fine of UF 50,000 on Banchile Corredores de Bolsa S.A. for infractions to the second paragraph of Article 53 of the Securities Market Law in relation to specific transactions in SQM-A shares brokered by the Company during 2011.

Banchile Corredores de Bolsa SA, filed an appeal against Resolution 270 dated October 30, 2014, issued by the CMF with the Eleventh Civil Court of Santiago requesting that the fine be anulled. This appeal was combined with Case 25,795-2014 at the Twenty-second Civil Court of Santiago. The evidence stage is complete and now the court has to personally inspect the Chilean Electronic Stock Exchange.

The Company has not recorded any provisions for this case, in accordance with the Company's provisioning policy, as sentence has not yet been given in these proceedings and the company's legal advisors believe there are solid arguments to support the appeal.

Note 39 – Additional notes (continued)

Note 39.25 – Interest and indexation income and expense

a) The composition of interest and indexation income and expense as of the close of the financial statements is as follows:

	2017				2016			
	Interest ThCh$	Indexation ThCh$	Prepayment commissions ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Prepayment commissions ThCh$	Total ThCh$
Commercial loans	712,874,670	87,762,975	7,417,156	808,054,801	635,820,783	142,820,449	3,828,786	782,470,018
Consumer loans	603,689,396	1,195,614	9,528,262	614,413,272	602,898,251	1,513,962	9,564,166	613,976,379
Residential mortgage loans	276,259,339	120,788,355	5,165,885	402,213,579	261,913,273	181,473,888	4,001,620	447,388,781
Investment instruments	30,800,487	4,057,013	—	34,857,500	24,521,372	5,705,224	—	30,226,596
Repurchase agreements	1,714,136	—	—	1,714,136	1,689,941	—	—	1,689,941
Loans granted to banks	15,023,794	—	—	15,023,794	32,280,440	—	—	32,280,440
Other interest and indexation income	3,971,164	1,193,975	—	5,165,139	1,645,387	1,950,650	—	3,596,037
Total	1,644,332,986	214,997,932	22,111,303	1,881,442,221	1,560,769,447	333,464,173	17,394,572	1,911,628,192

The amount of interest and indexation income booked as received on the impaired portfolio during 2017 amounted to ThCh$6,426,047 (ThCh$5,628,633 in 2016).

b) Suspended interest and indexation income as of the year-end is detailed as follows:

	2017			2016		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	7,434,100	878,946	8,313,046	6,910,122	1,192,455	8,102,577
Residential mortgage loans	2,850,583	1,386,122	4,236,705	2,608,079	1,972,882	4,580,961
Consumer loans	32,029	17,151	49,180	82,376	14,291	96,667
Total	10,316,712	2,282,219	12,598,931	9,600,577	3,179,628	12,780,205

Note 39 – Additional notes (continued)

Note 39.25 – Interest and indexation income and expense (continued)

c) Interest and indexation expense for the years ended December 31, 2017 and 2016, excluding hedge results, is detailed as follows:

	2017			2016		
	Interest ThCh$	**Indexation ThCh$**	**Total ThCh$**	**Interest ThCh$**	**Indexation ThCh$**	**Total ThCh$**
Time deposits and borrowings	322,734,837	28,201,336	350,936,173	294,991,763	56,215,790	351,207,553
Debt instruments issued	184,200,204	84,002,717	268,202,921	185,079,061	124,509,362	309,588,423
Other financial obligations	1,519,591	121,226	1,640,817	1,630,241	286,037	1,916,278
Repurchase agreements	5,192,938	383	5,193,321	6,212,688	9,554	6,222,242
Obligations with banks	19,254,645	(38)	19,254,607	13,504,802	(59)	13,504,743
Demand deposits	193,048	5,156,550	5,349,598	522,570	5,717,663	6,240,233
Other interest and indexation expenses	2,157	251,036	253,193	5,773	429,430	435,203
Total	533,097,420	117,733,210	650,830,630	501,946,898	187,167,777	689,114,675

(d) As of December 31, 2017 and 2016, the Bank uses cross-currency and interest-rate swaps to hedge its position in the fair value of corporate bonds and commercial loans, and cross-currency swaps for hedging the risk of variations in obligation flows with banks abroad and bonds issued in foreign currency.

	2017			2016		
	Income ThCh$	**Expense ThCh$**	**Total ThCh$**	**Income ThCh$**	**Expense ThCh$**	**Total ThCh$**
Accounting hedge fair value gain	4,739,797	—	4,739,797	3,665,022	—	3,665,022
Accounting hedge fair value loss	(5,384,799)	—	(5,384,799)	(7,641,214)	—	(7,641,214)
Accounting cash-flow hedge gain	239,295,515	175,887,526	415,183,041	343,039,489	365,014,286	708,053,775
Accounting cash-flow hedge loss	(213,938,761)	(230,721,014)	(444,659,775)	(412,787,648)	(340,824,227)	(753,611,875)
Result adjustment hedged element	(3,990,058)	—	(3,990,058)	(2,653,025)	—	(2,653,025)
Total	20,721,694	(54,833,488)	(34,111,794)	(76,377,376)	24,190,059	(52,187,317)

e) The summary of interest and indexation for the years ended December 31, 2017 and 2016, is as follows:

	2017 ThCh$	**2016 ThCh$**
Interest and indexation income	1,881,442,221	1,911,628,192
Interest and indexation expense	(650,830,630)	(689,114,675)
Total net interest and indexation	1,230,611,591	1,222,513,517

Note 39 – Additional notes (continued)

Note 39.26 – Fee income and expense

The fee income and expense shown in the consolidated statements of comprehensive income refer to the following concepts:

	2017 ThCh$	2016 ThCh$
Fee income		
Card services	155,572,772	144,007,522
Investments in mutual funds or others	86,103,268	79,853,765
Collections and payments	50,342,866	49,362,170
Account administration	43,915,304	39,837,962
Insurance sales commission	30,162,980	28,036,003
Guarantees and letters of credit	24,485,321	23,183,283
Securities trading and brokerage	18,740,416	13,666,532
Distribution channel income	18,203,745	18,995,710
Brand income	14,514,507	14,215,238
Financial consultancy income	5,535,881	4,152,327
Credit lines and overdrafts	5,000,496	5,795,118
Other fee income	19,123,990	19,938,941
Total fee income	**471,701,546**	**441,044,571**
Fee expenses		
Card operation remuneration	(96,872,252)	(98,115,415)
Interbank transactions	(13,189,399)	(10,361,457)
Securities operations	(6,802,362)	(3,968,897)
Collections and payments	(6,205,531)	(6,426,701)
Sales force	(213,043)	(407,960)
Other commissions	(745,871)	(491,940)
Total fee expenses	**(124,028,458)**	**(119,772,370)**

Note 39 – Additional notes (continued)

Note 39.27 – Results of financial operations

The net gain (loss) on financial operations is detailed as follows:

	2017 ThCh$	2016 ThCh$
Financial instruments for trading	56,264,908	59,332,322
Sale of instruments held for sale	6,514,013	65,321,813
Sale of loan portfolio	3,542,208	4,929,339
Net result of other transactions	303,824	705,228
Trading derivatives	(74,874,230)	18,596,870
Total	(8,249,277)	148,885,572

Note 39.28 – Net exchange gain (loss)

Foreign exchange results are detailed as follows:

	2017 ThCh$	2016 ThCh$
Foreign currency indexation	176,230,794	108,848,693
Exchange difference, net	(7,220,686)	(6,073,422)
Result of accounting hedges	(64,135,388)	(90,369,671)
Total	104,874,720	12,405,600

Note 39 – Additional notes (continued)

Note 39.29 – Loan loss provisions

Movements in 2017 and 2016 in provisions are detailed as follows:

	Loans and advances to banks		Loans and Accounts Receivable from Customers											
			Commercial loans		Residential mortgage loans		Consumer loans		Sub-total		Contingent credits		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$$	2016 ThCh$	2017 ThCh$$	2016 ThCh$	2017 ThCh$$	2016 ThCh$	2017 ThCh$$	2016 ThCh$	2017 ThCh$$	2016 ThCh$	2017 ThCh$$	2016 ThCh$
Recording of provisions:														
- Individual	(55,299)	—	—	—	—	—	—	—	—	—	(1,220,061)	—	(1,275,360)	—
- Group	—	—	(47,065,275)	(43,024,141)	(2,991,283)	(3,103,977)	(248,057,647)	(266,874,974)	(298,114,205)	(313,003,092)	(3,131,086)	—	(301,245,291)	(313,003,092)
Result of recording of provisions	(55,299)	—	(47,065,275)	(43,024,141)	(2,991,283)	(3,103,977)	(248,057,647)	(266,874,974)	(298,114,205)	(313,003,092)	(4,351,147)	—	(302,520,651)	(313,003,092)
Release of provisions:														
- Individual	—	173,409	18,059,077	2,796,278	—	—	—	—	18,059,077	2,796,278	—	2,054,219	18,059,077	5,023,906
- Group	—	—	—	—	—	—	—	—	—	—	—	3,477,928	—	3,477,928
Result of release of provisions	—	173,409	18,059,077	2,796,278	—	—	—	—	18,059,077	2,796,278	—	5,532,147	18,059,077	8,501,834
Net result of provisions	(55,299)	173,409	(29,006,198)	(40,227,863)	(2,991,283)	(3,103,977)	(248,057,647)	(266,874,974)	(280,055,128)	(310,206,814)	(4,351,147)	5,532,147	(284,461,574)	(304,501,258)
Additional provisions	—	—	—	(52,074,576)	—	—	—	—	—	(52,074,576)	—	—	—	(52,074,576)
Recovery of charged-off assets	—	—	13,751,492	13,017,077	3,246,351	2,349,770	32,480,806	31,475,608	49,478,649	46,842,455	—	—	49,478,649	46,842,455
Net result loan loss provisions	(55,299)	173,409	(15,254,706)	(79,285,362)	255,068	(754,207)	(215,576,841)	(235,399,366)	(230,576,479)	(315,438,935)	(4,351,147)	5,532,147	(234,982,925)	(309,733,379)

In the opinion of the management, the loan loss provisions constituted cover all possible losses that might arise from the non-recovery of assets, according to the information examined by the Bank.

Note 39 – Additional notes (continued)

Note 39.30 – Payroll and personnel expenses

Payroll and personnel expenses for the years 2017 and 2016 are detailed as follows:

	2017 ThCh$	2016 ThCh$
Payroll	235,986,420	229,001,744
Bonuses and incentives	42,465,340	48,927,217
Variable remuneration	36,471,136	42,713,943
Meals and health benefits	26,835,622	28,473,743
Legal bonuses	25,401,652	25,486,850
Termination benefits	21,240,886	24,140,765
Training expenses	3,554,845	2,020,280
Other staff expenses	17,596,544	17,354,515
Total	409,552,445	418,119,057

Note 39.31 – Administrative expenses

Administrative expenses for the years 2017 and 2016 are detailed as follows:

	2017 ThCh$	2016 ThCh$
General administrative expenses		
Data processing and communications	69,932,771	67,922,824
Maintenance and repair of property, plant and equipment	35,043,868	34,643,698
Office and equipment rentals	25,809,904	26,839,464
Guards and valuables transport services	11,927,187	13,185,383
External professional and consultancy fees	11,513,370	9,651,834
Office materials	8,237,598	8,473,163
Rental of automated teller machine spaces	7,207,430	7,650,314
Insurance premiums	5,797,155	4,104,873
Lighting, heating and other services	5,674,172	5,618,594
Postal and courier delivery services	5,342,626	6,497,585
External financial reporting services	4,509,788	3,777,483
Personnel entertainment and travel expenses	4,040,112	4,619,103
Legal and notary costs	3,913,028	3,595,319
External document custody services	3,218,351	2,989,862
Donations	2,537,566	1,832,067
Other general administrative expenses	6,904,575	7,900,927
Subtotal	211,609,501	209,302,493
Subcontracted services		
Credit evaluation	19,577,445	17,149,568
Data processing	12,330,059	11,246,385
External technological development expenses	10,417,916	9,178,149
Technology certification and testing	6,532,443	6,052,028
Others	3,092,237	3,297,394
Subtotal	51,950,100	46,923,524
Directors' expenses		
Directors' remuneration	2,497,052	2,460,614
Other board expenses	457,944	713,647
Subtotal	2,954,996	3,174,261
Marketing expenses		
Publicity and advertising	30,698,089	32,780,725
Subtotal	30,698,089	32,780,725
Taxes, contributions		
Contribution to the SBIF	9,176,216	8,855,632
Property taxes	2,722,245	2,787,487
Municipal taxes	1,241,203	1,251,522
Other taxes	1,102,953	1,265,579
Subtotal	14,242,617	14,160,220
Total	311,455,303	306,341,223

Note 39 – Additional notes (continued)

Note 39.32 – Depreciation, amortization and impairment

(a) The charges to income for depreciation and amortization during 2017 and 2016 were:

	2017 ThCh$	2016 ThCh$
Depreciation and amortization		
Depreciation of property, plant and equipment (Note 39,14 b)	26,175,833	24,693,608
Amortization of intangible assets (Note 39,13b)	9,074,583	8,594,893
Total	35,250,416	33,288,501

(b) The charge for impairment for the years ended December 31, 2017 and 2016, is detailed as follows

	2017 ThCh$	2016 ThCh$
Impairment		
Impairment of investment instruments	—	—
Impairment of property, plant and equipment (Note 39.14b)	166,411	273,615
Impairment of intangible assets (Note 39.13b)	—	—
Total	166,411	273,615

Note 39.33 – Other operating income

Other operating income of Banco de Chile and its subsidiaries during 2017 and 2016 is detailed as follows:

	2017 ThCh$	2016 ThCh$
Income from assets received in lieu of payment		
Gain on sale of assets received in lieu of payment	6,211,584	5,268,980
Other income	36,637	37,987
Subtotal	6,248,221	5,306,967
Releases of provisions for contingencies		
Provisions for country risk	1,302,622	—
Other provisions for contingencies	160,000	119,650
Subtotal	1,462,622	119,650
Other income		
Rent received	8,862,968	8,670,908
Other card income	7,690,437	5,755,560
Expense reimbursements	4,095,050	3,241,381
Correspondent bank rebates	2,709,745	2,909,019
Income on sale of leased assets	1,360,327	681,467
Monthly tax prepayments indexation	843,439	1,088,391
Gain on sale of property, plant and equipment	624,355	184,796
Custody and trust services	249,986	236,365
Others	1,385,771	2,674,143
Subtotal	27,822,078	25,442,030
Total	35,532,921	30,868,647

Note 39 – Additional notes (continued)

Note 39.34 – Other operating expenses

Other operating expenses of the Bank and its subsidiaries incurred in 2017 and 2016 are detailed as follows:

	2017 ThCh$	2016 ThCh$
Provisions and expenses for assets received in lieu of payment		
Write-offs of assets received in lieu of payment	7,550,213	3,329,101
Provisions for assets received in lieu of payment	1,984,306	2,954,044
Maintenance expenses of assets received in lieu of payment	790,885	519,770
Subtotal	10,325,404	6,802,915
Provisions for contingencies		
Provisions for country risk	—	359,557
Other provisions for contingencies	—	6,879,789
Subtotal	—	7,239,346
Other expenses		
Lease operating expenses	10,151,740	1,892,937
Operational write-offs	6,360,054	5,474,871
Card administration	2,889,622	3,921,263
Write-offs of recovered leased assets	1,114,993	1,130,310
Correspondent bank costs	857,016	669,340
Mortgage-protection insurance	294,338	249,790
Contributions to other organisms	252,102	250,896
Civil lawsuits	170,962	93,992
Loss on sale of property, plant and equipment	500	1,890
Indexation on dividends	—	200,958
Others	814,715	2,836,585
Subtotal	22,906,042	16,722,832
Total	33,231,446	30,765,093

Parties related to the Bank and its subsidiaries are individuals or legal entities related through ownership or management of the Bank, whether directly or through third parties, in accordance with the provisions of the Compendium of Accounting Standards and Chapter 12-4 of the SBIF's Updated Compilation of Standards.

Accordingly, the Bank defines related parties as individuals or legal entities that have a direct or third-party ownership interest in the Bank, when such interest exceeds 5% of the shares, and persons without an ownership interest, but have authority and responsibility in the planning, management and control of the business of the Bank or its subsidiaries. Also, companies are considered related when related parties have an interest of 5% or more in them, or hold the position of Director, CEO or a similar position.

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

a) Loans with related parties

The following details loans, accounts receivable and contingent loans with related parties.

	Productive and Service Companies (*)		Investment Companies (**)		Individuals (***)		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Loans and accounts receivable:								
Commercial loans	243,989,500	149,838,155	169,402,956	165,474,729	8,871,027	8,295,763	422,263,483	323,608,647
Residential mortgage loans	—	—	—	—	33,694,734	31,920,938	33,694,734	31,920,938
Consumer loans	—	—	—	—	7,265,330	6,496,121	7,265,330	6,496,121
Gross loans	243,989,500	149,838,155	169,402,956	165,474,729	49,831,091	46,712,822	463,223,547	362,025,706
Loan loss provisions	(987,908)	(622,625)	(393,865)	(346,977)	(240,591)	(292,553)	(1,622,364)	(1,262,155)
Net loans	**243,001,592**	**149,215,530**	**169,009,091**	**165,127,752**	**49,590,500**	**46,420,269**	**461,601,183**	**360,763,551**
Contingent loans:								
Guarantees	4,527,103	4,941,351	21,145,877	8,086,865	—	—	25,672,980	13,028,216
Letters of credit	293,761	164,717	1,170,202	—	—	—	1,463,963	164,717
Foreign letters of credit	—	—	—	—	—	—	—	—
Performance bonds	34,457,466	24,095,248	23,070,701	19,764,421	—	—	57,528,167	43,859,669
Committed credit lines	53,150,948	55,607,438	13,906,748	12,927,534	15,178,702	15,897,242	82,236,398	84,432,214
Other contingent loans	—	—	—	2,000,000	—	—	—	2,000,000
Total contingent loans	92,429,278	84,808,754	59,293,528	42,778,820	15,178,702	15,897,242	166,901,508	143,484,816
Provisions for contingent loans	(217,325)	(189,891)	(80,678)	(103,575)	(47,637)	(31,658)	(345,640)	(325,124)
Net contingent loans	**92,211,953**	**84,618,863**	**59,212,850**	**42,675,245**	**15,131,065**	**15,865,584**	**166,555,868**	**143,159,692**
Amounts covered by collateral								
Mortgages	27,927,700	19,082,474	53,835,300	81,419,480	53,181,330	48,271,743	134,944,330	148,773,697
Warrants	—	—	—	—	—	—	—	—
Pledges	1,416,842	2,900,000	—	—	—	2,528	1,416,842	2,902,528
Others (****)	39,022,103	20,606,546	14,186,004	14,532,633	2,175,197	1,742,812	55,383,304	36,881,991
Total collateral	**68,366,645**	**42,589,020**	**68,021,304**	**95,952,113**	**55,356,527**	**50,017,083**	**191,744,476**	**188,558,216**

(*) For these purposes, productive companies are those that meet the following conditions:
i) they are involved in production activities and generate a separate revenue flow,
ii) less than 50% of their assets are trading or investment instruments.
Service companies are entities whose main purpose is providing services to third parties.

(**) Investment companies include those legal entities which do not meet the conditions for productive or service companies and are profit-oriented.

(***) Individuals include key members of the management, being those who directly or indirectly have authority and responsibility for planning, managing and controlling the organization's business, including directors. This category also includes members of their family who have influence or who are influenced by the individuals in their interactions with the organization.

(****) These guarantees relate mainly to shares and other financial guarantees.

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

b) Other assets and liabilities with related parties:

	2017 ThCh$	2016 ThCh$
Assets		
Cash and bank deposits	57,562,517	51,222,324
Transactions pending settlement	13,249,431	7,537,450
Trading instruments	—	—
Financial derivative contracts	323,185,870	147,045,520
Investment instruments	—	15,115,098
Other assets	114,536,199	50,691,132
Total	508,534,017	271,611,524
Liabilities		
Demand deposits	173,642,788	194,393,339
Transactions pending settlement	16,115,743	5,636,776
Repurchase contracts	25,226,626	34,709,752
Time deposits and other borrowings	166,814,768	265,600,228
Financial derivative contracts	370,356,255	151,398,183
Due to banks	251,555,887	242,405,731
Other liabilities	51,813,823	60,306,842
Total	1,055,525,890	954,450,851

c) Income and expenses on operations with related parties (*):

	2017		2016	
	Income ThCh$	Expense ThCh$	Income ThCh$	Expense ThCh$
Income or expense description				
Interest and indexation income and expense	28,140,025	8,749,431	19,353,960	15,255,465
Fees and services income and expense	65,995,006	69,842,636	66,386,953	62,614,266
Results of financial transactions				
Derivative contracts (**)	33,539,910	97,415,748	33,814,015	42,897,862
Other financial transactions	1,224	—	94	—
Release or constitution of credit-risk provisions	—	251,696	290,028	—
Operational support costs	—	100,616,322	—	87,711,795
Other income and expense	3,723,328	56,052	457,638	31,840

(*) This does not constitute a statement of comprehensive income of related party transactions since assets with these parties are not necessarily equal to liabilities and each item reflects the total revenue and expense and is not related to matched transactions.

(**) The income and expense arising from derivative transactions is presented net for each related counterparty. Additionally, this line includes transactions with local banks and novated to Comder Contraparte Central S.A. (related entity) for clearing purposes, which generated a net loss of ThCh$96,075,201 as of December 31, 2017 (net loss of ThCh$31,648,959 as of December 31, 2016)

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

d) Contracts with related parties:

During the year ended December 31, 2017, the Bank has negotiated, renewed or amended the contractual terms of the following contracts with related parties that are not normal business transactions with customers in general, for amounts greater than UF 1,000.

Company Name	Service description
Redbanc S.A.	Debit and credit cards management through ATM's
Transbank S.A.	Processing credit and debit card transactions
Plaza Oeste S.A.	Office rental
Plaza La Serena S.A.	Office rental
Canal 13	Media displays
Citigroup Inc.	Banking and financial services
Servipag S.A.	Collection and payment services
Nexus S.A.	Credit card processing services
Combanc S.A.	Compensation and settlement services for payments of large amounts
Asociación de Bancos e Instituciones Financieras	Membership fees
Artikos Chile S.A.	Electronic billing services
Centro de Compensación Automatizado S.A.	Electronic transfers and automatic account payment mandates
Francisco Garcés Garrido	Advice

e) Payments to senior management:

During the years ended December 31, 2017 and 2016, senior management has been paid total remuneration of ThCh$64,641 and ThCh$43,401, respectively.

f) Directors' expenses and remuneration

	Remuneration		Board Meeting Fees		Advisor Committee		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Director	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Andrónico Luksic Craig	127,604	125,024	—	—	—	—	127,604	125,024
Jorge Awad Mehech	—	—	1,899	2,791	—	—	1,899	2,791
Rodrigo Manubens Moltedo	—	—	1,429	1,395	—	—	1,429	1,395
Thomas Fürst Freiwirth	—	—	1,908	1,395	—	—	1,908	1,395
Jaime Estevez Valencia	—	—	479	—	—	—	479	—
Total	127,604	125,024	5,715	5,581	—	—	133,319	130,605

As of December 31, 2017, SM-Chile paid directors' remuneration of ThCh$133,319 (ThCh$130,605 in 2016). Banco de Chile and its subsidiaries have paid and accrued directors' remuneration of ThCh$2,954,996 (ThCh$3,174,261 in 2016), as approved by the Shareholders' Meeting.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities

The Bank and its subsidiaries have defined a framework of valuations and controls related to the process of measurement of fair value.

This includes the function of product control, which is independent of the principal management and reports to the Divisional Manager for Financial Management and Control. The Financial and Management Risk Control Department has responsibility for the independent verification of the results of trading and investment operations and all measurements of fair value.

The Bank and its subsidiaries take into account at least the following aspects in order to achieve suitable measurements and controls:

(i) Standard industry valuation.

The standard industry model is used to value financial instruments: quota value, share price, discounted cash flows and valuation of options using the Black-Scholes-Merton valuation model in the case of options. The entry parameters for the valuation correspond to rates, prices and volatility levels for different terms and market factors that are traded on the domestic and international markets.

(ii) Prices quoted on active markets.

The fair value of instruments quoted on active markets is determined using the daily quotations through electronic information systems (Santiago Stock Exchange, Bloomberg, LVA, Risk America, etc.). This represents the value at which these instruments are regularly traded in the financial markets.

(iii) Valuation techniques.

Should no quotations be available for the instrument to be valued, techniques will be used to determine its fair value.

As valuation models generally require the entry of market parameters, it is sought to maximize the information based on observable or derivative quotations of prices for similar instruments on active markets. Should there be no information in active markets or information from external providers of market information, similar transaction prices and historic information are used to validate the valuation parameters.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(iv) Valuation adjustments.

Two adjustments to the market value of each instrument are considered as part of the valuation process, calculated from market parameters: one for liquidity and the other for Bid/Offer. The latter represents the impact on the valuation of an instrument depending on whether the position corresponds to a long or bought position, or short or sold position. Active market quotations or indicative prices are used for calculating this adjustment, according to the case of the instrument, considering the respective Bid, Mid and Offer.

The liquidity adjustment is calculated using the position of each factor together with the relative size of Banco de Chile with respect to the market and the liquidity observed in recent market operations.

(v) Valuation controls.

In order to control that the market parameters Banco de Chile uses in the valuation of financial instruments correspond to the present state of the market and the best estimate of fair value, an independent prices and rates valuation is carried out daily. The purpose is to control that the market parameters foreseen by the respective business area before being entered into the official valuation system, are within acceptable ranges of differences when comparing them with the same combination of parameters prepared independently by the Financial Risk Control Department. Differences of value are thus obtained at the level of currency, product and portfolio which are compared against specific ranges for each level of grouping.

Should there be important differences, these are scaled according to their relevance, individual to each market factor and added at the portfolio level, according to the scaling tables within previously-defined ranges. These ranges are approved by the finance, international and financial risk committee.

At the same time and complementarily, the Financial Risk Control Department prepares daily reports of gains and losses and exposure to market risks, which permit an adequate control and consistency with the parameters used in the valuation.

(vi) Reasoned analysis and management information.

In special cases where there are no market quotations for the instrument to be valued and there are no similar transaction prices or indicative parameters, a specific control and a reasoned analysis is made to estimate as far as possible the reasonable value of the operation. Within the framework for the valuation described in the reasonable value policy approved by the Board of Banco de Chile, the level of approval is established for carrying out transactions where there is no market information or it is impossible to infer prices or rates from them.

(a) Hierarchy of instruments valued at fair value

Banco de Chile and its subsidiaries, in accordance with the above points, classify its financial instruments at the following levels:

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(a) Hierarchy of instruments valued at fair value (continued)

Level 1: Those financial instruments whose fair value is obtained from quoted prices (without adjustment) in active markets for identical assets and liabilities. Observable market quotations exist for these instruments (internal rate of return, unit value, and price), so no assumptions are needed for their valuation.

This level includes currency forwards, securities of the Chilean Central Bank and the Chilean Treasury, investments in mutual funds and shares.

For instruments of the Chilean Central Bank and the Chilean Treasury, Level 1 includes all ticker codes belonging to a benchmark, i.e. that correspond to one of the following categories published by the Santiago Stock Exchange: Pesos-02, Pesos-03, Pesos-04, Pesos-05, Pesos-07, Pesos-10, UF-02, UF-04, UF-05, UF-07, UF-10, UF-20, UF-30. A benchmark corresponds to a group of ticker codes which are similar in terms of maturity and which are traded similarly, i.e. the price obtained is the same for all instruments comprising a benchmark. These characteristics define a greater market depth, with daily quotations that permit classifying these instruments as Level 1.

In the case of government debt, the market internal rate of return is used to discount all cash flows to present value. In the case of mutual funds and shares, the current price is used which, multiplied by the number of instruments, results in the fair value.

The above valuation technique is equivalent to that used by the Santiago Stock Exchange and is the standard methodology used in the market.

Level 2: Financial instruments whose fair value is obtained from different variables to the quoted prices of Level 1 which are observable for assets and liabilities, directly (i.e. like prices) or indirectly (i.e. derived from prices). These categories include:

a) Prices quoted for similar assets or liabilities in active markets.
b) Prices quoted for similar assets or liabilities in markets that are not active.
c) Entry data different from the quoted prices observable for the asset or liability.
d) Entry data corroborated by the market.

This level mainly includes derivative instruments, debt issued by banks, debt issues of Chilean and foreign companies in Chile or abroad, mortgage-funding notes, financial trading instruments and some issues of the Chilean Central Bank and the Treasury.

The valuation of derivatives will depend on whether these are affected by volatility as an important market factor in the standard valuation methodologies. The Black-Scholes-Merton model is used for options, while the net present value is used for other derivatives, forwards and swaps.

For the rest of the instruments in this level, as well as debt issues in Level 1, the valuation is made through the internal rate of return.

Should there be no observable price for a specific term, this is inferred from the interpolation between maturities that do have observable information in active markets. The models incorporate various market variables including the credit rating of the counterparties, exchange rates and interest-rate curves.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(a) Hierarchy of instruments valued at fair value (continued)

Level 2: (continued)

Valuation techniques and inputs:

Type of financial instrument	Valuation method	Description: Inputs and sources of information
Local bank and corporate bonds	Discounted cash flow method	Prices are obtained from suppliers of external prices that are normally used in the Chilean market. The model is based on a base curve (Central Bank bonds) and an issuer spread. The model considers daily prices and similarities of risk/maturity ratios between instruments.
Offshore bank and corporate bonds		Prices are obtained from suppliers of external prices that are normally used in the Chilean market. The model is based on daily prices
Local Central Bank and Treasury bonds		Prices are obtained from suppliers of external prices that are normally used in the Chilean market. The model is based on daily prices
Mortgage-funding notes		Prices are obtained from suppliers of external prices that are normally used in the Chilean market. The model is based on a base curve (Central Bank bonds) and an issuer spread. The model considers daily prices and similarities of risk/maturity ratios between instruments.
Time deposits		Prices are obtained from suppliers of external prices that are normally used in the Chilean market. The model considers daily prices and similarities of risk/maturity ratios between instruments.
Cross-currency swaps, interest-rate swaps, FX forwards, Inflation forwards		Forward points, inflation forwards and local rate swaps are obtained from brokers, which are normally used in the Chilean market. Offshore rates and spreads are obtained from external suppliers of prices normally used in the Chilean market. Zero coupon rates are calculated using the Bootstrapping method on the swap rates.
FX options	Black-Scholes model	Prices for the calculation of the surface of volatilities are obtained from brokers that are normally used in the Chilean market.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(a) Hierarchy of instruments valued at fair value (continued)

Level 3: Financial instruments whose fair value is determined using unobservable entry data. An adjustment of entry data that is significant for complete measurement can lead to a fair value measurement classified in Level 3 of the fair value hierarchy if the adjustment uses significant unobservable entry data.

The instruments classified in Level 3 are mainly debt issues of Chilean and foreign companies, made in Chile or abroad.

Valuation Techniques and Inputs

Financial Instrument	Valuation Method	Description: Inputs and sources of information
Local bank and corporate bonds	Discounted cash flow method	Prices are obtained from external price providers that are commonly used in the Chilean market. (Input not observable by the market) The model is based on a base curve (Central Bank bonds) and issuer spread. The model considers daily prices and similarities of the risk / maturity relationship between instruments.
Offshore bank and corporate bonds		Prices are obtained from external price providers that are commonly used in the Chilean market. (Input not observable by the market) The model is based on daily prices

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(b) Levels table

The following shows the classification by levels of the financial instruments booked at fair value.

	Level 1		Level 2		Level 3		Total	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Financial Assets								
Instruments for trading								
State and the Chilean Central Bank	623,276,462	82,558,958	693,888,174	399,785,926	—	—	1,317,164,636	482,344,884
Other instruments issued in Chile	714,091	672,097	212,365,658	887,594,229	8,011,765	8,959,974	221,091,514	897,226,300
Instruments issued abroad	321,510	385,724	—	—	—	—	321,510	385,724
Investments in mutual funds	78,069,253	25,823,401	—	—	—	—	78,069,253	25,823,401
Subtotal	702,381,316	109,440,180	906,253,832	1,287,380,155	8,011,765	8,959,974	1,616,646,913	1,405,780,309
Derivative contracts for trading								
Forwards	—	—	506,502,002	163,701,193	—	—	506,502,002	163,701,193
Swaps	—	—	710,122,214	709,090,763	—	—	710,122,214	709,090,763
Call options	—	—	513,731	1,557,862	—	—	513,731	1,557,862
Put options	—	—	2,840,769	1,583,835	—	—	2,840,769	1,583,835
Futures	—	—	—	—	—	—	—	—
Subtotal	—	—	1,219,978,716	875,933,653	—	—	1,219,978,716	875,933,653
Accounting hedge derivative contracts								
Hedge of fair value (swaps)	—	—	277,354	217,697	—	—	277,354	217,697
Cash flow hedges (swaps)	—	—	27,571,712	63,482,499	—	—	27,571,712	63,482,499
Subtotal	—	—	27,849,066	63,700,196	—	—	27,849,066	63,700,196
Investment instruments held for sale (1)								
State and the Chilean Central Bank	229,296,152	—	127,071,769	59,200,067	—	—	356,367,921	59,200,067
Other instruments issued in Chile	—	—	1,113,431,227	232,780,240	46,264,673	76,004,787	1,159,695,900	308,785,027
Instruments issued abroad	—	—	—	—	—	—	—	—
Subtotal	229,296,152	—	1,240,502,996	291,980,307	46,264,673	76,004,787	1,516,063,821	367,985,094
Total	931,677,468	109,440,180	3,394,584,610	2,518,994,311	54,276,438	84,964,761	4,380,538,516	2,713,399,252
Financial liabilities								
Derivative contracts for trading								
Forwards	—	—	578,288,725	138,573,848	—	—	578,288,725	138,573,848
Swaps	—	—	745,822,033	804,651,985	—	—	745,822,033	804,651,985
Call options	—	—	474,785	1,978,728	—	—	474,785	1,978,728
Put options	—	—	3,432,930	867,332	—	—	3,432,930	867,332
Futures	—	—	—	—	—	—	—	—
Subtotal	—	—	1,328,018,473	946,071,893	—	—	1,328,018,473	946,071,893
Accounting hedge derivative contracts								
Hedge of fair value (swaps)	—	—	5,330,215	10,293,290	—	—	5,330,215	10,293,290
Cash flow hedges (swaps)	—	—	80,888,398	45,722,223	—	—	80,888,398	45,722,223
Subtotal	—	—	86,218,613	56,015,513	—	—	86,218,613	56,015,513
Total	—	—	1,414,237,086	1,002,087,406	—	—	1,414,237,086	1,002,087,406

(1) As of December 31, 2017, 83% of the instruments grouped in Level 3 are investment grade. Also, all these financial instruments are from local issuers.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(c) Level 3 Reconciliation

The following table shows the reconciliation between the opening and closing balances of instruments classified in Level 3, whose fair value is shown in the financial statements:

	December 31, 2017							
	Balance as of Jan-01-2017 ThCh$	Gain (Loss) booked in iIncome (1) ThCh$	Gain (Loss) booked in equity (2) ThCh$	Purchases ThCh$	Sales ThCh$	Transfers from Levels 1 and 2 ThCh$	Transfers to Levels 1 and 2 ThCh$	Balance as of Dec-31-2017 ThCh$
Financial assets								
Trading instruments								
Other Chilean institutions	8,959,974	(7,251)	—	7,446,528	(10,772,038)	2,384,552	—	8,011,765
Subtotal	8,959,974	(7,251)	—	7,446,528	(10,772,038)	2,384,552	—	8,011,765
Investment instruments held for sale:								
Other Chilean institutions	76,004,787	(4,186,030)	1,137,120	4,921,725	(28,603,576)	2,672,002	(5,681,355)	46,264,673
Foreign institutions	—	—	—	—	—	—	—	—
Subtotal	76,004,787	(4,186,030)	1,137,120	4,921,725	(28,603,576)	2,672,002	(5,681,355)	46,264,673
Total	84,964,761	(4,193,281)	1,137,120	12,368,253	(39,375,614)	5,056,554	(5,681,355)	54,276,438

	December 31, 2016							
	Balance as of Jan-01-2016 ThCh$	Gain (Loss) booked in Income (1) ThCh$	Gain (Loss) Booked in Equity (2) ThCh$	Purchases ThCh$	Sales ThCh$	Transfers from Level 1 and 2 ThCh$	Transfers to Level 1 and 2 ThCh$	Balance as of Dec-31-2016 ThCh$
Financial assets								
Trading instruments								
Other Chilean institutions	18,027,874	27,150	—	8,946,484	(18,041,534)	—	—	8,959,974
Subtotal	18,027,874	27,150	—	8,946,484	(18,041,534)	—	—	8,959,974
Investment instruments held for sale:								
Other Chilean institutions	96,125,168	(5,872,216)	818,126	19,270,268	(31,743,578)	110,700	(2,703,681)	76,004,787
Foreign institutions	—	—	—	—	—	—	—	—
Subtotal	96,125,168	(5,872,216)	818,126	19,270,268	(31,743,578)	110,700	(2,703,681)	76,004,787
Total	114,153,042	(5,845,066)	818,126	28,216,752	(49,785,112)	110,700	(2,703,681)	84,964,761

(1) Recorded in Net Income Statement under "Net gain (loss) from financial operations"
(2) Recorded in Equity under "Valuation accounts"

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

d) Sensitivity of instruments classified in Level 3 to changes in key model assumptions.

The following table shows the sensitivity by type of instrument as of December 31 of those instruments classified in Level 3 to changes in the key valuation assumptions:

	2017		2016	
Financial assets	**Level 3 ThCh$**	**Sensitivity to changes in key model assumptions ThCh$**	**Level 3 ThCh$**	**Sensitivity to changes in key model assumptions ThCh$**
Trading instruments				
Other instruments issued in Chile	8,011,765	(25,551)	8,959,974	(175,534)
Sub-total	8,011,765	(25,551)	8,959,974	(175,534)
Investment instruments held for sale				
Other instruments issued in Chile	46,264,673	(417,481)	76,004,787	(1,254,505)
Instruments issued abroad	—	—	—	—
Sub-total	46,264,673	(417,481)	76,004,787	(1,254,505)
Total	54,276,438	(443,032)	84,964,761	(1,430,039)

In order to measure the sensitivity of the financial investments to changes in relevant market factors, the Bank has made alternative calculations of fair value, changing those key parameters for the valuation which are not directly observable. In the case of financial assets presented in the above table, which correspond to bank and corporate bonds, considering that these instruments do not have current observable prices, the prices based on broker quotes or runs were used as inputs prices. Prices are generally calculated as a base rate plus a spread. For domestic bonds, this was determined by applying a 10% impact on the price, while for offshore bonds this was determined by applying a 10% impact on the spread because the base rate is hedged with interest-rate swap instruments in so-called hedge accounting. The impact of 10% is considered as a reasonable movement considering the market performance of these instruments and comparing it against the bid/offer adjustment that is provided for these instruments.

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

e) Other assets and liabilities

The following summarizes the fair values of the main financial assets and liabilities that are not shown at fair value in the statement of financial position. The values shown in this note do not attempt to estimate the value of the Bank's income-generating assets, nor forecast their future behavior. The estimated fair value is as follows:

	Book value		Estimated fair value	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Assets				
Cash and bank deposits	1,057,392,323	1,408,166,486	1,057,392,323	1,408,166,486
Transactions pending settlement	521,809,799	376,252,606	521,809,799	376,252,606
Repurchase agreements and securities lending	91,640,532	55,703,136	91,640,532	55,703,136
Subtotal	1,670,842,654	1,840,122,228	1,670,842,654	1,840,122,228
Loans and advances to banks				
Banks in Chile	119,973,461	208,304,109	119,973,461	208,304,109
Chilean Central Bank	350,915,540	700,340,683	350,915,540	700,340,683
Banks abroad	288,811,002	264,273,290	288,811,002	264,273,290
Subtotal	759,700,003	1,172,918,082	759,700,003	1,172,918,082
Loans and accounts receivable from customers				
Commercial loans	13,669,635,935	14,164,277,759	13,477,466,445	13,998,224,685
Residential mortgage loans	7,441,242,303	6,886,319,166	7,769,693,733	7,313,953,338
Consumer loans	3,770,472,269	3,724,692,675	3,773,005,187	3,728,302,287
Subtotal	24,881,350,507	24,775,289,600	25,020,165,365	25,040,480,310
Total	27,311,893,164	27,788,329,910	27,450,708,022	28,053,520,620
Liabilities				
Demand deposits and other obligations	8,869,351,742	8,283,930,265	8,869,351,742	8,283,930,265
Transactions pending settlement	295,712,878	194,982,365	295,712,878	194,982,365
Repurchase agreements and securities lending	195,391,862	216,817,177	195,391,862	216,817,177
Time deposits and other borrowings	10,063,709,881	10,550,576,329	10,068,961,237	10,561,426,093
Obligations with banks	1,195,026,483	1,040,026,289	1,188,943,262	1,036,091,183
Other financial obligations	137,162,845	186,199,142	137,162,845	186,199,142
Subtotal	20,756,355,691	20,472,531,567	20,755,523,826	20,479,446,225
Debt instruments issued				
Mortgage-funding notes	21,059,247	28,893,063	22,542,028	30,918,234
General-funding notes	2,365,209	4,021,083	2,531,549	4,302,849
Bonds	5,769,334,174	5,431,574,615	5,896,424,085	5,594,748,280
Subordinated bonds	696,216,784	713,437,868	699,926,256	720,454,597
Subtotal	6,488,975,414	6,177,926,629	6,621,423,918	6,350,423,960
Total	27,245,331,105	26,650,458,196	27,376,947,744	26,829,870,185

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

e) Other assets and liabilities (continued)

Other financial assets and liabilities not measured to fair value but for which a fair value is estimated even when they are not managed based on that value, include assets and liabilities like placements, deposits and other term placements, debt instruments issued and other financial assets and obligations with different maturities and characteristics. The fair values of these assets and liabilities are calculated by applying the discounted cash flow model and the use of various sources of data like yield curves, credit risk spreads, etc. In addition, as some of these assets and liabilities are traded on the market, periodic analyses and revisions are required to determine the suitability of the inputs and the fair values determined.

f) Levels of other assets and liabilities

The following table shows the fair values of financial assets and liabilities not valued at fair value, as of December 31, 2017 and 2016:

	Level 1 Estimated fair value		Level 2 Estimated fair value		Level 3 Estimated fair value		Total Estimated fair value	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Assets								
Cash and bank deposits	1,057,392,323	1,408,166,486	—	—	—	—	1,057,392,323	1,408,166,486
Transactions pending settlement	521,809,799	376,252,606	—	—	—	—	521,809,799	376,252,606
Repurchase agreements	91,640,532	55,703,136	—	—	—	—	91,640,532	55,703,136
Subtotal	1,670,842,654	1,840,122,228	—	—	—	—	1,670,842,654	1,840,122,228
Loans and advances to banks								
Banks in Chile	119,973,461	208,304,109	—	—	—	—	119,973,461	208,304,109
Chilean Central Bank	350,915,540	700,340,683	—	—	—	—	350,915,540	700,340,683
Banks abroad	288,811,002	264,273,290	—	—	—	—	288,811,002	264,273,290
Subtotal	759,700,003	1,172,918,082	—	—	—	—	759,700,003	1,172,918,082
Loans and accounts receivable customers								
Commercial loans	—	—	—	—	13,477,466,445	13,998,477,038	13,477,466,445	13,998,477,038
Residential mortgage loans	—	—	—	—	7,769,693,733	7,313,953,338	7,769,693,733	7,313,953,338
Consumer loans	—	—	—	—	3,773,005,187	3,728,302,287	3,773,005,187	3,728,302,287
Subtotal	—	—	—	—	25,020,165,365	25,040,732,663	25,020,165,365	25,040,732,663
Total	2,430,542,657	3,013,040,310	—	—	25,020,165,365	25,040,732,663	27,450,708,022	28,053,772,973
Liabilities								
Demand deposits and other obligations	8,869,351,742	8,283,930,265	—	—	—	—	8,869,351,742	8,283,930,265
Transactions pending settlement	295,712,878	194,982,365	—	—	—	—	295,712,878	194,982,365
Repurchase agreements	195,391,862	216,817,177	—	—	—	—	195,391,862	216,817,177
Term deposits and other obligations	—	—	—	—	10,068,961,237	10,561,426,093	10,068,961,237	10,561,426,093
Due to Banks	—	—	—	—	1,188,943,262	1,036,091,183	1,188,943,262	1,036,091,183
Other financial obligations	137,162,845	186,199,142	—	—	—	—	137,162,845	186,199,142
Subtotal	9,497,619,327	8,881,928,949	—	—	11,257,904,499	11,597,517,276	20,755,523,826	20,479,446,225
Debt instruments issued								
Mortgage-funding notes	—	—	22,542,028	30,918,234	—	—	22,542,028	30,918,234
General funding notes	—	—	2,531,549	4,302,849	—	—	2,531,549	4,302,849
Bonds	—	—	5,896,424,085	5,594,748,280	—	—	5,896,424,085	5,594,748,280
Subordinated bonds	—	—	—	—	699,926,256	720,454,597	699,926,256	720,454,597
Subtotal	—	—	5,921,497,662	5,629,969,363	699,926,256	720,454,597	6,621,423,918	6,350,423,960
Total	9,497,619,327	8,881,928,949	5,921,497,662	5,629,969,363	11,957,830,755	12,317,971,873	27,376,947,744	26,829,870,185

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

f) Levels of other assets and liabilities (continued)

Banco de Chile calculates the fair value of these assets and liabilities as follows:

- Short-term assets and liabilities: It is assumed that book values approximate to fair values for these instruments that mature in under three months. This assumption is applied to the following assets and liabilities:

  Assets:
  - Cash and deposits in banks
  - Transactions pending settlement
  - Repurchase agreements and securities lending
  - Loans due from banks

  Liabilities:
  - Demand deposits and other obligations
  - Transactions pending settlement
  - Repurchase agreements and securities lending
  - Other financial obligations

- Loans and accounts receivable: The fair value is calculated using a discounted cash flow model and discount rates generated internally, based on internal transfer rates derived from our internal transfer pricing policy. After calculating the present value, we deduct the loan loss provisions, in order to incorporate the credit risk associated with each contract or loan. Due to the use of parameters generated internally, we categorize these instruments at Level 3.

- Letters of credit and bonds: In order to calculate the present value of contractual cash flows, we apply a discounted cash flow model using interest rates that are available in the market, whether for instruments with similar characteristics or that suit our valuation requirements, in terms of currency, maturity and liquidity. Interest rates are obtained from market price providers widely used by the market. As a result of the valuation technique and quality of inputs (observables) used for the valuation, we categorize these financial liabilities at Level 2.

- Savings accounts, term deposits, due to banks and subordinated bonds: A discounted cash flow model is used to obtain the present value of committed cash flows, using a range of maturities and average discount rates derived from instruments with similar characteristics and internal transfer pricing policy. Due to the use of internal parameters and/or critical judgments for valuation purposes, we categorize these financial liabilities at Level 3

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

g) Offsetting of financial assets and liabilities

The Bank trades financial derivatives with foreign counterparties using ISDA Master Agreement documentation (International Swaps and Derivatives Association, Inc.), under legal jurisdiction of the city of New York, USA, or the City of London, United Kingdom. The legal framework in these jurisdictions, along with the documentation mentioned, grants Banco de Chile the right to anticipate the maturity of transactions and then offset the net value of those transactions in case of default of the respective counterparty. The Bank has also negotiated with counterparties an additional appendix (CSA credit support annex) which includes other credit mitigating elements such as providing margins over a certain threshold of net value of transactions, early termination (optional or mandatory) of transactions on certain future dates, coupon adjustment of transactions in exchange for payment of the debtor counterparty over a certain threshold amount, etc.

The following shows a detail of contracts susceptible to offset:

	Fair value in balance sheet		Negative fair value contracts with right to offset		Positive fair value contracts with right to offset		Financial guarantees		Net fair value	
	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$	2017 ThCh$	2016 ThCh$
Financial derivative contract assets	1,247,827,782	939,633,849	(155,595,077)	(307,920,521)	(444,844,148)	(280,439,177)	(34,211,844)	(54,335,685)	613,176,713	296,938,466
Financial derivative contract liabilities	1,414,237,086	1,002,087,406	(155,595,077)	(307,920,521)	(444,844,148)	(280,439,177)	(83,522,947)	(164,889,079)	730,274,914	248,838,629

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of assets and liabilities

The following shows the principal financial assets and liabilities grouped according to their remaining term, including accrued interest as of December 31, 2017 and 2016. Instruments for trading or held for sale are included at their fair value.

	2017								
	Up to 1 month	Over 1 and up to 3 months	Over 3 and up to 12 months	Subtotal up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 years	Subtotal over 1 year	Total
Assets	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash and bank deposits	1,057,392,323	—	—	1,057,392,323	—	—	—	—	1,057,392,323
Transactions pending settlement	521,809,799	—	—	521,809,799	—	—	—	—	521,809,799
Trading instruments	1,616,646,913	—	—	1,616,646,913	—	—	—	—	1,616,646,913
Repurchase agreements and securities lending	67,344,076	19,206,655	5,089,801	91,640,532	—	—	—	—	91,640,532
Financial derivative contracts	127,847,360	133,110,866	364,956,827	625,915,053	248,066,257	125,302,981	248,543,491	621,912,729	1,247,827,782
Loans and advances to banks (*)	531,957,917	48,716,666	148,757,877	729,432,460	30,851,113	—	—	30,851,113	760,283,573
Customer loans and accounts receivable (*)	3,734,929,088	1,851,564,147	4,224,817,372	9,811,310,607	5,326,978,722	2,941,239,001	7,360,005,264	15,628,222,987	25,439,533,594
Investment instruments held for sale	5,086,287	29,770,199	917,626,551	952,483,037	166,625,643	188,534,613	208,420,528	563,580,784	1,516,063,821
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—
Total financial assets	7,663,013,763	2,082,368,533	5,661,248,428	15,406,630,724	5,772,521,735	3,255,076,595	7,816,969,283	16,844,567,613	32,251,198,337

	2016								
	Up to 1 month	Over 1 and up to 3 months	Over 3 and up to 12 months	Subtotal up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 years	Subtotal over 1 year	Total
Assets	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Cash and bank deposits	1,408,166,486	—	—	1,408,166,486	—	—	—	—	1,408,166,486
Transactions pending settlement	376,252,606	—	—	376,252,606	—	—	—	—	376,252,606
Instruments for trading	1,405,780,309	—	—	1,405,780,309	—	—	—	—	1,405,780,309
Repurchase agreements and securities lending	30,963,709	21,966,664	2,772,763	55,703,136	—	—	—	—	55,703,136
Financial derivative contracts	43,796,762	55,575,210	200,633,686	300,005,658	210,405,350	129,276,613	299,946,228	639,628,191	939,633,849
Loans and advances to banks (*)	957,450,849	84,668,039	111,200,333	1,153,319,221	20,127,132	—	—	20,127,132	1,173,446,353
Customer loans and accounts receivable (*)	3,644,168,165	2,170,725,036	4,751,613,061	10,566,506,262	4,890,507,875	2,998,248,557	6,930,271,244	14,819,027,676	25,385,533,938
Investment instruments held for sale	1,955,964	3,815,838	39,664,028	45,435,830	100,932,859	39,025,705	182,590,700	322,549,264	367,985,094
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—
Total financial assets	7,868,534,850	2,336,750,787	5,105,883,871	15,311,169,508	5,221,973,216	3,166,550,875	7,412,808,172	15,801,332,263	31,112,501,771

(*) These are shown without deducting the respective provisions which amount to ThCh$558,183,087 (ThCh$609,991,985 in 2016) for loans and accounts receivable from customers; and ThCh$583,570 (ThCh$528,271 in 2016) for loans and advances to banks.

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of assets and liabilities (continued)

2017

Liabilities	Up to 1 month	Over 1 and up to 3 months	Over 3 and up to 12 months	Subtotal up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 years	Subtotal over 1 year	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Demand deposits and other obligations	8,869,351,742	—	—	8,869,351,742	—	—	—	—	8,869,351,74
Transactions pending settlement	295,712,878	—	—	295,712,878	—	—	—	—	295,712,878
Repurchase agreements and securities lending	138,630,217	—	56,761,645	195,391,862	—	—	—	—	195,391,862
Time deposits and other obligations (**)	4,943,706,204	2,280,011,368	2,604,863,884	9,828,581,456	22,040,979	310,651	219,095	22,570,725	9,851,152,181
Financial derivative contracts	117,443,184	146,601,502	410,269,936	674,314,622	269,651,191	173,964,024	296,307,249	739,922,464	1,414,237,086
Obligations with Banks	267,182,128	240,047,660	613,794,692	1,121,024,480	74,002,003	—	—	74,002,003	1,195,026,483
Debt instruments issued:									
Funding notes	1,874,411	1,997,011	4,537,334	8,408,756	8,572,317	4,159,497	2,283,886	15,015,700	23,424,456
Bonds	147,029,992	274,118,501	595,598,781	1,016,747,274	836,725,275	1,043,852,863	2,872,008,762	4,752,586,900	5,769,334,174
Subordinated bonds	3,627,443	2,063,389	45,842,943	51,533,775	48,182,520	36,564,807	559,935,682	644,683,009	696,216,784
Other financial obligations	105,868,890	3,331,355	10,298,072	119,498,317	15,473,739	1,797,413	393,376	17,664,528	137,162,845
Total financial liabilities	14,890,427,089	2,948,170,786	4,341,967,287	22,180,565,162	1,274,648,024	1,260,649,255	3,731,148,050	6,266,445,329	28,447,010,491

2016

Liabilities	Up to 1 month	Over 1 and up to 3 months	Over 3 and up to 12 months	Subtotal up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 years	Subtotal over 1 year	Total
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Demand deposits and other obligations	8,283,930,265	—	—	8,283,930,265	—	—	—	—	8,283,930,26
Transactions pending settlement	194,982,365	—	—	194,982,365	—	—	—	—	194,982,365
Repurchase agreements and securities lending	200,811,165	16,006,012	—	216,817,177	—	—	—	—	216,817,177
Time deposits and other obligations (**)	4,841,302,234	2,298,731,016	3,042,413,942	10,182,447,192	158,871,283	570,304	252,294	159,693,881	10,342,141,073
Financial derivative contracts	40,827,551	69,950,364	160,376,894	271,154,809	225,881,837	135,191,876	369,858,884	730,932,597	1,002,087,406
Obligations with banks	261,084,098	231,986,902	526,824,943	1,019,895,943	20,130,346	—	—	20,130,346	1,040,026,289
Debt instruments issued:									
Funding notes	2,438,046	2,513,425	6,035,453	10,986,924	11,393,593	6,340,891	4,192,738	21,927,222	32,914,146
Bonds	92,787,730	246,954,648	380,774,322	720,516,700	1,035,241,159	792,493,170	2,883,323,586	4,711,057,915	5,431,574,615
Subordinated bonds	3,105,691	1,914,470	47,565,853	52,586,014	53,902,565	39,316,701	567,632,588	660,851,854	713,437,868
Other financial obligations	150,573,482	2,505,096	11,407,253	164,485,831	18,239,332	2,822,893	651,086	21,713,311	186,199,142
Total financial liabilities	14,071,842,627	2,870,561,933	4,175,398,660	21,117,803,220	1,523,660,115	976,735,835	3,825,911,176	6,326,307,126	27,444,110,346

(**) Excludes term saving accounts, which amount to ThCh$214,119,751 (ThCh$208,435,256 (as of December 31, 2016)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management

(1) Introduction

The Bank's risk management is based on specialization, knowledge of the business and the experience of its teams, with professionals specifically dedicated to managing each risk. The policy is to maintain an integrated, future-focused perspective on risk management, taking into account the current and forecasted economic environment and the risk/return ratio of all products of the Bank and its subsidiaries.

The credit policies and processes acknowledge the particularities of each market and segment, and grant specialized treatment to each of them. The integrated information prepared for risk analysis is key to developing strategic planning whose specific purpose is to determine the desired level of risk for each business, aligning the strategies with the established risk level, communicating the desired risk levels to the organization's commercial areas, developing models, processes and tools for evaluating, measuring and controlling risk throughout the different business lines and areas, informing the Board of the characteristics and evolution of the risk, proposing action plans to address important deviations in risk indicators, and enforcing compliance with the various standards and regulations.

(a) Risk Management Structure

Credit, market and operational risk management takes place at all levels of the organization, structured to recognize the importance and different types of risk. These levels are currently:

(i) Board of directors

The Board of Banco de Chile is responsible for approving the policies and setting the structure for the proper management of the various risks faced by the organization. It is therefore constantly informed of the evolution of the different risk areas, participating through its Finance, International and Financial Risk; Credit; Portfolio Risk and Senior Operational Risk committees which revise the state of the credit, market and operational risks. It also participates actively in each of them, being informed of the state of the portfolio and taking part in the strategic definitions that impact on portfolio quality.

Risk management policies are established to identify and analyze the risks faced by the Bank, set suitable risk limits and controls, and monitor the risks and compliance with the limits. Risk management policies and systems are revised regularly so that they reflect changes in market conditions and the Bank's activities. The Bank, through its management rules and procedures, endeavors to develop a disciplined and constructive control environment in which all staff understand their roles and obligations.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(1) Introduction (continued)

(a) Risk management structure (continued)

(ii) Finance, International and Financial Risk Committee

It reviews exposures and financial risks. It estimates the impact on operations and financial performance as a result of potential adverse movements in the values of market variables or scarce liquidity. It analyzes the estimated results of specific financial positions and estimates the credit exposure of Treasury products (derivatives, bonds). It is responsible for designing policies and procedures relating to financial exposure limits, and to ensure that they are correctly and promptly measured, controlled and reported.

The members of the Finance, International and Financial Risk Committee are the Chairman of the Board, four Board members or advisors, the Chief Executive Officer, and the managers of the Corporate and Investments Division, the Corporate Credit Risk Division, the Treasury Division and the Financial Risk Department. If appropriate, the Committee may invite certain persons to participate, permanently or occasionally, for one or more meetings

(iii) Credit committees

The credit approval process is controlled by various credit committees, which are composed of trained professionals with the necessary authority to take any required decisions.

These committees meet at various intervals and are based on the amounts to be approved and the commercial segment. Each committee defines the terms and conditions under which the Bank accepts counterparty risks and the Corporate Credit Risk Division participates independently of the commercial areas.

The highest approval authority within the Bank's risk management structure is the Director's Credit Committee, which reviews all requests for approval exceeding UF 750,000 every week. The committee is made up of the Chief Executive Officer, the Corporate Credit Risk Division Manager and at least three directors.

The highest approval authority within the Bank's risk management structure is the Director's Credit Committee, which is responsible for understanding, analyzing and resolving all credit applications from customers or economic groups that exceed UF 750,000. It is also responsible for understanding, analyzing and resolving all credit transactions that must be approved by this Committee, in accordance with the Bank's internal regulations, except for any special authority delegated by the Board to Management. This Committee meets weekly, and it is chaired by the Chairman of the Board and is composed of the Directors and their alternates, Board Advisors, the Chief Executive Officer and the Corporate Credit Risk Division Manager.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(1) Introduction (continued)

(a) Risk management structure (continued)

(iv) Portfolio Risk Committee

Its main function is to understand the composition, concentration and risk of the loan portfolio within the different banks and segments. It approves and proposes credit risk policies to the Board. It is responsible for reviewing, approving and recommending to the Board of Directors for their final approval, the portfolio evaluation methods and provision models. It is also responsible for reviewing and analyzing the sufficiency of provisions for the banks and segments and reviewing the guidelines and progress with the development of internal credit risk models, along with monitoring concentration by sectors and segments according to the sectoral limits policy.

The Portfolio Risk Committee meets monthly and is composed of the Chairman of the Board, two Directors, the Chief Executive Officer, the managers of the Corporate Credit Risk Division, the Commercial Division and the Information and Intelligence Department.

(v) Operational Risk Committee

It defines and prioritizes the principal strategies for mitigating operational risk events and ensures the implementation of the management model. It establishes tolerance and risk appetite levels, checks compliance with the programs, policies and procedures relating to the privacy and security of information, business continuity and operational risk of the Bank.

The members of the Operational Risk Committee are the Chief Executive Officer, the Global Risk Control Manager, the General Counsel, the Manager of the Financial Management and Control Division, the Manager of the Operations and Technology Division and the Manager of the Operational Risk Department. The Controller has the right to speak at meetings.

(vi) Senior Operational Risk Committee

Its functions include knowing the level of operational risk exposure of the Bank, analyzing the effectiveness of the strategies adopted to mitigate events of operational risk, approving strategies and policies prior to the Board, promoting actions for a suitable management and mitigation of operational risk, reporting to the Board on these matters, checking compliance with regulations and the policy in order to ensure the Bank's solvency over the long term, avoiding risk factors that could endanger the Bank's continuity.

The members of the Senior Operational Risk Committee are the Chairman of the Board, two Directors, the Chief Executive Officer, the Global Risk Control Manager, the General Counsel, the Manager of the Operations and Technology Division and the Operational Risk Manager. The Committee meets monthly and may be called extraordinarily.

(vii) Corporate Credit Risk Division

The Corporate Credit Risk Division has a team with wide experience and knowledge in every matter related to credit and market risks, and it ensures their comprehensive and consolidated management by the Bank and its subsidiaries.

Regarding credit risk management, the Corporate Credit Risk Division controls the quality of the portfolio and optimization of the risk-return ratio for all the retail and corporate segments, managing their phases of approval, follow-up and recovery of loans granted.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(1) Introduction (continued)

(b) Internal Audit

Risk management processes throughout Banco de Chile are continually audited by the Internal Audit Area, which analyzes the adequacy of the procedures and their compliance. Internal Audit discusses the results of all evaluations with management and reports its findings and recommendations to the directors through the Audit Committee.

(c) Measurement Methodology

In terms of credit risk, the levels of provisions and the cost of portfolio are basic measurements for determining the credit quality of the portfolio.

The monitoring and control of risks are mainly carried out based on limits set by the Board. These limits reflect the Bank's business and market strategy, and also the level of risk it is prepared to accept, with additional emphasis on selected industries.

The Bank's chief executive receives daily, and the Finance, International and Market Risk Committee monthly, the evolution of the state of the Bank's pricing and liquidity risks, both against internal measurements and those of the regulators.

The Board is presented annually with a provision sufficiency test. The purpose of this test is to evaluate whether the Bank's present level of provisions, both for the individual and group portfolios, is sufficient based on historic losses or impairment suffered by the portfolio. The Board has to formally pronounce on their sufficiency.

(2) Credit Risk

Credit risk is the risk of financial loss the Bank faces if a customer or counterparty of a financial instrument fails to meet its contractual obligations, which arise mainly from accounts receivable from customers, investment instruments and financial derivatives.

This risk is managed through a global and unified strategy oriented to the future which recognizes the present and projected economic environment of the markets and segments, giving to each one the pertinent credit treatment, and using risk limits it is prepared to accept for counterparties.

It is therefore inherent to the business and its management to integrate each segment in which the corporation operates, in order to obtain an optimum balance between the risks assumed and the returns obtained. Capital is thus assigned to each line of business, always ensuring compliance with the regulations and criteria defined by the Board, in order to have a suitable capital base for possible losses that might derive from credit exposure.

Counterparty limits are set following an analysis of the financial information, credit rating, nature of the exposure, degree of documentation, collateral, market and sector conditions, etc. The credit-quality follow-up process provides an early identification of possible changes in the payment capacity of the counterparties, permitting the Bank to evaluate the resultant potential loss of the risks and take corrective actions.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(a) Approval Process

The Retail and Wholesale segments use different parameters to evaluate customer's creditworthiness, payment capacity and financial structure. The aspects involved in each approval process are the following:

- Policies, standards and procedures
- Specialization and experience levels of the participants in the credit process
- Types and depth of technological platforms required
- Type of model/ predictive indicators for each segment

A consolidated process and team is used for managing credit risk in both segments, which has a high level of experience and expertise in credit approval.

Retail segment

A significant part of the approval management uses models for individuals and for the SME segment. These models establish acceptable levels of indebtedness, ability to pay and desired exposure, using relevant information. These models enable us to provide agile and prompt responses to our customer's requirements.

Wholesale segment

A case-by-case model is applied, which involves an individual evaluation with specialized knowledge, which considers the required exposure, terms and products; the customer's financial and equity capacity; any potential guarantees; and the perspectives and attractiveness of the company and its industry. This process is supported by a rating model that achieves greater standardization when evaluating customers and establishes the authority required to approve the credit risk.

Case-by-case evaluation has specialized areas in some segments that require expert knowledge (real estate, construction, agriculture, financial, international and other ad hoc advice when they are very specific), which can also support such transactions, with tools designed to meet the particular characteristics of such businesses and their respective risks.

(b) Control and Monitoring

The Bank has an organizational structure with dedicated monitoring areas that have developed methods and tools for its segments, which are consistently applied and secure appropriate management of its loan portfolio.

Customers and market trends are constantly monitored in the retail segment, to control the portfolio credit risk and to establish the corrective measures and adjustments required to remain within the desired risk exposure. The Global Risk Control Division is responsible for monitoring the portfolio, to provide greater independence using the three lines of defense model. Various reports are generated by this process that monitor expected portfolio losses, portfolio analysis, delinquency and approval standards. Statistical models have also been developed to support credit evaluation, which are closely monitored using backtesting, variable stability and discriminance, thus guaranteeing their predictive capacity over time.

The wholesale segment has centralized monitoring processes that systematically monitor financial warnings, behavioral variables and portfolio classification management. Additionally, there are other monitoring tasks aimed at checking compliance with conditions established during the approval stage, such as financial covenants, guarantee coverage, etc. Action plans are established in coordination with the Risk Approval Department and the Commercial Department for companies that exhibit symptoms of financial or creditworthiness impairment.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(c) Collections

The Bank has a specialized central department that manages collections for all business segments in accordance with current regulations.

Direct collection management for retail segments is managed by Socofin S.A., a subsidiary of the Bank, which applies differentiated collection strategies by customer segment, delinquency and exposure levels.

Collection management and action plans are defined and negotiated on a case-by-case basis for the wholesale segments, according to the customer's particular characteristics. The portfolio is managed by specialized executives in the Special Assets Management Department.

(d) Portfolio Concentration

The maximum exposure to credit risk by customer or counterparty, without considering collateral and other credit improvements, as of December 31, 2017 and 2016 does not exceed 10% of the Bank's effective equity.

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2017:

	Chile MCh$	United States MCh$	Brazil MCh$	Others MCh$	Total MCh$
Financial assets					
Cash and bank deposits	695,213	271,564	—	90,616	1,057,393
Trading instruments					
State and the Chilean Central Bank	1,317,164	—	—	—	1,317,164
Other instruments issued in Chile	221,092	—	—	—	221,092
Instruments issued abroad	—	322	—	—	322
Investments in mutual funds	78,069	—	—	—	78,069
Subtotal	1,616,325	322	—	—	1,616,647
Repurchase agreements and securities lending	91,641	—	—	—	91,641
Derivative contracts for trading					
Forwards	392,018	23,162	—	91,322	506,502
Swaps	472,492	79,614	—	158,017	710,123
Call options	514	—	—	—	514
Put options	2,841	—	—	—	2,841
Futures	—	—	—	—	—
Subtotal	867,865	102,776	—	249,339	1,219,980
Accounting hedge derivative contracts					
Forwards	—	—	—	—	—
Swaps	—	8,632	—	19,217	27,849
Call options	—	—	—	—	—
Put options	—	—	—	—	—
Futures	—	—	—	—	—
Subtotal	—	8,632	—	19,217	27,849
Loans and advances to banks					
Chilean Central Bank	350,916	—	—	—	350,916
Banks in Chile	120,017	—	—	—	120,017
Banks abroad	—	—	158,524	130,828	289,352
Subtotal	470,933	—	158,524	130,828	760,285
Loans and accounts receivable from customers					
Commercial loans	13,894,811	—	—	58,302	13,953,113
Residential mortgage loans	7,473,006	—	—	—	7,473,006
Consumer loans	4,013,416	—	—	—	4,013,416
Subtotal	25,381,233	—	—	58,302	25,439,535
Investment instruments held for sale					
State and the Chilean Central Bank	356,368	—	—	—	356,368
Other instruments issued in Chile	1,159,695	—	—	—	1,159,695
Instruments issued abroad	—	—	—	—	—
Subtotal	1,516,063	—	—	—	1,516,063
Investment instruments held to maturity	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(d) Portfolio Concentration (continued)

Financial assets	Financial services MCh$	Chilean Central Bank MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, gas and water MCh$	Agriculture and livestock MCh$	Fishing MCh$	Transport and telecom MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Cash and bank deposits	894,972	162,421	—	—	—	—	—	—	—	—	—	—	—	—	1,057,393
Trading instruments															
State and Chilean Central Bank	—	1,062,558	254,606	—	—	—	—	—	—	—	—	—	—	—	1,317,164
Other instruments issued in Chile	221,092	—	—	—		—	—	—	—	—	—	—	—	—	221,092
Instruments issued abroad	322	—	—	—	—	—	—	—	—	—	—	—	—	—	322
Investments in mutual funds	78,069	—	—	—	—	—	—	—	—	—	—	—	—	—	78,069
Subtotal	299,483	1,062,558	254,606	—	—	—	—	—	—	—	—	—	—	—	1,616,647
Repurchase agreements and securities lending	32,555	—	2,576	—	24,717	—	12,522	7,464	13	672	7,382	—	3,740	—	91,641
Derivative contracts for trading															
Forwards	245,761	—	—	—	7,666	9,860	2,561	84	54	219	2,368	29	237,900	—	506,502
Swaps	643,735	—	—	—	44,773	5,563	839	4,679	2,862	9	7,244	—	419	—	710,123
Call options	269	—	—	—	32	90	—	—	67	—	52	1	3	—	514
Put options	734	—	—	—	1,432	396	—	—	222	—	—	11	46	—	2,841
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	890,499	—	—	—	53,903	15,909	3,400	4,763	3,205	228	9,664	41	238,368	—	1,219,980
Hedge accounting derivative contracts															
Forwards	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Swaps	27,849	—	—	—	—	—	—	—	—	—	—	—	—	—	27,849
Call options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Put options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	27,849	—	—	—	—	—	—	—	—	—	—	—	—	—	27,849
Loans and advances to banks															
Chilean Central Bank	—	350,916	—	—	—	—	—	—	—	—	—	—	—	—	350,916
Banks in Chile	120,017	—	—	—	—	—	—	—	—	—	—	—	—	—	120,017
Banks abroad	289,352	—	—	—	—	—	—	—	—	—	—	—	—	—	289,352
Subtotal	409,369	350,916	—	—	—	—	—	—	—	—	—	—	—	—	760,285
Loans and accounts receivable from customers															
Commercial loans	1,851,649	—	—	—	2,027,424	1,399,692	422,176	565,695	1,354,069	145,266	1,612,930	1,493,373	1,964,238	1,116,601	13,953,113
Residential mortgage loans	—	—	—	7,473,006	—	—	—	—	—	—	—	—	—	—	7,473,006
Consumer loans	—	—	—	4,013,416	—	—	—	—	—	—	—	—	—	—	4,013,416
Subtotal	1,851,649	—	—	11,486,422	2,027,424	1,399,692	422,176	565,695	1,354,069	145,266	1,612,930	1,493,373	1,964,238	1,116,601	25,439,535
Investment instruments held for sale															
State and Chilean Central Bank	—	207,474	148,894	—	—	—	—	—	—	—	—	—	—	—	356,368
Other instruments issued in Chile	1,096,785	—	—	—	31,833	8,589	7,662	2,883	6,972	—	4,971	—	—	—	1,159,695
Instruments issued abroad	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	1,096,785	207,474	148,894	—	31,833	8,589	7,662	2,883	6,972	—	4,971	—	—	—	1,516,063
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(d) Portfolio Concentration (continued)

The following tables show the exposure to credit risk by component of the statement of financial position, including derivatives, both by geographic region and industrial sector as of December 31, 2016:

	Chile MCh$	United States MCh$	Brazil MCh$	Others MCh$	Total MCh$
Financial assets					
Cash and bank deposits	792,398	533,765	11	81,993	1,408,167
Trading instruments					
State and the Chilean Central Bank	482,346	—	—	—	482,346
Other instruments issued in Chile	897,227	—	—	—	897,227
Instruments issued abroad	—	385	—	—	385
Investments in mutual funds	25,823	—	—	—	25,823
Subtotal	1,405,396	385	—	—	1,405,781
Repurchase agreements and securities lending	55,703	—	—	—	55,703
Derivative contracts for trading					
Forwards	128,389	12,177	—	23,135	163,701
Swaps	462,501	105,408	—	141,182	709,091
Call options	1,558	—	—	—	1,558
Put options	1,584	—	—	—	1,584
Futures	—	—	—	—	—
Subtotal	594,032	117,585	—	164,317	875,934
Accounting hedge derivative contracts					
Forwards	—	—	—	—	—
Swaps	1	16,836	—	46,863	63,700
Call options	—	—	—	—	—
Put options	—	—	—	—	—
Futures	—	—	—	—	—
Subtotal	1	16,836	—	46,863	63,700
Loans and advances to banks					
Chilean Central Bank	700,341	—	—	—	700,341
Banks in Chile	208,403	—	—	—	208,403
Banks abroad	—	—	122,913	141,789	264,702
Subtotal	908,744	—	122,913	141,789	1,173,446
Loans and accounts receivable from customers					
Commercial loans	14,380,410	—	14,075	96,303	14,490,788
Residential mortgage loans	6,920,186	—	—	—	6,920,186
Consumer loans	3,974,560	—	—	—	3,974,560
Subtotal	25,275,156	—	14,075	96,303	25,385,534
Investment instruments held for sale					
State and the Chilean Central Bank	59,200	—	—	—	59,200
Other instruments issued in Chile	308,785	—	—	—	308,785
Instruments issued abroad	—	—	—	—	—
Subtotal	367,985	—	—	—	367,985
Investment instruments held to maturity	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(d) Portfolio Concentration (continued)

	Financial services MCh$	Chilean Central Bank MCh$	Govern-ment MCh$	Individuals MCh$	Commerce MCh$	Manu-facturing MCh$	Mining MCh$	Electricity, gas and water MCh$	Agriculture and livestock MCh$	Fishing MCh$	Transport and telecom MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Financial assets															
Cash and bank deposits	1,289,666	118,501	—	—	—	—	—	—	—	—	—	—	—	—	1,408,167
Trading instruments															
State and Chilean Central Bank	—	423,565	58,781	—	—	—	—	—	—	—	—	—	—	—	482,346
Other instruments issued in Chile	897,227	—	—	—		—	—	—	—	—	—	—	—	—	897,227
Instruments issued abroad	385	—	—	—	—	—	—	—	—	—	—	—	—	—	385
Investments in mutual funds	25,823	—	—	—	—	—	—	—	—	—	—	—	—	—	25,823
Subtotal	923,435	423,565	58,781	—	—	—	—	—	—	—	—	—	—	—	1,405,781
Repurchase agreements and securities lending	6,280	—	—	—	20,154	6,259	2,978	14,236	19	531	3,800	—	—	1,446	55,703
Derivative contracts for trading															
Forwards	80,871	—	—	—	4,698	4,651	179	121	182	7	403	12	72,577	—	163,701
Swaps	627,621	—	—	—	30,806	2,910	28,864	9,488	5,234	353	—	2,007	1,808	—	709,091
Call options	732	—	—	—	451	285	—	—	90	—	—	—	—	—	1,558
Put options	835	—	—	—	591	153	—	—	2	—	—	—	3	—	1,584
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	710,059	—	—	—	36,546	7,999	29,043	9,609	5,508	360	403	2,019	74,388	—	875,934
Hedge accounting derivative contracts															
Forwards	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Swaps	63,700	—	—	—	—	—	—	—	—	—	—	—	—	—	63,700
Call options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Put options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	63,700	—	—	—	—	—	—	—	—	—	—	—	—	—	63,700
Loans and advances to banks															
Chilean Central Bank	—	700,341	—	—	—	—	—	—	—	—	—	—	—	—	700,341
Banks in Chile	208,403	—	—	—	—	—	—	—	—	—	—	—	—	—	208,403
Banks abroad	264,702	—	—	—	—	—	—	—	—	—	—	—	—	—	264,702
Subtotal	473,105	700,341	—	—	—	—	—	—	—	—	—	—	—	—	1,173,446
Loans and accounts receivable from customers															
Commercial loans	2,116,203	—	—	—	2,235,227	1,561,737	432,822	566,438	1,184,869	264,042	1,636,994	1,647,862	1,937,428	907,166	14,490,788
Residential mortgage loans	—	—	—	6,920,186	—	—	—	—	—	—	—	—	—	—	6,920,186
Consumer loans	—	—	—	3,974,560	—	—	—	—	—	—	—	—	—	—	3,974,560
Subtotal	2,116,203	—	—	10,894,746	2,235,227	1,561,737	432,822	566,438	1,184,869	264,042	1,636,994	1,647,862	1,937,428	907,166	25,385,534
Investment instruments held for sale															
State and Chilean Central Bank	—	20,944	38,256	—	—	—	—	—	—	—	—	—	—	—	59,200
Other instruments issued in Chile	186,362	—	—	—	52,638	—	7,943	10,690	51,152	—	—	—	—	—	308,785
Instruments issued abroad	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	186,362	20,944	38,256	—	52,638	—	7,943	10,690	51,152	—	—	—	—	—	367,985
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(e) Collateral and other credit improvements

The amount and type of guarantees required depends on the evaluation of the counterparty's credit risk.

The Bank has guidelines with respect to the acceptability of types of guarantee and valuation parameters.

The principal types of security obtained are:

- For commercial loans: residential and non-residential properties, pledges and inventory.
- For retail loans: mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans granted to their subsidiaries.

The management is concerned to have security acceptable according to external regulations and in accordance with internal policy guidelines and parameters. The Bank has around 214,400 separate collateral instruments constituted, with the greatest concentration in properties in terms of valuation. The guarantees as of December 31, 2017 and 2016, are as follows:

2017	Loans MCh$	Mortgages MCh$	Pledges MCh$	Guarantee Securities MCh$	Warrants MCh$	Others MCh$	Total MCh$
Corporations	9,768,035	2,269,716	72,893	438,595	3,381	243,961	3,028,546
SMEs	4,185,078	2,543,343	28,699	32,034	—	58,255	2,662,331
Consumer	4,013,416	283,091	938	1,776	—	18,594	304,399
Residential mortgage	7,473,006	6,922,454	90	267	—	—	6,922,811
Total	**25,439,535**	**12,018,604**	**102,620**	**472,672**	**3,381**	**320,810**	**12,918,087**

2016	Loans MCh$	Mortgages MCh$	Pledges MCh$	Guarantee Securities MCh$	Warrants MCh$	Others MCh$	Total MCh$
Corporations	10,655,013	2,240,502	69,466	442,285	3,493	349,560	3,105,306
SMEs	3,835,775	2,301,924	32,138	27,461	—	54,534	2,416,057
Consumer	3,974,560	252,984	1,096	2,492	—	17,352	273,924
Residential mortgage	6,920,186	6,419,357	69	252	—	—	6,419,678
Total	**25,385,534**	**11,214,767**	**102,769**	**472,490**	**3,493**	**421,446**	**12,214,965**

The Bank also uses credit-risk mitigating elements for derivative transactions. The mitigating elements currently used are:

- Acceleration of transactions and net payment using market values on the date of the default by one of the parties.
- Option by both parties to call the advanced termination of all the transactions with a counterparty on a certain date, using their market values in the respective date.
- Margins in the form of time deposits by customers who close forward contracts in the subsidiary Banchile Corredores de Bolsa S.A.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(e) Collateral and other credit improvements (continued)

The value of guarantees held by the Bank relating to loans individually classified as impaired as of December 31, 2017 and 2016, is MCh$102,014 and MCh$129,066 respectively.

The value of guarantees held by the Bank relating to past due loans not impaired as of December 31, 2017 and 2016, is ThCh$358,967 and MCh$305,666 respectively.

(f) Credit quality by class of assets

The Bank determines the credit quality of financial assets using internal credit classifications. The classification process is linked to the approval and follow-up processes, and is carried out according to the risk categories under current regulations, constantly updating this according to the favorable or unfavorable evolution shown by the customers and their environment, considering commercial and payment behavior as well as financial information.

The Bank also makes focalized revisions of companies in specific economic sectors that are affected by macroeconomic or the sector's own variables. It is thus possible to make the sufficient and necessary provisions in good time for covering losses in the event of non-payment of loans granted.

The following tables show the credit quality by class of asset for each of the lines of the statement of financial position, based on the Bank's loan classification system.

As of December 31, 2017

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Default MCh$	Normal MCh$	Default MCh$	Total MCh$
Financial Assets						
Loans and advances to banks						
Chilean Central Bank	350,916	—	—	—	—	350,916
Banks in Chile	120,017	—	—	—	—	120,017
Banks abroad	289,352	—	—	—	—	289,352
Subtotal	760,285	—	—	—	—	760,285
Loans and accounts receivable from customers (excluding loan loss provisions)						
Commercial loans	10,585,946	101,253	159,512	2,908,182	198,220	13,953,113
Residential mortgage loans	—	—	—	7,316,969	156,037	7,473,006
Consumer loans	—	—	—	3,760,472	252,944	4,013,416
Subtotal	10,585,946	101,253	159,512	13,985,623	607,201	25,439,535

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(f) Credit quality by class of assets (continued)

As of December 31, 2016

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Default MCh$	Normal MCh$	Default MCh$	Total MCh$
Financial Assets						
Loans and advances to banks						
Chilean Central Bank	700,341	—	—	—	—	700,341
Banks in Chile	208,403	—	—	—	—	208,403
Banks abroad	264,702	—	—	—	—	264,702
Subtotal	1,173,446	—	—	—	—	1,173,446
Loans and account receivables from customers (excluding loan loss provisions)						
Commercial loans	11,390,263	196,815	199,408	2,518,008	186,294	14,490,788
Residential mortgage loans	—	—	—	6,784,614	135,572	6,920,186
Consumer loans	—	—	—	3,723,550	251,010	3,974,560
Subtotal	11,390,263	196,815	199,408	13,026,172	572,876	25,385,534

Ageing analysis of past due loans by financial asset class, including the portion past due and the remaining balance.

As of December 31, 2017

	Overdue		
	Under 30 days MCh$	30 to 59 days MCh$	60 to 89 days MCh$
Loans and advances to banks	6,880	—	—
Commercial loans	183,374	34,457	53,224
Foreign trade finance	19,628	2,403	647
Factoring operations	30,204	3,723	748
Commercial lease operations	52,365	12,407	2,144
Other loans and accounts receivable	1,195	599	724
Residential mortgage loans	143,619	56,422	26,365
Consumer loans	203,692	91,928	38,320
Total	640,957	201,939	122,172

As of December 31, 2016

	Overdue		
	Under 30 days MCh$	30 to 59 days MCh$	60 to 89 days MCh$
Loans and advances to banks	18,495	—	—
Commercial loans	133,959	41,561	17,512
Foreign trade finance	16,621	1,195	146
Factoring operations	32,603	4,677	641
Commercial lease operations	46,802	8,683	5,638
Other loans and accounts receivable	1,482	703	284
Residential mortgage loans	142,663	46,908	24,729
Consumer loans	222,041	95,934	37,218
Total	614,666	199,661	86,168

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit Risk (continued)

(f) Credit quality by class of assets (continued)

The past due but not impaired portfolio as of December 31, 2017 and 2016, is as follows:

	Past due but not impaired portfolio (*)			
	1 to 29 days MCh$	30 to 59 days MCh$	60 to 89 days MCh$	Over 90 days MCh$
2017	533,690	134,316	37,292	179
2016	518,369	126,177	32,936	658

(*) These amounts include the past due portion and the remaining balance.

(g) Assets Received in Lieu of Payment

The Bank has assets received in lieu of payment amounting to MCh$14,163 and MCh$13,399 as of December 31, 2017 and 2016, respectively, which are mainly properties. All these are managed for their sale.

(h) Restructured

Impaired loans shown as restructured in the statement of financial position relate to those where the corresponding financial commitments have been restructured and where the Bank considers that the probability of recovery is sufficiently high.

The following shows the book value by class of financial asset whose terms have been renegotiated:

Financial Assets	2017 MCh$	2016 MCh$
Loans and advances to banks		
Chilean Central Bank	—	—
Banks in Chile	—	—
Banks abroad	—	—
Subtotal	—	—
Loans and accounts receivable from customers, net		
Commercial loans	191,314	172,255
Residential mortgage loans	17,400	17,466
Consumer loans	367,350	358,023
Subtotal	576,064	547,744
Total renegotiated financial assets	576,064	547,744

The Bank approaches the evaluation of provisions through two areas: provisions individually evaluated and those evaluated in groups, which are described in Note 2 (rr).

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk

Market risk refers to the potential loss that the Bank could face due to insufficient liquidity either from funding or secondary markets when liquidating assets (liquidity risk) or adverse movements in the prices of market variables that negatively impact the value of financial exposures (pricing risk).

(a) Liquidity risk

Measurement and limits of liquidity risk

Trading liquidity risk is separately managed from funding liquidity risk.

Trading liquidity risk was originally understood as the Bank's inability to liquidate assets expeditiously, but today the concept has extended to the inability to cover open financial positions at current market prices. This risk is limited and controlled at the Bank by establishing a minimum amount of liquid assets called a liquidity buffer (composed of cash, excluding reserve requirements and financial instruments with a high presence in secondary markets). Also, by setting limits for positions for market variables, not only in aggregate, but also with sub-limits for certain deadlines. There is a negative impact on the Bank’s Income Statement whenever it considers that the size of a specific position in the Trading Book exceeds a reasonable amount traded in the secondary markets that could be sold without altering market prices.

Funding liquidity risk is limited and controlled using internal measurements, including the MAR (Market Access Report), which estimates the funding required by the Bank from the financial wholesale segment for the next 30 and 90 days in each of the Bank’s significant currencies to meet cash requirements as a result of normal business conditions, i.e. maintaining total assets (except for the liquid bonds that exceed the minimum liquidity buffer, which could be sold on the secondary market) and the withdrawal of a small part of retail deposits and all the term deposits of wholesalers. MAR limits are established in such a way that under stress conditions and considering their maximum utilization, the Bank complies with the risk tolerances defined in the Liquidity Risk Management Policy.

The MAR values for all currencies, i.e. Chilean currency (CLP) and foreign currency (FX) together and FX separately for 2017 are as follows:

	MAR CLP and FX BCh$		MAR FX MUS$	
	1 to 30 days	**1 to 90 days**	**1 to 30 days**	**1 to 90 days**
Maximum	3,306	5,597	1,708	3,048
Minimum	1,847	4,173	436	1,344
Average	2,665	4,954	1,090	2,209

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(a) Liquidity risk (continued)

Another aspect that the Bank seeks to understand and monitor is net funding in foreign currency (the value of assets in local currency that are funded with liabilities in foreign currency, considering all the terms), including the flows of derivatives that are paid in currencies other than the Chilean peso, whether these are payments for compensation or delivery. This indicator is known as Cross Currency Funding. By limiting this amount, not only is short-term liquidity protected in foreign currencies, but also longer-term liquidity is protected by a more strategic profile that relates not only to the future of the entity but also to that of the country.

The values for Crossed Currency Funding for 2017 are as follows:

	Cross Currency Funding **MUS$**
Maximum	4,351
Minimum	2,008
Average	2,991

Furthermore, in order to safeguard other dimensions of liquidity risk, such as concentration in the maturities of fund providers, diversification of funding sources, etc., thresholds have been established that trigger alerts when situations arise that are outside the expected ranges for normal business.

It also monitors the evolution over time of the Bank's financial ratios and can detect structural changes in the financial position statement, such as those presented in the following table with their values for 2017:

	Liquid Assets/ Net Funds up to 1 year	**Liabilities > 1 year / Assets > 1 year**	**Deposits/ Loans**
Maximum	95%	74%	63%
Minimum	71%	72%	60%
Average	82%	73%	62%

Liquidity risk controls also include monitoring the evolution of specific financial market prices and conditions, in order to detect scarce systemic liquidity.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(a) Liquidity risk (continued)

Other regulatory reports that are required by the regulator have been used for some time, such as the C46 Index, which simulates the net cash flow resulting from the contractual maturity of most of the assets and liabilities (it reports the value of instruments that can be sold without any restrictions before they contractually mature). The Bank is authorized by the Superintendency of Banks and Financial Institutions (hereinafter, "SBIF") to report the cash flows of certain items in the financial position statement over terms other than their contractual terms (the metric that includes these assumptions is called the Adjusted C46 Index). In fact, the Adjusted C46 Index includes estimates of specific liability payments on their maturity date for less than 100%, such as demand balances and time deposits. In such a case, the regulator requires that loans are not fully collected on their contractual maturity dates.

The regulator establishes that the maximum C46 Index for the next 30 days is the Bank's Basic capital (Tier 1 capital), considering the cash flows reported in that period denominated in all currencies, and individually for those denominated in a foreign currency. The cash flows reported for the next 90 days denominated in all currencies may not exceed twice the Bank's Basic capital.

The Adjusted C46 Index values for 2017 are as follows:

	Adjusted C46 Index CLP and FX as % of Basic Capital		Adjusted C46 Index FX as % of Basic Capital
	1 to 30 days	1 to 90 days	1 to 30 days
Maximum	53%	97%	36%
Minimum	32%	63%	19%
Average	43%	78%	27%
Standard limit	100%	200%	100%

Finally, the Bank uses other regulatory reports to measure its liquidity situation, including those introduced at the end of 2015 and implemented during 2016, such as the Liquidity Coverage Ratio (LCR), Net Stable Financing Ratio (NSFR), liability renewal rate by counterparty, concentration by deposit instrument, etc. LCR and NSFR have been used during 2017 as follows:

	LCR	NSFR
Maximum	1.07	0.99
Minimum	0.69	0.94
Average	0.88	0.97
Standard limit	N/A	N/A

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(a) Liquidity risk (continued)

The contractual maturity profile of the financial liabilities of Banco de Chile and its subsidiaries (consolidated base) as reported to the Market Regulator for liquidity purposes as of December 31, 2017 and 2016, is as follows:

	Up to 1 month MCh$	From 1 to 3 months MCh$	From 3 to 12 months MCh$	From 1 to 3 years MCh$	From 3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2017							
Demand deposits and other obligations	8,915,706	—	—	—	—	—	8,915,706
Transactions pending settlement	295,712	—	—	—	—	—	295,712
Repurchase agreements and securities lending	194,539	750	—	—	—	—	195,289
Time deposits and other borrowings	5,097,833	2,509,694	2,555,579	21,536	311	219	10,185,172
Physically settled derivatives	172,323	136,729	1,166,598	937,050	1,582,890	531,309	4,526,899
Obligations with banks	260,272	242,515	613,159	73,852	—	—	1,189,798
Other obligations	295	918	10,921	24,038	686	154	37,012
Debt instruments issued	47,375	165,359	728,035	1,279,275	1,500,632	3,931,034	7,651,710
Total gross financial liabilities (excluding derivatives under offsetting agreements)	14,984,055	3,055,965	5,074,292	2,335,751	3,084,519	4,462,716	32,997,298
Derivatives under offsetting agreements	112,011	100,247	1,141,610	816,847	325,199	1,115,676	3,611,590

	Up to 1 month MCh$	From 1 to 3 months MCh$	From 3 to 12 months MCh$	From 1 to 3 years MCh$	From 3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2016							
Demand deposits and other obligations	8,321,148	—	—	—	—	—	8,321,148
Transactions pending settlement	194,982	—	—	—	—	—	194,982
Repurchase agreements and securities lending	209,908	6,821	—	—	—	—	216,729
Time deposits and other borrowings	4,954,428	2,478,148	3,083,258	157,591	589	252	10,674,266
Physically settled derivatives	274,760	225,173	872,004	507,086	292,965	617,424	2,789,412
Obligations with banks	150,396	231,890	526,149	120,672	—	—	1,029,107
Other obligations	557	1,034	5,038	18,173	18,401	376	43,579
Debt instruments issued	104,221	87,840	525,342	1,423,859	1,204,796	4,070,909	7,416,967
Total gross financial liabilities (excluding derivatives under offsetting agreements)	14,210,400	3,030,906	5,011,791	2,227,381	1,516,751	4,688,961	30,686,190
Derivatives under offsetting agreements	237,799	171,254	838,475	887,297	196,923	1,096,234	3,427,982

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price risk

Measurement and Limits of Price Risk

The Accrual Book includes all items on the statement of financial position, including those in the Trading Book, but they are reported with a delayed interest rate adjustment of one day, thus avoiding an interest rate accrual risk. The measurement and management of Price Risk for the Trading Book and the Accrual Book use several indicators developed internally by the Bank. The Bank also reports indicators to the regulatory entities, in accordance with their models.

The Bank has established various internal limits for financial positions in the Trading Book, such as: internal limits for net positions with spot exchange rates (delta FX) or net equity positions (delta Equity); sensitivity limits for interest rate positions (DV01 or rho) and options volatility sensitivity limits (vega); these, among others, are referred to as "Greeks" in the financial literature. Loss alerts are established within the month for each of the individual business units, which once activated are escalated within the organization and used to detect abnormal fluctuations beyond expectations, as explained in the following paragraph.

The Bank measures and controls the Value at Risk (VaR) for the portfolios of the trading book through a historical model, including 99% confidence and an escalation to a temporary horizon of 22 business days (a calendar month). This calculation uses observed fluctuations in market factors over the previous twelve months.

The values of VaR for 2017 are as follows:

	Value-at-Risk 99% confidence **MUS$**
Maximum	3.18
Minimum	0.61
Average	1.72

The Bank also performs measurements, limitations, controls and reports on interest rate exposures and risks in the Accrual Book using internally developed methods based on the differences between assets and liabilities considering the adjustment dates of interest rates. Exposures are measured according to the Interest Rate Exposure (IRE) and the risks according to the Earnings at Risk (EaR) indicators.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price Risk (continued)

The values for the EaR indicator for 2017 are as follows:

	Earnings-at-Risk 97.7% confidence 3 months from the period close **MCh$**
Maximum	80,402
Minimum	28,438
Average	60,301

The standardized BIS model is considered for the Trading Book, based on fluctuations provided by the SBIF. The SBIF does not establish an individual limit for this particular risk, but a global one that includes the sum of this risk (Market Risk Equivalent) and 10% of the Weighted Assets by Credit Risk. This sum may not be more than the Bank's Tier-2 Capital.

The regulatory report of the banking book (SBIF report C40) estimates the Bank's potential loss in the face of adverse movements of standardized interest rates, obtained from tables provided by the Market Regulator based on the BIS guidelines. The SBIF requires that the banks themselves establish limits for the risk determined according to the methodology described above, so that the Price Risk of the Short-Term Banking Book does not exceed a percentage of the difference between interest income and expenses plus net fee income sensitive to the interest rate for the last twelve months. The long-term banking book should be less than a percentage of the Bank's Tier-2 Capital.

Internal policies also require daily stress tests for trading book positions and on a monthly basis for the accrual book. Potential losses resulting from these tests are compared with the alert levels defined by the Bank's management.

The following table shows the cash flow of assets and liabilities in the Banking Book, based on the adjustment dates for interest rates on an individual basis (not consolidated) as of December 31, 2017 and 2016:

	Up to 1 month MCh$	**1 to 3 months MCh$**	**3 to 12 months MCh$**	**1 to 3 years MCh$**	**3 to 5 years MCh$**	**More than 5 years MCh$**	**Total MCh$**
Assets as of December 31, 2017							
Cash and bank deposits	1,028,014	—	—	—	—	—	1,028,014
Transactions pending settlement	489,201	—	—	—	—	—	489,201
Repurchase agreements and securities lending	19,992	—	—	—	—	—	19,992
Hedge derivatives	30,328	146,775	225,883	335,756	51,087	539,283	1,329,112
Loans and advances to banks	533,101	49,573	150,253	31,920	—	—	764,847
Loans and accounts receivable from customers	4,669,573	2,595,012	5,636,496	5,619,230	3,089,002	8,591,253	30,200,566
Investment instruments held for sale	9,134	37,851	950,199	222,522	216,058	169,144	1,604,908
Investment instruments held to maturity	—	—	—	—	—	—	—
Total assets	6,779,343	2,829,211	6,962,831	6,209,428	3,356,147	9,299,680	35,436,640

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price Risk (continued)

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Assets as of December 31, 2016							
Cash and bank deposits	1,396,536	—	—	—	—	—	1,396,536
Transactions pending settlement	358,488	—	—	—	—	—	358,488
Repurchase agreements and securities lending	—	—	—	—	—	—	—
Hedge derivatives	283,576	14,860	170,891	495,340	52,134	502,593	1,519,394
Loans and advances to banks	964,250	86,029	136,434	19,777	—	—	1,206,490
Loans and accounts receivable from customers	4,808,706	3,163,029	5,740,836	5,219,586	2,929,046	8,126,584	29,987,787
Investment instruments held for sale	6,631	5,505	56,839	137,031	71,657	151,600	429,263
Investment instruments held to maturity	—	—	—	—	—	—	—
Total assets	7,818,187	3,269,423	6,105,000	5,871,734	3,052,837	8,780,777	34,897,958

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2017							
Demand deposits and other obligations	8,959,941	—	—	—	—	—	8,959,941
Transactions pending settlement	261,775	—	—	—	—	—	261,775
Repurchase agreements and securities lending	10,267	—	—	—	—	—	10,267
Time deposits and other borrowings	5,294,456	2,317,792	2,555,579	21,536	311	219	10,189,893
Hedge derivatives	352	3,968	286,519	452,960	75,237	600,507	1,419,543
Obligations with banks	506,703	553,663	129,431	—	—	—	1,189,797
Debt instruments issued (*)	158,085	266,895	727,798	1,217,226	1,349,337	3,930,440	7,649,781
Other financial obligations	146,726	918	10,921	24,038	686	154	183,443
Total liabilities	15,338,305	3,143,236	3,710,248	1,715,760	1,425,571	4,531,320	29,864,440

	Up to 1 month MCh$	1 to 3 months MCh$	3 to 12 months MCh$	1 to 3 years MCh$	3 to 5 years MCh$	More than 5 years MCh$	Total MCh$
Liabilities as of December 31, 2016							
Demand deposits and other obligations	8,354,085	—	—	—	—	—	8,354,085
Transactions pending settlement	178,121	—	—	—	—	—	178,121
Repurchase agreements and securities lending	19,901	—	—	—	—	—	19,901
Time deposits and other borrowings	5,129,350	2,303,488	3,083,258	157,610	570	252	10,674,528
Hedge derivatives	2,232	2,616	249,632	659,389	88,029	507,403	1,509,301
Obligations with banks	559,625	359,768	109,873	—	—	—	1,029,266
Debt instruments issued (*)	104,135	242,016	525,037	1,423,061	1,107,502	4,012,482	7,414,233
Other financial obligations	233,372	1,034	5,038	18,173	18,401	376	276,394
Total liabilities	14,580,821	2,908,922	3,972,838	2,258,233	1,214,502	4,520,513	29,455,829

(*) This value does not exactly coincide with that indicated in the liquidity analysis liabilities table, due to small differences in the treatment of interest on mortgage notes issued.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price Risk (continued)

Price Risk Sensitivity Analysis

The Bank uses stress tests as the principal sensitivity analysis tool for price risk. The trading book and the accrual book are analyzed separately. The Bank adopts this tool as it is more useful than the normal evaluations of fluctuations such as the VaR or EaR, as:

(a) The financial crises showed fluctuations materially in excess of those used with VaR with 99% confidence or EaR with 97.7% confidence.

(b) The crises also showed that correlations between these fluctuations are materially different to those used to calculate VaR or EaR, since there was significant decoupling between the trends in market variables compared to those observed under normal conditions.

(c) Trading liquidity reduced dramatically during the crisis and particularly in emerging markets and therefore the escalation of daily fluctuations in the VaR for the Trading Book is a very broad approximation of the expected loss over longer periods.

The impacts are determined by modeling directional fluctuations in the values of market factors and estimating the changes in book and/or economic values of financial positions. These are based on the observed historical fluctuations in times of crisis, and integrated with a reasoned analysis of possible values that market factors could reach in extreme environments, whether due to economic, political, or external threats, etc.

In order to comply with IFRS 7.40, the following table shows the probable fluctuations in interest rates, exchange rates and volatilities implicit in the trading book portfolios. As the Bank's statement of financial position includes positions denominated in real interest rates, these fluctuations should be aligned with predictions of changes in inflation rates over various time horizons. Share price fluctuations for the positions held by Banchile Corredores de Bolsa SA are not included, since they are not considered material (these positions are generally small, since the subsidiary focuses on taking orders to buy and sell customer stocks).

The directions of these fluctuations were chosen from four scenarios (two positive economic scenarios and two negative economic scenarios) and selecting the one that causes the greatest adverse impact:

Fluctuations in Market Factors

	CLP Derivatives (bps)	CLP Bonds (bps)	CLF Derivatives (bps)	CLF Bonds (bps)	US$ Offshore 3m Derivatives (bps)	Spread US$ On/Off Derivatives (bps)	Volatility FX CLP/US$ (%)
3 m	12	22	-465	-468	4	-58	-1.1%
6 m	16	21	-226	-224	8	-46	-1.0%
9 m	19	21	-146	-144	11	-38	-0.6%
1 year	21	22	-139	-137	13	-33	-0.7%
2 years	24	22	-52	-50	22	-19	-2.2%
4 years	25	19	-36	-33	31	-19	-
6 years	25	19	-31	-27	33	-19	-
10 years	26	19	-19	-12	35	-21	-
16 years	26	19	-20	-8	35	-22	-
20 years	26	19	-21	-6	35	-22	-

bps = basis points

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price Risk (continued)

This exercise is carried out using the following assumptions: the impacts on the trading book portfolios are estimated by multiplying the amounts of sensitivity or Greeks (FX Delta, DV01s, Vegas etc.,) by the expected changes in exchange rates, interest rates or volatility respectively; the impacts in the Accrual Book are estimated by multiplying the amounts of accumulated gaps by modeled forward interest-rate fluctuations. This latter methodology has certain limitations because the convex shape of the interest-rate curve is not captured for the Trading Book portfolios; in addition, neither the behavior of the convex shape or prepayments is captured in the analysis of the accrual book. In any event, given the size of these changes, the methodology is reasonably precise for the purposes of the analysis.

The impact on the Bank's trading book as of December 29, 2017 is as follows:

Potential Gain or Loss in Trading Book (MCh$)		
Interest rates in CLP		**(2,754)**
Derivatives	(529)	
Debt instruments	(2,225)	
Interest rates in CLF		**1,498**
Derivatives	(1,819)	
Debt instruments	3,317	
Offshore interest rates		**(482)**
Local/offshore interest rate spreads		**979**
Interest rate		**(759)**
Exchange rate		**(128)**
Options		**222**
Total		**(665)**

The modeled scenario would generate losses in the trading book of around MCh$4,300. In any event, these fluctuations would not result in material losses compared to the earnings predictions for the next 12 months or the Bank's Basic Capital.

The impact in the accruals book as of December 29, 2017, which is not necessarily a net loss/gain but higher/lower net income from funds generation for the next 12 months (net funds inflow which is the net interest on the accruals portfolio) is shown below:

Potential Gain or Loss in Accrual Book 12 months (MCh$)	
Impact of shock on base rate	(151,983)
Impact of shock on spreads	28,742
Higher/(Lower) Income	(123,241)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Price Risk (continued)

The principal negative impact on the accrual book would occur as a result of a severe fall in inflation. The lower potential revenue in the next 12 months would be slightly more than a quarter of the estimated gain for next year.

The next table shows the impact on equity accounts (not net income) as a result of the change in the market value of the portfolio of instruments held for sale, due to increases in interest rates:

Potential Impact on Capital		
Currency of instrument	DV01 (US$)	Impact of shock in interest rates (MCh$)
CLP	(228,868)	(5,009)
CLF	(117,362)	(6,740)
US$	(59,072)	(3,199)
Total		**(14,948)**

The modeled scenario would generate equity losses, mainly due to the rise in interest rates for terms greater than a year.

(4) Capital Requirements and Management of Capital:

The primary objectives of the Bank's capital management are to ensure compliance with regulatory capital requirements and maintain a solid credit rating and appropriate capital ratios. During 2017, the Bank has comfortably complied with the capital requirements demanded.

As part of its capital management policy, the Bank has established capital sufficiency alerts, stricter values than those required by the regulator, which are monitored monthly. None of the internal alerts defined in the capital management policy was triggered during 2017.

The Bank manages the capital by making adjustments in the light of changes in economic conditions and the risk characteristics of its activities. For this, the Bank can adjust the amount paid as dividends or issue capital instruments. The Bank's capital sufficiency is monitored by employing, among other things, the indicators and rules set by the SBIF.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(4) Capital Requirements and Management of Capital (continued)

Regulatory capital

According to the General Banking Law, the Bank should maintain a minimum of 8%, net of required provisions, as a result of dividing the effective equity by the sum of consolidated risk-weighted assets. The Bank should also maintain a minimum basic capital to total consolidated assets ratio of 3%, net of required provisions. As a result of the merger of Banco de Chile and Citibank Chile in 2008, the SBIF, by its Resolution 209 of December 26, 2007, established that the institution is obliged to maintain an effective equity to risk-weighted assets ratio of no less than 10%. The regulator thus ratified the minimum of 10% that it had set in December 2001 when authorizing the merger by absorption of Banco Edwards into Banco de Chile.

Effective equity is determined based on the capital and reserves or basic capital with the following adjustments: (a) the balance of subordinated bonds is added with a maximum equivalent to 50% of basic capital; (b) additional provisions for loans are added, (c) the balance of goodwill and investments in companies not included in the consolidation is deducted, and (d) the balance of the non-controlling interest is added.

Assets are weighted according to their risk categories which are assigned a percentage risk according to the amount of capital necessary for supporting each of them. 5 risk categories are applied (0%, 10%, 20%, 60% and 100%). For example, cash, deposits in other banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means that, under current regulations, no capital is required to support the assets. Property and equipment have a 100% risk, which means that there should be a minimum capital of 8% of the amount of these assets, and of 10% in the case of Banco de Chile.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(4) Capital Requirements and Management of Capital (continued)

All derivative instruments not traded on stock markets are considered in the determination of risk assets with a conversion factor over the notional values, thus obtaining the amount of credit-risk exposure (or "credit equivalent"). Memorandum account contingent liabilities are also considered by a "credit equivalent" for their weighting.

The levels of basic capital and effective equity of the Bank and its subsidiaries at the end of 2017 and 2016 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2017 MCh$	2016 MCh$	2017 MCh$	2016 MCh$
Balance sheet assets (net of provisions)				
Cash and bank deposits	1,057,393	1,408,167	5,699	21,940
Transactions pending settlement	521,809	376,252	95,210	53,126
Instruments for trading	1,616,647	1,405,781	148,641	211,762
Repurchase agreements and securities lending	91,641	55,703	91,641	55,703
Financial derivative contracts	1,247,829	939,634	927,837	703,211
Loans and advances to banks	759,702	1,172,917	312,806	305,934
Loans and accounts receivable from customers	24,881,353	24,775,543	21,908,281	22,024,193
Investment instruments held for sale	1,516,063	367,985	325,209	199,860
Investment instruments held to maturity	—	—	—	—
Investments in companies	38,041	32,588	38,041	32,588
Intangible assets	39,045	29,341	39,045	29,341
Property, plant and equipment	216,259	219,082	216,259	219,082
Current taxes	23,032	6,792	2,303	679
Deferred taxes	267,400	306,030	26,740	30,603
Other assets	547,974	462,185	547,974	462,185
Subtotal			24,685,686	24,350,207
Assets off the balance sheet				
Contingent credits	3,972,260	4,154,890	2,382,653	2,491,879
Total risk-weighted assets			27,068,339	26,842,086

	December 31, 2017		December 31, 2016	
	MCh$	%	MCh$	%
Basic Capital (*)	3,105,714	8.39	2,887,410	8.09
Regulatory Capital	3,934,727	14.54	3,729,427	13.89

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

The new General Banking Law is currently in the legislative process. The bill introduces changes to capital adequacy issues, in order to align the law with the most recent the Basel Committee standards and recommendations.

Note 39 – Additional notes (continued)

Note 39.39 – Subsequent events

a) On January 22, 2018, the Board of the subsidiary Banchile Securitizadora S.A., agreed to appoint Ms. Claudia Marcela Herrera García as a new Director until the next Annual General Shareholders' Meeting.

b) On January 25, 2018, the Board of Banco de Chile met at Meeting Number BCH 2,874 and agreed to call an Annual General Shareholders' Meeting on March 22, 2018, to propose the distribution of dividend 206 of Ch$3.14655951692 for each of the 99,444,132,192 shares, payable from the distributable net income for the year ended December 31, 2017, amounting to 60% of such net income.

The Board also agreed to call an Extraordinary Shareholders' Meeting for that date in order to propose the capitalization of 40% of the distributable net profit of the Bank for 2017, by issuing new fully paid-in shares, without nominal value, with a value of Ch$ 93.73 per share, distributed among the shareholders at the rate of 0.02238030880 shares for each share held, and adopt the necessary arrangements subject to the exercise of the options provided for in Article 31 of Law No. 19,396.

c) On January 25, 2018, the Board of Sociedad Matriz del Banco de Chile S.A. met at Meeting SM254, and agreed to call an Annual General Shareholders' Meeting for March 22, 2018, in order to propose the distribution of dividend 22 of Ch$3.15781173967 per share of the series B, D and E. Also, to agree the distribution among all shareholders of the same series, the new fully paid-in shares that Sociedad Matriz del Banco de Chile S.A. is entitled to receive from the capitalization of 40% of the distributable net income of Banco de Chile for the year 2017, to be distributed on the basis of 0. 02238030880 Banco de Chile shares for each share held in the above-mentioned series.

In the opinion of the management of SM Chile, there are no other significant subsequent events that affect or may affect the company's consolidated financial statements between December 31, 2017, and the date of issue of these consolidated financial statements.

Note 40 – Material Events

Quiñenco S.A. reported a Material Event on April 6, 2017:

"In accordance with Articles 9 and the second paragraph of Article 10 of Law 18,045 on the Securities Market, and General Standard 30 and Circular 660 issued by the CMF, being duly empowered to do so, it is my duty to report a material event that a meeting of the Board held on April 6, 2017 proposed that the next Annual General Shareholders' Meeting to be held on April 28, 2017, approves the distribution of a final dividend of Ch$53,070,680,364, which is the mandatory minimum dividend of 30% of net income attributable to owners of the controlling company for 2016.

This final dividend is Ch$31.91723 (thirty-one point and ninety-one thousand seven hundred and twenty-three pesos) per share, and will be proposed to be paid from May 12, 2017, to the shareholders registered in the respective registry at midnight on the fifth business day prior to that date."

Sociedad Matriz SAAM S.A. reported a Material Event on April 21, 2017:

"In accordance with Articles 9 and the second paragraph of Article 10 of Law 18,045 on the Securities Market and General Standard 30, being duly empowered to do so, it is my duty to report the following material event regarding Sociedad Matriz SAAM SA ("SM SAAM").

SM SAAM indirectly owns 35% of the share capital of the Peruvian company Trabajos Marítimos S.A. ("Tramarsa"). The remaining Tramarsa shareholders together hold 65% of the share capital. They are Inversiones Piuranas S.A. and Ransa Comercial S.A. (both belonging to the Romero Group, hereinafter jointly called " Romero Group"). Tramarsa operates port infrastructure, a tug fleet, and logistics services in Peru and Bolivia, and it currently indirectly owns all the shares of Terminal Internacional del Sur S.A.

SM SAAM decided to sell its entire indirect stake in Tramarsa, and in compliance with the "Right of First Refusal" established in the current Shareholders' Agreement, it communicated its decision to the Romero Group, offering to sell its stake in Tramarsa for US$124,042,284.

Today the Romero Group notified SM SAAM that it has accepted the offer under the indicated terms, and according to the aforementioned Shareholders' Agreement, the transaction must be completed no later than May 6, 2017.

This sale generates a non-recurring gain of approximately MUS$33 for SM SAAM. This gain will be reflected in the consolidated financial statements as of June 30, 2017 that SM SAAM will prepare and publish in accordance with current regulations."

Compañía Sud Americana de Vapores S.A. reported a Material Event on May 24, 2017:

"In accordance with articles 9 and 10-2 of Law No. 18,045 and General Character Standard No. 30, as I am duly authorized, I hereby communicate the following material event regarding Compañía Sud Americana de Vapores S.A. ("CSAV"), its businesses, its publicly traded securities and offerings of those securities:

On this date, in the City of Hamburg, the merger was closed between the German shipping company Hapag Lloyd AG ("HLAG"), a joint venture of which CSAV is the largest shareholder, and United Arab Shipping Company Limited ("UASC"), a shipping company based in the Persian Gulf that is also primarily engaged in container shipping. The respective merger agreement, known as the Business Combination Agreement ("BCA"), was reported as a material event on July 18, 2016. Closing of the merger was subject to regulatory approval from the corresponding antitrust authorities and consent from both shipping companies' creditors, as well as fulfillment of other conditions precedent that are customary in this type of agreement, including a corporate restructuring of UASC and its businesses, all of which have been fulfilled to the parties' satisfaction on this date.

Note 40 – Material events (continued)

As a result, the combined entity HLAG will become the fifth largest container shipping company in the world with total transport capacity of 1.6 million TEU and annual volumes of around 10 million TEU. HLAG expects this merger to generate annual synergies of US$435 million, which will be offset by the non-recurring costs from the merger and subsequent integration of both companies during the second half of 2017. However, a significant portion of these synergies will be realized in 2018 and the full amount will be reached in 2019.

HLAG’s combined fleet will include 230 container ships. It is considered one of the industry's most modern and most efficient fleets with an average vessel age of only 7.2 years and an average size of around 6,840 TEU, which has almost 30% more capacity than the average of the industry’s 15 largest shipping lines (5,280 TEU). The combined fleet’s new profile is the foundation for a very large portion of its estimated synergies, which are based on optimizing the new configuration of the combined entity's vessels and services, harnessing cost advantages for mobilized space and more efficiently using the new fleet.

As a result of closing the merger, HLAG has acquired 100% of the shares of UASC and UASC’s former controllers (Qatar Holding LLC, owned by the State of Qatar ("QH"), and the Public Investment Fund, on behalf of the Kingdom of Saudi Arabia ("PIF")), have acquired 14.4% and 10.1%, respectively, of the shares of HLAG, while the remaining minority shareholders of UASC now hold 3.5% of the shares.

Thus, as of merger closing and prior to the capital increase described below, HLAG’s shareholder structure is as follows: CSAV, through its German subsidiary CSAV Germany Container Holding GmbH (“CSAV Germany”), is the largest shareholder and owner of 22.6% of HLAG; the City of Hamburg, through its holding company HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“HGV”), holds 14.9%; German businessman Klaus Michael Kühne, through Kühne Maritime GmbH (“KM”) and associate owns 14.6%; QH, 14.4%; PIF, 10.1%; TUI-Hapag Beteiligungs GmbH, 8.9%; and the remaining minority shareholders and stock market investors (free float), represent around 14.5%.

Despite having diluted their respective interests, CSAV, HGV and KM have adjusted their shareholder agreement in order to retain common control over HLAG, and have committed to exercise the voting rights of all their shares by mutual agreement, equivalent to approximately 51.5% of the shares issued by HLAG. Notwithstanding, they have eliminated all restrictions on the transfer of shares contained in the original agreement, except for the right of first refusal under certain circumstances.

Now that the merger is complete, HLAG will carry out a capital increase for the euro-equivalent of US$400 million in order to strengthen its financial position. This will take place through a rights issue on the German exchange over the next six months where all shareholders will have preferential subscription rights. This capital increase must be approved by HLAG's shareholders at their annual general meeting (AGM), to be held in Hamburg on May 29, 2017. Regarding this capital increase, CSAV Germany, HGV and KM had already made the necessary agreements for CSAV Germany to have a total interest in HLAG of at least 25%, which will allow CSAV to maintain decisive influence in certain key matters related to HLAG such as capital increases, mergers, spin-offs and other amendments to HLAG's bylaws, all of which require 75% approval.

Looking forward to HLAG's next capital increase, last March 30, 2017, CSAV's shareholders approved a capital increase of US$260 million to be carried out by issuing 9,500 million shares. This figure can be modified slightly to ensure that CSAV raises sufficient funds to subscribe and acquire enough shares to give it a 25% interest in HLAG.

Note 40 – Material events (continued)

Finally, the company reports that, despite the merger's positive economic impact because of the expected US$435 million in annual synergies, the HLAG-UASC merger will generate a dilution loss for CSAV since its shareholding in HLAG will decrease from 31.4% to 25% (after temporarily holding 22.6% and then subscribing additional shares of HLAG). This loss cannot be reasonably quantified at this time since the information needed to perform the calculation will depend on HLAG's accounting records for the transaction, which will be available once HLAG publishes its interim consolidated financial statements as of June 30, 2017, currently scheduled for August 10, 2017.

This dilution loss is produced because IFRS 3 requires the terms of exchange of the merger to be reflected at fair value (IFRS 13). In the case of Hapag Lloyd's shares, since it trades on the Frankfurt exchange, fair value is the market value of Hapag Lloyd's stock (valuation level 1 according to IFRS 13). For UASC's valuation, the fair value of that company's assets and liabilities must be calculated without considering the effect of any synergies to be obtained from the merger. This fair value must be calculated using a purchase price allocation report (PPA), which is not yet available. Since that value is less than the equity method accounting value at which CSAV carries its investment in HLAG, the aforementioned dilution would generate an accounting loss.

The dilution loss will be calculated based on the net dilution for CSAV considering the HLAG shares that CSAV will subscribe in its next capital increase to increase its interest from 22.6% to 25%, since that subscription is also committed to in the merger agreement as part of the same business combination.

Compañía Sud Americana de Vapores S.A. reported a Material Event on August 29, 2017.

"In accordance with articles 9 and 10-2 of Law No. 18,045 and General Character Standard No. 30, as I am duly authorized, I hereby communicate the following material event regarding Compañía Sud Americana de Vapores S.A. ("CSAV"), its businesses, its publicly traded securities and offerings of those securities:

On May 24, 2017, CSAV informed the Superintendency (or "SVS") of the material event of the closing of the merger between the shipping companies Hapag-Lloyd AG ("HLAG") and United Arab Shipping Company Limited ("UASC"). Upon closing, HLAG acquired 100% of the shares of UASC and the shareholders of UASC became shareholders of HLAG, receiving shares equivalent to 28% of HLAG (combined entity). The shareholders of HLAG existing before the closing diluted their interests, conserving 72% of its share capital. CSAV (through its German subsidiary CSAV Germany Container Holding GmbH - "CSAV Germany"-) reduced its interest from 31.4% to 22.6% but remained the largest shareholder of HLAG.

Despite the very positive economic impact of this merger, with HLAG's management estimating annual synergies of US$435 million, this transaction will generate a dilution loss for CSAV. The amount of this loss could not be reasonably quantified last May without the accounting records that HLAG was to prepare for the transaction, which were to be published in Germany in its Interim Consolidated Financial Statements as of June 30, 2017, originally scheduled for August 10, 2017, but finally published today.

Based on these accounting records, the merger of HLAG and UASC will generate for CSAV a net accounting loss of US$155 million, due to the following:

Note 40 – Material events (continued)

1. Dilution loss: This loss arose because IFRS 3 requires the Company to reflect the effects of the business combination between HLAG and UASC at its fair value in accordance with IFRS 13. In this case, the consideration transferred was a 28% interest in HLAG that was given to the shareholders of UASC), and these shares were valued using Level 1 inputs, in accordance with IFRS 13 (i.e. prices observed in active markets). Since HLAG's shares are quoted on the Frankfurt exchange, the company, as the acquirer, set the fair value of the consideration transferred using its share price on the day the merger with UASC was closed (approximately EUR 28 per share). Since that value is less than the equity method accounting value at which CSAV carried its investment in HLAG, the aforementioned dilution generates an accounting loss for CSAV of US$ 167 million. It is important to mention that the accounting value at which CSAV carried its investment in HLAG is recorded in accordance with IAS 28, and considers: (i) the acquisition cost of this investment in 2014 at fair value based on Level 3 of IFRS 13 (cash flows of the combined entity), considering that the shares of HLAG were not traded on an exchange at that time; (ii) the respective equity method interests in the results and changes in equity of HLAG; and (iii) the corresponding annual impairment testing based on the value in use methodology defined in IAS 36 (the business's cash flows).

2. Share of Badwill: In order to quantify the full effect on CSAV's results of the aforementioned merger, the fair value of the identifiable assets and liabilities that HLAG receives from UASC must be calculated using the corresponding purchase price allocation (PPA) report. This value is available in the respective quarterly financial report published today by HLAG. In accordance with the provisions of IFRS 3, the value of the net assets acquired from UASC is greater than the consideration transferred. Therefore, the business combination generates a bargain purchase for HLAG, commonly known as badwill, of approximately US$ 52 million. CSAV also has a 22.6% share of that badwill, which results in a gain of approximately US$ 12 million that partially offsets the dilution loss referred to in point (1) above. It is important to mention that, in accordance with IFRS 3, the valuation of net assets acquired does not include the estimated synergies for the combined entity arising from the merger.

This net dilution loss resulting from the two aforementioned effects is a reflection of the accounting method defined in IFRS for business combinations. In this case, it does not represent the financial value of the merger, since it does not incorporate the estimated US$ 435 million in annual synergies, which was a fundamental factor in the decision to embark on the merger.

In calculating the financial effects of this merger, one must also consider the accounting effect of increasing CSAV's interest in HLAG from the current 22.6% to 25%, since this is committed to in the merger agreement for the same business combination. This increase will take place by subscribing shares in HLAG's next capital increase and potentially purchasing additional shares, which is estimated to occur during the fourth quarter of this year. However, this effect cannot be reasonably quantified until the following is known: (i) the placement or purchase price of the HLAG shares, (ii) the euro/dollar exchange rate applicable and (iii) the respective PPA report on the additional interest acquired (that CSAV must prepare after acquiring the shares). Even so, in accordance with IAS 28, this event will potentially generate a gain for CSAV instead of a loss, calculated using the above mentioned PPA and the acquisition cost. Should the share purchase occur as planned, this effect and its corresponding accounting treatment must be disclosed in the consolidated financial statements as of December 31, 2017".

Note 40 – Material events (continued)

Compañía Cervecerías Unidas S.A., a subsidiary of Inversiones y Rentas S.A. (Note 12 b) reported a Material Event on September 6, 2017.

"In accordance with Articles 9 and the second paragraph of Article 10 of Law 18,045 and Section II Number 1 of Article 2.2.A of General Standard 30 and Circular 75 issued by the Superindendent, being duly empowered to do so on behalf of the Board, it is my duty to report the following material event regarding Compañía Cervecerías Unidas SA ("CCU").

On September 6, 2017, CCU and Compañía Cervecerías Unidas Argentina S.A. ("CCU-A"), a company incorporated under the laws of the Argentine Republic and a subsidiary of CCU, agreed with Anheuser-Busch InBev S.A./N.V. ("ABI" and in conjunction with CCU-A the "Parties"), an offer letter ("Term Sheet"), which will terminate early the license agreement in Argentina of the "Budweiser" brand between CCU-A and Anheuser-Busch, Incorporated (now Anheuser-Busch LLC, a subsidiary of ABI), dated March 26, 2008, which is subject to the laws of the State of New York, United States of America (the "License Agreement").

The Transaction is subject to approval by the National Free Trade Commission (hereinafter "NFTC"), the Argentine free trade authority (the "Suspensive Condition"). Therefore, all of the stages described below will be effective once the Suspensive Condition is met.

The Parties agreed that the Suspensive Condition must be fulfilled on or before March 31, 2018, extendable until June 30, 2018.

The Transaction's general aspects are as follows:

a) Transaction Description.
Subject to the Suspensive Condition, the Parties will terminate the License Agreement early ("Early Termination"). ABI will pay CCU-A directly or through any of its subsidiaries (hereinafter collectively the "ABI Group") MUS$306 (three hundred and six million US dollars) as consideration for terminating the License Agreement early.
Subject to the Suspensive Condition, ABI will also transfer to CCU-A (x) ownership of the Isenbeck and Diosa brands. This does not include the production plant owned by Cervecería Argentina S.A. Isenbeck ("CASA Isenbeck") located in Zárate, Buenos Aires, Argentina (which will continue operating under the ownership of the ABI Group), nor the contracts with its employees and distributors, nor the transfer of any liabilities of CASA Isenbeck; (y) ownership of the following registered brands in Argentina: Norte, Iguana and Baltica; and (z) ABI's obligation to make best and reasonable efforts to grant CCU-A the license for specific international premium beer brands (together with the brands mentioned in the paragraph (y) and the Goddess brand, the "Group of Brands") in Argentina.
In order to achieve an orderly transition of the brands transferred under the Transaction, the Parties will sign the following contracts (all at the same time as the Early Termination, the "Transaction"):
(i) Contract where CCU-A will produce all or part of Budweiser beer production for a period of up to one year on behalf of the ABI Group;
(ii) Contract where ABI Group will produce all or part of Isenbeck beer production for a period of up to one year on behalf of CCU-A;
(iii) Contract where ABI Group will produce and distribute the Group of Brands for a period of up to three years on behalf of CCU-A;
(iv) Any other agreements, documents or contracts deemed necessary by the Parties to the Transaction (the documents referred to above, the "Transaction Documents").

b) Transaction Status.
The Parties have signed a binding Term Sheet, while the Transaction Documents are being signed. As indicated above, the Transaction is subject to the Suspensive Condition being met.

c) Estimated Time to Complete the Transaction.
The Parties shall submit the information required to obtain the corresponding authorization from the NFTC as soon as possible. Any relevant developments will be reported in a timely manner.

Note 40 – Material events (continued)

d) Effects of the Transaction on CCU's Financial Results.
The Board believes that this Transaction will have the following benefits for CCU: (i) a cash receipt for Early Termination as referred to paragraph a) above; (ii) the potential orderly transition to the Group of Brands, which in the interim would generate annual net income of MUS$28 (twenty-eight million US dollars); (iii) the production contracts referred to in subparagraphs (i) and (ii) of letter a) above, will involve cross-charges of costs and a single payment to CCU-A of MUS$10 (ten million US dollars) (all the effects mentioned above, before taxes); and (iv) CCU-A will replace a brand licensed by its main competitor (ABI) by a group of brands that are more than 85% owned, which currently represents volumes similar to those of the "Budweiser" brand.

Reporting this Material Event discloses the information contained within the Confidential Event reported to this Superintendent on May 26, 2017."

Tech Pack S.A. reported a Material Event on October 30, 2017.

"1.- On October 25, 2017, Amcor Holding and Amcor Chile Holding SpA sent the Company and its subsidiary Inmobiliaria Techpack S.A. ("ITP") a letter called "Indemnity Notice" and a letter called "Third Party Claim Notice" (jointly, the "Letters").

2.- The Letters refer to the share sale agreement signed on April 18, 2016 (the "Sale Agreement"), between the Company and ITP (as sellers) and Amcor Holding and Amcor Chile Holding SpA (as buyers, and jointly "Amcor"). The agreement described the sale of all the shares in Alusa SA and Inversiones Alusa S.A. (jointly with its subsidiaries, the "Alusa Group"). Signing the Purchase Agreement and closing this transaction were duly communicated as Material Events on April 18, 20 and 22 and May 31, 2016.

3.-, Amcor describes in the Letters alleged breaches to specific guarantees and commitments in the Sale Agreement, valued at approximately MUS$133, which attempt to intentionally damage the transaction for the buyers, where approximately MUS$92.4 relates to the business in Chile and Argentina, and approximately MUS$40.2 relates to the business in Peru and Colombia, which is jointly owned by the Peruvian group Nexus. We have been informed that another claim for MUS$40.2 was filed against Nexus.

4.- Amcor does not justify this assertion in the Letters or accompany any background information that supports it or makes it reasonably intelligible. Both parties negotiated this agreement directly and were assisted by world-class financial, accounting and legal advisors. Amcor carried out its Due Diligence review for several months, with extensive access to Alusa Group's financial, commercial and operational information. It conducted extended and bipartite meetings at managerial level and visited the plants within all the countries involved. Ten months after closing the Sale Agreement, the parties negotiated and reached an agreement on the corresponding price adjustment, resulting in a payment to the buyers of MUS$2. At that time, Amcor did not raise any alleged breaches to the guarantees contained in the Purchase Agreement.

5.- The Company does not recognize the allegations made and does not place any merit on the Letters. The accusation of intentional or deliberate non-compliance has no basis whatsoever and is understood to be an Amcor strategy to avoid the indemnity limit (Cap) of up to MUS$28.5 referred to in the Purchase Agreement.

6.- Therefore, after analyzing the contents of the Letters, the Company has instructed its legal advisors to prepare its response, making it categorically clear that these allegations are inadmissible, and that it asserts its rights under the Purchase Agreement. Therefore, it is Amcor who was in breach of contract several months ago for not reimbursing funds that have been unjustifiably withheld from the selling parties, despite repeatedly requesting such reimbursement.

7.- This communication is disclosed in response to the nominal amount that Amcor has discretionally included in its Letters. Nonetheless, the Company believes that they will not significantly affect its financial situation."

MANAGEMENT'S ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017

I. SUMMARY

During 2017, Quiñenco reported net income[6] of Ch$108,740 million, 38.5% less than the Ch$176,902 million reported in 2016. This decrease is primarily due to the transport sector, and mostly attributable to CSAV recognizing an accounting loss following the dilution of its interest in Hapag-Lloyd as a result of the merger with UASC, net of the accounting gain after acquiring an additional interest during the last quarter, which involved a net loss of about Ch$57,200 million for Quiñenco. This effect was partially offset by the positive change in Hapag-Lloyd's results, where its container shipping business registered a significant increase in operating income in 2017, due to volume growth, driven primarily by the merger with UASC, and a slight recovery in rates. The car carrier business operated by CSAV improved its operational performance, based on higher volumes and cost savings. Gross income in the energy sector at Enex increased, based on greater fuel volumes and improved margins on lubricants. However, the final result was affected by higher depreciation of fixed assets, greater selling expenses at service stations, and higher provisions. Nevertheless, Nexans performed well in 2017 with operating income growing by 12.4%, driven by strong growth in the high-voltage submarine transmission segment, which compensated for decreased volumes in the oil and gas sector, together with a favorable change in raw material prices on un-hedged inventories. Therefore, net income at the French company doubled to reach €125 million in 2017. Banco de Chile reported an increase of 4.3% in its net income, primarily due to lower loan loss provisions, partially offset by decreased operating revenues, although revenue from customers continued its upward trend, and higher income tax expense. CCU's net income was 9.4% higher than the previous year, primarily due to better performance of the Chile and international businesses segments, which offset lower earnings from the wine segment. Meanwhile, SM SAAM reported an increase of 7.6% in net income, reflecting a non-recurring gain on the sale of its 35% interest in Tramarsa and, to a lesser extent, the good performance of its foreign ports, which was partially offset by lower performance from the logistics and towage divisions and Chilean ports. Techpack's contribution declined, primarily due to the non-recurring gain on the sale of the flexible packaging business registered the previous year. The overall corporate result was helped by improved taxation results, greater finance income and the favorable effect of lower inflation on liabilities, which offset an increase in finance costs. However, a non-recurring gain last year arose from the revaluation of the investment in SM SAAM when it became a consolidated subsidiary.

The sale of the flexible packaging business by Techpack at the end of May 2016 involved reclassifying its subsidiary Alusa and subsidiaries and the effects of that sale to discontinued operations in the statement of income for 2016 and 2017.

II. ANALYSIS OF COMPREHENSIVE INCOME

The analysis of Quiñenco's financial statements has been separated into banking services and non-banking businesses, to improve understanding.

1. Analysis of Non-Banking Business Results

The following segments are included in the non-banking businesses:

a) Manufacturing
  - Invexans
  - Techpack

6 *Net income refers to Net income attributable to owners of the controller.*

b) Financial
   - LQ Inversiones Financieras Holding (LQIF holding)
c) Energy
   - Enex
d) Transport
   - Compañía Sud Americana de Vapores (CSAV)
e) Port Services
   - Sociedad Matriz SAAM (SM SAAM)
f) Others
   - Quiñenco and others (includes CCU, Banchile Seguros de Vida (Banchile Vida), SegChile Seguros Generales (SegChile), Quiñenco holding company and eliminations).

On May 31, 2016, Techpack sold its entire flexible packaging business to the Australian firm Amcor. Therefore, the subsidiary Alusa and its subsidiaries were reclassified as discontinued operations in the statement of income for 2016. During the last quarter of 2016 Techpack acquired 0.53% of Nexans on the Paris Stock Exchange. Therefore, as of December 31, 2017, Quiñenco indirectly owns 29.05% of Nexans, through its direct subsidiaries Invexans and Techpack.

On September 27, 2016, the Quiñenco Board approved a public tender offer for the remaining shares in Tech Pack, which concluded in November 2016.

As of December 30, 2017, Quiñenco holds directly or through its direct subsidiary Inv. Río Grande and its indirect subsidiaries Inmobiliaria Norte Verde and Inv. Río Azul, all the share capital of Techpack and 98.7% of Invexans.

On October 19, 2016, CSAV sold its entire interest in its liquid bulk cargo business to Odfjell Tankers. Therefore, the liquid bulk cargo business was reclassified as a discontinued operation in the statement of income for 2016. During October and November 2017 Quiñenco and its subsidiaries Inversiones Rio Bravo and Inmobiliaria Norte Verde acquired an additional 0.2% interest in CSAV. CSAV sold its entire interest in Norgistics Chile on December 13, 2017. Additionally, during the last quarter of 2017 CSAV decided to close the offices of Norgistics in Peru, Mexico and China. Therefore, the entire Norgistics business was reclassified as discontinued operations in the statement of income for 2016 and 2017. As of December 31, 2017, Quiñenco directly and indirectly holds 56.2% of CSAV.

During January, March, November and December of 2016, Quiñenco and its subsidiary Inmobiliaria Norte Verde acquired an additional 9.8% interest in SM SAAM. As of December 31, 2017, Quiñenco holds directly, and through its subsidiaries Inv. Rio Bravo and Inmobiliaria Norte Verde, a 52.2% interest in SM SAAM.

The general insurance company SegChile began to operate in 2017. As of December 31, 2017, Quiñenco indirectly holds 66.3% of SegChile.

Hapag-Lloyd merged with United Arab Shipping Company Limited ("UASC") on May 24, 2017. Therefore, Hapag-Lloyd acquired all the shares of UASC and the shareholders of UASC became shareholders of Hapag-Lloyd, receiving shares equivalent to 28% of Hapag-Lloyd as the combined entity. The interests held by Hapag-Lloyd shareholders prior to the close were diluted, to become 72% of its share capital between them. CSAV reduced its interest from 31.4% to 22.6% as of September 30, 2017. CSAV acquired additional shares in Hapag-Lloyd during the last quarter of 2017, increasing its interest to 25.5% at the close of 2017.

Non-banking business results	Figures in MCh$	
	12/31/2017	12/31/2016
Operating income	79,609	66,674
Non-operating income (loss)	(64,856)	17,353
Income tax expense	(65,163)	(29,253)
Net income (loss) from discontinued operations	(3,925)	14,794
Consolidated net income (loss) from non-banking businesses	(54,335)	69,568

Revenue

Revenue increased by 10.9% to reach Ch$2,381,154 million in 2017, primarily due to increased revenue at Enex, and, to a lesser extent, to higher revenue at SM SAAM and Banchile Vida, partially offset by falling revenue at CSAV.

The composition of revenue is shown in comparative terms as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	2	42
Techpack	8	15
Subtotal manufacturing	9	57
Financial		
LQIF holding	-	-
Energy		
Enex	1,888,725	1,691,434
Transport		
CSAV	71,476	73,934
Port Services		
SM SAAM	303,261	266,522
Others		
Quiñenco and others	117,683	115,011
Revenue	2,381,154	2,146,958

Revenue for 2017 at Enex was Ch$1,888,725 million, an increase of 11.7% over the same period of the previous year, primarily due to increases in fuel and lubricant prices, and, to a lesser extent, a 1.8% increase in volumes, reflecting growth in the service station channel and in the fleet card segment of the industrial channel. Total volumes in 2017 were 3,730,000 cubic meters, 1.8% higher than the previous year, of which 97.6% were fuels.

Revenue at SM SAAM reached Ch$303,261 million in 2017, 13.8% higher than the previous year, primarily due to higher revenue from port terminals, primarily due to incorporating the port of Caldera, which was acquired in February 2017, and a strong performance from the port of Guayaquil, partially offset by lower revenue from logistics in Chile and the towage division.

Revenue at Banchile Vida was included in Quiñenco and others, and increased by 2.3% in 2017 compared to the previous year.

Revenue at CSAV was Ch$71,476 million in 2017, 3.3% lower than the previous year, primarily due to the unfavorable effect of converting balances to Chilean pesos. Revenue in US dollar terms grew slightly by 0.5%, driven by higher volumes in the car carrier business.

Cost of Sales

Cost of sales increased by 12.3% in 2017, compared to the previous year. This increase was primarily due to cost increases at Enex and, to a lesser extent, increased costs at SM SAAM and Banchile Vida, partially offset by decreased costs in the transport sector.

The composition of consolidated cost of sales in comparative terms is as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	-	(3)
Techpack	-	-
Subtotal manufacturing	-	(3)
Financial		
LQIF holding	-	-
Energy		
Enex	(1,693,042)	(1,499,640)
Transport		
CSAV	(66,676)	(71,862)
Port Services		
SM SAAM	(223,888)	(194,221)
Others		
Quiñenco and others	(41,624)	(37,708)
Cost of sales	(2,025,230)	(1,803,433)

Cost of sales at Enex for 2017 reached Ch$1,693,042 million, 12.9% higher than the previous year, primarily due to higher fuel costs, together with growth in the volumes of fuel sold in the service station channel and in the fleet card segment of the industrial channel. Cost of sales was equivalent to 89.6% and 88.7% of sales in 2017 and 2016, respectively.

Cost of sales at SM SAAM for 2017 reached Ch$223,888 million, 15.3% higher than the previous year, primarily due to the rising costs of port terminals, partially offset by lower costs in the logistics and towage divisions. Cost of sales was equivalent to 73.8% and 72.9% of sales in 2017 and 2016, respectively.

Cost of sales at Banchile Vida was included in Quiñenco and others, and increased by 10.0% in 2017 compared to the previous year.

Cost of sales at CSAV was Ch$66,676 million in 2017, 7.2% lower than the previous year, primarily due to a more efficient structure in car carrier services and higher vessel utilization rates, partially offset by higher average fuel prices. Cost of sales was equivalent to 93.3% and 97.2% of sales in 2017 and 2016, respectively.

Gross income

The composition of gross income in comparative terms is as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	2	39
Techpack	8	15
Subtotal manufacturing	9	54
Financial		
LQIF holding	-	-
Energy		
Enex	195,683	191,794
Transport		
CSAV	4,800	2,072
Port Services		
SM SAAM	79,373	72,301
Others		
Quiñenco and others	76,059	77,303
Gross income	355,924	343,525

Gross income was Ch$355,924 million in 2017, 3.6% higher than the previous year, primarily due to increased gross income from SM SAAM, Enex and CSAV, partially offset by decreased gross income from Banchile Vida (included in Quiñenco and others). SM SAAM increased its gross income by 9.8% primarily due to port operations, partially offset by towage and logistics. Enex increased its gross income by 2.0%, primarily due to increased volumes sold and higher margins on lubricants. CSAV achieved a gross income of Ch$4,800 million in 2017, significantly higher than the Ch$2,072 million recorded in the previous year, primarily due to improved performance of the car carrier business. Banchile Vida decreased its gross income by 1.4%.

Operating income[7]

Operating income was Ch$79,609 million in 2017, 19.4% higher than the Ch$66,674 million recorded in the previous year, primarily due to an improved performance by SM SAAM and, to a lesser extent, Techpack, partially offset by a negative variation at Quiñenco, lower operating income at Enex and, to a lesser extent, CSAV and Banchile Vida.

The comparative composition of operating income is as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	(912)	(962)
Techpack	(2,193)	(4,517)
Subtotal manufacturing	(3,106)	(5,479)
Financial		
LQIF holding	(4,026)	(4,115)
Energy		
Enex	11,296	27,110
Transport		
CSAV	948	5,165
Port Services		
SM SAAM	76,642	26,830
Others		
Quiñenco and others	(2,146)	17,162
Operating income	79,609	66,674

Operating income at SM SAAM was Ch$76,642 million in 2017, significantly higher than the operating income of Ch$26,830 million for the previous year, primarily due to the non-recurring gain on the sale of its 35% interest in Tramarsa of approximately Ch$47,000 million in the current period, recognized in Other gains (losses). Good operating performance by the consolidated port terminals, driven by incorporating the port of Caldera and improved performance at Guayaquil, was partially offset by a lower contribution from towage and logistics.

The operating loss at Techpack was Ch$2,193 million in 2017, 51.4% lower than the previous year, primarily due to lower administrative expenses, as a result of reduced operations and a smaller management structure following the sale of the operating subsidiaries.

The operating loss at Quiñenco and others was Ch$2,146 million in 2017, which contrasts with Ch$17,162 million for the previous year, primarily due to the revaluation of its investment in SM SAAM of Ch$23,275 million in 2016, as a result of changing its accounting recognition from the equity method to consolidation, and, to a lesser extent, a 6.9% decrease in operating income at Banchile Vida, primarily due to a 1.4% decrease in gross income.

Operating income at Enex for 2017 was Ch$11,296 million, 58.3% less than the previous year, primarily due to an increase of 7.2% in administrative expenses, primarily due to higher depreciation of fixed assets, along with higher fees and transport costs associated with the greater volume sold in the service station channel and in the fleet card segment of the industrial channel, together with an increase in selling costs in the service station business, and higher expenses associated with growth in the convenience store business. Furthermore, provisions for legal contingencies increased in 2017.

Operating income at CSAV was merely Ch$948 million in 2017, a decrease of 81.6% compared to the operating income of Ch$5,165 million for the previous year, primarily due to reversing the provision for the NYSA-ILA litigation recognized in Other gains (losses) in 2016, partially offset by a favorable increase in gross income.

7 Operating income includes Gross income, Other revenue by function, Distribution costs, Administrative expenses, Other expenses by function and Other gains (losses).

Non-Operating Income (Loss)

The comparative composition of non-operating income (loss) is as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Finance income	14,737	9,521
Finance costs	(50,705)	(44,323)
Share of income (loss) of associates and joint ventures	(17,804)	67,373
Exchange differences	3,026	2,169
Loss on indexed assets and liabilities	(14,110)	(17,387)
Non-operating income (loss)	(64,856)	17,353

The non-operating loss was Ch$64,856 million in 2017, which contrasts negatively with non-operating income of Ch$17,353 recorded in 2016. The most important movements were the following:

- Share of associates' results reached a loss of Ch$17,804 million in 2017, which contrasts negatively with net income of Ch$67,373 million in 2016, primarily due to the negative change in the contribution from CSAV's investment in Hapag-Lloyd, reflecting the dilution loss in Hapag-Lloyd that arose from the merger with UASC, net of the gain on an additional interest acquired in the last quarter of 2017, partially offset by CSAV's share of net income from the German shipping company as of December 31, 2017, adjusted for the revaluation to fair value of this investment by CSAV, which in all resulted in a loss of Ch$94,855 million, significantly higher than the loss of Ch$5,335 million reported in 2016. To a lesser extent, the decrease is also due to SM SAAM associates that registered a negative change of Ch$14,056 million or 49.1% in 2017. These changes were partially offset by an increase of Ch$13,889 million reflecting Invexans' and, to a lesser extent, Techpack's interest in the net income of Nexans as of December 31, 2017, adjusted for fair value, which produced a gain of Ch$24,419 million as of December 31, 2017, compared to a gain of Ch$10,530 million in the previous year. Furthermore, although to a lesser extent, the contribution from IRSA increased by 11.7% this year.
- Higher finance costs, primarily incurred by Quiñenco and, to a lesser extent, SM SAAM and CSAV, partially offset by lower finance costs at Enex.

This was partially offset by:
- Higher finance income, primarily at Quiñenco and, to a lesser extent, at Techpack and SM SAAM, reflecting higher available cash balances.
- Lower indexation losses, primarily at LQIF and Quiñenco, due to lower inflation in 2017 and a favorable effect on liabilities in UF.
- A higher gain from exchange differences, primarily due to positive changes at Enex, Techpack, CSAV and, to a lesser extent, Invexans, partially offset by negative changes at SM SAAM.

Net Income from Non-Banking Businesses

	Figures in MCh$	
	12/31/2017	12/31/2016
Net income from continuing operations before taxes	14,753	84,027
Income tax expense	(65,163)	(29,253)
Net income (loss) from discontinued operations	(3,925)	14,794
Consolidated net income (loss) from non-banking businesses	(54,335)	69,568

Non-banking businesses recorded a consolidated net loss of Ch$54,335 million in 2017, which negatively contrasts with consolidated net income of Ch$69,568 million for the previous year, mainly due to lower performance by CSAV, primarily due to the unfavorable accounting effect of diluting its interest in Hapag-Lloyd as a result of the merger with UASC, which was partially offset by the favorable accounting effect of increasing its interest in the last quarter of 2017, and good results from Hapag-Lloyd for the period. Lower consolidated net income at Quiñenco at the corporate level, Enex, Techpack and Banchile Vida, were partially offset by increased net income at Invexans, reflecting good performance by Nexans, at SM SAAM and LQIF holding company.

2. Analysis of Banking Services Results

The following companies are included in banking services: Banco de Chile and SM-Chile, which present their financial statements partially under IFRS for the years 2017 and 2016.

Banking Services Results	Figures in MCh$	
	12/31/2017	12/31/2016
Operating revenues	685,804	637,425
Non-operating loss	(67,010)	(68,936)
Income tax expense	(115,128)	(89,147)
Consolidated net income from banking services	503,667	479,342

Operating revenues[8]

Operating revenues reached Ch$1,710,443 million in 2017, 1.5% lower than the previous year, primarily due to lower non-recurring income associated with the sale of investments held for sale in 2016, and, to a lesser extent, lower income associated with the Bank's net asset position in UF in a lower inflation context, and lower income from trading financial instruments and derivatives. These negative effects were partially offset by growth in customer related income, primarily due to an increase in loan margins, primarily from the retail market, and higher net fees.

Loan loss provisions

Banco de Chile's loan loss provisions were Ch$234,982 million in 2017, 24.1% lower than the provisions for 2016 of Ch$309,735 million. This change is primarily due to additional provisions in 2016 as a result of deterioration in the economic environment and its potential impact on the portfolio loan quality, and a net credit improvement in the Bank's portfolio, primarily attributable to the wholesale segment.

Operating expenses

Operating expenses were Ch$789,656 million in 2017, 0.1% higher than Ch$788,787 million in 2016. This change is primarily due to higher administrative expenses, higher provisions and expenses regarding assets received in lieu of payment, and higher amortization and depreciation, which were almost entirely offset by lower payroll and personnel expenses.

Non-operating loss[9]

A non-operating loss of Ch$67,010 million was recorded in 2017, 2.8% lower than the non-operating loss of Ch$68,936 million for 2016, primarily due to an improved result from equity investments and, to a lesser extent, lower interest on the subordinated debt with the Chilean Central Bank in 2017, primarily due to lower inflation during the year.

Net income from banking services

Consolidated net income from banking services increased by 5.1% to Ch$503,667 million during 2017, primarily due to lower loan loss provisions, partially offset by lower operating revenues and higher income tax expense.

8 *Operating revenues correspond to Total net operating revenues excluding loan loss provisions.*
9 *The non-operating loss includes the result of equity investments and interest on the subordinated debt with the Chilean Central Bank.*

3. Results Analysis by Segment

The following shows the composition of results by segment.

Business sector / Segment	Figures in MCh$													
	Manufacturing		Financial		Energy		Transport		Port Services		Other		Total	
	As of December 31,													
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Non-banking businesses														
Net income (loss) from continuing operations before taxes	24,081	5,463	(14,659)	(16,478)	9,729	21,196	(96,731)	(4,057)	78,188	45,567	14,145	32,336	14,753	84,027
Income tax benefit (expense)	929	(4,372)	1,452	663	(955)	(969)	(29,677)	(14,057)	(36,074)	(7,829)	(838)	(2,688)	(65,163)	(29,253)
Net income (loss) from discontinued operations	(3,093)	13,878	-	-	-	-	(832)	916	-	-	-	-	(3,925)	14,794
Consolidated net income (loss) from non-banking businesses	21,917	14,968	(13,207)	(15,815)	8,774	20,227	(127,240)	(17,198)	42,114	37,738	13,307	29,648	(54,335)	69,568
Banking services														
Net income before taxes	-	-	618,204	568,489	-	-	-	-	-	-	590	-	618,794	568,489
Income tax expense	-	-	(115,128)	(89,147)	-	-	-	-	-	-	-	-	(115,128)	(89,147)
Consolidated net income from banking services	-	-	503,076	479,342	-	-	-	-	-	-	590	-	503,667	479,342
Consolidated net income (loss)	21,917	14,968	489,869	463,527	8,774	20,227	(127,240)	(17,198)	42,114	37,738	13,897	29,648	449,332	548,910
Net income (loss) attributable to non-controlling interest	(167)	3,091	370,574	351,690	-	-	(56,036)	(7,184)	22,296	20,699	3,925	3,712	340,592	372,008
Net income (loss) attributable to owners of the controller (1)	22,084	11,877	119,295	111,837	8,774	20,227	(71,203)	(10,014)	19,818	17,039	9,972	25,936	108,740	176,902
EBITDA(2)	(4,650)	(5,774)	719,130	669,289	45,809	49,726	(847)	(3,583)	69,246	63,369	2,369	7,039	831,056	780,066

(1) Net income attributable to owners of the controller for each segment consists of the final contribution from each segment, and the companies within them, to Quiñenco's net income.
(2) EBITDA is defined as Operating income, excluding Other gains (losses), plus Depreciation and Amortization.

Manufacturing Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
Invexans[10]	23,611	8,946
Techpack[11]	(1,527)	2,931
Net income for the manufacturing segment	22,084	11,877

The manufacturing segment contributed Ch$22,084 million to Quiñenco's net income for 2017, 85.9% higher than the previous year.

Invexans

Invexans	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	2	42
Operating loss	(912)	(962)
Non-operating income	23,903	10,175
Net income attributable to owners of the controller	23,927	9,071

Invexans reported net income of Ch$23,927 million[12] in 2017, significantly higher than its net income of Ch$9,071 million for the previous year. This change is primarily due to improved performance by its associate Nexans in 2017.

10 Quiñenco's share of net income at Invexans.
11 Quiñenco's share of net income at TechPack.
12 The analysis of Invexans is based on its financial statements prepared in the functional currency of Quiñenco. The functional currency of Invexans differs from that of Quiñenco, as well as some classifications of accounting items.

Invexans reported an operating loss of Ch$912 million in 2017, 5.1% less than in 2016, primarily due to the gain on the sale of properties located in San Bernardo for Ch$1,514 million in the current year. However, there were higher litigation expenses in Brazil during 2017. Meanwhile, administrative expenses have continued their downward trend.

Non-operating income was Ch$23,903 million in 2017, significantly higher than the non-operating income of Ch$10,175 million recorded in the previous year. This positive change is primarily due to higher income from joint ventures in 2017, relating to Invexans recognizing its investment in Nexans using the equity method. This company reported net income of €125 million for 2017, significantly higher than the net income of €61 million in 2016. Operating income grew by 12% compared to the previous year reaching €272 million, with an increase in organic sales[13] of 5.1%, primarily due to a significant increase in the high voltage submarine business, which grew 45% in the year. The transmission, distribution and operators division performed well, with organic sales growing by 13% and operating income by 27%, primarily due to a significant increase in sales within the high voltage submarine segment as already mentioned, and a high demand for telecommunications cables, which offset a fall in the distribution market, although it did recover in the second half of the year. Organic sales in the distributors and installers division increased by 0.9%, reflecting contrasting trends between power cables and LAN cables. Power cables for the construction market recovered and achieved an organic increase of 3.5% across all regions, with the exception of South America. Meanwhile, sales of LAN cables fell by 6.9%, which continued its downward trend, particularly in North America, despite growth recovering in the second half of the year in Europe, Asia-Pacific, South America, the Middle East and Africa. Organic sales in the industrial division decreased by 1.6%. Sales of automotive harnesses grew by 2%, while sales of other industrial cables declined by 4%, primarily due to a fall of 30% in cables for the oil and gas sector, particularly in Asia. Non-operating income at Nexans increased by €70 million, associated with raw material price changes on un-hedged inventory (net income of €64 million for 2017 versus a loss of €6 million for 2016). Invexans adjusted its proportional net income to reflect the fair value of Nexans' assets, which, together with its share of net income, resulted in a gain for Invexans on its investment in the French company of Ch$23,965 million in 2017, significantly higher than the gain of Ch$10,436 million in 2016.

The income tax credit at Invexans was Ch$936 million in 2017, contrasting positively with the charge of Ch$142 million in 2016.

Techpack

Techpack	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	8	15
Operating loss	(2,193)	(4,517)
Net income (loss) from discontinued operations	(3,080)	13,878
Net income (loss) attributable to owners of the controller	(1,982)	4,286

Techpack sold its flexible packaging business on May 31, 2016. Therefore, five months of operations at this packaging business in 2016 and the result of the sale are included in discontinued operations in the consolidated financial statements.

Techpack had a net loss of Ch$1,982 million[14] in 2017, which negatively contrasts with net income of Ch$4,286 million for the previous year, primarily due to the gain on the sale of the flexible packaging business to Amcor in 2016.

Techpack had an operating loss of Ch$2,193 million in 2017, 51.4% less than in 2016, primarily due to lower administrative expenses in 2017, due to reducing the operation and management structure following the sale of operating subsidiaries in May 2016, and, to a lesser extent, to the positive change in Other gains (losses) primarily due to gains on the sale of properties in San Miguel and Huechuraba during 2017, compared to non-recurring negative effects in 2016.

13 Organic Growth: Nexans compares sales on the same consolidation basis, excluding the impact of acquisitions and divestitures between one period and another, exchange rate effects, and changes in the prices of base metals.

14 The analysis of Techpack is based on its financial statements prepared in the functional currency of Quiñenco. The functional currency of Techpack differs from that of Quiñenco, as well as some classifications of accounting items.

Techpack recorded non-operating income of Ch$3,271 million during 2017, significantly higher than the non-operating income of Ch$767 million for the previous year, primarily due to higher finance income, mainly due to larger cash balances, and a higher gain on exchange differences.

Net income from Techpack's discontinued operations amounted to a loss of Ch$3,080 million in 2017, which contrasts negatively with the gain of Ch$13,878 million for the previous year, primarily due to the gain reported in 2016 associated with the sale of the packaging business. The 2017 result also includes a price adjustment on the sale of the flexible packaging business, taxes and fees relating to this transaction, and the costs related to the brass mills discontinued operations.

Finally, the income tax expense was Ch$7 million during 2017, 99.8% lower than the income tax expense of Ch$4,231 million in the previous year, primarily due to the reversal of deferred tax assets associated with the packaging business sold in 2016.

Financial Services Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
LQIF holding company[15]	(6,604)	(7,908)
Banking sector[16]	125,899	119,745
Net income for the financial segment	119,295	111,837

The financial services segment contributed Ch$119,295 million to Quiñenco's net income for 2017, an increase of 6.7% with respect to the previous year.

The banking sector includes Banco de Chile and SM-Chile, and the most important component of its results is the subordinated debt with Banco Central de Chile.

LQIF holding

LQIF holding	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	-	-
Operating loss	(4,026)	(4,115)
Net loss from non-banking services	(13,207)	(15,815)

LQIF holding company recorded a loss of Ch$13,207 million in 2017, a reduction of 16.5% compared to the loss of Ch$15,815 million for the previous year, primarily due to a positive change in indexation losses, due to a lower increase in the UF in 2017 (1.7% as of December 31, 2017 compared to 2.8% as of December 31, 2016) and its effect on liabilities expressed in UF, and a higher income tax credit.

Banco de Chile

Banco de Chile	Figures in MCh$	
	12/31/2017	12/31/2016
Operating revenues	1,709,270	1,734,794
Loan loss provisions	(234,982)	(309,735)
Operating expenses	(789,298)	(788,283)
Net income attributable to owners of the controller	576,012	552,249

Banco de Chile reported net income of Ch$576,012 million in 2017, 4.3% higher than the previous year. This change is primarily due to a reduction in loan loss provisions, which was partially offset by a decrease in operating revenues and an increase in income tax expense.

15 Quiñenco's share of net income from the non-banking services at LQIF.
16 Quiñenco's share of net income at Banco de Chile and SM-Chile.

Operating revenues declined by 1.5% in 2017, primarily due to non-recurring income of approximately Ch$60,000 million in the first half of 2016 for the sale of instruments available for sale. To a lesser extent, the contribution of the Bank's net asset position in UF fell in 2017, primarily due to a smaller change in the UF (1.7% as of December 31, 2017 compared to 2.8% as of December 31, 2016), which resulted in a reduction in income of close to Ch$20,000 million. Finally, the reduced return on trading financial instruments and derivatives accounted for a reduction of approximately Ch$14,500 million in income. These negative changes were partially offset by an increase of about Ch$41,100 million in deposit margins, associated with a growth strategy focused on the retail market, which facilitated improvements in their spread; higher net fees of 8.2% at Ch$26,403 million, primarily due to higher fees on transactional services, mutual funds, securities brokerage, insurance and financial advice; and, to a lesser extent, higher other operating income.

Loan loss provisions at Banco de Chile totaled Ch$234,982 million, a decrease of 24.1% compared to Ch$309,735 million in 2016. This change was primarily due to: (i) Additional provisions in 2016 of Ch$52,075 million, as a result of a deterioration in the economic environment and its potential impact on portfolio loan quality; and (ii) a net credit improvement of approximately Ch$41,600 million, primarily due to lower risks in the wholesale segment, accompanied by a reduction of 9% in the volume of wholesale deposits.

Therefore, the portfolio expense indicator was 0.93% as of December 2017, which compares favorably with 1.25% as of December 2016. The Bank had an overdue portfolio indicator of 1.19% as of December 2017, slightly higher than its value as of December 2016 of 1.15%.

Operating expenses increased by 0.1% to Ch$789,298 million in 2017, compared to Ch$788,283 million in 2016. This change is primarily due to (i) higher administrative expenses of Ch$5,111 million, as a result of increased spending on outsourced services, external consulting and professional services, partially offset by lower marketing expenses, surveillance services and securities transport services; (ii) an increase of Ch$2,637 million in other operating expenses, primarily due to new provisions and expenses on goods received in lieu of payment; and (iii) an increase of Ch$1,962 million in amortization and depreciation. These increases were almost entirely offset by lower payroll and personnel expenses of Ch$8,587 million or 2.1%, primarily due to lower expenses for compensation, benefits and termination indemnities.

Income tax expense increased by 29.2% to Ch$115,034 million in 2017.

Subordinated Debt with the Chilean Central Bank

Interest and indexation for 2017 on the subordinated debt with the Chilean Central Bank was 0.5% lower than the previous year, primarily due to lower inflation during 2017.

Energy Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
Enex[17]	8,774	20,227
Net income from the energy segment	8,774	20,227

The energy segment contributed Ch$8,774 million to Quiñenco's net income for 2017, 56.6% less than the previous year.

Enex

Enex	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	1,888,725	1,691,434
Net operating income	11,296	27,110
Net income attributable to owners of the controller	8,774	20,227

Enex reported net income of Ch$8,774 million during 2017, 56.6% lower than in the previous year, primarily due to a weaker operating performance, partially offset by improvements to non-operating income.

17 Quiñenco's share of net income at Enex.

Revenue amounted to Ch$1,888,725 million in 2017, 11.7% higher than the previous year, primarily due to higher fuel and lubricant prices, and, to a lesser extent, an increase of 1.8% in volumes sold, reflecting growth in the service station channel and in the fleet card segment of the industrial channel, used mostly by transport companies. Total volumes in 2017 were 3,730,000 cubic meters, 1.8% higher than the previous year, of which 97.6% were fuels. Gross income amounted to Ch$195,683 million, 2.0% higher than the previous year, primarily due to higher volumes sold and improved margins on lubricants.

Operating income at Enex amounted to Ch$11,296 million in 2017, 58.3% less than the previous year, primarily due to an increase of 7.2% in administrative expenses, primarily due to higher depreciation of fixed assets. Furthermore, fee expenses and transport costs increased as a result of greater volumes sold in the service station channel and in the fleet card segment of the industrial channel, together with increased selling costs in the service station business and increased expenses associated with growth in the convenience store business. Furthermore, provisions for legal contingencies increased in 2017. Meanwhile, EBITDA reached Ch$45,809 million as of December 31, 2017, 7.9% less than 2016.

The non-operating loss was Ch$1,567 million in 2017, 73.5% less than the loss of Ch$5,914 million in 2016, primarily due to lower net finance costs, and, to a lesser extent, higher gains on exchange differences.

Income tax expense at Enex was Ch$955 million for 2017, a reduction of 1.5% from the expense of Ch$969 million for the previous year.

Transport Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
CSAV[18]	(71,203)	(10,014)
Net loss for the transport segment	(71,203)	(10,014)

The transport segment contributed a net loss of Ch$71,203 million to Quiñenco's net income for 2017, which is significantly higher than its net loss of Ch$10,014 million for the previous year.

CSAV's result is adjusted by the fair value valuation of Quiñenco's investment in CSAV. This adjustment resulted in a loss of Ch$240 million in December 2017 (a loss of Ch$684 million in 2016).

CSAV

CSAV	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	71,476	73,934
Net operating income	948	5,165
Non-operating loss	(97,094)	(7,999)
Net loss attributable to owners of the controller	(126,811)	(16,669)

CSAV registered a net loss of Ch$126,811 million[19] in 2017, significantly higher than the loss of Ch$16,669 million for the previous year, primarily due to the unfavorable accounting effect of diluting its interest in Hapag-Lloyd as a result of the merger with UASC, partially offset by the favorable accounting effect of increasing its interest in Hapag-Lloyd, improved performance by the German shipping company during the period, and better results from the car carrier business operated directly by CSAV.

CSAV's revenue declined by 3.3% to Ch$71,476 million in 2017, compared to 2016, primarily due to the conversion to Chilean pesos, reflecting a lower average exchange rate during 2017 compared to the previous year. However, revenue increased slightly in US dollar terms by 0.5%, primarily due to a slight increase in revenue from the car carrier business, reflecting significant growth in transported volumes, partially offset by a decrease in average freight rates. The decrease in freight rates was mitigated by an increase in fuel prices, which affects the rates with bunker adjustment clauses.

18 Quiñenco's share of net loss at CSAV, adjusted for the estimated fair value of this investment.
19 The analysis of CSAV is based on its financial statements prepared in Quiñenco's functional currency. CSAV and Quiñenco have different functional currencies.

CSAV achieved gross income of Ch$4,800 million in 2017, significantly higher than the Ch$2,072 million achieved in 2016. This favorable change reflects a greater decrease in cost of sales in comparison to sales. The decrease in cost of sales is primarily due to a more efficient operational structure for car carrier services and an increase in the vessel utilization rate, partially offset by higher average fuel prices, which increased by close to 43%. A proportion of the negative effect on costs was partially offset by higher revenue from rates with bunker adjustment clauses.

Operating income was Ch$948 million in 2017, 81.6% lower than the Ch$5,165 million recorded in 2016. This decrease is primarily due to the provision reversal for the NYSA-ILA case in 2016 (related to the favorable resolution of a lawsuit by the "NYSA-ILA" Pension Fund, which covers stevedores at ports in New York state and New Jersey), which was recognized in Other gains (losses), partially offset by lower administrative expenses.

The non-operating loss was Ch$97,094 million in 2017, significantly higher than the loss of Ch$7,999 million in 2016. This negative change is primarily due to the dilution accounting loss of US$167 million (Ch$112,421 million) in the second quarter of 2017, following the merger of Hapag-Lloyd with UASC. This adverse effect was partially offset by the accounting gain associated with the acquisition of an additional interest in Hapag-Lloyd in the last quarter of 2017 for US$15 million (Ch$10,184 million) and an improved result from the interest in Hapag-Lloyd, adjusted to fair value by CSAV, which reached US$12.9 million (Ch$7,382 million). CSAV's interest in Hapag-Lloyd including all the aforementioned events deteriorated significantly from a loss of US$7.0 million (Ch$5,335 million) in 2016, to a loss of US$139.5 million (Ch$94,855 million) in 2017, based on ownership in Hapag-Lloyd of 31.35% for the first quarter of 2017, 22.58% for the second and third quarter of 2017, and 25.5% for the fourth quarter of 2017.

Net income at Hapag-Lloyd was US$30 million in 2017, which compares favorably with the net loss of US$107 million for the previous year. Sales grew by 32.1%, reflecting growth in volumes transported of 29.0% and a slight increase in average rates of 1.4% compared to the previous year, primarily due to the merger with UASC, together with positive developments in the global container shipping industry. Hapag-Lloyd estimated that this merger will generate synergies of US$435 million from greater efficiencies and economies of scale in its fleet and network, although only a fraction of these were reflected in 2017. Earnings before interest and taxes (EBIT) for the German shipping company were US$466 million in 2017, significantly higher than the gain of US$140 million in the previous year. However, EBITDA reached US$1,198 million with a margin of 10.6%, 78.5% higher than in 2016 (US$671 million).

CSAV's income tax expense was Ch$29,833 million in 2017, 112.2% higher than in 2016. The current year's expense is primarily due to taxes on the interest associated with the financing structure to maintain the investment in Hapag-Lloyd.

The loss on discontinued operations of Ch$832 million as of December 31, 2017, arose from the logistics and freight forwarding business, which negatively contrasts with the gain of Ch$916 million as of December 31, 2016, which arose from both the liquid bulk transport business and the logistics and freight forwarding business. CSAV decided to close its logistical transport and freight forwarding business during the last quarter of 2017. Norgistics Chile was sold in December 2017.

Port Services Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
SM SAAM[20]	19,818	17,039
Net income from the port services segment	19,818	17,039

The port services segment contributed Ch$19,818 million to the net income of Quiñenco in 2017, 16.3% higher than in 2016. The increase in the contribution reflects the improved net income at SM SAAM, together with an increase in Quiñenco's interest since the last quarter of 2016 (from 50.8% to 52.2%), which was mitigated by Quiñenco's fair value adjustment, which was a loss of Ch$967 million as of December 2017 (the adjustment was a loss of Ch$1,840 million as of December 2016).

SM SAAM

SM SAAM	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	303,261	266,522
Operating income	76,642	26,830
Non-operating income	6,326	23,669
Net income attributable to owners of the controller	39,820	37,002

SM SAAM achieved net income of Ch$39,820 million[21] in 2017, 7.6% higher than the previous year, primarily due to the non-recurring gain on the sale of its interest in Tramarsa, partially offset by weaker performance from the logistics division, including costs associated with closing some businesses, and towage, primarily in Mexico and Uruguay. The ports division achieved increased activity at the port of Guayaquil in Ecuador and incorporated Puerto Caldera in Costa Rica, which offset weaker performances at its San Antonio and San Vicente ports.

SM SAAM revenue reached Ch$303,261 million in 2017, increasing by 13.8%, primarily due to higher revenue from port terminals, partially offset by lower revenue from logistics in Chile and the towage division. Revenue for the port terminal segment was boosted by incorporating Puerto Caldera in Costa Rica in February 2017, and increased revenue at the remaining consolidated ports, particularly Guayaquil (TPG), which achieved a significant increase in its volumes as a result of winning new contracts at the beginning of the year. Revenue from logistics decreased as a result of the restructuring processes, consistent with its business strategy focused on transportation, warehousing and value-added services to specific industries. This involved closing businesses associated with shipping companies, such as maritime agencies and container storage, repair and maintenance. Revenue from the towage division decreased primarily due to lower revenue in Mexico, affected by a smaller number of off-shore contracts, and to fewer special services in Uruguay.

SM SAAM earned gross income of Ch$79,373 million in 2017, 9.8% higher than the previous year, primarily due to higher gross income from port terminals, partially offset by lower gross income at the towage and logistics divisions. Operating income was Ch$76,642 million in 2017, significantly higher than the Ch$26,830 million achieved the previous year, primarily due to the non-recurring gain of approximately Ch$47,000 million on the sale of its 35% interest in Tramarsa. Good operating performance was achieved at consolidated port terminals, boosted by incorporating Puerto Caldera and the excellent performance at Guayaquil, though this was partially offset by weaker performances from the towage division in Mexico and Uruguay, and logistics in Chile.

Non-operating income was Ch$6,326 million in 2017, 73.3% less than the previous year, primarily due to lower income in Peru following the sale of Tramarsa in April 2017, to smaller contributions from the ports of San Antonio and San Vicente, primarily due to lower volumes and a more competitive environment, and to a weaker performance of the towage business in Brazil, primarily due to higher fleet repositioning costs, higher maintenance costs and exchange rate effects.

Income tax increased significantly to Ch$37,364 million, primarily due to incorporating Puerto Caldera and the improved performance by Terminal Portuario Guayaquil.

20 Quiñenco's share of net income at SM SAAM, adjusted for the estimated fair value of this investment.
21 The analysis of SM SAAM is based on its financial statements prepared in Quiñenco's functional currency. SM SAAM and Quiñenco have different functional currencies.

Other Segment

	Figures in MCh$	
	12/31/2017	12/31/2016
IRSA[22]	36,879	33,010
Quiñenco and others	(26,907)	(7,074)
Net income from the Other segment	9,972	25,936

The Other segment contributed Ch$9,972 million to Quiñenco's net income in 2017, a reduction of 61.6% from net income of Ch$25,936 million in 2016, primarily due to the higher loss at Quiñenco and others, partially offset by an increased contribution from IRSA.

IRSA

The contribution to Quiñenco from IRSA, which owns CCU, increased by 11.7% in 2017. This increment was due to increased net income at CCU in 2017, and, to a lesser extent, smaller indexation losses and lower net finance costs at IRSA, partially offset by the absence of an income tax credit at IRSA in 2017.

CCU

CCU	Figures in MCh$	
	12/31/2017	12/31/2016
Revenue	1,698,361	1,558,898
Net operating income	227,177	192,306
Net income attributable to owners of the controller	129,607	118,457

CCU reports its consolidated financial statements in accordance with its operating segments. These are defined as the geographical areas of its commercial activities: Chile, International Businesses, Wine, and Other[23].

CCU had net income of Ch$129,607 million in 2017, 9.4% higher than the previous year, primarily due to higher operating income, partially offset by higher income tax and, to a lesser extent, a higher non-operating loss.

Revenue for CCU reached Ch$1,698,361 million in 2017, 8.9% higher than in 2016, as a result of 5.0% growth in consolidated volumes sold and 3.8% growth in average prices. The operating segments contributed to this sales growth as follows: International businesses contributed with a sales increase of 24.4%, given an increase of 6.4% in average prices, along with an increase of 16.9% in volumes sold, with Argentina achieving the highest volumes and, to a lesser extent, Uruguay and Paraguay; Chile contributed with a sales increase of 5.0%, given an increase of 3.7% in average prices, along with an increase of 1.2% in volumes sold; and Wine contributed with a sales increase of 1.5%, given a rise of 3.1% in volumes offsetting a decrease of 1.5% in average prices.

Operating income rose by 18.1%, primarily due to an increase of 10.1% in gross income, reflecting increases in the International Businesses and Chile segments, partially offset by lower gross margins in the Wine segment, primarily due to higher wine costs. These increases were partially offset by an increase of 7.9% on marketing, distribution, administrative and selling expenses. However, these expenses decreased as a percentage of sales in the Chile segment in response to initiatives contained in the CCU ExCCelencia plan, particularly in planning and logistics, and in International Businesses reflecting benefits of scale and efficiencies, in spite of higher inflation. However, these expenses slightly increased as a percentage of sales in the Wine segment.

The non-operating loss increased by 39.7% primarily due to higher finance costs, greater losses at associates and joint ventures, mostly in Colombia, and, to a lesser extent, lower finance income, partially offset by lower indexation losses, reflecting lower inflation.

22 Quiñenco's share of net income at IRSA.

23 Chile: includes commercialization of beer, soft drinks and spirits in Chile and strategic service units in the Chilean market. International Businesses: includes the sale of beer, cider, soft drinks and spirits in Argentina, Uruguay and Paraguay. Wine: includes the sale of Chilean wine, primarily to export markets. Other: includes corporate expenses and revenue and elimination of transactions between segments.

Income tax rose by 59.9% to Ch$48,366 million, primarily due to improved income before tax, and the increase in corporate income tax in Chile from 24.0% to 25.5%. In addition, indexation adjustments on CCU's tax equity was lower, due to lower inflation in comparison with the previous year.

Quiñenco and Others

Quiñenco and others recorded a net loss of Ch$26,907 million in 2017, significantly higher than the loss of Ch$7,074 million in 2016. This change in corporate results is due to a gain of Ch$23,275 million on revaluing the investment in SM SAAM reported as of December 2016, arising from changing the accounting recognition of this investment from the equity method to consolidation. To a lesser extent, higher corporate finance costs also contributed, due to a higher level of debt, together with higher administrative expenses. These negative changes were partially offset by improved tax results, higher finance income due to higher average cash balances during 2017, decreased contingency provisions, and improvements in indexation adjustments. The contribution from Banchile Vida decreased by 9.6% during the year, primarily due to a reduction of 6.9% in its net operating income.

III. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Assets

The consolidated assets of Quiñenco as of December 31, 2017, amount to Ch$37,982,420 million, an increase of 3.3% over the Ch$36,777,192 million recorded as of December 31, 2016, due to increases in banking services assets and non-banking businesses assets.

The composition of consolidated assets at the end of each year is as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	329,916	313,476
Techpack	145,072	169,344
Subtotal manufacturing	474,988	482,821
Financial		
LQIF holding	847,947	850,676
Energy		
Enex	855,670	777,630
Transport		
CSAV	1,393,001	1,451,517
Port Services		
SM SAAM	909,726	848,539
Others		
Quiñenco and others	676,904	832,577
Total assets non-banking businesses	5,158,236	5,243,760
Banking services assets	32,824,184	31,533,431
Total consolidated assets	37,982,420	36,777,192

	Figures in MCh$	
	12/31/2017	12/31/2016
Non-banking businesses current assets	876,109	995,455
Non-banking businesses non-current assets	4,282,128	4,248,305
Total assets non-banking businesses	5,158,236	5,243,760
Banking services assets	32,824,184	31,533,431
Total consolidated assets	37,982,420	36,777,192

Current assets non-banking businesses

The current assets of non-banking businesses were Ch$876,109 million as of December 31, 2017, which represents a decrease of 12.0% compared to December 31, 2016. The decrease is primarily due to lower cash balances, attributable to CSAV's investments in shares of Hapag-Lloyd, to dividend payments made primarily by Quiñenco, LQIF and SM SAAM, where the last two paid to third parties, to investments in property, plant and equipment primarily by Enex and SM SAAM, and, to a lesser extent, loan principal and interest payments primarily by Quiñenco, SM SAAM's acquisition of a 51% interest in Puerto Caldera in Costa Rica and an additional 15% interest in Iquique Terminal Internacional, and LQIF's acquisition of shares in Banco de Chile. These payments were partially offset by dividends received by LQIF from Banco de Chile, by receipts from the sale by SM SAAM of its 35% interest in Tramarsa, by receipts from third parties following the capital increase at CSAV, and, to a lesser extent, by net receipts from bank obligations at Enex and SM SAAM, and by dividends received by SM SAAM from its associates. The decrease in cash balances was partially offset by an increase in trade receivables and inventories at Enex.

Non-current assets non-banking businesses

Non-current assets at non-banking businesses were Ch$4,282,128 million, which represents a slight increase of 0.8% over December 31, 2016. This increase is primarily due to incorporating intangible assets other than goodwill from Puerto Caldera, acquired by SM SAAM in 2017, and to the increase in other non-current financial assets primarily at Banchile Vida. These increases were partially offset primarily by lower deferred tax assets, primarily at CSAV, and to decreased investments accounted for using the equity method. The principal changes in investments accounted for using the equity method were the following: a reduction in the book value of SM SAAM's associates (sale of investments, net income for the period net of dividends and conversion adjustments), partially offset by the increased book value of Nexans (net income for the period net of dividends and conversion adjustments) and the increased book value of IRSA (net income for the period net of dividends and conversion adjustments).

Banking services assets

Banking services assets as of December 31, 2017, were Ch$32,824,184 million, representing an increase of 4.1% over December 31, 2016.

Liabilities

The consolidated liabilities of Quiñenco at the end of each year were as follows:

	Figures in MCh$	
	12/31/2017	12/31/2016
Manufacturing		
Invexans	15,746	20,781
Techpack	2,072	14,471
Subtotal manufacturing	17,819	35,252
Financial		
LQIF holding	240,034	237,297
Energy		
Enex	287,934	217,129
Transport		
CSAV	91,295	108,250
Port Services		
SM SAAM	343,038	269,762
Others		
Quiñenco and others	834,159	876,046
Total liabilities non-banking businesses	1,814,278	1,743,736
Banking services liabilities	29,615,351	28,641,075
Total consolidated liabilities	31,429,629	30,384,811

	Figures in MCh$	
	12/31/2017	12/31/2016
Non-banking businesses current liabilities	432,364	410,712
Non-banking businesses non-current liabilities	1,381,914	1,333,024
Total liabilities non-banking businesses	1,814,278	1,743,736
Banking services liabilities	29,615,351	28,641,075
Total consolidated liabilities	31,429,629	30,384,811
Total equity	6,552,790	6,392,381
Total equity and liabilities	37,982,420	36,777,192

Current liabilities non-banking businesses

Current liabilities at non-banking businesses reached Ch$432,364 million, an increase of 5.3% over December 31, 2016. This increase is attributable primarily to higher trade payables at Enex and higher current tax liabilities due to an increase at SM SAAM following the sale of its interest in Tramarsa, partially offset by a reduction at Techpack after paying current taxes during the year. These increases were partially offset by a decrease in dividend provisions to Quiñenco shareholders and lower short-term provisions primarily at CSAV, partially offset by an increase in provisions at Enex.

Non-current liabilities non-banking businesses

Non-current liabilities at non-banking businesses reached Ch$1,381,914 million, an increase of 3.7% over December 31, 2016. This increase is primarily due to debt refinancing from short to long term through a local bond issue by SM SAAM and new long-term bank financing at SM SAAM subsidiaries (primarily in Costa Rica and Ecuador) and, to a lesser extent, by an increase in bank liabilities at Enex. This increase was partially offset by reclassifying financial obligations for installments due over the next 12 months as short-term, primarily by Quiñenco.

Total liabilities at non-banking businesses reached Ch$1,814,278 million as of December 31, 2017, an increase of 4.0% over December 31, 2016, primarily due to an increase in both non-current and current liabilities.

Banking Services Liabilities

Banking services liabilities rose by 3.4% compared to December 31, 2016.

Equity[24]

Quiñenco's equity was Ch$2,963,713 million as of December 31, 2017, 1.2% lower than as of December 31, 2016. This decrease is due to a negative change in other reserves, partially offset by net income for the year, net of dividends. The change in other reserves is primarily attributable to negative conversion differences, primarily at CSAV, SM SAAM and Techpack.

IV. TRENDS IN INDICATORS

Key Financial Indicators		12/31/2017	12/31/2016
LIQUIDITY*			
Current Liquidity	times	2.0	2.4
(Current assets/Current liabilities)			
Acid ratio	times	0.6	1.1
(Cash & cash equivalents/Current liabilities)			
DEBT*			
Leverage ratio	times	0.61	0.58
(Total liabilities/Equity attributable to owners of the controller)			
Current debt/Total debt	%	23.83%	23.55%
(Current liabilities/Total liabilities)			
Non-current debt/Total debt	%	76.17%	76.45%
(Non-current liabilities/Total liabilities)			
Financial expenses coverage	times	1.21	3.23
((Non-banking net income + Income tax expense + Finance costs)/Finance costs)			
ACTIVITY*			
Inventory turnover	times	21.44	16.59
(Cost of sales/Average inventories)			
PROFITABILITY			
Return on equity	%	3.6%	5.9%
(Net income attributable to the controller/Average equity attributable to owners of the controller)			
Return on assets of non-financial segments	%	-0.2%	1.6%
(Net income attributable to the controller non-financial segments/Average assets non-financial segments)			
Return on assets of financial segment	%	0.4%	0.3%
(Net income attributable to the controller financial segment/Average assets financial segment)			
Earnings per share	Ch$	65.40	106.39
(Net income attributable to the controller/Weighted average number of shares)			
Dividend yield	%	1.5%	1.5%
(Dividend payments last 12 months per share/Closing share price)			

Excludes banking services assets and liabilities.
** *Excludes liabilities included in disposal groups classified as held for sale.*

24 Equity is equity attributable to owners of the controller.

Liquidity

The non-banking businesses' current liquidity ratio decreased from 2.4 as of December 31, 2016 to 2.0 as of December 31, 2017. This decrease is primarily due to a decrease of 12.0% in current assets, in relation to the increase in current liabilities of 5.3%, explained above.

Leverage

The non-banking businesses' leverage ratio increased from 0.58 as of December 31, 2016, to 0.61 as of December 31, 2017. This is primarily due to an increase of 4.0% in total liabilities, and a decrease in the equity of the controller of 1.2%, as explained above. The current liabilities of the non-banking businesses as of December 31, 2017, represent 23.8% of the total liabilities of the non-banking businesses, compared to 23.6% as of December 31, 2016.

The financial expenses coverage ratio for the non-banking businesses decreased from 3.23 as of December 31, 2016, to 1.21 as of December 31, 2017. This change is primarily due to the reduction in net income for the non-banking businesses as explained above, and, to a lesser extent, to an increase in finance costs of 14.4%, reflecting the increase in non-current liabilities explained above.

Activity

Inventory turnover increased from 16.59 as of December 31, 2016, to 21.44 as of December 31, 2017. This increase is due to lower average inventory (-13.1%), and an increase in the cost of sales (12.3%) in 2017. The lower average inventory is primarily due to Techpack for the sale of its flexible packaging business in 2016.

Profitability

Return on equity decreased from 5.9% as of December 31, 2016 to 3.6% as of December 31, 2017. This decrease is primarily due to lower net income attributable to the controller (-38.5%), and a decrease in average equity (-1.0%).

Return on assets for the non-banking businesses decreased from 1.6% as of December 31, 2016, to -0.2% as of December 31, 2017. This change is primarily due to the net loss attributable to the controller from the non-financial segments in 2017, in comparison to the net income attributable to the controller from the non-financial segments in 2016, and to the increase in the non-financial segment's average assets of 5.5%.

Earnings per share decreased from Ch$106.39 as of December 31, 2016, to Ch$65.40 as of December 31, 2017. This decrease is due to the lower net income attributable to the controller in 2017 of (-38.5%).

The dividend yield remained constant at 1.5% as of December 31, 2016 and 2017. A higher dividend was paid in the last twelve months, up 39.0%, which was offset by the higher share price, up 36.5%.

V. SUMMARIZED STATEMENT OF CASH FLOWS

Cash flows of non-banking businesses	Figures in MCh$	
	12/31/2017	12/31/2016
Net cash flows provided by operating activities	61,612	120,064
Net cash flows provided by (used in) financing activities	(52,980)	150,258
Net cash flow provided by (used in) investing activities	(261,075)	(18,821)
Total net cash flows for the year	(252,444)	251,502

As of December 31, 2017, Quiñenco reported a negative net cash flow of Ch$252,444 million for the non-banking businesses, primarily due to the negative cash flow used in investing activities of Ch$261,075 million and, to a lesser extent, the negative cash flow used in financing activities of Ch$52,980 million, partially offset by the positive cash flow from operating activities of Ch$61,612 million.

The positive cash flow provided by operating activities is primarily due to customer collections of Ch$2,568,138 million primarily by Enex and, to a lesser extent, SM SAAM, CSAV and Banchile Vida, partially offset by payments to suppliers of Ch$2,259,255 million by Enex and, to a lesser extent, by SM SAAM, CSAV and Banchile Vida, and by payments to employees of Ch$147,217 million primarily at SM SAAM and Enex, and, to a lesser extent, Quiñenco and CSAV, and other payments for operating activities of Ch$89,479 million by Enex, and, to a lesser extent, SM SAAM.

The negative flow used in financing activities is primarily due to paying dividends of Ch$108,978 million, primarily by Quiñenco, LQIF to third parties and, to a lesser extent, SM SAAM and Banchile Vida, both to third parties. The change is also attributable to interest paid of Ch$41,894 million, primarily by Quiñenco and, to a lesser extent, by LQIF, SM SAAM, CSAV and Enex. This was partially offset by receipts from issuing shares valued at Ch$79,216 million, reflecting third parties subscribing to the capital increase at CSAV and, to a lesser extent, by obtaining net obligations of Ch$21,258 million, which are primarily loans obtained by Enex and SM SAAM, which partially offset the loan repayments by Quiñenco.

The negative flow used in investing activities is primarily due to: (i) CSAV acquiring shares in Hapag-Lloyd valued at Ch$185,110 million; (ii) property, plant and equipment acquisitions of Ch$96,958 million, primarily by Enex and SM SAAM; (iii) investments in time deposits and others at over 90 days (net) of Ch$54,191 million, primarily by Banchile Vida, LQIF and Quiñenco; (iv) other payments of Ch$41,425 million, primarily due to investments in the capital market primarily by Techpack and SM SAAM, partially offset by the opening available cash balance acquired by SM SAAM when it acquired 51% of Puerto Caldera; and (v) SM SAAM acquiring a 51% interest in Puerto Caldera for Ch$31,197 million and SM SAAM acquiring an additional 15% interest in Iquique Terminal Internacional for Ch$7,479 million. These negative changes were partially offset by funds received from the sale of shares by SM SAAM for Ch$85,260 million, primarily relating to its 35% interest in Tramarsa, dividends received of Ch$45,375 million, primarily from SM SAAM's associates and IRSA, and receipts from the sale of property, plant and equipment of Ch$17,073 million by SM SAAM, Invexans, Techpack and CSAV.

Banking Services Cash Flows	Figures in MCh$	
	12/31/2017	12/31/2016
Net cash flows provided by (used in) operating activities	1,109,490	(236,912)
Net cash flows provided by (used in) financing activities	121,939	(128,370)
Net cash flow provided by (used in) investing activities	(1,119,887)	495,148
Total net cash flows for the year	111,543	129,867

As of December 31, 2017, Quiñenco reported a total positive net cash flow of Ch$111,543 million for the banking services, primarily due to the positive cash flow from operating activities of Ch$1,109,490 million and, to a lesser extent, the positive cash flow from financing activities of Ch$121,939 million, partially offset by the negative cash flow used in investing activities of Ch$1,119,887 million.

VI. SUMMARIZED STATEMENT OF COMPREHENSIVE RESULTS

	Figures in MCh$		Change
	12/31/2017	12/31/2016	
Non-banking businesses results			
Revenue	**2,381,154**	**2,146,958**	**10.9%**
Manufacturing	9	57	-83.8%
Financial	-	-	-
Energy	1,888,725	1,691,434	11.7%
Transport	71,476	73,934	-3.3%
Port Services	303,261	266,522	13.8%
Other	117,683	115,011	2.3%
Cost of sales	**(2,025,230)**	**(1,803,433)**	**12.3%**
Manufacturing	-	(3)	-100.0%
Financial	-	-	-
Energy	(1,693,042)	(1,499,640)	12.9%
Transport	(66,676)	(71,862)	-7.2%
Port Services	(223,888)	(194,221)	15.3%
Other	(41,624)	(37,708)	10.4%
Operating income	**79,609**	**66,674**	**19.4%**
Manufacturing	(3,106)	(5,479)	-43.3%
Financial	(4,026)	(4,115)	-2.2%
Energy	11,296	27,110	-58.3%
Transport	948	5,165	-81.6%
Port Services	76,642	26,830	185.7%
Other	(2,146)	17,162	n.a.
Non-operating income	**(64,856)**	**17,353**	**n.a.**
Finance income	14,737	9,521	54.8%
Finance costs	(50,705)	(44,323)	14.4%
Share of income (loss) of associates & joint ventures	(17,804)	67,373	n.a.
Exchange differences	3,026	2,169	39.5%
Loss from indexation adjustments	(14,110)	(17,387)	-18.8%
Income tax expense	(65,163)	(29,253)	122.8%
Net income (loss) from discontinued operations	(3,925)	14,794	n.a.
Consolidated net income (loss) from non-banking businesses	(54,335)	69,568	n.a.
Banking services results			
Revenue	1,710,443	1,735,946	-1.5%
Loan loss provisions	(234,983)	(309,733)	-24.1%
Operating expenses	(789,656)	(788,787)	0.1%
Operating income	685,804	637,425	7.6%
Non-operating loss	(67,010)	(68,936)	-2.8%
Income tax expense	(115,128)	(89,147)	29.1%
Consolidated net income from banking services	503,667	479,342	5.1%
Consolidated net income	449,332	548,910	-18.1%
Net income attributable to non-controlling interests	340,592	372,008	-8.4%
Net income attributable to owners of the controller	**108,740**	**176,902**	**-38.5%**

VII. RISK ANALYSIS

Quiñenco and its subsidiaries and associates face risks inherent to their markets and economies in Chile and abroad. These risks reflect the prices, costs and sales volumes of the products and services manufactured and commercialized.

Economic Environment

The Company's businesses are primarily in Chile. Therefore, its operating results and financial position are largely dependent on the general state of the economy. While it is estimated that the Chilean economy grew by 1.5% in 2017, there is no assurance that it will continue to grow in the future. The factors that might have an adverse effect on the Company's business and the performance of its operations include slowdowns in the Chilean economy, a return to high inflation, fluctuations in foreign currencies, tax reforms, changes in the regulatory frameworks governing its subsidiaries' and associates' industries, increases in labor costs and a shortage of skilled labor. The Company's businesses in Chile are diversified across six economic sectors.

Apart from its operations in Chile, some of the Company's industrial businesses operate and export to companies that, in turn, operate and export to Argentina, Peru, Colombia and other Latin American countries and the rest of the world, which on various occasions in the past have suffered from volatile, or at least unfavorable, economic, political and social conditions. The business, results and assets of the Company may be severely and adversely affected by events relating to inflation, interest rates, currency fluctuations, government policies, price and wage controls, exchange control regulations, taxes, expropriation, social instability and other political, economic or diplomatic events that affect the countries where the Company operates. The gradual globalization of some of the Company's businesses diversifies the risk associated with a sector or country.

Competition

Quiñenco believes that its businesses face a high level of competition. This is reflected in the prices, costs and sales volumes of the products and services produced and sold by Quiñenco's businesses. While the Company expects that its businesses will be capable of continuing to compete successfully in their respective areas based on its past experience and records, there is no certainty that competition will not continue to grow in the future, including a possible continued consolidation trend in some industries. The imbalance between supply and demand in the maritime shipping industry could affect shipping operators to a greater or lesser extent, depending on their operating fleet and the proportion of their fleet that is owned rather than chartered in comparison to the industry. An imbalance between supply and demand can generate volatility in freight rates and in charter rates for leased ships. Greater competition and an imbalance between supply and demand could affect the profit margins and operating results of Quiñenco's businesses which, as a result, might significantly and adversely affect the dividend flows that Quiñenco receives from its businesses. However, the Company's businesses are diversified across various sectors and countries.

Raw Materials Risk

Fuels sold at Enex are primarily bought from Enap under annual supply contracts that regulate the formulas that index the prices of each product to relevant international market benchmarks, which in this case is the United States Gulf Coast. These contracts also reward compliance with monthly and annual purchase programs and apply fines when actual purchases are outside an agreed range. Enex has average stocks to cover around two weeks of sales, which reduces the exposure to price changes.

The Shell and Pennzoil brand lubricants sold by Enex are supplied by Shell which sets its prices based on trends in raw materials, production costs and local market conditions. Price changes are notified in advance, which are generally passed on to the commercial terms.

Fuel is an important cost component at CSAV. In the transport services operated by CSAV, most of the maritime freight sales are through contracts and generally a percentage of those rates are subject to price adjustments, based on changes in the cost of fuel, or a Bunker Adjustment Factor ("BAF"). The BAF surcharge normally covers the risk of volatility in fuel prices. However, it may be affected by price movements during the period between its calculation and actual collection. CSAV also has fixed-price sales and contracts without a BAF, and sales with a BAF clause that limits its coverage. Therefore, it purchases fuel hedges with terms that match the volumes covered, to reduce the impact of volatility, and ensure that fuel costs (bunker) are matched to the corresponding maritime freight contracts.

Concession Renewal

The non-renewal of port concessions held by SM SAAM is a long-term risk, and is subject to future market conditions and negotiations with port authorities, which could affect the company's revenue. Concession renewals also depend on having achieved and maintained specific operational standards, which SM SAAM has amply fulfilled at all ports. This subsidiary also has various towage concessions.

Risks Associated with the Insurance Business

Risk management policy at Banchile Vida aims to reduce asset risks, limit portfolio exposure, stabilize its performance, and reduce risk capital. The company manages pricing and mortality risk by assigning a portion of its portfolio to reinsurers, which are selected on the basis of their risk rating and an analysis of their financial statements and actuarial services. It manages its financial, credit, liquidity and market risks through its investment policy, which defines the minimum risk rating requirements for each type of instrument, the maximum portfolio duration, the instruments it contains, and its liquidity distribution requirements, among others.

Banking Services Risks

The risk management policy at Banco de Chile aims to maintain an integrated, future-focused perspective on risk management, considering the current and forecast economic environment and the risk/return ratio of all products at the Bank and its subsidiaries. The spectrum of risk management covers financial risks (credit and market risks) and the non-financial risks (including, among others, the risk of loss resulting from inadequate processes, process failures, staff or internal systems failures, external events, technological risks and cyber security). The Bank's credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment. Credit risk is managed using an overall strategy that combines the Bank's target markets and segments. Loan origination in the retail segment largely uses models for both individuals and SMEs, with customers and market trends constantly being monitored. Loan origination in the wholesale segment is based on a case-by-case expert analysis, with systematic monitoring of the individual portfolio. The Market Risk Division is in charge of limiting, controlling and reporting market risks for the Bank, which cover liquidity and price risks, as well as providing guidelines for its subsidiaries.

Financial Risks

Credit Risk

Surplus corporate cash is invested with first-class Chilean and foreign financial entities under limits established for each entity, and which have a credit rating of at least the levels pre-established for each type of instrument.

Techpack manages the risk associated with financial assets in accordance with its investment policy. Cash surpluses and available funds are invested in accordance with its investment policy in low-risk fixed income instruments with institutions with strong credit ratings and diversified investment portfolios, subject to diversification limits by institution. Issuers and institutions that are subject to credit limits and investment limits are regularly reviewed to assess potential changes in their solvency that could affect the company.

Invexans manages the risk associated with financial assets or liabilities in accordance with its policies. Cash surpluses are invested in accordance with policy, in low-risk instruments (primarily time deposits) with institutions having strong credit ratings and within the limits established for each institution (funds are placed in a diversified manner). Management selects institutions with strong credit ratings for its financial hedges.

LQ Inversiones Financieras has no accounts receivable subject to credit risk. Cash surpluses are invested under market conditions in fixed-income instruments, according to the maturities of its financial commitments and operating expenses.

The investment policy at Banchile Vida defines the minimum requirements concerning risk ratings for each type of instrument, which is complemented by financial statement analysis. Credit risk management includes monitoring the risk ratings and changes in the creditworthiness of issuers, in order to amend covenants.

Enex manages customer credit risk within its credit policy and its authorizations manual. Sales on credit terms are controlled by the management system by blocking purchase orders when the customer has past due debt or exceeds their previously agreed and approved credit limit. The Finance and Administration Department at Enex approves customer credit lines, with the support and recommendation of commercial areas, in accordance with a credit assessment model that takes into account both commercial and technical aspects. When considered appropriate, guarantees and other requirements are requested in support of the credit. Should the credit granted be insufficient to meet commercial needs, the case is taken to the credit committee.

Enex's financial investments are limited to fixed-income instruments, such as repurchase agreements and time deposits, with financial entities that are evaluated at least once a year, with exposure limits assigned by entity according to reports and opinions issued by prestigious and experienced credit rating agencies, in line with Enex's current treasury policy.

CSAV has a strict credit policy to manage its receivables portfolio, which is based on lines of credit and payment terms granted on the basis of an individual analysis of the solvency, payment ability, and general references of each customer, their shareholders, the industry and the customer's market, as well as its payment history with the company. These credit lines are reviewed at least annually and payment behavior and percentage utilization are monitored regularly. Agencies that represent CSAV are constantly monitored to ensure that the administrative, commercial, operational and collection processes, and their relationship with customers and suppliers complies with agreed contract terms.

CSAV supports its vessel and slot chartering contracts with third parties using charter party contracts and slot charter agreements. CSAV charters vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. However, CSAV often leases slots from the same shipping companies to which it leases its own slots on other voyages and services, which significantly reduces the risk of default.

CSAV has an investment policy to manage its financial assets, which include time deposits and repurchase agreements, whereby its checking accounts and investments are held in financial institutions with investment grade credit ratings. Its risk control policy also includes taking hedge positions in interest rates, exchange rates and oil prices, with prestigious financial institutions within the industry that have investment grade credit ratings.

Credit granted to customers at SM SAAM is regularly revised, in order to apply the controls defined by the company, and to monitor the status of accounts pending collection. SAAM and SAAM Logistics are subsidiaries of SM SAAM and have credit insurance for specific customers.

Cash surpluses at SM SAAM can be invested in low-risk financial instruments.

See Note 26 Classes of financial assets and liabilities, for details of the balances of financial assets.

Liquidity Risk

Quiñenco finances its activities and investments with dividends and profit distributions from the companies in which it holds an interest and with funds obtained from the sale of assets and by issuing debt and shares.

Quiñenco prefers long-term financing in order to maintain a financial structure in line with the liquidity of its assets and whose maturities are compatible with cash flow generation.

Invexans regularly estimates its projected liquidity requirements for each period, covering cash to be received (rents receivable, dividends receivable, etc.), the respective payments (commercial, financial, etc.) and available cash, in order to avoid short-term external financing. Invexan's financing policy seeks funding sources with a balanced structure between short and long term, low-risk exposure and alignment with the cash flows generated by the company.

The capital management policy at Techpack aims to ensure the liquidity and availability of resources, and ensure that it has sufficient liquidity.

LQIF distributes dividends based on available cash flow considering the Company's actual and forecast costs, including financial obligations. The main source of funds to pay interest and capital on the financial obligations of LQIF are the dividends received from its direct and indirect shareholdings in Banco de Chile. Consequently, its ability to meet the scheduled payments of interest and capital depends entirely on the ability of Banco de Chile to generate positive net income from its operations, and the agreements approved annually at shareholders' meetings regarding the distribution of dividends.

Banchile Vida ensures that the average duration of its obligations matches the average duration of its assets. Its investment policy defines the maximum duration of its investment portfolio in total, and by each financial instrument.

Enex regularly updates its short-term cash flow projections based on information received from its commercial areas. Enex has credit lines with its principal banks, in order to cover possible unexpected cash deficits.

CSAV is not directly exposed to the container business, but indirectly as main shareholder of Hapag-Lloyd. This limits liquidity risk to the expected flow of dividends or any additional capital required by this joint venture. CSAV has specific long-term borrowing to finance its investment in Hapag-Lloyd. CSAV has sufficient liquidity to cover its transport services operated directly. It has an available line of credit, if required.

SM SAAM estimates its projected liquidity needs for each year, covering cash receipts (customer receivables, dividends, etc.), the respective payments (commercial, financial, etc.) and available cash, in order to avoid short-term external financing, if possible. SM SAAM ensures that financing has a balanced short and long-term structure, a low risk exposure and that repayments match the company's cash flows.

See Note on Other current and non-current financial liabilities for details of the balances and maturities of the financial debt.

***Market Risk*[25]**

Exchange Rate Risk

There is no exposure to exchange rate risk at a corporate level as of December 2017 as it has no significant foreign currency assets and liabilities. Financial derivatives (primarily cross currency swaps) may be contracted to eliminate or mitigate exposure to exchange rate risks.

Exposure to exchange rate risk at Invexans derives from asset and liability positions held in currencies other than its functional currency, which is the US dollar, and the related appreciations/depreciations between both currencies. The Board and management at Invexans regularly review its net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Invexans, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2017, the net exposure to exchange rate risk at Invexans is an asset equivalent to Ch$218 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before tax would be Ch$11 million.

Exposure to exchange rate risk at Techpack arises from exchange differences on potential mismatches in asset and liability positions denominated in a currency other than the functional currency (US dollar). The Board and management of Techpack and its subsidiaries and associates regularly review their net exposure to exchange rate risk, based on projecting the financial effects of changes in currencies other than the functional currency that would be generated by assets or liabilities held in those currencies at the time of evaluation. Should significant and adverse effects be projected for Techpack, financial derivatives may be contracted (primarily cross currency swaps) in order to mitigate these potential risks. As of December 31, 2017, Techpack's net exposure to exchange rate risk is an asset equivalent to Ch$4,505 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before tax would be Ch$225 million.

LQIF has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2017 and 2016.

Banchile Vida has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2017 and 2016.

Enex is exposed to exchange risk due to specific agreements with suppliers and customers agreed in a currency other than the functional currency (Chilean peso). The most important cases relate to the import of fuels, lubricants and bitumen where the obligation is generated and payable in US dollars. Enex has a policy of minimizing the net exposure (assets-liabilities) in foreign currencies, normally using as hedging mechanism the purchase of foreign currency on the spot market, in order to mitigate this risk. As of December 31, 2017, the net exposure to exchange rate risk of Enex is an asset equivalent to Ch$7,514 million. If there is a 5% change in the exchange rate of currencies other than the functional currency, the estimated effect on comprehensive income before tax would be Ch$376 million.

25 The exposure of financial assets and liabilities to market risk is measured on a consolidated basis, therefore any balances between subsidiaries have been eliminated in consolidation.

CSAV has assets and liabilities primarily denominated in its functional currency, the US dollar. However, it also has assets and liabilities in other currencies. The company reduces the risk of exchange-rate fluctuations by regularly converting any balance in local currency that exceeds payment needs in that currency to US dollars. As of December 31, 2017, the net exposure to exchange rate risk at CSAV is an asset equivalent to Ch$625 million. If there is a 5% change in the exchange rate of the US dollar against other currencies, the estimated effect on comprehensive income before tax would be Ch$31 million.

The major currencies to which SM SAAM is exposed, other than the functional currency (US dollar), are the Chilean peso, Mexican peso and Canadian dollar. Usually SM SAAM mitigates volatility in its results, caused by net positions of assets and liabilities in foreign currencies, using hedging instruments. As of December 31, 2017, the net exposure to exchange rate risk at SM SAAM is a liability equivalent to Ch$52,456 million. If there is a 5% change in the exchange rate of the US dollar against other currencies, the estimated effect on comprehensive income before tax would be Ch$2,623 million.

Exchange differences produced by translating to Chilean pesos balances in the functional currencies of consolidated entities or associates whose functional currency is other than the Chilean peso, are recognized as a credit or charge to equity, until they are settled when they are recognized in net income.

Note 34 contains the detail of assets and liabilities by currency, which includes the financial assets and liabilities described above.

Interest Rate Risk

As of December 31, 2017, Quiñenco has corporate financial assets at fair value through profit and loss of Ch$169,434 million, which are subject to interest rate risk. A change of 10 basis points in the interest rate would generate an effect on finance income for the year of Ch$28 million.

Quiñenco has all its corporate obligations at fixed interest rates, which implies a low exposure to interest-rate risk.

Invexans has all of its financial obligations at variable interest rates.

As of December 31, 2017, Techpack has no financial obligations that cause interest rate risks.

LQIF has all its financial obligations at fixed interest rates, which implies low exposure to interest rate risk.

Enex has all its financial obligations at fixed interest rates, which implies low exposure to interest rate risk.

CSAV has 52.3% of its obligations at fixed rates and 47.7% at variable rates.

SM SAAM has 61.3% of its obligations at fixed rates, 6.7% at protected rates and 32.0% at variable rates.

The consolidated interest rate structure is as follows. As can be seen, the consolidated interest rate risk is low, as 91.8% of debt is structured with fixed or protected interest rates.

Consolidated financial liabilities by interest rate type	12/31/2017	12/31/2016
Fixed interest rate	90.7%	88.5%
Protected interest rate	1.1%	0.6%
Variable interest rate	8.2%	10.9%
Total	100.0%	100.0%

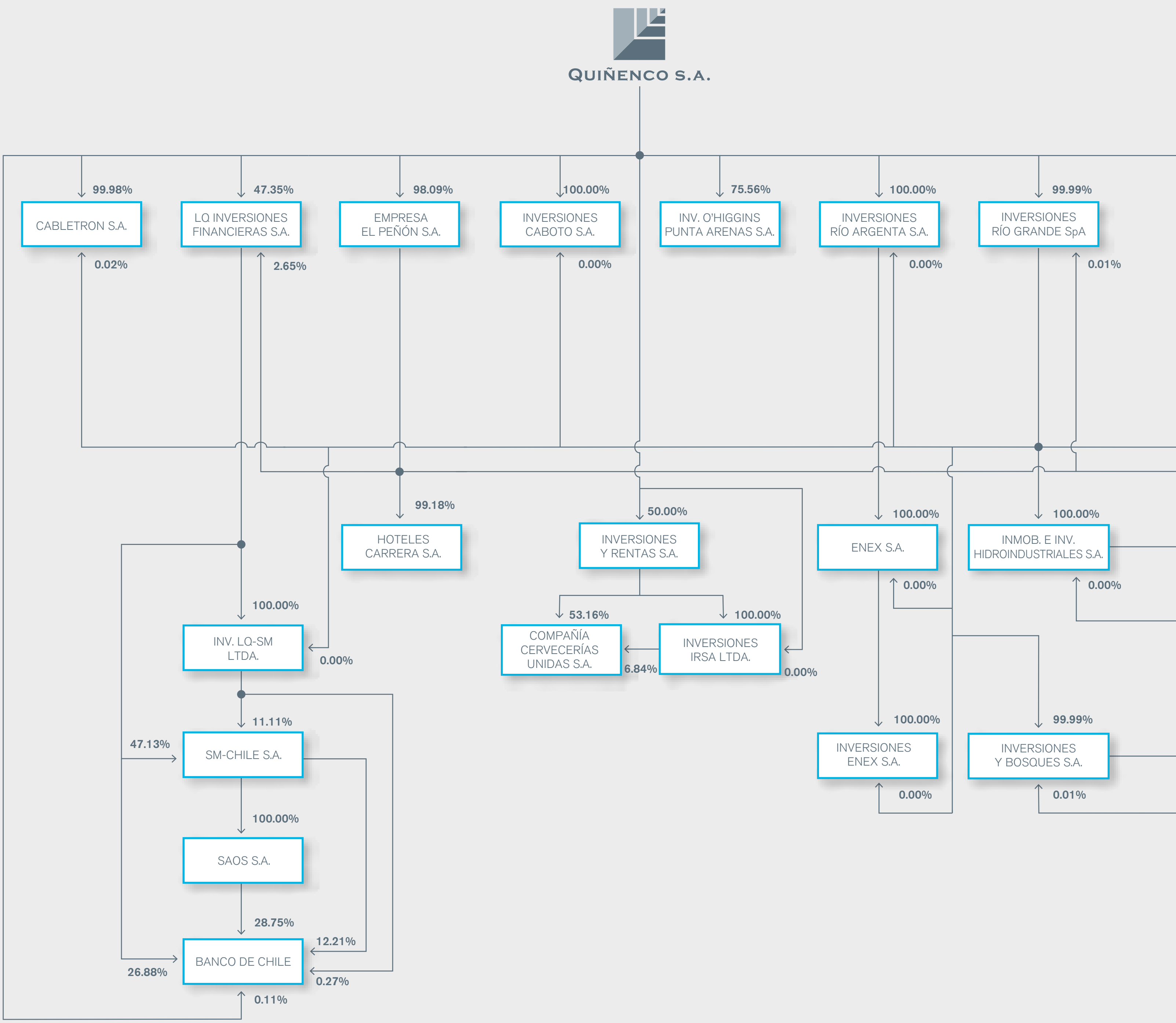
As of December 31, 2017, the consolidated exposure to variable interest rates was a liability of Ch$97,634 million. A 100-basis point change in the interest rate would generate an effect on finance costs for the 12-month period of Ch$976 million.

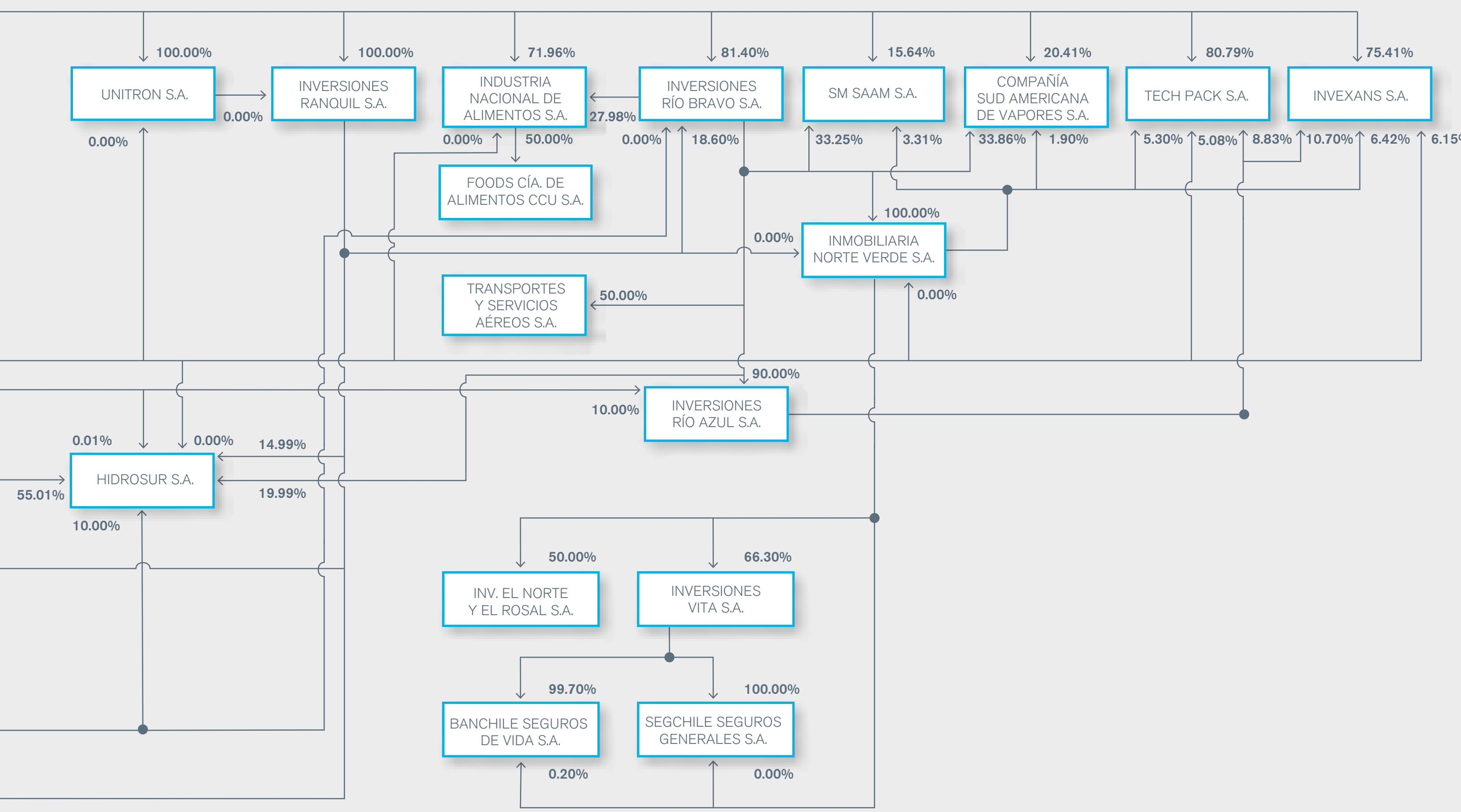
CORPORATE STRUCTURE

SUBSIDIARIES AND AFFILIATE COMPANIES AS OF DECEMBER 31, 2017

QUIÑENCO S.A.

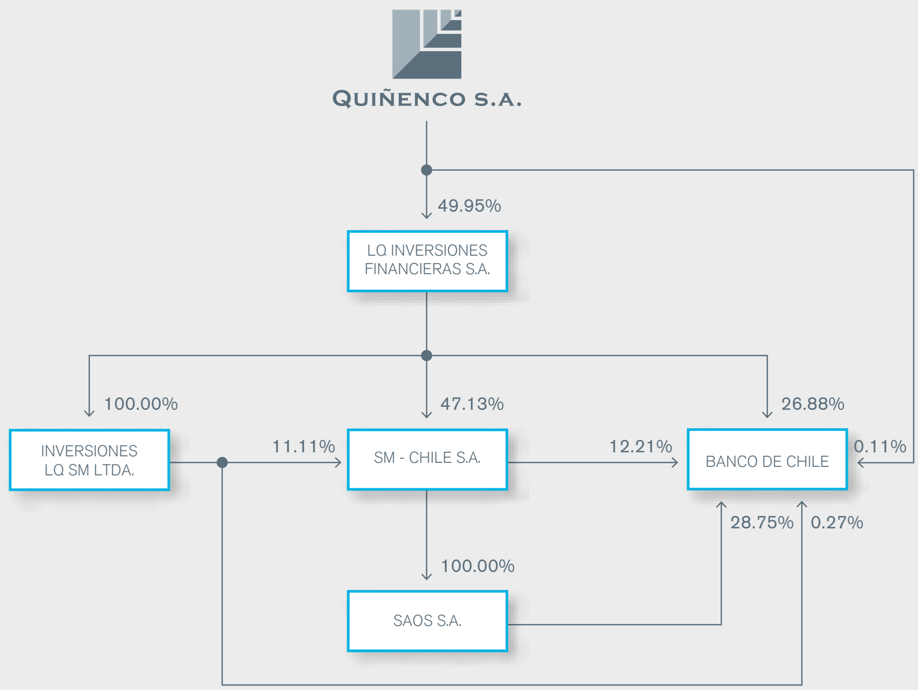
SUBSIDIARIES AND AFFILIATES

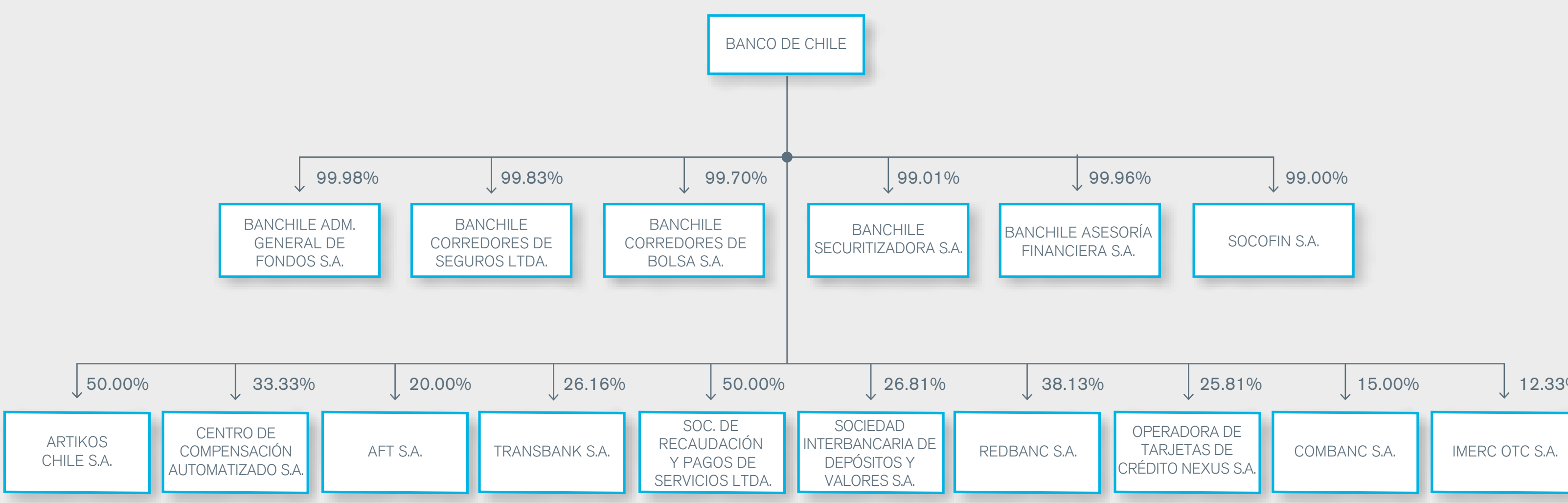



100.00%
UNITRON S.A.
0.00%
0.00%
100.00%
INVERSIONES RANQUIL S.A.
71.96%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
27.98%
0.00%
50.00%
FOODS CÍA. DE ALIMENTOS CCU S.A.
81.40%
INVERSIONES RÍO BRAVO S.A.
0.00%
18.60%
15.64%
SM SAAM S.A.
33.25%
3.31%
20.41%
COMPAÑÍA SUD AMERICANA DE VAPORES S.A.
33.86%
1.90%
80.79%
TECH PACK S.A.
5.30%
5.08%
75.41%
INVEXANS S.A.
8.83%
10.70%
6.42%
6.15%
100.00%
INMOBILIARIA NORTE VERDE S.A.
0.00%
0.00%
TRANSPORTES Y SERVICIOS AÉREOS S.A.
50.00%
90.00%
INVERSIONES RÍO AZUL S.A.
10.00%
0.01%
0.00%
14.99%
HIDROSUR S.A.
55.01%
19.99%
10.00%
50.00%
INV. EL NORTE Y EL ROSAL S.A.
66.30%
INVERSIONES VITA S.A.
99.70%
BANCHILE SEGUROS DE VIDA S.A.
0.20%
100.00%
SEGCHILE SEGUROS GENERALES S.A.
0.00%

LQ INVERSIONES FINANCIERAS S.A.

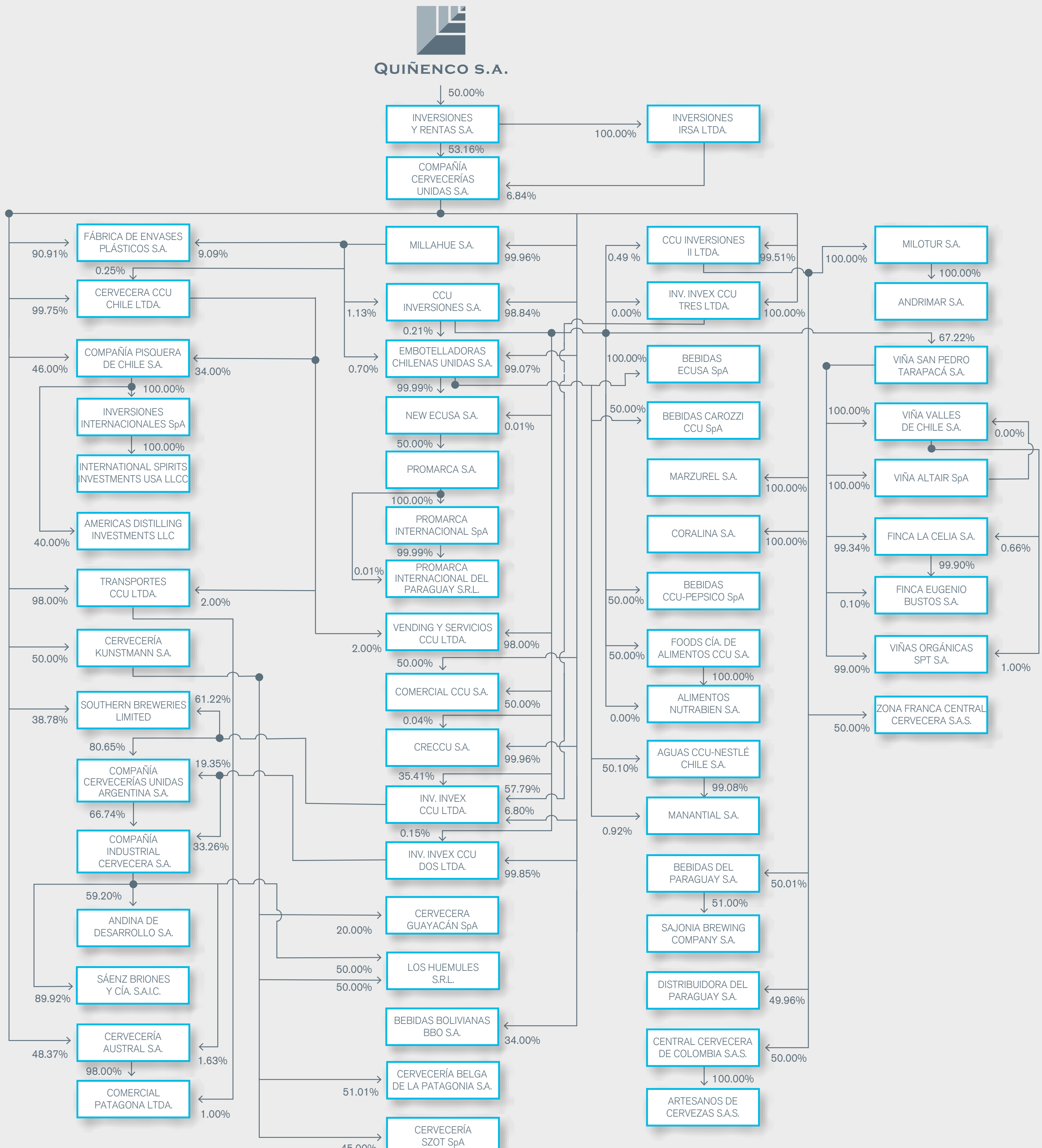
SUBSIDIARIES AND AFFILIATES





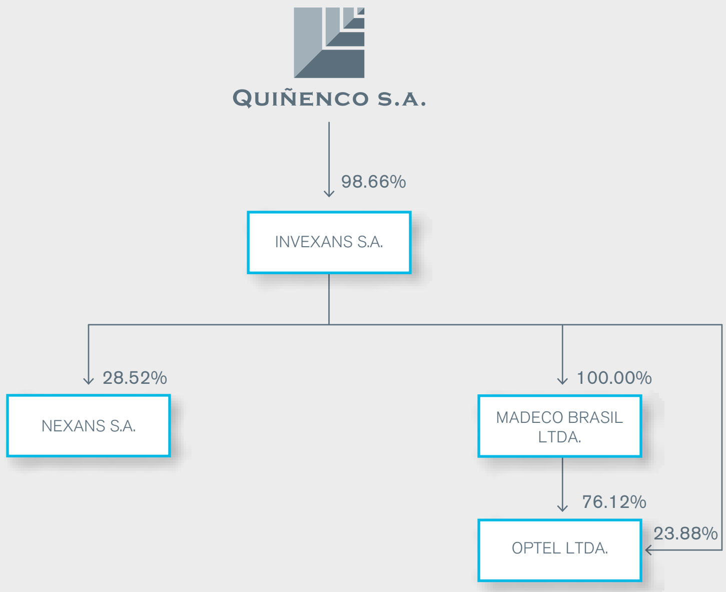
COMPAÑÍA CERVECERÍAS UNIDAS S.A.

SUBSIDIARIES AND AFFILIATES



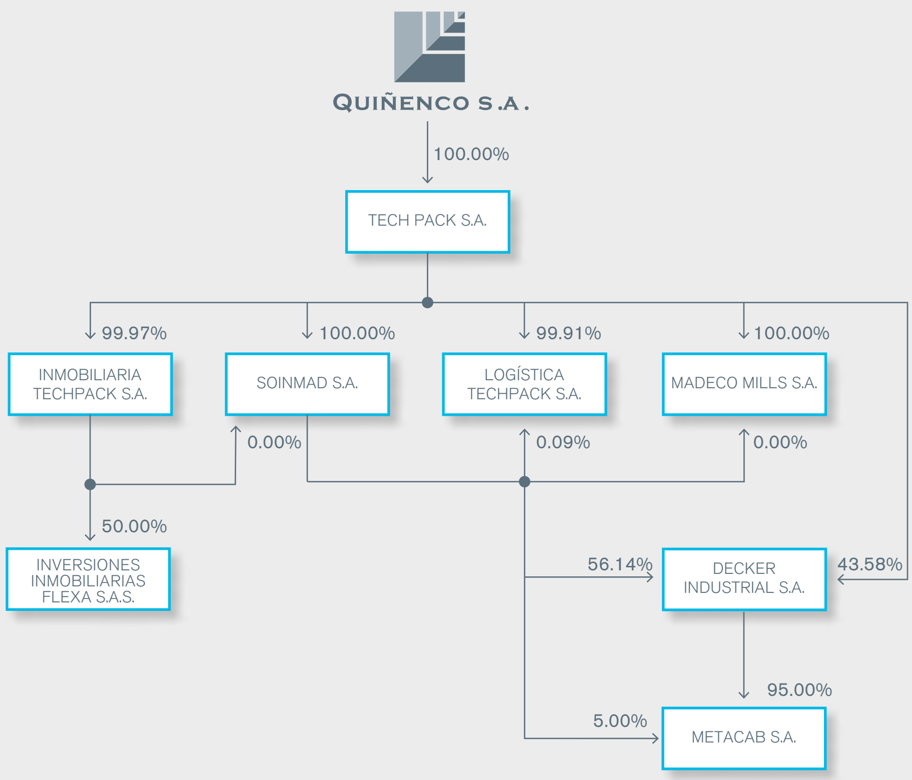
INVEXANS S.A.

SUBSIDIARIES AND AFFILIATES



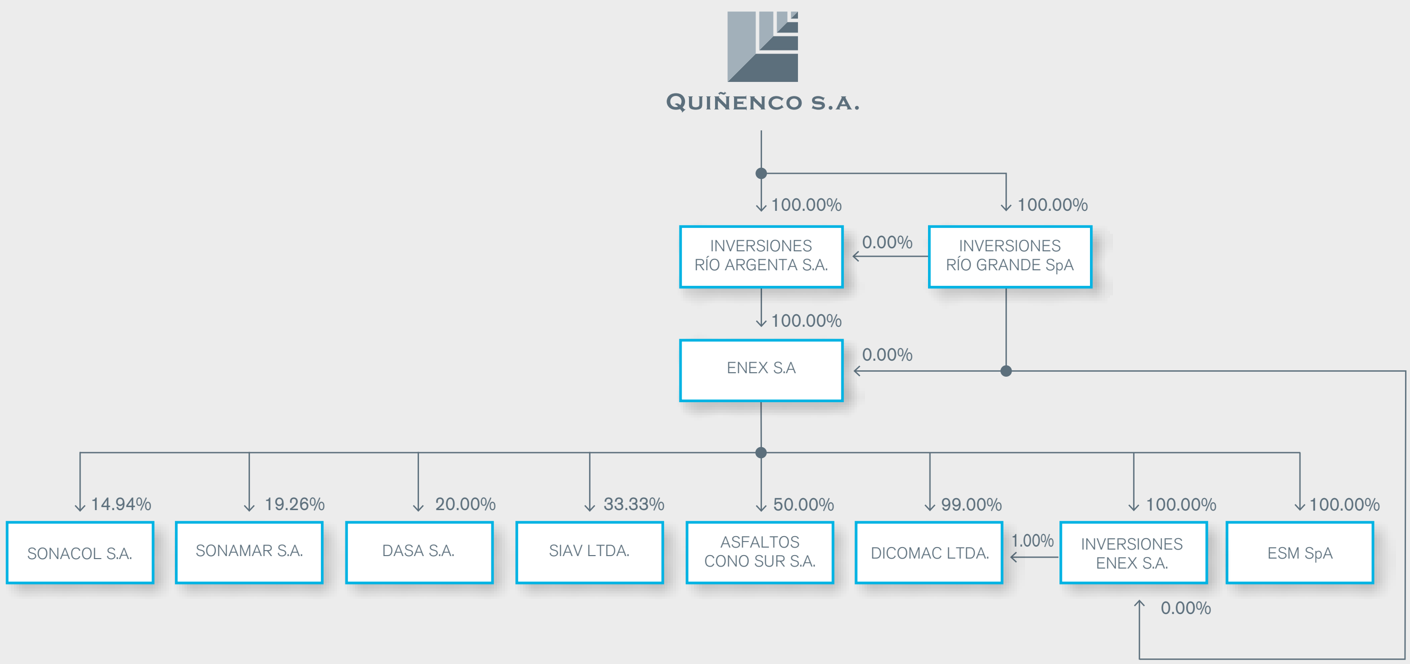
TECH PACK S.A.

SUBSIDIARIES AND AFFILIATES



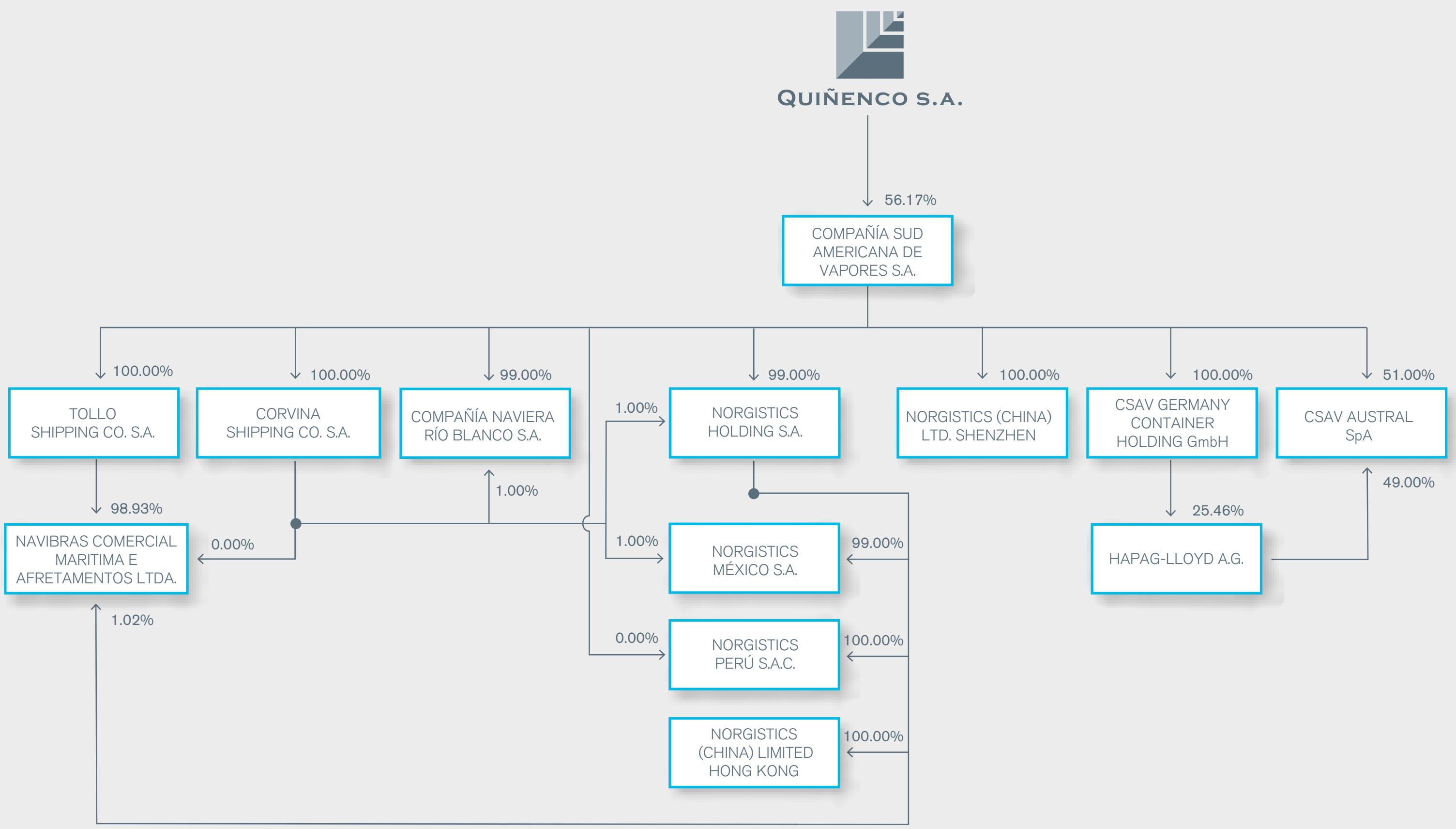
EMPRESA NACIONAL DE ENERGÍA ENEX S.A.

SUBSIDIARIES AND AFFILIATES



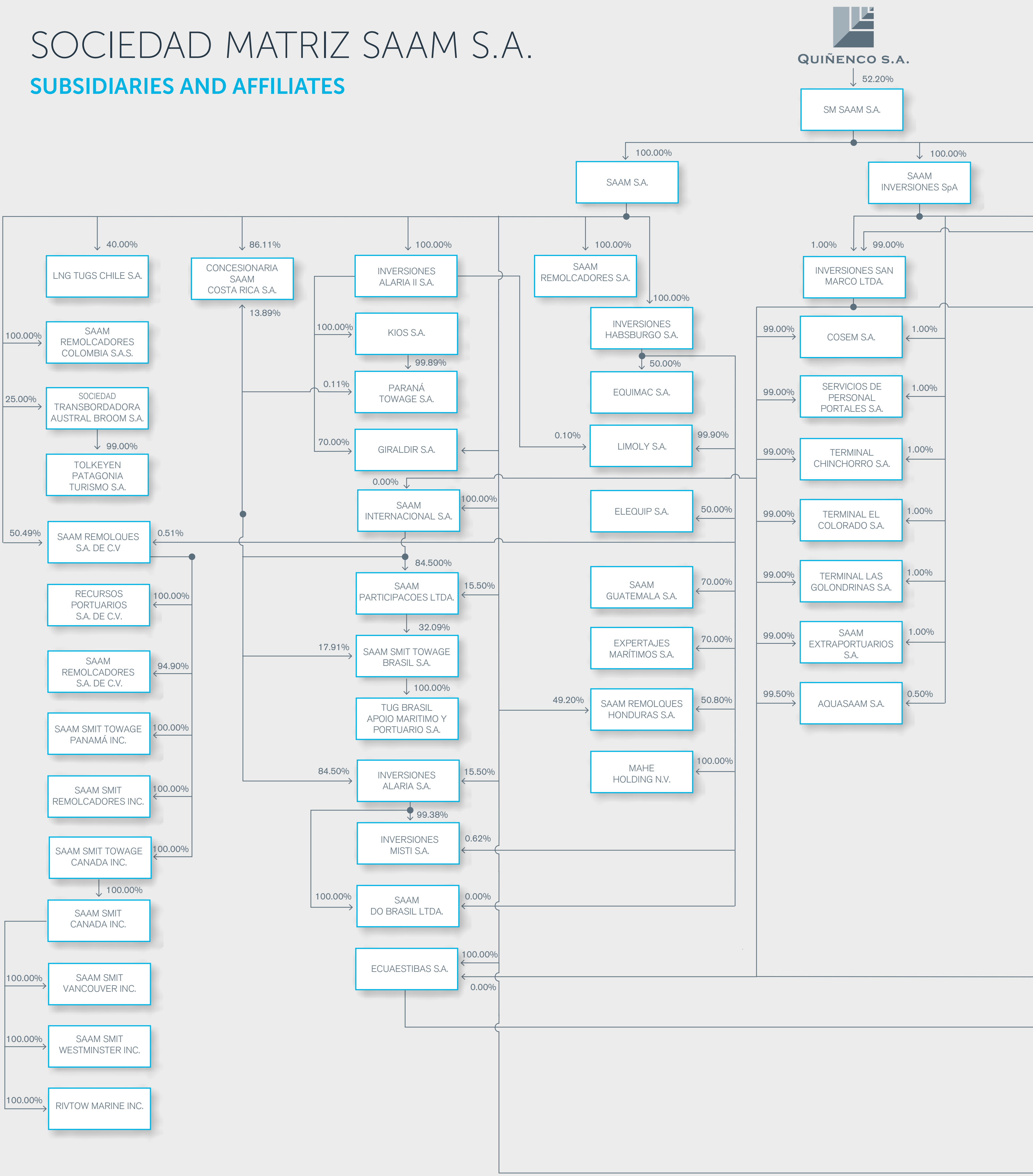
COMPAÑÍA SUD AMERICANA DE VAPORES S.A.

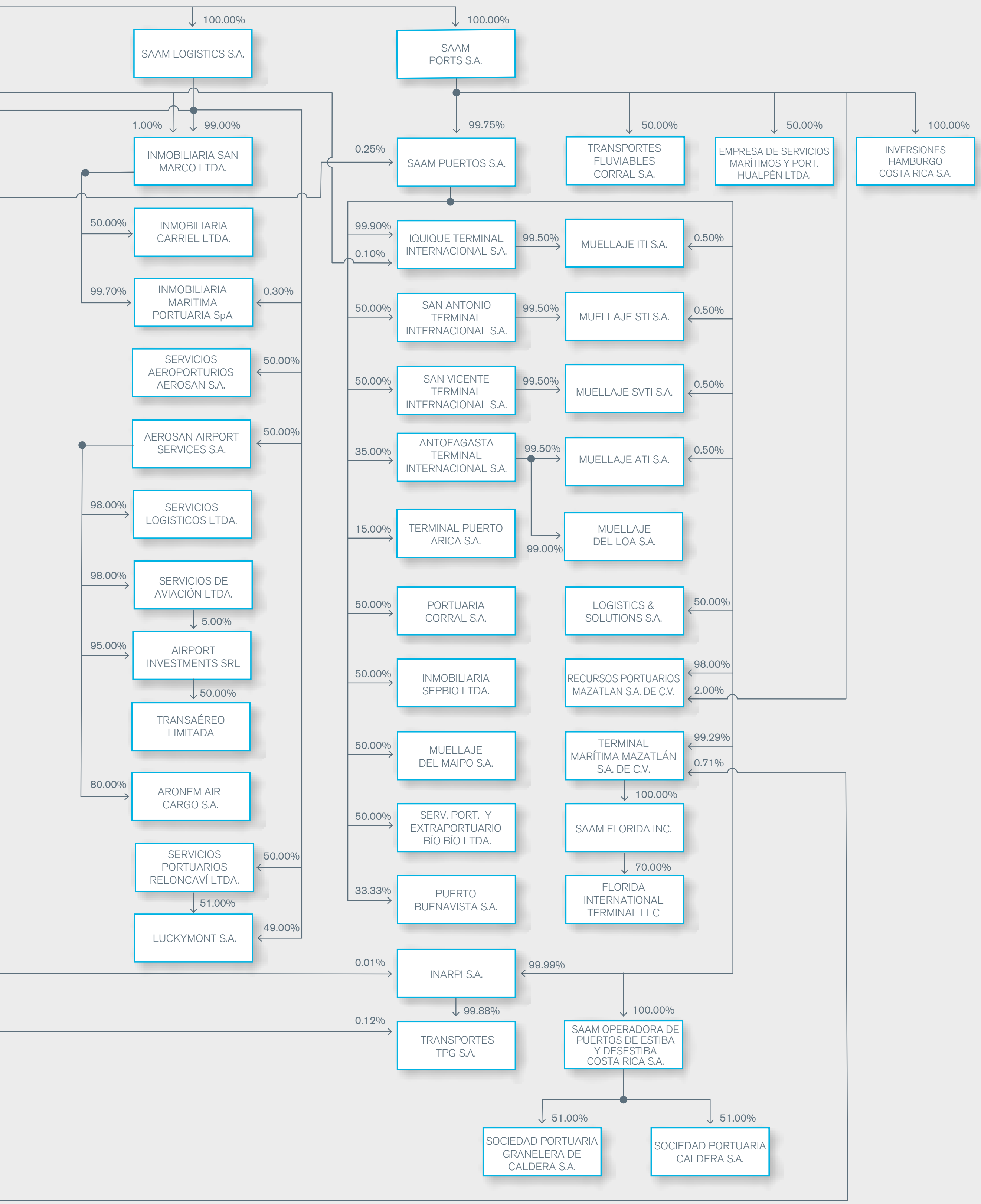
SUBSIDIARIES AND AFFILIATES



SOCIEDAD MATRIZ SAAM S.A.

SUBSIDIARIES AND AFFILIATES





100.00%
SAAM LOGISTICS S.A.
100.00%
SAAM PORTS S.A.
1.00%
99.00%
INMOBILIARIA SAN MARCO LTDA.
0.25%
99.75%
SAAM PUERTOS S.A.
50.00%
TRANSPORTES FLUVIABLES CORRAL S.A.
50.00%
EMPRESA DE SERVICIOS MARÍTIMOS Y PORT. HUALPÉN LTDA.
100.00%
INVERSIONES HAMBURGO COSTA RICA S.A.
50.00%
INMOBILIARIA CARRIEL LTDA.
99.70%
0.30%
INMOBILIARIA MARITIMA PORTUARIA SpA
50.00%
SERVICIOS AEROPORTURIOS AEROSAN S.A.
50.00%
AEROSAN AIRPORT SERVICES S.A.
98.00%
SERVICIOS LOGISTICOS LTDA.
98.00%
SERVICIOS DE AVIACIÓN LTDA.
5.00%
95.00%
AIRPORT INVESTMENTS SRL
50.00%
TRANSAÉREO LIMITADA
80.00%
ARONEM AIR CARGO S.A.
50.00%
SERVICIOS PORTUARIOS RELONCAVÍ LTDA.
51.00%
49.00%
LUCKYMONT S.A.
99.90%
0.10%
IQUIQUE TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE ITI S.A.
0.50%
50.00%
SAN ANTONIO TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE STI S.A.
0.50%
50.00%
SAN VICENTE TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE SVTI S.A.
0.50%
35.00%
ANTOFAGASTA TERMINAL INTERNACIONAL S.A.
99.50%
MUELLAJE ATI S.A.
0.50%
15.00%
TERMINAL PUERTO ARICA S.A.
99.00%
MUELLAJE DEL LOA S.A.
50.00%
PORTUARIA CORRAL S.A.
LOGISTICS & SOLUTIONS S.A.
50.00%
50.00%
INMOBILIARIA SEPBIO LTDA.
RECURSOS PORTUARIOS MAZATLAN S.A. DE C.V.
98.00%
2.00%
50.00%
MUELLAJE DEL MAIPO S.A.
TERMINAL MARÍTIMA MAZATLÁN S.A. DE C.V.
99.29%
0.71%
100.00%
50.00%
SERV. PORT. Y EXTRAPORTUARIO BÍO BÍO LTDA.
SAAM FLORIDA INC.
70.00%
33.33%
PUERTO BUENAVISTA S.A.
FLORIDA INTERNATIONAL TERMINAL LLC
0.01%
INARPI S.A.
99.99%
99.88%
100.00%
0.12%
TRANSPORTES TPG S.A.
SAAM OPERADORA DE PUERTOS DE ESTIBA Y DESESTIBA COSTA RICA S.A.
51.00%
51.00%
SOCIEDAD PORTUARIA GRANELERA DE CALDERA S.A.
SOCIEDAD PORTUARIA CALDERA S.A.

Quiñenco S.A.

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