QUIÑENCO 2016 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.
R.U.T.: 91.705.000-7
Enrique Foster Sur 20, 14th floor
Las Condes
Santiago, Chile
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 2016 ANNUAL REPORT

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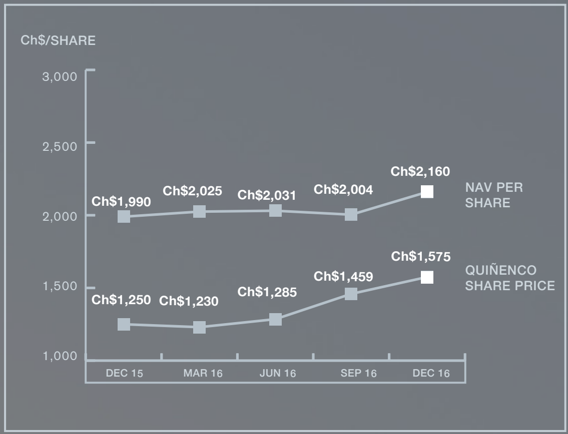
NAV EVOLUTION / SHARE PRICE
AS OF DECEMBER 31, 2016
NAV MUS$5,364
MARKET CAPITALIZATION MUS$3,912



5,364

US$ **millions**

Net value of Quiñenco's assets at December 31, 2016.

5 YEAR FINANCIAL HIGHLIGHTS

		2016	2015	2014	2013	2012
CONSOLIDATED RESULTS						
Non-banking sector						
Revenues from ordinary activities	MCh$	2,158,855	1,917,121	2,540,694	2,022,773	1,448,296
Gross margin		343,160	234,086	265,223	228,199	181,673
Consolidated net income (loss) for the non-banking sector		69,568	(32,777)	313,650	(13,154)	31,264
Banking services sector						
Total net operating revenues		1,426,212	1,344,499	1,366,072	1,216,507	1,157,215
Operating income		637,425	617,980	651,154	593,307	523,158
Consolidated net income banking services sector		479,342	484,093	488,249	445,658	395,179
Consolidated net income		548,910	451,316	801,899	432,504	426,443
Net income attributable to non-controlling interests		372,008	354,696	459,809	307,664	286,800
Net income attributable to controller's owners		176,902	96,620	342,089	124,841	139,643
Earnings per share attributable to the controller (1)	Ch$	106.39	58.11	205.74	88.73	104.34
FINANCIAL POSITION						
Non-banking sector assets	MCh$	5,243,760	4,711,860	4,557,683	3,542,616	2,838,210
Banking services assets		31,557,748	31,287,863	27,642,384	25,929,314	23,252,873
Total assets		36,801,508	35,999,723	32,200,067	29,471,930	26,091,082
Non-banking sector liabilities		1,743,736	1,316,408	1,496,399	1,316,184	1,052,809
Banking sector liabilities		28,665,391	28,598,415	25,171,138	23,728,953	21,449,801
Total liabilities		30,409,127	29,914,823	26,667,537	25,045,137	22,502,610
Equity attributable to the controller's owners		2,998,628	3,021,807	2,834,472	2,417,361	1,893,720
Non-controlling interests		3,393,753	3,063,092	2,698,058	2,009,433	1,694,753
Total equity		6,392,381	6,084,900	5,532,530	4,426,793	3,588,473
Liquidity (Current assets/Current liabilities) (2)	times	2.42	1.67	1.43	1.99	1.78
Leverage (Total liabilities/equity) (2)	times	0.58	0.44	0.53	0.54	0.56
EBITDA (3)	MCh$	109,095	33,920	41,937	65,046	34,810

(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).

	2016	2015	2014	2013	2012
OTHER DATA					
Number of shareholders	1,108	1,160	1,191	1,232	1,313
Number of shares	1,662,759,593	1,662,759,593	1,662,759,593	1,662,759,593	1,344,577,775

Santiago

With a sound base in Chile, the group continues to


expand abroad, strengthening its geographic diversification.

Fortaleza

BRAZIL

NEXANS WAS AWARDED A CONTRACT TO SUPPLY SUBMARINE FIBER OPTIC CABLES TO THE PROJECT LINKING THE 6,000 KM BETWEEN THE COASTS OF BRAZIL AND CAMEROON, A BROADBAND CONNECTING THE AMERICAN AND AFRICAN CONTINENTS.

Milestones 2016
Quiñenco and its subsidiaries

- CCU and Metrogas inaugurated the first satellite regassification plant in Vilcun, Araucanía Region, which will allow the conversion to natural gas of the brewery plant in Temuco, reducing its direct CO2 emissions by 20%.

- Nexans was awarded a contract to supply submarine fiber optic cables to the project linking the 6,000 km between the coasts of Brazil and Cameroon, a broadband connecting the American and African continents.

- Banco de Chile launched a new online and mobile application platform, being distinguished as the bank with the Best digital banking and the Best mobile banking services by Global Banking magazine, and the bank with the Best retail digital banking services in Chile, by Global Finance, which also distinguished the Bank as the best financial institution in the country.

- Quiñenco conducted two successful bond placements for a total of 10 million UF with long-term rates and conditions that ratify the market confidence in the Company's investment and business strategy.

- SAAM subscribed an important and strategic agreement to take over two concessions in the Caldera port, the second largest in Costa Rica.

- Techpack completed the sale of its regional flexible packaging business to the Australian company Amcor, world leader in this industry, transaction valued at US$435 million.

- Viña San Pedro Tarapacá was awarded the Green Company of the Year prize for being the first plant in the world that uses 100% of grape harvest residues to generate biogas, and the first run-of-the-river mini-hydro power plant used by a company in this business segment in Chile.

- Hapag-Lloyd announced a new merger, this time with United Arab Shipping Company (UASC) that will allow the German shipping company to have one of the most modern and efficient fleets in the industry.

- Enex expanded its network in Chile opening five new service stations and seven convenience stores. In addition, it remodeled 15 convenience stores, seven under the Upa! and eight under the Upita format.

- CCU implemented an investment plan of US$62 million in a first stage to increase the productive and logistic capacity of its subsidiary in Argentina. In addition, it purchased 51% of Sajonia Brewing Company SRL, manufacturer of craft beer in Paraguay.

- Terminal Portuario Guayaquil (SAAM), Ecuador, started the works to expand its pier by 120 meters and purchased 2 new cranes to increase its capacity by 25%. SAAM also inaugurated a new dock in San Vicente Terminal Internacional doubling the linear operating meters of this port in the Biobío Region.

- Nexans subscribed a contract to design, supply and install the offshore turbines and the onshore grid for the largest offshore wind farm in the world, close to the coast of Scotland.

- Upon the signature in March of a contract with Iberia, Banco de Chile deepened its commitment to engage in commercial alliances that will benefit its customers, who already have preferred plans with Delta, Sky and, since March 2017, with British Airways.

- After a successful Tender Offer, Quiñenco reached 100% ownership in Techpack.

- Enex was awarded a lubricant supply contract with Minera Collahuasi.

- Within its renewal plan, SAAM incorporated eight state-of-the-art tug boats to its fleets in Chile, Canada, Panama and Peru in 2016.

- In Valparaiso, Chile, Hapag-Lloyd named the “Valparaíso Express”, the first of five new latest technology vessels with a capacity of 10,500 TEU that will provide services in the Europe – West Coast of South America trade.

Internationalization

Quiñenco is a business conglomerate open to the world, willing to discover new horizons, create and add value to the companies and their collaborators, aiming to be the best ambassador of Chilean entrepreneurship in an increasingly demanding and connected global market.

Through its main subsidiaries and related companies, Quiñenco holds global presence across five continents in various sectors, such as the shipping industry, food and beverages, manufacturing of cable and technological solutions, ports and tug boats.

The strategy of internationalizing and diversifying Quiñenco's investments proved its strength in 2016: within a highly complex domestic economic scenario, the main driver of the company's growth in profits came from abroad.

122
COUNTRIES

Quiñenco, through its main subsidiaries and related companies holds global presence across five continents.

65,000
JOBS

Quiñenco and its subsidiaries employ 21,356 people, which together with its related companies CCU, Nexans and Hapag-Lloyd reach close to 65,000 employees.

123
PLANTS

The productive companies operate 123 plants of beverages, food and cables.

350
VESSELS

CSAV together with Hapag-Lloyd and SM SAAM operate a fleet of approximately 350 vessels and tug boats for maritime carrier and port services.

Hamburg

GERMANY
HAPAG-LLOYD RUNS A WORLDWIDE SERVICES NETWORK WITH 366 OFFICES ACROSS 121 COUNTRIES, FROM THIS CITY.

Chile >>

84	470	423	127,000
PORTS	SERVICE STATIONS	BANK BRANCHES	BEVERAGE SALES POINTS

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

"WE BELIEVE IN PRIVATE INITIATIVE AND IN THE ENORMOUS BENEFITS IT GENERATES FOR SOCIETY AS A WHOLE. WE MUST DEFEND THE LEGITIMATE CONTRIBUTION MADE BY THOUSANDS OF ENTREPRENEURS FOR THE BENEFIT OF CHILE, WHO ARE ALSO ENTITLED TO SEEK A BETTER FUTURE FOR THEIR FAMILIES AND WORKERS."

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 2016 fiscal year.

I would like to take this opportunity to share some thoughts on the environment in which today companies must conduct their businesses. Quiñenco is proud to be a Chilean company; but much to our concern, we see how a conception has gradually installed itself that casts doubts regarding the past and present contribution of entrepreneurship and private companies to the progress of our country.

Healthy civic coexistence has been challenged by an atmosphere of mistrust and disparagement. Clearly, mistakes have been made, bad practices have been implemented and even crimes have been committed in the sector. They have been publicly acknowledged, are being pursued by the relevant institutions, and in no way do they represent the vast majority of entrepreneurs - small, medium or large - who are building the future of our country on a daily basis, with honesty and great effort.

It is our responsibility as shareholders, directors and executives, upon whom trust has been placed, to do things right and to better ourselves under the strict and rigorous respect for the laws. To this end, Quiñenco and the companies in which we are present, have sought and are seeking to advance not only in results, but also, and strongly, in matters associated to compliance, transparency and the environment; to find better ways to relate to and build better bonds with the community; and to develop labor relations that contribute to individual progress.

It is in this spirit that we think it appropriate to clearly state that we believe in private initiative and in the enormous benefits it generates for society as a whole. We must defend the legitimate contribution made by thousands of entrepreneurs for the benefit of Chile, who are also entitled to seek a better future for their families and workers.

There is no single, infallible formula to overcome mistrust; but it is a fact that we must face this task with the utmost urgency. We must abide by the rules of the game: peer-to-peer debate and direct contact with people, without any intermediaries.

We must speak out respectfully and let people speak their minds to us. We shall clarify doubts, let people know the way we think, what we do and, above all, what we DO NOT do. We shall not let others speak for us or about us, consciously or unconsciously giving misinformation, and caricaturizing the entrepreneurial activities we conduct in Chile.

As an integral part of society, companies cannot remain on the sidelines regarding the problems affecting people and impacting the quality of their lives. From our own particular perspective, each one of us can do more to improve. The State must be modernized and become more efficient, and companies must do what we know best: work for the development and growth

"THE STRATEGY OF INTERNATIONALIZING AND DIVERSIFYING QUIÑENCO'S INVESTMENTS HAS PROVEN ITS STRENGTH: WITHIN A CONTEXT OF LOW GROWTH IN CHILE, THE INCREASE IN PROFITS WAS DRIVEN FROM ABROAD."

of the country, innovate and deliver concrete solutions, always respecting the laws and ethics of the markets, and fighting all forms of corruption.

The lack of involvement in democratic processes, and the ensuing weakness of institutions, is also a real problem for the country, and has a significant effect on private activity. Involvement, participation and well-informed decisions and actions are part of the challenge faced by all members of society. This year, key for the future of Chile, requires from us a twofold responsibility: on the one hand, we must know the government programs set forth, choose based on the best ideas, the best teams, and not heed the siren's song of populism. And, on the other, and most importantly, go to the ballots. Voting is an inescapable responsibility of all Chileans and, even though it may be voluntary now, I hope that very soon it will be a minimal obligation for the citizens of this great country.

With respect to Quiñenco, I would like to emphasize that our strategy of internationalizing and diversifying investments clearly proved its strength, as our increase in profits came from abroad, in a scenario of slow domestic growth. If at the end of the period our company obtained net profits for Ch$176,902 million, 83.1% up from 2015, this is especially due to the upturn of the French multinational Nexans, where we are main shareholders. In fact, Banco de Chile and CCU, which account for a significant portion of Quiñenco's net income, obtained lower results during 2016, although they maintained their leadership positions.

Another significant milestone for Quiñenco and its subsidiary Techpack was the sale of its flexible packaging business to the Australian company Amcor, transaction valued at US$435 million, which meant an after tax gain of US$21 million for this subsidiary at year end.

At the corporate level, Quiñenco's results also account for a gain from the revaluation of its investment in SM SAAM, pursuant to IFRS standards stemming from the consolidation as of the first quarter of 2016. At year-end SM SAAM reported lower profits by 20.9% due mainly to non-recurring effects recorded in the previous year.

Banco de Chile recorded lower net profits by 1.2% as compared to the previous period, due to the lower local dynamism and higher taxes; however, it was able to stay at the top of the industry, both in terms of profitability and net income. Additionally, the Bank continued along its path of good service, and implemented a new service model for its retail banking clients achieving sound progress with its new digital banking applications, recognized at an international level, and with the launch of a new Internet platform for individuals.

In 2016, CCU recorded a lower EBITDA by 0.8% against 2015, due to the strong devaluation of the Argentine peso, the slow economic growth in all of the countries where it operates and a highly competitive environment in all of its business categories. However, the company obtained significant results in the last quarter of 2016, which allowed it to close the year with greater volumes and to maintain market leadership.

In the transport sector, although Hapag–Lloyd recorded losses of US$107 million in 2016, it is worth mentioning its good operational performance with an EBITDA of US$671 million, amidst a scenario of slow global economic growth and a high level of competitiveness, which, again, has pushed down the industry rates. The impact of this rate reduction has been offset by lower fuel prices, cost saving programs and synergies from the merger with CSAV. The search for efficiency should also bring about new benefits from the merger with United Arab Shipping Company (UASC), which we expect to conclude within the short term.

Meanwhile, Enex maintained its growth path in 2016, with a 2.3% increase in net profits and 38.1% in EBITDA, due mainly to the 12.2% growth in sales volumes, both in the industrial channel and through the extensive network of service stations in Chile.

The rise in Quiñenco's shares throughout 2016, period in which they doubled the IPSA's return, is an eloquent reflection of the trust and optimism with which the market follows the evolution of our investments.

Dear shareholders, on behalf of the Board of Directors I would like to express my acknowledgement for your trust, and affectionately greet the more than 65 thousand collaborators of Quiñenco and its companies in Chile and around the world. Thanks to their strength, professionalism and dedication, we will continue building the future for our company, investing abroad to diversify our investment base and, of course, contributing to the development of our beloved Chile.

Andrónico Luksic Craig
Chairman

Patagonia

CHILE

ENEX, CCU, BANCO DE CHILE, HAPAG-LLOYD AND SAAM'S OPERATIONS REACH THE EXTREME SOUTH OF THE COUNTRY.

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

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
Commercial Engineer, Universidad Católica de Chile
ICAME Certificate in Marketing Management, Stanford University, USA

** Member of the Directors' Committee as of December 31, 2016.*

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 Extraordinary Shareholders' Meeting held on April 30, 2014. Mr. Andrónico Luksic Craig was designated as Chairman of the Board and Mr. Jean Paul Luksic Fontbona, Vice Chairman of the Board on June 5, 2014.

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

Quiñenco Profile

22.7

US$ **billion**

Aggregate revenues of the main operating companies where Quiñenco participates.

70.6

US$ **billion**

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

Quiñenco is one of the largest and more diversified business conglomerates in Chile, with consolidated assets of approximately US$55 billion. It participates in leading companies of the financial, beverage and food, manufacturing, energy, transport and port services sectors, which altogether employ close to 65,000 people in Chile and abroad.

The shares of Quiñenco S.A., founded in 1957, are traded on the Chilean stock exchanges, where its market capitalization was close to US$3.9 billion as of December 31, 2016.

Corporate strategy

Quiñenco creates value for its shareholders and for society through the sustainable development of the companies it invests in. In the mass consumption business sector, it privileges the development of brands and franchises where it is possible to generate synergies and economies of scale by complementing businesses and distribution networks. Another important part of its corporate strategy is its alliances with world-class partners, who contribute their experience, knowledge and resources to the growth of joint businesses. The holding company keeps a controlled and gradual approach to international expansion, based on an advantageous position regarding growth opportunities, given by the location of

Main assets

Quiñenco's investments are diversified in six key sectors of the Chilean economy. The main assets at December 31, 2016 are the following:

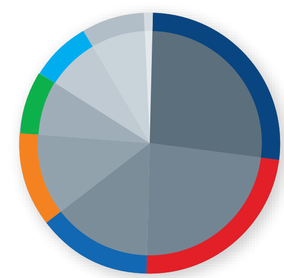
FINANCIAL SERVICES		BEVERAGES AND FOOD
Banco de Chile	Banchile SEGUROS DE VIDA	CCU
51.2% of the voting rights in alliance with Citigroup. Quiñenco participates through LQ Inversiones Financieras (LQIF), where it holds an equal ownership stake with Citigroup. Market capitalization: US$11.4 billion	66.3% ownership. Book value of equity: US$35 million	60% ownership in alliance with Heineken through IRSA, where both partners hold a 50% stake. Market capitalization: US$3.9 billion

the facilities and the strength of the products, services and distribution networks of its companies.

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 management of the companies to define long-term strategies, overseeing the operational and financial performance, and structuring major mergers and acquisitions. In this way, it boosts the management and growth capacity of each of the group's companies, promoting the adoption of best practices, generating synergies and achieving a high level of efficiency and talent attraction and retention.

Quiñenco's business model allows it to increase the value of each company where it holds a stake by means of investments which provide high returns in the form of dividends. From a long-term perspective, the holding also evaluates eventual divestments provided the Company perceives they add more value to its shareholders than retaining them. Consequently, in 2016, the subsidiary Techpack sold its regional flexible packaging business to the Australian company Amcor. The transaction amounted to US$435 million and generated an after-tax gain of US$21 million. Over the last 20 years, the holding has demonstrated its capacity to generate value, obtaining earnings of US$1.7 billion for its shareholders resulting from divestment operations amounting to approximately US$4.2 billion. In 2016, the dividends received at the corporate level amounted to US$119 million.

INVESTMENT DISTRIBUTION (BOOK VALUE AT CORPORATE LEVEL, 2016: MUS$5,532)



Financial Services	28%
Transport	20%
Energy	15%
Manufacturing	12%
Beverages and Food	8%
Port Services	8%
Cash	8%
Others	1%

MANUFACTURING		ENERGY	TRANSPORT		PORT SERVICES
INVEXANS	Techpack	ENEX	CSAV	Hapag-Lloyd	SAAM
29.1% of Nexans' ownership held by Invexans and, to a lower extent, by Techpack. Quiñenco controls 98.6% of Invexans and 100% of Techpack. Nexans' market capitalization: US$2.3 billion		100% ownership. Book value of equity: US$840 million	56.0% ownership. Market capitalization: US$800 million	31.4% ownership held by CSAV, being its main shareholder. Market capitalization: US$2.7 billion	52.2% ownership. Market capitalization: US$750 million

History

1957
- Forestal Quiñenco S.A. created to exploit eucalyptus forests to produce wood props for 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.
- Control of Manufacturas de Cobre S.A. (Madeco) is acquired.
- Control over Compañía de Cervecerías Unidas S.A. (CCU), in alliance with the German group Schörghuber, is acquired.
- 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.
- OHCH takes control of Banco Santiago.
- Quiñenco is 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. with the Spanish construction firm Ferrovial Inmobiliaria.
- Sale of stake in the banking sector holding company OHCH, after which 51.2% of Banco de A. Edwards and 8% of Banco de Chile were acquired.
- Sale of VTR Cable.
- Acquisition 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.
- Partnership with Heineken, which acquires 50% of IRSA, the company that controls CCU.
- Sale of Hotel Carrera in Santiago.
- Sale of Lucchetti Chile S.A.
- Purchase of Calaf through a joint venture with CCU.
- Acquisition of 11.4% of Almacenes París, stake that was later sold.
- Delisting of Quiñenco shares from the NYSE and end of its 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 assets in Chile.
- Madeco signs an agreement with Nexans that allows it to increase its stake to 20%, acquiring significant influence in said company.
- Purchase of 20.6% stake in Compañía Sud Americana de Vapores S.A.

2012

- Quiñenco carries out a capital increase of Ch$250 billion.
- Stake in CSAV increased to 37.44% and access to 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 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 reference 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 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 tender offer to purchase shares, whereby Quiñenco acquires 17.88% of Invexans, reaching a participation of 98.3%.
- Quiñenco increased 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. Towards year-end, it sold its 49% stake in Compañía Pisquera Bauzá to Agroproductos Bauzá.
- SM SAAM incorporates 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 started trading on the German stock exchanges, raising US$300 million. CSAV subscribed US$30 million, reducing its stake in the German shipping company to 31.35%; however, it continues to be its main shareholder.

2016

- CCU increases its stake in Manantial S.A. from 51% to 100%, and its stake in Nutrabién to 100%. CCU also purchased 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 entire flexible packaging business to the Australian group Amcor, upon completing the sale of Alusa S.A. and Inversiones Alusa S.A.'s shares for a net amount of US$216 million for Techpack.
- 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, with a total shipping capacity of 1.5 million TEU and joint annual sales for approximately US$12 billion.
- SM SAAM signed an agreement with Sociedad Portuaria Regional de Buenaventura to acquire 51% of two concessions at Puerto Caldera, the largest Pacific coast terminal in Costa Rica and the second largest in terms of domestic cargo moved. The transaction amounted to US$48.5 million and was completed in February 2017.
- Quiñenco carries out a public tender offer for Techpack shares, reaching a 98.98% ownership stake in said company. After exercising the withdrawal and purchase rights, Quiñenco achieves 100% of Techpack's ownership at year-end.
- Techpack acquires 0.53% stake in Nexans.

Organization

1 **Francisco Pérez Mackenna**
CHIEF EXECUTIVE OFFICER
(since July 1, 1998)
Commercial Engineer,
Universidad Católica de Chile
MBA, University of Chicago, USA

2 **Rodrigo Hinzpeter Kirberg**
CHIEF COUNSEL
(since April 3, 2014)
Attorney,
Universidad Católica de Chile

3 **Luis Fernando Antúnez Bories**
ADMINISTRATION, FINANCE AND HUMAN RESOURCES MANAGER
(since July 15, 1996)
Industrial Civil Engineer,
Universidad Católica de Chile,
MBA, Georgia State University, USA

4 **Carolina García de la Huerta Aguirre**
CORPORATE AFFAIRS AND COMMUNICATIONS MANAGER
(since April 3, 2014)
Journalist,
Universidad Católica de Chile

7 **Alvaro Sapag Rajevic**
SUSTAINABILITY MANAGER
(since April 3, 2014)
Attorney,
Universidad de Chile

8 **Davor Domitrovic Grubisic**
SENIOR ATTORNEY
PREVENTION OFFICER LAW 20,393
(since April 3, 2014 and June 1, 2016, respectively)
Attorney,
Universidad de Chile

9 **Pilar Rodríguez Alday**
INVESTOR RELATIONS MANAGER
(since June 2, 2008)
Commercial Engineer,
Universidad Católica de Chile

10 **Oscar Henríquez Vignes**
GENERAL ACCOUNTANT
(since October 1, 1996)
Certified Public Accountant, Universidad de Chile
Postgraduate degree in Tax Planning,
Universidad Católica de Chile
Master's degree in Tax Administration and Management, Universidad Adolfo Ibáñez

13 **Raúl Requena Martínez**
LABOR RELATIONS MANAGER
(since January 4, 2016)

14 **Juan Ignacio Eyzaguirre Matte**
DEPUTY DEVELOPMENT MANAGER
(since July 6, 2015)
Civil Engineer,
Universidad Católica de Chile
Master's degree in Engineering,
Universidad Católica de Chile
MBA and MPA, Harvard University, USA

15 **Jorge Ortega Haye**
DEPUTY DEVELOPMENT MANAGER
(since July 18, 2016)
Industrial Civil Engineer
Universidad Católica de Chile

16 **Arturo Highet García**
DEPUTY PERFORMANCE CONTROL MANAGER
(since July 1, 2016)
Commercial Engineer
Universidad Católica de Chile

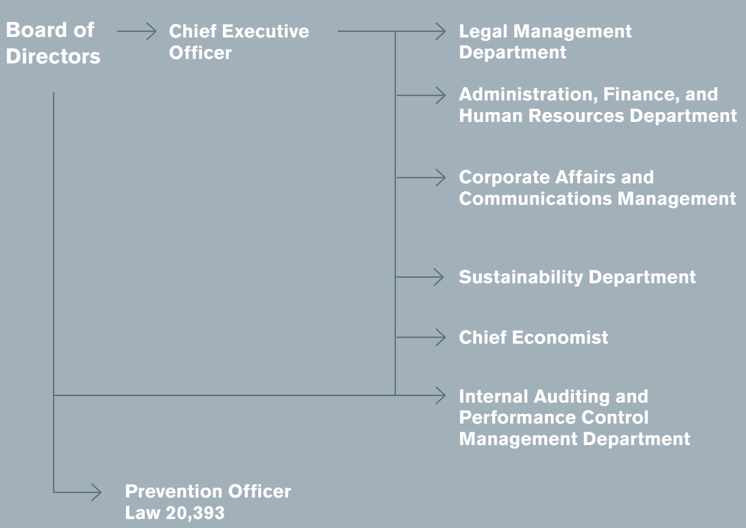
5 **Andrea Tokman Ramos**
CHIEF ECONOMIST
(since April 3, 2014)
Commercial Engineer,
Universidad Católica de Chile
PhD in Economics, University of California at Berkeley, USA

6 **Pedro Marín Loyola**
PERFORMANCE CONTROL MANAGER AND INTERNAL AUDITOR
(since October 1, 1996)
Commercial Engineer,
Universidad Católica de Chile
M.S. Finance, London School of Economics, England

11 **Mauricio Lob de la Carrera**
PUBLIC AFFAIRS MANAGER
(since April 1, 2014)
Journalist,
Universidad Diego Portales

12 **Gabriela Ugalde Romagnoli**
ORGANIZATIONAL DEVELOPMENT MANAGER
(since October 1, 2014)
Psychologist,
Universidad Católica de Chile
MBA, Universidad Católica de Chile

ORGANIZATIONAL STRUCTURE



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 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 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.

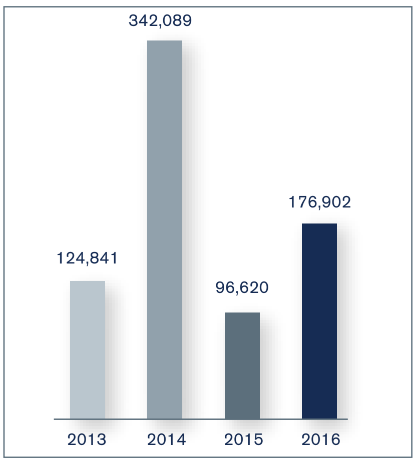
What Drives Us

"Create new paths, discover and study territories that will be the source of progress for future generations".

Andrónico Luksic Abaroa (1926-2005)

2016 Results

NET INCOME
MCh$



3,585,067

Ch$ **million**

Consolidated revenues in 2016*

176,902

Ch$ **million**

Net income for Quiñenco in 2016

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 over 40 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, Techpack 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, 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.

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

Quiñenco earned net income of Ch$176,902 million in 2016, 83.1% up from the previous year. This favorable variation is due mainly to the manufacturing sector, namely the earnings obtained by the French multinational Nexans over the period that offset the loss reported in 2015, thanks to the strategic initiatives and the restructuring implemented by its management. In Techpack, the sale of the flexible packaging business to the Australian company Amcor yielded after-tax profits of Ch$14,218 million at year-end for that subsidiary. In the energy sector, Enex increased net income by 2.3% as a result of greater fuel volumes sold at its service stations and through its industrial channel, and a good performance of lubricants. In the container shipping business, although the net contribution was similar to the previous year, Hapag-Lloyd had a good operating performance despite the drop in the rates due mainly to the favorable effect of synergies and cost savings, as well as lower oil prices. In the banking sector, in a scenario of slow economic growth and lower inflation, Banco de Chile reported a slight net profit

downfall by 1.2%, resulting from greater revenues from customers, offsetting higher operating and tax expenses, and a moderate increase in loan loss provisions. Meanwhile, SM SAAM reported a 20.9% reduction in net income due mainly to non-recurring profits in 2015 from the restructuring of its businesses in Peru, partly offset by good performance of the port terminals, particularly TISUR, and of tug boats in South America, in 2016. The contribution of the port services segment also reflects Quiñenco's greater participation in SM SAAM, which increased from 42.4% in December 2015 to 52.2% in December 2016. CCU's results, included in the Other segment, were 1.9% lower than 2015, due mainly to a poorer performance of international businesses, mostly owing to the devaluation of the Argentine peso, offset by a better performance of the wine segment and a stable performance of the Chile segment. Likewise, Banchile Vida, also included in the Other segment, recorded a 12.6% increase in results, stemming from the growth of the direct premium and good claims management. At the corporate level, it is worth noting 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; and the favorable effect of lower losses associated with decreased inflation rates on readjustable liabilities.

Industrial Sector

Quiñenco reported consolidated revenues from its industrial sector of Ch$2,158,855 million in 2016, 12.6% up from the previous year due mainly to the consolidation of SM SAAM's revenues as from 2016, and, to a lower extent, to greater revenues at Banchile Vida. The above was partly offset by lower revenues from CSAV and Enex.

Operating income from the industrial sector totaled Ch$66,124 million in 2016, significantly higher than the Ch$3,183 million recorded the year before, mostly a reflection of the consolidation with SM SAAM in 2016. This variation can also be attributed to the revaluation of the investment in SM SAAM by Quiñenco in 2016, resulting from an accounting change in said investment from the equity method to consolidation, in addition to the stronger operational result in CSAV, due mainly to a better performance of the car carrier business and a favorable non-recurring effect from the reversal of the NYSA-ILA's case provision relating to cargo movers in the U.S. To a lesser extent, the above reflects an 80.7% recovery of Invexans' operational losses due mainly to lower non-recurring charges in 2016 and lower administrative expenses. Enex recorded better operating results by 10.4% due to greater fuel volumes sold, and a greater sales volume and margin in lubricants, partly offset by higher sales points, logistics and brand image expenses. For its part, Banchile Vida also recorded a 14.7% increase in its operating results. Meanwhile, Techpack recorded an operating loss 32.8% higher than the previous year, due mainly to higher personnel costs and discharges after the sale of the flexible packaging business.

IRSA's contribution slightly increased by 0.1%, as a result of lower losses from the effect of lower inflation on liabilities, an income tax credit and lower financial costs, all at IRSA, which offset the reduction in profits reported by CCU in the year.

The investment in SM SAAM, accounted for as an equity investment in 2015, contributed earnings of Ch$17,785 million for the period. In 2016, SM SAAM is accounted for as a subsidiary in the port services segment.

The industrial sector recorded consolidated net income of Ch$69,568 million in 2016, versus consolidated losses of Ch$32,777 million in 2015, due mainly to the gain recorded from Nexans that reverses previous year's losses. This better performance is also the result of the consolidation with SM SAAM in 2016; hence, consolidated profit in 2016 includes minority interest, while 2015 only includes Quiñenco's participation of 42.4%. At the corporate level, the Company reported earnings from the revaluation of its investment in SM SAAM due to the accounting change in said investment from the equity method to consolidation in 2016, and lower losses associated with the effect of decreased inflation rates on readjustable liabilities. Banchile Vida, LQIF holding and, to a lesser extent, Enex, also contributed to the growth of consolidated net income.

Banking Sector

In 2016, the operating income of the banking sector, corresponding mainly to Banco de Chile, reached Ch$1,735,946 million, 5.4% up from 2015. This favorable variation is due mainly to higher revenues from clients driven by a 7.9% increase in the average loans together with greater fee income, and to a lesser extent, due to an increase in non-client related income, arising from the sale of available-for-sale investments, which offset the unfavorable effect of lower inflation.

The operating income of the banking sector grew by 3.1%. Higher revenues were partly offset by an 8.6% increase in operating expenses, due mainly to greater personnel, IT and rental expenses. The loan loss provision, in turn, grew by 2.2%, due mostly to the increase in loans and greater counter-cyclical provisions, offset by a better risk profile of the wholesale portfolio.

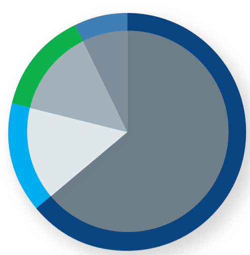
In connection to non-operating results, it is worth noting that the 4.3% loss reduction is due mainly to lower interests on the subordinated debt held with the Central Bank of Chile over the period.

The banking sector earned consolidated profits of Ch$479,342 million in 2016, slightly down from the previous year due to greater operating expenses, higher tax expenses due to the increase of the corporate income tax rate and, to a lesser extent, a moderate increase in loan loss provisions, mostly offset by greater revenues.

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$79,595 million, 3.6% lower than the Ch$82,585 million recorded the previous year. In 2016, the Bank maintained its dividend payment ratio of 70% 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 industrial sector debt totaling Ch$1,147,216 million.

DIVIDENDS RECEIVED
MCh$79,595 (AT CORPORATE LEVEL)



- LQIF (Banco de Chile) 64%
- SM SAAM 15%
- IRSA (CCU) 14%
- Banchile Vida 7%

Contribution to profits by segment

	MCh$	
	2016	**2015**
Manufacturing Segment		
Invexans	8,946	(42,240)
Techpack	2,931	1,019
Net income Manufacturing Segment	**11,877**	**(41,221)**
Financial Segment		
LQIF holding	(7,908)	(8,663)
Banking sector	119,745	120,963
Net income Financial Segment	**111,837**	**112,300**
Energy Segment		
Enex	20,227	19,773
Net income Energy Segment	**20,227**	**19,773**
Transport Segment		
CSAV	(10,014)	(9,991)
Net income Transport Segment	**(10,014)**	**(9,991)**
Port Services Segment		
SM SAAM	17,039	-
Net income Port Services Segment	**17,039**	**-**
Other Segment		
IRSA	33,010	32,980
SM SAAM	-	17,785
Quiñenco and Others	(7,074)	(35,006)
Net income Other Segment	**25,936**	**15,759**
Net income attributable to Controller's Owners	**176,902**	**96,620**

Contribution to profits by sector

	MCh$	
	2016	**2015**
Industrial Sector		
Revenue	2,158,855	1,917,121
Operating income	66,124	3,183
Non-operating income	17,409	(45,260)
Income tax expense	(29,240)	3,838
Net income from discontinued operations	15,275	5,461
Consolidated net income (loss) Industrial Sector	**69,568**	**(32,777)**
Banking Sector		
Net operating revenues	1,426,212	1,344,499
Operating income	637,425	617,980
Non-operating income	(68,936)	(72,069)
Income tax	(89,147)	(61,818)
Consolidated net income Banking Sector	**479,342**	**484,093**
Consolidated net income	**548,910**	**451,316**
Net income attributable to Non-Controlling interests	372,008	354,696
Net income attributable to the Controller's Owners	**176,902**	**96,620**

Structure of the industrial sector debt

Industrial Sector	MCh$	
	2016	**2015**
Corporate level [1]	664,607	414,937
Invexans	10,049	10,682
Techpack	-	73,781
LQIF holding	184,506	179,177
Enex	63,838	74,846
CSAV	63,022	35,259
SM SAAM	161,194	-
Total industrial sector debt	**1,147,216**	**788,682**

(1) Excluding the debt owed by IRSA, which totaled MCh$74,717 in 2016 (MCh$83,051 in 2015), where Quiñenco holds a 50% stake.

Sustainability

Sustainability is regarded as a strategic factor by Quiñenco group companies, and their decisions take this factor into account from the very beginning when evaluating each project, analyzing ex ante the effects of their actions on the physical environment as well as in the economic, personal, social and cultural relationships.

This vision recognizes that companies are an active and comprehensive component of society, which justifies the undertaking of initiatives that will allow matching their strategic guidelines with the expectations and needs of the various stakeholders. Similarly, social sustainability is regarded as a tool to build long-term relationships that will bring benefits to all parties involved.

The subsidiaries are completely autonomous to make decisions in this field. Respecting such independence, Quiñenco's Sustainability department collaborates in three main action lines: Environmental, Community and Compliance.

Each company developed numerous initiatives throughout the year based on their own sustainability and social accountability programs. The summary below contains some noteworthy examples of the three action lines mentioned above.

Environment

The publication of the new framework law on waste management, extended producer responsibility and recycling in 2016 caught special attention on the part of the Sustainability Department and of two companies of the holding, CCU and Enex. This law seeks to reduce waste generation and to promote its reutilization or recycling, and holds the producer accountable for the waste generated from its products, from their manufacturing until their sale or disposal, establishing six priority products, two of which are related to the holding companies: lubricants, and containers and packaging. CCU will set up public-private work tables to develop specific standards and will adhere to the Collective Management System for the recycling of containers and packaging. Enex, for its part, which already recovers a significant percentage of the lubricants sold that are used by service stations, industrial and mining clients, is getting ready to implement this law and has collected information of companies where similar legal initiatives are already in place, such as Spain.

Among the environmental highlights of the year, it is worth noting the progress made by CCU and Viña San Pedro Tarapacá. As part of its 2020 Environmental Vision plan, CCU inaugurated at its Temuco plant a natural gas conversion project that will allow reducing direct CO_2 emissions by 20%. In turn, Viña San Pedro Tarapacá was awarded the Green Company of the Year prize, due largely to two projects that show commitment to sustainable development. In March 2016, it inaugurated a biogas plant in Molina thus becoming the first vineyard in the world that generates renewable power from 100% of grape harvest residues, at a plant that generates 1 MW/hour of clean energy, equivalent to the consumption of 3,200 homes and supplies 60% of the power and thermal energy required by the vineyard. Months later, the vineyard inaugurated the first run-of-the-river mini-hydro power plant for a company in this industry in Chile, commissioning a power plant that generates 250 kW of power and supplies the electricity requirements of the vineyard's warehouse.

Along these lines, Enex also decided to go ahead with its electronic material recycling program in alliance with Recycla. 275 kilograms of electronic waste were collected in 2016.

Community

Globally, Nexans - through a foundation created in 2013 - has consolidated its support to communities without access to energy. In 2016, the foundation selected 14 projects to provide electricity to various villages, some of which are located in Sub-Saharan Africa, Cambodia, Nepal, Indonesia and Morocco. The projects will benefit close to 30 thousand people.

Banco de Chile renewed its support for initiatives aimed at overcoming adversity, such as the 2016 Telethon, where approximately 10,000 collaborators participated on a voluntary basis, and the work was carried out jointly with Fundación Educacional Astoreca and Desafío Levantemos Chile. With the latter, it conducted the first national entrepreneurship contest with more than 16,000 applicants. Today, Banco de Chile is the private financial institution serving the largest number of micro-entrepreneurs in the country. Through agreements with municipalities, business associations and confederations, it has conducted a series of training seminars and financial education workshops, delivering concrete tools to promote the business development of various entrepreneurs.

2016 was a key year in the implementation of CCU's Community Relationship Model, whose main objective is to promote a systematic and first-class work jointly with the community, to become a contribution to society. CCU's "Educar en Familia"

Molina

CHILE
SAN PEDRO TARAPACÁ BECAME THE FIRST VINEYARD IN THE WORLD TO GENERATE RENEWABLE ENERGY FROM THE USE OF 100% OF GRAPE HARVEST RESIDUES.

(educating within the family) program also received HUB Sustainability recognition in the category "Best community practices". Moreover, CCU received the Female Talent Encouragement Award for its outstanding handling of gender issues.

Since 2010, Banchile Seguros de Vida (Life Insurance) has sponsored the "Piano Educa" (educating through the piano) project, an initiative that has benefited more than 50,000 children and over 50 schools in Santiago. Jointly with the Municipal Theater of Santiago, the foundation has reached almost every municipality in Chile.

In 2016, SAAM and the Maritime Heritage Corporation launched an itinerant exhibition aimed to raise awareness of the historical significance of maritime activity in the development of port cities, and the prospects this activity offers. The Contenedor Trotamundos (Globetrotter Container) is an interactive and free activity conducted in the main Chilean ports. Worth noting also is the progress made in Corral port: based on an agreement signed with the community, the Corral Bike program was implemented, which contributes to the tourist activity in this locality of the Los Ríos Region. Similarly, the Clean Production Agreement was signed in Antofagasta, whereby the Antofagasta International Terminal is already prepared to use hopper containers to dispatch copper concentrate.

Enex, meanwhile, extended the alliance with Fundación Las Rosas to carry out different campaigns, one of which is a monthly contribution from the company and its collaborators that contributes to the financing of the charity institution.

Compliance

Overall, the group companies have strengthened their corporate governments by means of policies and new instances to reinforce internal control and transparency mechanisms. Worth noting in this area are the decisions made by Enex and SAAM to publish their first sustainability reports based on world-class standards, as other of the group companies already do.

In 2016, SAAM's Board of Directors approved its sustainability policy, an immediate action plan and the formation of a committee that includes all corporate managers, to lead initiatives in these matters.

Last year, SM SAAM's progress in this area was reflected in its inclusion in the list of the 21 companies that make up the Dow Jones Sustainability Index Chile (DJSI Chile). Developed jointly by S&P Dow Jones, RobecoSAM and the Santiago Stock Exchange, this index was created based on the assessment of 57 companies in the IGPA, with stock market capitalization in excess of US$100 million.

In 2016, Compañía Sud Americana de Vapores, CSAV's integrated management system was audited by LRQA, which certified the conformity, consistency and effectiveness of the quality and environmental performance control system, according to ISO 9001:2008 and ISO 14001:2004. This certification strengthens CSAV's approach to ongoing improvement as a principle that ensures the fulfillment of customer service agreements while maintaining its permanent commitment to the protection of the environment.

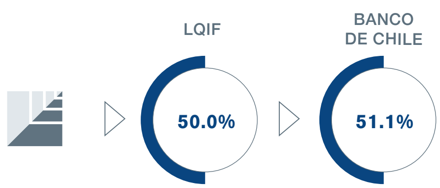
Activities and businesses

- Financial Services 31
- Beverages and Food 39
- Manufacturing 43
- Energy 49
- Transport 53
- Port Services 57

Santiago

CHILE
FROM CHILE'S CAPITAL, LQIF CONTROLS THE SOUNDEST BANK OF LATIN AMERICA.

FINANCIAL SERVICES



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 2016 it held 51.1% of the voting rights and 33.4% 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's 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%.

The Quiñenco group has a vast and successful experience in the Chilean financial sector, where it 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.

LQIF PARTICIPATION IN BANCO DE CHILE*

At December 31	2016
Voting rights	51.1%
Economic rights	33.4%
Ownership	
SM Chile	58.2%
Banco de Chile	26.6%

* *Direct and indirect participation through Inversiones LQ SM Ltda. and SM Chile.*

2016 Results

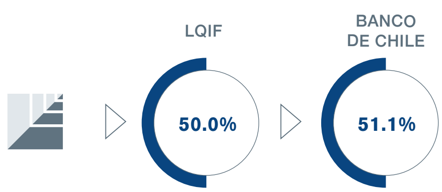
LQIF recorded net income of Ch$223,674 million in 2016, 0.4% down from the previous year. This variation is due mainly to the 1.2% reduction in Banco de Chile's results over the period, partly offset by lower interests of the Subordinated Debt. The Bank's lower results are due mainly to an increase in operating expenses, a greater tax expense associated with the higher corporate income tax rate and, to a lesser extent, greater loan loss provisions resulting from loan growth, particularly in the retail banking segment and higher counter-cyclical provisions. Despite the context of lower inflation rates and lower economic growth, these unfavorable effects were mostly offset by the 5.4% growth in the Bank's operating revenue, driven mainly by greater customer-related income. LQIF holding, for its part, reported losses 8.7% lower than the previous year, due mainly to lower losses associated with the effect of decreased inflation rates on readjustable liabilities in 2016.

Beijing

CHINA

IN 2016, BANCO DE CHILE'S REPRESENTATION OFFICE IN BEIJING TURNED ITS FIRST DECADE SUPPORTING THE DEVELOPMENT OF BUSINESSES BETWEEN CHILE AND CHINA.

FINANCIAL SERVICES



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.*
- *2 million customers.*
- *14,611 employees.*
- *423 branches, 2,374 Cajas Chile and 1,453 ATMs.*
- *Market capitalization: US$11.4 billion at December 2016.*

BANCO DE CHILE reaffirmed its leading position in the industry, with annual profits accounting for 28.1% of the whole Chilean banking system, and a return on average capital and reserves of 20.3% for 2016. It also remained the soundest private bank in Latin America, with A+ (S&P) and Aa3 (Moody's) risk ratings.

The Bank offers a wide range of financial products and services to all market segments, from individuals to large corporations, taking care of more than two million customers through a large network of traditional channels (423 branches and 1,453 ATMs), 2,374 Cajas Chile, and web platform and mobile applications.

Its scale and business diversity, sound brand positioning, the highest risk management standards and the international connectivity provided by its strategic alliance with Citigroup, among other strengths, enable Banco de Chile to create value through the offering of comprehensive solutions especially designed for each customer segment.

Banco de Chile's shares are traded on the local stock exchanges and the New York Stock Exchange (NYSE), where it holds an ADS (American Depositary Shares) program. With a market capitalization equivalent to US$11.4 billion at the closing of 2016, Banco de Chile again stood out as the financial institution with the greatest value of the country.

Annual Performance

Led by the new management team, the bank restated its long-term strategic goals, separating them into three interdependent areas: the customer in the center of all of the Bank's decisions, permanent search of greater levels of efficiency and productivity, and a strong commitment with Chile and its development.

To enhance this value proposition, the bank undertook several strategic and business intelligence initiatives.

Within this framework, it strengthened its customer website, reinforcing the attributes of security, flexibility and ease of use; launched two new mobile applications and progressed in the development of a new pre-sales and post-sales technology platform, enabling it to provide better service and to generate significant synergies and efficiencies in processes. The leadership in this area led it to be distinguished as the bank with the best digital banking and best mobile banking services by the Global Banking magazine, and the best digital retail banking service in Chile, by Global Finance.

2016 MILESTONES

- Industry leader in net income and profitability[1].
- New retail banking platform and launch of mobile applications.
- Record incorporation of new customers.
- New service model for Private Banking customers.
- Alliance with Iberia to expand customer benefit programs.
- 96% renewal of ATMs.
- Customer referral index of 71.8%, the highest in the industry.

(1) Banks with market share higher than 3% in loans.

BUSINESS AREAS
CONTRIBUTION TO RESULTS*
(NET INCOME MCH$552,249 IN 2016)

BUSINESS SEGMENTS

RETAIL BANKING
- *Personal banking and SMEs.*
- *Banco CrediChile.*

WHOLESALE BANKING
- *Large corporations and real estate companies.*
- *Corporate and investment banking.*
- *Special businesses.*

TREASURY
- *Multi-national institutions, customers, corporations, wholesalers and large corporations.*
- *Individuals from the private and preferred banking segments.*

SUBSIDIARIES
- *Banchile Administradora General de Fondos S.A.*
- *Banchile Corredores de Bolsa S.A.*
- *Banchile Corredores de Seguros Limitada.*
- *Banchile Asesoría Financiera S.A.*
- *Banchile Securitizadora S.A.*
- *Socofin S.A.*

In 2016, the Bank created a new private banking model for its customers (Private Wealth Management) and enhanced its offering to high-income clients, opening four branches in regions to especially address the requirements of this segment.

It also expanded its customers' benefit programs, adding Iberia to the alliances existing with Delta and Sky airlines, in place since 2015.

In terms of the loan portfolio, the Bank's expansion was consistent with a profitable and selective growth strategy. The loans to retail banking customers showed high dynamism, with an annual growth of 9%; worth noting is the 10% increase in loans to small and medium size companies, and the good performance of the credit card business with an annual growth of 14%.

Quickly adapting to the new security standards, the Bank closed 2016 with 96% of its ATMs renewed.

The progress made in these various management lines allowed the Bank to report outstanding achievements, such as the record incorporation of new customers (more than 88 thousand new current account holders and 66 thousand new customers through payroll deduction in the mass consumption segment), a lower attrition rate and a customer referral rate of 71.8% at year-end, the highest amongst our competitors.

In the human capital area, the bank conducted more than 800 training activities, remodeled more than 4,000 m2 of physical areas and developed BiciChile, initiative that promotes the use of the bike as a means of transport, which was distinguished with the Cool Place to Bike award. These and other actions had a positive impact on the work environment, as confirmed by the 91% satisfaction rate of the last internal climate survey.

2016 Results

Banco de Chile recorded net profits of Ch$552,249 million in 2016, keeping its leading position in the industry with a 28.1% share of profits and a return on average capital of 20.3%. This result is slightly down from 2015, within a context of lower inflation and lower than expected economic growth. The Bank's operating revenue grew 5.4%, driven by a 7.9% expansion in average loans with a focus on segments with a good risk-return ratio, greater fee income and greater non-customer income.

The expenses in loan loss provisions increased by 2.2% due mainly to loan growth and the constitution of counter-cyclical provisions, offset by a favorable effect of the exchange rate variation on provisions stated in dollars and a better risk profile of the wholesale portfolio.

In turn, operating expenses grew by 8.5% due to greater personnel disbursements resulting from inflation and organizational restructuring, and higher administrative expenses from greater IT and rental fees, due mainly to the opening of new branches.

The increase in operating revenue more than offset the upturn in operating expenses and loan loss provisions. However, the 44.2% increase in income tax expense hit the net income for the year, which was 1.2% down from 2015.

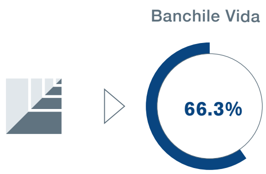
HIGH VALUE BRAND

In 2016, the international magazine The Banker included Banco de Chile in "The Top 500 Banking Brands" recognizing it as the most valuable banking brand in the country. Advancing 29 positions as compared to the previous year, Banco de Chile ranked 150 among the 500 banks evaluated at a global level.

Among its attributes, the study considers variables such as emotional attachment to the brand, financial performance and sustainability.

FINANCIAL SERVICES

Banchile
SEGUROS DE VIDA



BANCHILE SEGUROS DE VIDA

- *Provides its customers with a distinctive experience, through innovation of its internal processes and marketing.*
- *Direct premium: Ch$125,000 million in 2016.*
- *59 employees.*
- *50 distribution channels.*
- *Started operations in 2000.*

2016 MILESTONES

- **Development of an integrated platform for the sale and administration of investment life insurance policies.**
- **Launch of a mobile application that supports insurance sale and post-sale management activities.**
- **Enhancement of processes relating to production and fees.**

BANCHILE SEGUROS DE VIDA (Banchile Vida)'s mission is to provide comprehensive solutions to the protection requirements of people and their families, offering life, accident and health insurance policies, through mass insurance distribution channels.

One of the company's main strengths is its innovating capacity in internal and sales processes through the use of technology. Its operational system is based on agile and reliable digital processes. For example, the system provides for the electronic acceptance of insurance proposals, hence offering efficiency, service quality, immediacy and lower costs as some of its comparative advantages. Its challenge is to position itself as a leading company in the market that works based on an efficient and flexible management model.

Banchile Vida maintains reinsurance contracts with companies with high risk ratings: Hannover Re (AA-), Scor (AA-) and General Re (AA+). In turn, it maintains a track record of AA, according to the rating assigned by ICR Chile and Feller Rate risk rating agencies. This standard proves Banchile Vida as a company with a high capacity of meeting the terms and conditions agreed upon.

Annual Performance

Service quality is the ultimate goal of all the projects and improvement processes implemented by the company. One of these initiatives, concluded during 2016, was the construction of a control panel that allows monitoring the activities of the company's personnel which supports Customer Service, to improve the response time to policy holders and commercial partners.

Banchile Vida's main challenge in 2017 is to continue strengthening the commercial relationship with the distribution channels and to expand the supply of products and services through its mobile solutions and webpage. The innovation projects started in 2016 will play a decisive role in achieving these objectives. An example is the launch of the first mobile application for the commercial executives of its sales channels, to support the insurance sale and post sales management stages. The new development aimed at improving the company's efficiency through the enhancement of internal processes relating to production and fees will also be significant, as it will allow reducing the execution and processing control times. Another contribution to meet the challenges for 2017 will come from the investments and improvements in IT services. Among the main projects completed are the 24/7 extension of the support and control platform, the hiring of quicker broadband for digital communications, and the update and improvement of electronic invoicing and high availability email platforms.

NEW PLATFORM FOR INSURANCE WITH INVESTMENT

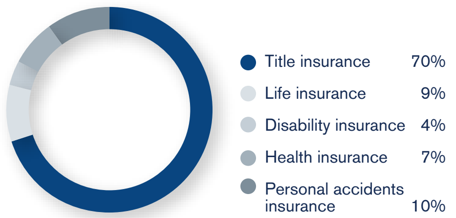
In 2016, Banchile Vida developed a comprehensive platform for the commercialization and administration of Investment Life Insurance policies. One of the components of this platform allows the customers to manage their policies and investments online and access the information they require to be updated respect to the coverage provided and the evolution of their invested capitals. The system, which is already operational, will enable the company to enter this new segment of the insurance market in 2017.

Lastly, it is worth mentioning that SEGCHILE started its operations in 2017; this company has the same ownership structure as Banchile Vida and will participate in the general insurance market. This new activity will have significant operational, systems and commercial synergies with Banchile Vida.

2016 Results

Banchile Vida reported net profits of Ch$13,553 million in 2016, 12.6% up from 2015. This good performance is based mainly on the growth of direct premiums sold and a good claims management, as shown by the 14.7% increase in operating income.

OPERATING SEGMENTS
(TOTAL DIRECT PREMIUM MCh$125,404 IN 2016)



Business areas

POLICIES
- *A wide range of products including collective and individual life 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 done by the commercial and customer information networks.*

DISTRIBUTION
- *Operates through more than 50 distribution channels: banks, savings and credit cooperatives, compensation funds, companies and retailers.*

Bogota

COLOMBIA

WITH AN ANNUAL BEER CONSUMPTION OF 50 LITERS PER CAPITA, THE COLOMBIAN MARKET DISPLAYS AN ATTRACTIVE GROWTH POTENTIAL. PARTNERING WITH THE POSTOBÓN GROUP, CCU IS BUILDING A PRODUCTION PLANT THAT WILL BE COMMISSIONED IN 2018.

BEVERAGES AND FOOD

CCU

CCU creates sustainable value through a diversified offering, with special emphasis on beer and nonalcoholic beverages, a portfolio of highly preferred brands, and scale operations in every country where it has operations: Chile, Argentina, Uruguay, Paraguay, Bolivia and Colombia.

The company holds license and/or distribution agreements with Heineken, Anheuser-Busch, PepsiCo, Schweppes, Nestlé, Pernod Ricard and Coors, among others.

Its strategic plan toward 2018 is to progress in its goal of becoming a regional company, and to this end its efforts will be mainly focused on growth and efficiency.

COMPAÑÍA CERVECERÍAS UNIDAS

- *Listed on the Chilean stock exchanges since 1920, and on the New York Stock Exchange since 1999.*
- *Brewing tradition since 1850.*
- *Operations in Chile, Argentina, Uruguay, Paraguay, Bolivia and Colombia.*
- *Market capitalization: US$3.9 billion at December 31, 2016.*
- *Total sales of 24.8 million hectoliters in 2016.*

Annual Performance

The program ExCCelencia CCU, core within this strategic definition, has generated savings initiatives that improved operations and streamlined CCU's organizational structure during 2016. Among them, it is worth noting the integrated sales approach of the beer and nonalcoholic categories in Chile to capture additional efficiencies and to improve the service level of the logistic operations.

The competitive regional scenario started to reconfigure for CCU with the gradual integration of SABMiller plc and AB Inbev, one of the largest mergers in the global beer industry ever, giving rise to the largest mass consumption company in the world.

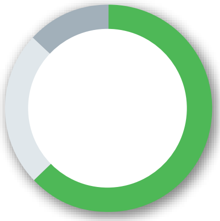
CCU is facing this new challenge supported on its long history and high levels of preference among consumers, which are reflected in its market position. The company will continue to advance in agreement with its strategic statement: *"At CCU, we like a job well done, for people's wellbeing. And we have set ourselves the mission to responsibly gratify our consumers in all their consumption occasions through highly preferred brands".*

Market share[1]

	2012	2013	2014	2015	2016
Total[2]	**24.2%**	**25.8%**	**26.8%**	**27.6%**	**28.1%**
Chile[3]	38.1%	40.0%	40.9%	41.6%	42.3%
International Businesses[4]	10.9%	11.6%	12.9%	13.8%	14.0%
Wine[5]	17.3%	17.6%	18.3%	18.2%	18.0%

(1) A change in previously reported market shares is noted, due mainly to a change in methodology. Past periods now include in the weighting the industries where CCU entered in later dates.
(2) 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 2017). Market share source: Nielsen December 2016 for Chile, domestic wine and Argentina, ID Retail for Uruguay and Chile's Association of Wine Producers for wine exports. Updated annually.
(3) Excluding HOD and powdered juices.
(4) Including beer and cider in Argentina, carbonated soft drinks, nectars, mineral and flavored waters in Uruguay; beer, soft drinks, nectars and mineral water in Paraguay.
(5) Including domestic wine in Chile and exports. The size of the export market segment is that reported by Chile's Association of Wine Producers; it does not include bulk wine.

BUSINESS SEGMENTS DISTRIBUTION OF CONSOLIDATED REVENUES
(TOTAL 2016: MCh$1,558,898)*



** Percentages calculated on revenues excluding Others /Eliminations.*

BUSINESS AREAS

CHILE
- *Largest beer producer.*
- *Second largest producer of carbonated soft drinks.*
- *Largest bottler of waters and nectars.*
- *Largest pisco producer.*
- *Also participates in HOD, functional drinks and rum businesses.*

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

WINE
- *One of the main wine producers in Chile and the second largest exporter of Chilean wine.*
- *Participates in the business through VSPT Wine Group, which in Chile consists of the vineyards San Pedro, Tarapacá, Santa Helena, Misiones de Rengo, Leyda, Viña Mar de Casablanca and Casa Rivas, and in Argentina, of Finca La Celia and Bodega Tamarí.*
- *Exports to more than 80 countries.*

Over the past year CCU added to its portfolio in Chile the brands Red Bull, Campanario Sparkling Sour, Pepsi Zero and Cristal Cero Radler, and powdered juice products. In Argentina, meanwhile, it incorporated cider Real Frutos Rojos and in Paraguay, Zuma, a flavored water brand.

In the HOD water segment, CCU increased its participation in Manantial from 50.01% to 100% early in 2016, exercising a purchase option stipulated in the shareholders' agreement. Similarly, toward year-end it acquired another 50% of Alimentos Nutrabien through its related company Foods and its subsidiary CCU Inversiones, becoming the only two shareholders.

The company's regional expansion continued in 2016 by starting with the production, commercialization and distribution of Watt's nectars in Uruguay, which expands the alliance with this company that already operated in Paraguay and Chile, being the leader in its category.

In Paraguay, the company acquired 51% of Sajonia Brewing Company SRL (before Artisan SRL), company that produces and commercializes craft beer under the brand Sajonia. Therefore, the operation in that country involved the production of beers under private labels.

In Argentina, CCU implemented an investment plan for 2016-2019, which will enable it to expand its beer manufacturing capacity from the current 460 million liters of beer per year to approximately 530 million liters per year. In a first stage, the company will invest approximately US$62 million to increase by 40% the packaging capacity of Luján brewery through the installation of a production line of non-returnable bottles, with a capacity to package more than 200 million liters per year in this new format, whose demand grows day by day around the world.

In Colombia, through Central Cervecera de Colombia, CCU has established presence by distributing several premium brands and by expanding its portfolio by means of the purchase of the brand and assets of Artesana Beer Company, related to the craft beer 3 Cordilleras. The company started to build a plant to produce beer and malt located 60 km away from Bogotá, which will have an initial yearly capacity of 3,000,000 hectoliters, and will be commissioned during 2018.

In the wine segment, VSPT achieved significant progress in the execution of its strategic plan toward 2018, including as main objectives the construction of global brands, profitable growth in key markets, cost and expense efficiencies, leadership in human capital and sustainability. Within this framework, in 2016 it concluded the expansion of the Molina plant and implemented a new

2016 MILESTONES

- **Implementation of an investment plan to increase the productive and logistic capacity of CCU Argentina, which in its first stage considers US$62 million.**
- **Integrated sales approach of the beer and nonalcoholic beverage categories in Chile.**
- **Starts the production and distribution of nectars in Uruguay, as part of the alliance with Watt´s.**
- **Purchase of 51% of Sajonia Brewing Company SRL, manufacturer of craft beer in Paraguay.**
- **The VSPT Wine Group was recognized as Green Company of the Year and the leader in the implementation of renewable energies.**
- **Inauguration of the first regasification satellite plant, which will allow CCU's plant in Temuco to convert to natural gas.**

Casona Viña Tarapacá

bottling line, almost doubling its previous capacity. Also, the Viña San Pedro's "1865" line and its Cabernet Sauvignon and Carménère entered the prestigious Wine Spectator's "Top 100 wines of 2016" list.

VSPT was recognized as Green Company of the Year and leader in the implementation of renewable energies, granted by the British magazine The Drinks Business in the 2016 Green Awards, one of the most important sustainability awards in the world.

Towards the end of 2016, CCU inaugurated the first liquid natural gas regasification satellite plant at its Temuco plant, which will allow conversion to natural gas instead of oil, thus reducing the CO2 emissions in the plant by 20%, contributing to a sustainable environment.

2016 Results

CCU recorded net profits of Ch$118,457 million in 2016, 1.9% down from 2015. In a complex environment, with a strong devaluation of the Argentine peso, slow economic growth in the countries where it operates and a highly competitive industry, CCU maintained a sound performance reflecting the results of the ExCCelencia CCU plan including the integrated sales approach of beer and nonalcoholic beverages in the Chile segment, and the good performance of the Wine segment.

Revenues were up by 4% thanks to a 3.6% increase in consolidated volumes that hit a record of 24.8 million hectoliters. The Chile and Wine segments contributed to this upturn in revenues, while International Businesses showed a contraction, due mainly to the devaluation of the Argentine peso. The EBITDA decreased by 0.8% due to the negative impact on costs of the devaluation of the Argentine and Chilean peso as compared to the dollar, partially offset by the growth in sales and a moderate increase in administration, selling and distribution expenses, lower however, than the growth in sales, resulting from the ExCCelencia CCU plan initiatives and the favorable exchange rate effect in the International Businesses segment.

AT THE FOREFRONT OF SUSTAINABILITY

In the second quarter of 2016, Viña San Pedro became the first vineyard in the world to generate renewable energy using 100% of its organic waste from the grape harvest. Its new biogas plant, inaugurated in April, will generate 1 MW/hour of clean energy, equivalent to the consumption of 3,200 homes and 60% of the electricity and thermal energy required by the vineyard.

On the other hand, Viña Tarapacá became the first vineyard in Chile to develop a hydroelectric plant, with an estimated generation capacity of 250 KWh of clean energy, equivalent to the average consumption of 750 homes and 60% of the power consumption required by its operations.

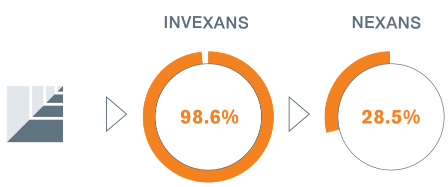
Doha

QATAR

NEXANS SIGNED A €300 MILLION CONTRACT WITH QATAR GENERAL ELECTRICITY AND WATER CORPORATION TO SUPPLY MEDIUM- AND LOW-VOLTAGE CABLES FOR INFRASTRUCTURE PROJECTS IN DOHA, INCLUDING A NEW PORT, TRANSMISSION SYSTEM IMPROVEMENTS AND OTHER INVESTMENTS ASSOCIATED WITH THE 2022 WORLD SOCCER CUP.

MANUFACTURING

INVEXANS



Through Invexans, Quiñenco is the main shareholder of French multinational Nexans, one of the largest cable producers worldwide. Invexans has participated in Nexans since 2008, after receiving 8.9% of the ownership within the framework of the sale of Madeco's regional cable business. As of December 31, 2016, Invexans owns 28.52% of Nexans. In addition to this share, the holding company added a 0.53% acquired by Techpack during 2016, thus consolidating 29.05% ownership of Nexans.

The good results obtained after Nexans' restructuring process boosted the value of its shares. The return per share was 46% in 2016 and 94% in the last two years. Considering the 2016 closing price, Invexans' investment in the company reached a stock market value of €609 million, or US$642 million at that date.

At the closing of 2016, Invexans has three representatives on Nexans' Board of Directors and is involved in its three Directors' Committees (Accounting and Audit, Strategy, and Designations, Compensations and Corporate Governance).

NEXANS

- *French multinational founded in 1897.*
- *One of the main players in the global cable industry.*
- *26 thousand employees.*
- *Production plants in 40 countries across 5 continents.*
- *Sales for €5,814 million in 2016.*
- *Market capitalization equivalent to US$2.3 billion.*

Nexans

Considered one of the two main cable producers worldwide, Nexans has 26,000 employees working in production facilities across 40 countries. The company operates through four business units: Transmission, Distribution and Operators; Industry; Distributors and Installers, and Others. According to the sales level, it is the second largest cable company globally.

Nexans' strategy relies on the ongoing innovation of products, solutions and services, employee development, customer training and the incorporation of safe and low environmental impact industrial processes. The focus of its 2015-2017 plan is the strengthening of strategic initiatives and the combination of tools that allow implementing projects on sound foundations.

Nexans will focus its efforts on maintaining a leading role in the world's transition to renewable energy generation, as a provider of comprehensive, integrated solutions in the transport of energy to consumption hubs.

Annual Performance

In 2016, the benefits of the strategic initiatives promoted by the new administration, along with the restructuring plan, allowed Nexans to gain commercial, operational and organizational efficiencies. This resulted in a further increase in operating income and a net profit of €61 million. In this manner, after four years, a dividend of €0.5 per share will be proposed to shareholders.

DISTRIBUTION OF CONSOLIDATED REVENUES
(TOTAL 2016: €5.814 MILLIONS)

BUSINESS AREAS

TRANSMISSION, DISTRIBUTION AND OPERATORS
- *High-voltage cables for land and submarine power transmission.*
- *Medium-voltage cables for power distribution.*
- *Fiber optic networks for the telecom market.*

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

DISTRIBUTORS AND INSTALLERS
- *Cables and network solutions for all types of structures; from small homes to public buildings and industrial complexes.*

OTHERS
- *Mainly sale of external copper cables.*

Among the most relevant projects for 2016 was the agreement signed with the Chinese company Huawei Marine Networks (see note) to supply submarine fiber optic cables to link South America and Africa. This is the first intercontinental project for Nexans.

The company was also awarded the supply of advanced-technology cables to connect the world's largest offshore wind farm with a capacity of 1,200 MW, located off the coast of the United Kingdom. The project, run by DONG Energy, will be able to produce enough energy to supply one million homes with power.

Nexans reaffirmed its leadership as a submarine cable provider by signing an agreement with BP Exploration (Delta) Limited, to provide 100 kilometers of umbilical extensions (multiple cables) for the next stage of the West Nile Delta project in Egypt. The contract will enable the development of natural gas fields in Giza, Fayoum and Raven.

The company also provides solutions for the use of cleaner energy in the industrial sector by means of special cables. EDRMAX by Nexans™, launched during the year, is a medium-voltage cable especially designed to reduce environmental impact and to allow a fast and easy connection to renewable energy sources, such as solar panels or wind turbines.

Nexans has also provided technological solutions for the sustainable mobility of electric vehicles through comprehensive proposals that include infrastructure and energy-charging stations, energy management and monitoring systems.

2016 MILESTONES

- **Successful implementation of strategic initiatives and restructuring plan were reflected in a steady increase of operating income and a final result that reverses the trend of recent years.**
- **Signing of a contract to supply submarine fiber optic cables for the project linking the 6,000 km between the coasts of Brazil and Cameroon, a broadband connecting the American and African continents.**
- **Signing of a contract to supply cables to the largest offshore wind farm in the world, contributing with the development of new renewable energy technologies.**
- **Proposed dividend of 0.5 Euros per share.**

INTERCONTINENTAL CONNECTION

Nexans was awarded the supply of submarine optical cables to the Chinese company Huawei Marine Networks to connect the 6,000 kilometers from Cameroon to Brazil under the Atlantic Ocean. The initiative seeks to meet the growing connectivity needs between South America and Africa. The project is part of the second phase of the National Broadband Network and the first intercontinental project for Nexans. The cable system to be used is a second-generation submarine optical cable. The product will be developed and tested at the Norwegian plant and then shipped in late 2017. In partnership with Huawei, Nexans provided the underwater cabling system between Nigeria and Cameroon in 2015, as the first phase of the National Broadband Network, developed by Camtel in Cameroon.

2016 Results

Invexans recorded a net profit of Ch$9,071 million in 2016, reversing the loss reported the previous year, due mainly to the favorable variation of its share in Nexans' results during the period. In 2016, Nexans posted profits of €61 million, resulting from the positive impact of its strategic initiative plan driven by the new administration, despite a slight decline in organic sales, largely explained by the drop in the oil and gas sector. Thus, Nexans' operating income grew by 24% to €242 million in 2016, driven primarily by the Distributors and Installers and Transmission, Distribution and Operators segments.

Invexans, in turn, cut expenses substantially, with a 19.9% reduction of overhead expenses and a favorable effect on the administration of legal contingencies in Brazil, as well as a gain due to the sale of properties. 2015, in turn, included a loss generated by a slight dilution in Nexans.

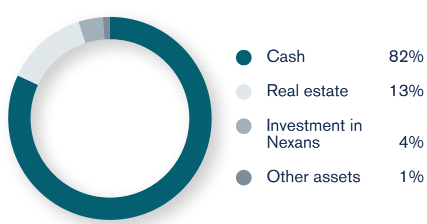
MANUFACTURING

TECHPACK

TECH PACK S.A.

- *Former parent company of Alusa, dedicated to the manufacturing of flexible packaging sold to Amcor in May 2016.*
- *Cash amounting to approximately US$207 million at the closing of 2016.*
- *Nexans shareholders with 0.53% ownership.*

MAIN ASSETS
(TOTAL ASSETS MUS$253 IN 2016)



In May 2016, Tech Pack S.A. (Techpack) concluded the sale of its entire flexible packaging business to the Australian company Amcor, the world's largest packaging producer, in a transaction totaling US$435 million. Of this amount, US$285 million is Techpack's share and the rest corresponds to the Peruvian Nexus Group, partner in the Peruvian and Colombian subsidiaries. After deducting an estimated net debt of US$69 million, the net value of the transaction amounted to US$216 million.

Techpack received US$204 million in cash, after the deduction of the financial debt, estimated variances in working capital, and US$8.7 million withheld until the completion of the transfer of a property to be subdivided, which materialized in August 2016. Amcor later proposed a price adjustment whose final terms were agreed in March 2017, resulting in a US$2 million reduction.

Techpack was formed from the split 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., and the local company Productos Plasticos HYC was purchased, thus consolidating Techpack as the leader in the flexible packaging industry in Chile and the region. In 2015 Alusa took steps to improve efficiency and concentrated the non-operational real estate resulting from the closing of the other business lines, in Inmobiliaria Techpack S.A., facilitating its administration and sale. Also in 2015, Techpack acquired 24% of Alusa S.A. from minority shareholders, reaching 100% ownership of the company.

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 order to materialize the sale to Amcor, a due diligence process was carried out and the approval from institutions safeguarding free competition in the countries where both companies operate was obtained. The transaction was successfully completed on May 31, 2016. As a result, Techpack ceased all operational activities.

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. This implied a 76.2% premium over the average transaction price in the 90 days prior to the announcement of the sale of Alusa.

After the successful conclusion of the tender offer, 98.98% of Techpack was controlled by Quiñenco. Subsequently, after some minority shareholders exercised their withdrawal rights 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.

SALE OF THE FLEXIBLE PACKAGING BUSINESS TO AMCOR

In May 2016, Techpack completed the sale of its regional flexible packaging business to the world's leading packaging producer. After this transaction, Techpack opened up to new investment alternatives in Chile and abroad. In November 2016, the company bought Nexans shares, equivalent to a 0.53% stake in its ownership, for 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.

2016 MILESTONES

- **Sale of flexible packaging business to the Australian company Amcor in a deal worth US$435 million.**
- **Increase of Quiñenco's share to 100% of company capital.**
- **Purchase of Nexans shares, equivalent to a 0.53% share in this French company.**

2016 Results

In 2016, Techpack profits totaled Ch$4,286 million, significantly above the previous year as a result of the gain associated with the sale of the flexible packaging business to Amcor. This transaction generated an after-tax gain of Ch$14,218 million at the closing of the year, and revenues in the approximate amount of Ch$142,000 million, pending final adjustments. On the other hand, Techpack recorded higher overhead expenses, reflecting personnel severance costs following the sale, and higher tax expenses due to the reverse of deferred assets associated with the packaging operation.

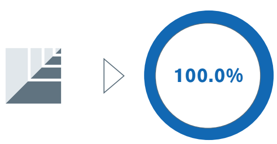
Placilla

CHILE

WITH THE DEVELOPMENT OF A NEW CONCEPT IN CONVENIENCE STORES, ENEX HAS GROWN IN THE SERVICE STATION MARKET.

ENERGY

ENEX



- *EMPRESA NACIONAL DE ENERGÍA ENEX S.A.*
  - *Closed corporation acquired by Quiñenco on June 1, 2011.*
  - *Second largest fuel distributor in Chile.*
  - *Manages a domestic network of 470 service stations and 131 convenience stores.*
  - *3,043 employees.*

Enex, Chilean licensee of the Anglo-Dutch Shell, is one of the largest fuel and lubricant distributors in the country. It operates a network of 470 service stations operated under the Shell brand 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.

At the closing of 2016, Enex is the second largest fuel distributor in the country, with a market share of 21.4% in the total fuel market and of 24.7% in the service station segment. 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), a company that provides fuel transport services via pipelines in the country's central region; 19.3% of Sociedad Nacional Marítima S.A. (Sonamar), a 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), a 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, a company that operates an asphalt storage and dispatch plant located in the Concón Oil Refinery.

Annual Performance

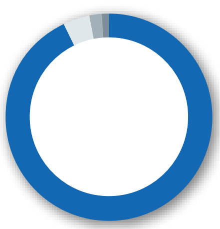
In 2016, Enex continued to implement its strategy of developing and optimizing its retail distribution network, opening an additional five service stations and seven new convenience stores. It also remodeled 15 convenience stores, seven in the upa! format and eight in the up¡ta format, representing an increase from 45% to 57% share in these formats within the total of its convenience stores.

These initiatives, combined with the ongoing focus on providing a superior experience to its customers, enabled Enex to achieve a 9.6% growth as compared to 2015 in the volume of fuel sold in the service station segment, increasing its market share in that segment from 24.3% in 2015 to 24.7% in 2016. Likewise, the consolidation of the new upa! and up¡ta convenience stores drove a 10% growth in the total same-store sales (SSS) as compared to

2016 MILESTONES

- **Enex' share in the fuel market as a whole increased by 2.1 points to 21.4% of the volume dispatched. In the service station segment, Enex's share was 24.7%.**
- **The retail segment network was expanded with the opening of 5 service stations and 7 convenience stores.**
- **Remodeling of another 15 stores; 7 under the upa! and 8 under the up¡ta formats.**
- **10% growth in same-store sales.**
- **Minera Collahuasi awarded Enex with a lubricant supply contract.**
- **Launching of the Shellcard Total solution for comprehensive fleet management.**

REVENUE DISTRIBUTION
(TOTAL 2016: MCh$1,691,434)



BUSINESS AREAS

FUELS
- *Wholesale and retail distribution; operation of 470 gas 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
- *Operation of 131 convenience stores in different formats, under 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.*

the previous year, and 13% growth in the food and cafeteria categories. This consolidation enabled the successful launch of a support campaign for Fundación Las Rosas during the fourth quarter of the year, called "Agranda su sonrisa" (Make their smile brighter), offering upa! and up¡ta customers the option of making voluntary contributions to the foundation at the time of purchase. In 2016, the company also advanced in the construction of 10 service stations, including the first three that will operate within the Autopista Central concession area, to be launched in the first half of 2017.

In the industrial fuels and lubricants markets, in 2016, Enex consolidated the operation of the contracts awarded to it in 2015 by BHP Billiton and Antofagasta Minerals; this was a key factor to increase its share in the country's diesel market from 19.5% in 2015 to 23% last year. In addition, in 2016, the company was awarded a new contract for the supply of lubricants to Collahuasi, consolidating its leadership in the mining segment.

Enex's expansion strategy accounts for its increased market share in the fuel market business from 12.8% in June 2011 to 21.4% in December 2016, consolidating itself as the second most relevant player in this sector at a national level. In the case of gasoline, the company's share increased from 17.6% in June 2011 to 25.9% in December 2016. The acquisition of Terpel in mid-2013 was a major driver for this growth, as were investments in the amount of Ch$172,525 million in the past five years, focused on refurbishing and changing the image of the service stations and convenience stores, as well as the continuous opening of new points of sale. Thus, the network of service stations has increased from 289 to a current 470.

The development of ESM subsidiaries to provide services in mining operations, and Inversiones Enex, for the direct operation of service stations and convenience stores has involved a significant change in the scale of the company. The total headcount now exceeds three thousand employees, as compared to 419 in 2011.

COMPREHENSIVE SOLUTION FOR FLEETS

2016 Results

In 2016, Enex recorded net profits of Ch$20,227 million, 2.3% above 2015, due mainly to a higher sales volume of fuels, both at service stations and in the industrial channel, and a good performance of lubricants. Total volumes dispatched grew 12.2% as compared to the previous period. The net result also includes the effect of higher financial costs in the period and provisions for legal contingencies.

In keeping with its strategy aimed at strengthening industrial products and services, Enex launched ShellCard Total in 2016. This is a new system designed to provide greater control and better management of fuel loads for passenger and heavy load transport companies' fleets. The system includes three services providing: first, the automatic authorization of the fuel dispatch by means of an identification device installed at the mouth of the vehicle tank; second, reliable information on performance through the electronic reading of odometers; third, a single management platform for customers who have fuel facilities in their operating base and additionally perform fuel loading on the Shell service station network.

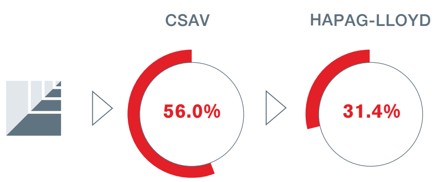
Valparaíso

CHILE

VALPARAÍSO EXPRESS, THE FIRST OF FIVE 10,500-TEU CAPACITY VESSELS THAT HAPAG-LLOYD IS ADDING TO ITS FLEET, WAS NAMED IN CHILE ON DECEMBER 7, 2016.

TRANSPORT

CSAV
SudAmericana de Vapores



Compañía Sudamericana de Vapores S.A. (CSAV) develops its main business, containerized freight transport, through its interest in the German shipping company Hapag-Lloyd AG (Hapag-Lloyd). As of December 31, 2016, its investment in this company accounted for close to 82% of its consolidated assets.

With 31.35% of the share capital at year end, CSAV is the largest shareholder of Hapag-Lloyd, maintaining significant influence and control jointly with the City of Hamburg and Kühne Maritime under a shareholders' agreement.

Hapag-Lloyd operates a global network of 128 line services with connections between all continents and 366 offices in 121 countries.

CSAV offers other maritime transport services operated directly, mainly of vehicles, and freight-forwarder services and logistics operations.

COMPAÑÍA SUD AMERICANA DE VAPORES

- *Founded in 1872.*
- *Listed on the Santiago Stock Exchange since 1893.*
- *Market capitalization: US$800 million at December 31, 2016.*
- *Largest shareholder in the German shipping company Hapag-Lloyd.*

Annual Performance

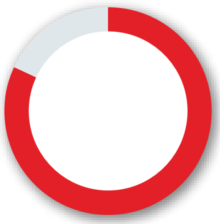
In the car carrier business, CSAV is leader on the Pacific coast of South America, with a market share of 21% in its main markets, Chile and Peru, as compared to 17% in 2015.

In October 2016, CSAV completed the transfer of its share in the liquid bulk transport operation to its partner Odfjell Tankers. This sale is part of the business restructuring of the Chilean shipping company after the merger of its container shipping business with the German Hapag-Lloyd in late 2014.

In the container shipping business operated through Hapag-Lloyd, the German shipping company carried a total volume of 7.6 million TEU (2.7% higher than 2015), generating revenues of US$8,546 million, within a context of volatile and largely adverse global markets.

Although the company did not fully compensate the 15.4% reduction in the average freight rate, Hapag-Lloyd managed to reduce its transport costs per TEU by 15% and to increase transport volumes, mainly as a result of the synergies achieved by the merger with CSAV, fleet modernization and purchase efficiency programs that began in 2014 and continued through 2016. The company expects the CUATRO and OCTAVE projects to produce annual synergies for a total of at least US$600 million starting in 2017, against the comparable cost base in 2014, if external factors remain unchanged. Hapag-Lloyd reported that more than 90% of the expected annual synergies were materialized in 2016, and that it should achieve additional cost reductions and efficiency gains in 2017 as a result of the OCTAVE II project, which expands on the OCTAVE program.

SHARE OF TOTAL ASSETS
(TOTAL 2016: MUS$ 2,168)



BUSINESS AREAS

CONTAINER SHIPPING

- *Developed through Hapag-Lloyd.*
- *166 ships with total transport capacity of 963,000 TEU.*
- *Presence in 121 countries.*
- *128 carrier services in five continents.*
- *7.6 million TEU transported in 2016.*

CAR CARRIER

- *Specialized PCTC (Pure Care and Truck Carrier) vessels.*
- *Leader in the west coast of South America, with a 21% share in sales.*

FREIGHT FORWARDER AND LOGISTICS

- *Comprehensive service, from cargo consolidation to delivery at final destination, including insurance and documentation.*

In 2016, the market conditions accentuated the industry consolidation trend. The merger of CSAV's container shipping business with Hapag-Lloyd in late 2014 was followed by the acquisition of CCNI by Hamburg Süd, the COSCO merger with China Shipping, the acquisition of APL by CMA CGM, and the announcements of the merger of the three main Japanese shipping companies: K-Line, NYK and MOL, and of the acquisition of Hamburg Süd by Maersk.

In July 2016, Hapag-Lloyd and United Arab Shipping Company (UASC) announced the signing of a Business Combination Agreement through which they will merge the entire container shipping business of the Arab shipping company with that of the German firm. The final closure of the contract is subject to obtaining the regulatory and contractual approvals that are normally required for this type of transactions. If these conditions are met, the business combination is expected to materialize during 2017.

Hapag-Lloyd's management expects the business combination with UASC will generate annual net synergies of at least US$435 million, of which about one-third could be realized in 2017, and it will also result in significant capital investment savings. The merger will enable Hapag-Lloyd to have a leading service offering in all relevant traffic in the East-West and North-South markets, increasing the diversification of its commercial portfolio.

Upon completion of the merger, Hapag-Lloyd is to acquire 100% of UASC's shares through the issuance of new shares, representing 28% of the combined company's share capital. Hapag-Lloyd will remain listed on German Stock Exchanges with its headquarters in Hamburg. As a result, shareholders will see a reduction in their company share: CSAV will move from 31.4% down to 22.6%. This company, however, as well as the City of Hamburg and Kühne, will remain the controllers of Hapag-Lloyd through the existing shareholders' agreement, with a combined participation of approximately 52%.

In order to strengthen the financial structure of the combined company, and within six months from the closing of the merger, the agreement established that Hapag-Lloyd will make a capital increase of US$400 million, by means of a preemptive rights subscription for all shareholders, to be offered on the stock exchanges in Germany. CSAV, the City of Hamburg and Kühne

2016 MILESTONES

- **Business combination agreement between Hapag-Lloyd and United Arab Shipping Company (UASC); this merger would enable them to own one of the most modern and efficient fleets in the industry.**
- **The naming ceremony of the Valparaíso Express, the first of five 10,500-TEU ships Hapag-Lloyd is adding to its fleet, was carried out at the Chilean port of Valparaiso.**
- **Sale of CSAV shares in joint venture held with Odfjell Tankers for the operation of the liquid bulk carrier business on the west coast of South America.**
- **Placement of CSAV bonds in the amount of US$50 million.**

agreed that, through these rights, CSAV will reach a 25% share and will continue to have a decisive influence on the adoption of agreements at the shareholders' meetings regarding essential matters, such as capital increases, mergers, split-ups and bylaw amendments.

If the businesses become integrated, Hapag-Lloyd as a combined entity would consolidate itself as one of the five largest container shippers in the world, with a total transport capacity of 1.5 million TEU and an expected market share of around 7%, with annual volumes transported of about 10 million TEU and combined annual sales of approximately US$12 billion.

In the face of more favorable financial conditions at a domestic and international level, CSAV decided to restructure its liabilities. As part of this operation, it successfully completed a US dollar bond placement in the local market for a total of US$50 million, mainly for the long-term refinancing of its participation in Hapag-Lloyd's initial public offering.

2016 Results

CSAV reported a net loss of Ch$16,669 million in 2016, 2.3% lower than the loss reported the previous year. Its main asset, Hapag-Lloyd, reported a loss of US$107 million in 2016. However, the positive operating income is noteworthy, despite a context of falling rates, due mainly to the favorable effects of synergies and cost savings, as well as lower oil prices. By adjusting CSAV's proportional share in Hapag-Lloyd's profit for the fair value determined for this investment, in 2016 the German shipping company implied a loss of Ch$5,335 million for CSAV, compared to a loss of Ch$11,152 million in 2015, which also included losses generated by the dilution of CSAV in Hapag-Lloyd after its initial public offering.

WORLD-CLASS VESSELS

The "Valparaiso Express", named in Chile in December 2016, is the first of five new Hapag Lloyd vessels of the 10,500-TEU type, known as Post Panamax due to its large dimensions, consistent with the expansion of the Panama Canal.

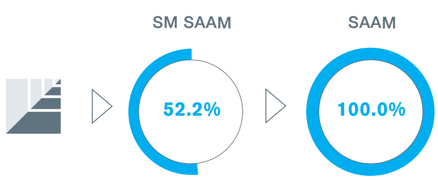
Hapag-Lloyd's new ships are also particularly well-suited for fresh produce, with a capacity to carry 2,100 reefer containers. In addition, they are equipped with a highly efficient main engine; the design of the hull has been optimized, and it includes an innovative mooring and loading system providing greater flexibility.

Vancouver

CANADA

IN OCTOBER 2016, SAAM SMIT TOWAGE (SST) RECEIVED A NEW TUGBOAT FOR ITS FLEET IN CANADA AS PART OF THE RENEWAL PLAN, WHICH INCLUDES SHIPS OF INCREASED POWER TO PROVIDE SERVICES TO INCREASINGLY LARGER SHIPS.

PORT SERVICES



SAAM is a multinational company founded in 1961, offering a wide and efficient support network for foreign trade. In its 55 years of history it has become a relevant player in the global economy and one of the leading companies in cargo transportation, connecting small, medium and large companies with the world. Through its three business areas: Port Terminals, Tug boats and Logistics, SAAM operates in 15 countries in North, Central and South America, generating employment for more than 10 thousand workers.

SAAM is the main asset of Sociedad Matriz SAAM S.A., an open stock corporation formed in 2011, whose shares are traded on the Santiago Stock Exchange.

In the different markets where it operates, SAAM is associated with strategic local and global operators, 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; Grupo Romero, and American Airlines.

Through its subsidiary SAAM Puertos, the company provides services in the main terminals in Chile and in the ports of Guayaquil (Ecuador), Mazatlan (Mexico), Port Everglades (USA), Arequipa (Peru) and Cartagena de Indias (Colombia), offering multi-profile cargo transfer management (containers, bulk, loose and project cargo), storage, services for empty containers, and supplementary logistics services.

In the tug boat area, SAAM is the fourth largest global operator and has consolidated its leadership in the regional market. Services include support to docking and undocking of vessels, assistance, salvage, towage, ferry, motor boats and others, both onshore and offshore at the main ports of Chile, Mexico, Peru, Brazil, Uruguay, Ecuador, Guatemala, Costa Rica, Honduras, Canada, Panama and Argentina.

In the logistics business, the company provides supply chain services (storage, transport and special services), and focuses 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.

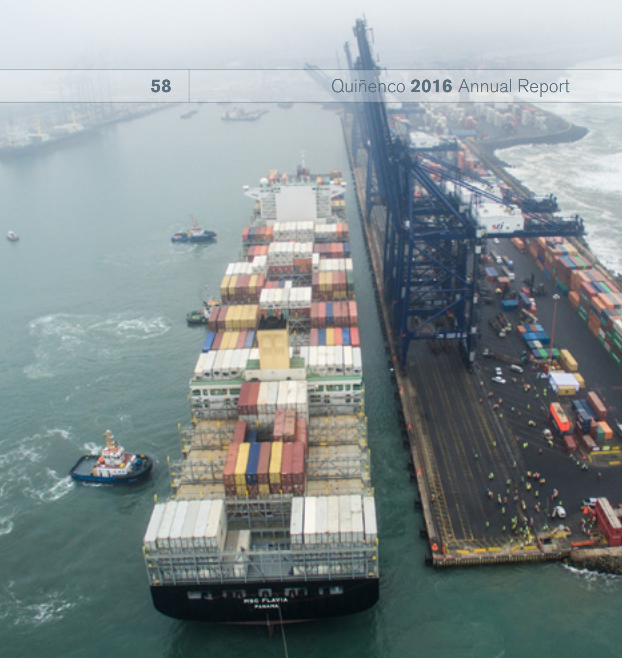
SAAM

- *Multinational company founded in 1961.*
- *Track record of 55 years.*
- *Operations in more than 80 ports and 15 countries in America.*
- *Leader in the tug boat segment in America and fourth largest global operator.*
- *One of the main port operators in South America.*
- *Market capitalization: US$750 million as of December 31, 2016.*

Annual Performance

In September 2016, SAAM Puertos signed an agreement with Sociedad Portuaria Regional de Buenaventura to control the two concessions at Puerto Caldera, Costa Rica's largest Pacific coast terminal and the second most important in the country, in terms of mobilized cargo.

After being authorized by the local regulatory entities, on February 8, 2017, this agreement materialized and SAAM took control of 51% of Sociedad Portuaria de Caldera (SPC) and Sociedad Portuaria Granelera de Caldera (SPGC), which together transferred a total of 5.5



2016 MILESTONES

- Agreement to acquire two concessions at Caldera port, the second largest port in Costa Rica.
- Incorporation of eight state-of-the-art technology tug boats in Chile, Canada, Panama and Peru, pursuant to the 2013-2017 fleet renewal plan.
- Terminal Portuario Guayaquil (Ecuador) started the pier extension works to grow 120 meters and purchased 2 new Ship to Shore (STS) cranes to increase its capacity by 25%.
- SAAM was included in the Dow Jones Sustainability Index Chile (DJSI Chile).
- Inauguration of a new dock in San Vicente Terminal Internacional doubling the linear meters available for operation.
- Inauguration of a new reception, storage and shipping system at the Peruvian port TISUR. This work includes a dock exclusively to ship minerals which will double its cargo moving capacity over the coming years.
- San Antonio Terminal Internacional (STI) received the first 13,500 TEU container ship to arrive in Chile.

TUG BOATS

- *Leader in the tug boat business service in the continent.*
- *Fourth largest global tug boat operator.*
- *177 tug boats.*
- *73% azimuthal tug boats.*
- *Operations in 11 countries and more than 80 ports.*

PORT TERMINALS

- *Fourth largest port operator in South America.*
- *11 port terminals.*
- *Operations in six countries: Chile, United States, Ecuador, Mexico, Colombia and Peru.*
- *38.5 million tons transferred in 2016.*
- *2.7 million TEU transferred in 2016.*

LOGISTICS

- *Strategy focused on providing supply chain services (storage, transport and shipment services).*
- *Specialized services to the most representative companies of the domestic GDP, such as food, consumption, mining and energy.*

million tons. This transaction resulted in the generation of a company comprised of the majority holding of SAAM, the Costa Rican companies Saret (21%) and Logística de Granos (19%), and the Colombian company Grupo Empresarial del Pacífico (9%).

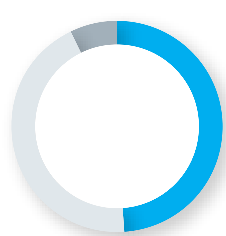
In October 2016, Terminal Portuario Guayaquil (TPG), a port operated by SAAM since 2006, began the 120-meter expansion of its pier to 480 meters. In addition to this expansion, the terminal agreed to increase its back-up areas and finalized the purchase of two new Super Post Panamax cranes. These works will enable TPG to increase its transfer capacity by 25%.

In Chile, San Vicente Terminal Internacional (SVTI) opened a new dock in June, increasing its transfer capacity by 40% and now being able to serve Super Post Panamax ships. The construction is part of the terminal's expansion project, demanding a total cost of US$120 million. Considered the largest port terminal in the Biobio Region, SVTI is a regional leader in container transfer, with a 40% market share.

With regard to the tug boat unit, in addition to the 20 vessels that SAAM already owns in Chile, it added four new high-maneuverability and power tugboats in order to provide services in San Antonio and in the liquefied natural gas (LNG) terminals in the bay of Quintero, Valparaiso Region.

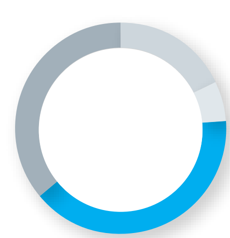
At the international level, SAAM SMIT Towage (SST) - the joint venture formed by SAAM and Royal Boskalis Westminster, operating in Canada, Mexico, Panama and Brazil, received two new tug boats during the year to boost its fleets in Canada and Panama.

EBITDA* DISTRIBUTION
(TOTAL 2016: MUS$205)



By business area

Tug boats	49%
Port terminals	44%
Logistics	7%



By market

North America	18%
Central America	6%
South America (except Chile)	36%
Chile	40%

** Includes the proportional EBITDA of related companies (weighted by SM SAAM's ownership).*

SAAM STRENGTHENS ITS GEOGRAPHIC DIVERSIFICATION

Puerto Caldera is added to the 11 terminals managed by SAAM in six countries in the region. Consequently, SAAM strengthens its diversification and internationalization strategy becoming one of the most important port operators in Latin America.

Puerto Caldera is a multi-purpose terminal strategically located 80 kilometers from San José, the capital of Costa Rica. In 2016, it transferred more than 5.5 million tons. The main loads transferred were containers (268 thousand TEU per year) and bulk cargo, namely cereals, fertilizers and meals.

In addition, the Tug boat division was awarded the tender for service contracts at the ports of Balboa and Cristobal, in Panama, and Puerto Cortes in Honduras. It also renewed the tug boat concession contract at Altamira, Mexico.

In the Logistics area, Iquique started operating its first foreign import and export cargo terminal in April 2016. The 20,000-square meter facility has been implemented as Primary Customs Zone. The new space provides warehousing, cargo consolidation and deconsolidation, gauging, inspection and other services. Cargo movement is supported by state-of-the-art technology, specialized personnel and security cameras 24 hours a day.

Likewise, SAAM designed a special logistics plan to support the construction of the Parque Romero Solar (196 MW) in the Atacama Desert. The project, which stands out as the largest solar plant in Latin America, included the customs-clearing and transport of more than 1,200 containers with panels and their supports.

2016 Results

In 2016 SM SAAM reported net profits of US$55 million, 20.9% down from 2015. This is due mainly to a gain of US$32 million, associated with the restructuring of Tramarsa, Peru, reported in 2015, offset by expenses associated to the closure of logistics activities in Brazil and some operations in Chile, also conducted in 2015. However, noteworthy is the good performance of port terminals in 2016 especially due to the entry of TISUR to the portfolio in late 2015, and the positive performance of the tug boat segment in South America.

Corporate Information

Arica

CHILE

QUIÑENCO'S PRESENCE IN THE COUNTRY STARTS IN THE EXTREME NORTH, THROUGH THE OPERATIONS AND SERVICES OF BANCO DE CHILE, ENEX, CSAV, HAPAG-LLOYD, SAAM AND CCU.

Dividend policy

Quiñenco's Board of Directors will inform the Annual Shareholders' Meeting to be held on April 28, 2017, 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
No. 33 and 34	05-12-14	Ch$45.04818	ThCh$74,904,293	2013
No. 35 and 36	05-12-15	Ch$72.00759	ThCh$119,731,311	2014
No. 37 and 38	05-11-16	Ch$23.24323	ThCh$38,647,904	2015

Shareholders

At the closing of 2016, the subscribed and paid-in capital is divided into 1,662,759,593 shares. The 12 largest shareholders as of December 31, 2016 are:

Tax ID	Shareholder	No. 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	126,110,490	7.58
97.004.000-5	Banco de Chile por cuenta de terceros no residentes	64,794,331	3.90
76.884.110-1	Inversiones Río Claro Ltda.*	44,442,511	2.67
97.023.000-9	Banco Itaú Corpbanca por cuenta de inversionistas extranjeros	37,331,879	2.25
96.871.750-2	Inversiones Salta S.A.*	23,684,851	1.42
76.327.982-0	Inversiones Alaska Ltda.*	20,041,305	1.21
96.684.990-8	Moneda S.A.	11,209,930	0.67
76.265.736-8	A.F.P. Provida S.A.	10,834,149	0.65
	Total	**1,601,842,330**	**96.33**

**Companies related to the Luksic group*

Additional information as of December 31, 2016	
No. of subscribed and paid-in shares	1,662,759,593
No. of shareholders	1,108

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 S.A., 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.

Andrónico Mariano Luksic Craig (ID No. 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 controls 100% of the shares in Inversiones Salta S.A. Inmobiliaria e Inversiones Río Claro S.A. and Inversiones Río Claro Ltda. are indirectly controlled by the Emian Foundation, where the descendants of Mr. Guillermo Antonio Luksic Craig† (ID No. 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, 2016, the following Board Member directly held shares in the Company:

Board member	% ownership
Andrónico Luksic Lederer	0.00001%

At December 31, 2016, 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 2016 in the Chilean exchanges.

2016	No of shares traded	Total amount traded ThCh$	Average price Ch$	Stock market presence %
1st Quarter	11,417,193	14,102,670	1,235,21	70.00%
2nd Quarter	16,853,745	21,420,740	1,270,98	63.33%
3rd Quarter	7,219,213	9,501,023	1,316,07	56.11%
4th Quarter	8,076,180	12,650,359	1,566,38	56.67%
2016	**43,566,331**	**57,674,791**	**1,323,84**	

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 top-notch insurance firms for all its significant assets, buildings, machinery and vehicles, among others. The policies cover damage caused by fire, earthquakes and other unforeseen events.

Investment Policy

The majority 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 subsidiary and affiliated companies 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 1.6% in 2016. 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 operation 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 that 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 that the Company operates in.

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 the competition will not continue to grow in the future, including a potential ongoing trend toward consolidation in certain industries. When it comes to 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 depend on the dividends and distributions it receives from its subsidiaries, its equity investments and affiliated companies. The payment of dividends by said subsidiaries, equity investments and affiliated 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 and affiliates or that it will be able to produce profits from the sale of investments, as it has done in the past.

Another risk factor is related to the interest rate. 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, which 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.198, held on June 5, 2014, 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 directors named above have sat on the Committee for the last two 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 2016, 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 2016: ThCh$26,208, ThCh$26,029 and ThCh$26,208 (ThCh$82,008, ThCh$82,008 and ThCh$82,008 in 2015), respectively.

The Committee met seven times in 2016. The CEO, Francisco Pérez Mackenna, the CFO, Luis Fernando Antúnez Bories and the Chief Counsel, Rodrigo Hinzpeter Kirberg, have regularly attended its sessions.

In 2016, the Committee was dedicated to evaluating the issues indicated in Article 50 bis of the Law of Open Stock Corporations, having undertaken the following activities:

1. It examined the reports of the independent external auditors. At Session No.139 on March 29, 2016, the Committee received the external auditors' report for the year ending on December 31, 2015, 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.142 on September 9, 2016, the Committee received the Limited Review Report on Quiñenco S.A.'s Intermediate Consolidated Financial

Statements and those of its subsidiaries through June 30, 2016. In addition, the Committee received the Internal Control Report that the independent auditors sent to the administration in Session No.143 on December 1, 2016.

2. In session No.140 on April 7, 2016, it proposed the external auditors Ernst & Young 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 2016 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.

3. In session No.137, on January 7, 2016, it was informed of a reduction in the advisory fee for services provided by Quiñenco S.A. and its subsidiary Inmobiliaria Norte Verde S.A. to Invexans S.A., from UF573.5 to UF558, as from March 1, 2016, due to a reduction in the cost of providing these services. Therefore, the fee reduction responds to market conditions.

4. In session No.140 on April 7, 2016, it gave the Board of Directors a favorable report on the contracting of the external auditing firm EY Chile for a professional service not considered in the external audit, which consisted of analyzing the accounting books of its subsidiary Sociedad Matriz SAAM S.A. in agreement with Standards IFRS 10 and IFRS 3, for consolidation purposes, for a gross fee of 120 Unidades de Fomento.

5. In session No. 141, on June 2, 2016, it reviewed the terms of the civil liability insurance of Quiñenco's Board members and executives ("D&O"); agreement was made to recommend the Board increasing the maximum liability amount to MUS$100.

6. In session No.142 on September 9, 2016, it received the report on the execution of the internal auditing plan for the period 2009 - 2016.

7. In session No.143, on December 1, 2016, it examined the pay systems and compensation plans for the Company's directors, main executives and workers.

The Committee did not contract consulting services in 2016, nor did it incur expenses, and it did not consider it relevant to present any sort of recommendation to the Company's shareholders.

Headcount: Quiñenco and its subsidiaries as of December 31, 2016

Company	Chile			Overseas			Total
	Managers and Main Executives	Professionals and Technical Staff	Other Workers	Managers and Main Executives	Professionals and Technical Staff	Other Workers	
Quiñenco	13	28	28	-	-	-	69
LQIF and subsidiaries	576	6,016	8,023	-	-	-	14,615
Invexans	2	2	2	-	-	-	6
Techpack and subsidiaries	2	6	-	1	-	-	9
Enex and subsidiaries	13	584	2,446	-	-	-	3,043
CSAV and subsidiaries	6	82	0	-	59	-	147
SM SAAM and subsidiaries	26	604	1,165	51	160	1,397	3,403
Other subsidiaries	7	53	4	-	-	-	64
Total	**645**	**7,375**	**11,668**	**52**	**219**	**1,397**	**21,356**

Board of Directors' Training Activities

Over the 2016 management period, Quiñenco's Board of Directors received the following training:

1. **Training on the "DJSI Chile" Sustainability Index.** Quiñenco's Board of Directors was introduced to the new Sustainability Index created by the Santiago Stock Exchange ("BCS") in 2015, called "DJSI Chile". Within this context, it was informed of the reasons and objectives proposed by the BCS to implement such an index; its procedure and construction, implementation and commercialization methodology led by S&P Dow Jones Indices; the current structure of DJSI Chile 2015; and the process for 2016, where Quiñenco had an active participation.

2. **Training on modifications to the free competition system.** During 2016, a new training program was implemented to learn of the main amendments of Law No. 20,945 that strengthens the free competition system, by introducing new matters such as (a) cartels and other forms of collusion; (b) cross shareholding or interlocking; (c) concentration of operations (new title IV); and (d) promotion attributions of Chile's National Economic Prosecutor's Office (FNE). In this way, the Board of Directors learnt in detail the topics relating to cartels and other forms of collusion, as well as cross shareholdings; the other two subjects will be discussed during the 2017 management period.

Board members' remunerations

As agreed at the Company's Annual Shareholders' Meeting, the sums paid to Directors in 2016 and 2015 for per diem, participations, and other remunerations, respectively, were as follows:

Andrónico Luksic Craig ThCh$1,107, ThCh$73,479 and ThCh$867,480 in 2016 (ThCh$1,613, ThCh$241,537 and ThCh$1,116,673 in 2015); Jean-Paul Luksic Fontbona ThCh$2,492, ThCh$73,479 and ThCh$0 in 2016 (ThCh$2,152, ThCh$241,537 and ThCh$0 in 2015); Hernán Büchi Buc ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016 (ThCh$4,299, ThCh$241,537 and ThCh$0 in 2015); Gonzalo Menéndez Duque ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016 (ThCh$3,762, ThCh$241,537 and ThCh$0 in 2015); Matko Koljatic Maroevic ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016 (ThCh$4,299, ThCh$241,537 and ThCh$0 in 2015); Fernando Cañas Berkowitz ThCh$4,155, ThCh$73,479 and ThCh$0 in 2016 (ThCh$4,301, ThCh$241,537 and ThCh$0 in 2015); Nicolás Luksic Puga ThCh$3,046, ThCh$73,479 and ThCh M$0 in 2016 (ThCh$3,762, ThCh$241,537 and ThCh$0 in 2015) and Andrónico Luksic Lederer ThCh$2,769, ThCh$73,479 and ThCh$0 in 2016 (ThCh$2,953, ThCh$153,705 and ThCh$0 in 2015).

Expenditures on consulting services to the Board of Directors

Expenses for consulting services to the Board of Directors totaled ThCh$108,420 in 2016.

Remunerations of Main Executives

The remunerations received by the Company's main executives for remunerations and performance bonuses totaled ThCh$5,462,877 in 2016 (ThCh$5,484,329 in 2015).

Incentive Plan

There was no long-term incentive plan for the Company's executives as of December 31, 2016.

Severance Payment

There was no severance payment made to the Company's main executives in 2016 (in 2015, these totaled ThCh$778,176).

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 managers and the organization) at December 31, 2016 is the following:

Gender	Men	Women
Board	8	-
Managers	6	2
Organization	43	26

Nationality	Chilean	Foreign
Board	8	-
Managers	8	-
Organization	67	2

Age	Under 30	30 - 40	41 - 50	51 - 60	61 - 70	Older than 70
Board	-	2	-	1	4	1
Managers	-	-	1	5	2	-
Organization	4	17	12	21	15	-

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	1	2	-	-	5
Managers	4	-	-	-	4
Organization	27	8	4	1	29

Salary Gap

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

	Average gross base salary of women / Average gross base salary of men (%)
Executives	124%
Workers	104%

Material Information

Material or essential information reported by Quiñenco S.A. during 2016 are the following:

1. On April 7, 2016, Quiñenco S.A. (indistinctively, 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 had agreed to propose to the Annual Shareholders' Meeting to be held on April 29, 2016, the distribution of a definite dividend in the amount of Ch$38,647,903,655 corresponding to 40% of the profits attributable to the Controller's Owners during the year 2015 (the "net income for 2015"), made up of: (a) a minimum compulsory dividend of Ch$28,985,823,584 equivalent to 30% of the net income for 2015 and (b) an additional dividend of Ch$9,661,980,071 equivalent to 10% of the net income for 2015. It was also informed that the definite dividend would amount to Ch$23.24323 per share, to be paid as from May 11, 2016, to the shareholders registered in the respective registry as of the midnight of the fifth business day in advance of such date.

2. On April 18, 2016, Quiñenco S.A. informed the SVS, as material information that through a purchase and sale contract subscribed on the same date, the subsidiary Tech Pack S.A., and its related company, Inmobiliaria Tech Pack S.A., sold all of their shares held in Alusa S.A. and Inversiones Alusa S.A., to the foreign companies Amcor Holding and Amcor Holding N°1, owned by the Amcor group. Likewise, it was informed that the purchase and sale contract would be subject to the compliance with conditions for this type of transactions, and that Quiñenco S.A. would be subject to contractual conditions such as abstaining from participating in the flexible packaging business for 3 years and others of the like. Finally, it reported that the total amount of the transaction was US$435 million (Enterprise value) for the entire flexible packaging business; Tech Pack S.A. would obtain profits of approximately US$50 million (after operational expenses, considering the current market conditions, exchange rate, and other relevant factors), and Quiñenco S.A. would obtain a gain before tax of approximately US$33 million. It was left on the record that by means of this material information the communication made by Quiñenco on March 3, 2016 no longer is confidential.

3. On September 27, 2016, Quiñenco S.A. informed the SVS, as material information that the Board of Directors approved performing a Public Tender Offer for Tech Pack S.A.'s shares not held by it, directly or indirectly, i.e., 128,104,275 shares, which account for 34.08% of all the shares issued by said company. It added that the Opening Notice of the Public Tender Offer would be published on September 29, 2016, in the newspapers El Mercurio de Santiago and La Tercera, and that the Prospect would be made available on that same date at the venues required by Law18,045 of the Securities Market. Finally, it was informed that the price offered for Tech Pack S.A.'s shares would amount to US$0.54 per share, payable in the manner and the terms set forth in the tender offer's Opening Notice and Prospect.

4. On November 5, 2016, Quiñenco S.A. (indistinctively, the "Company") informed the SVS, as material information, it had published on the newspapers El Mercurio de Santiago and La Tercera the results of the Public Tender Offer made by Quiñenco on Tech Pack S.A., which was declared successful; therefore, the Company accepted and acquired 124,256,051 shares of Tech Pack S.A., becoming the direct and indirect owner of 372,021,776 shares in the said company, which account for 98.98% of its stock capital. The notice added that the price per share amounts to US$0.54 equivalent to Ch$352,917, according to the observed dollar exchange rate published by the Chilean Central Bank in the Official Gazette of Thursday November 3, 2016.

The dividend distribution proposal informed in point 1 was approved by the Shareholders' Meeting held on April 29, 2016, therefore the corresponding shareholders started to receive their dividends on May 11, 2016. The total dividend amounted to Ch$38,647,903,655 accounting for 40% of the net income attributable to the Controller's owners for 2015, equivalent to Ch$23.24323 per share. The distribution of this dividend, net of the amount provisioned, was deducted from the accumulated earnings in equity.

The sale of the flexible packaging business mentioned in point 2 was materialized on May 31, 2016. The transaction totaled US$435 million, including non-controlling participations in Peru and Colombia, of which US$285 million corresponded to Techpack. At December 2016, Techpack had received US$214 million in cash from the sale, subject to final adjustments in the price according to final reviews at the closing, generating an after-tax gain of US$21 million for Techpack. At December 31, 2016 Quiñenco holds directly and indirectly 100% ownership of Techpack. According to the contractual provisions, Quiñenco shall not participate in the flexible packaging business for a 3-year term.

Later, on March 31, 2017, Techpack informed it had agreed on the final price adjustment terms with Amcor, entailing a price reduction of US$2 million.

The Tender Offer on 34.08% of Techpack's shares described in points 3 and 4 concluded successfully in November 2016. The result was the acquisition by Quiñenco of 124,256,051 shares, reaching an ownership stake of 98.98% in Techpack, for a total of Ch$43,852 million. It should be noted that later, after the exercise of withdrawal and purchase rights, Quiñenco reached 100% ownership in Techpack.

Crime Prevention Model - Law No. 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 that commit this type 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 Superintendency of Securities and Insurance.

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

The Model also contemplates a procedure to raise complaints, either in writing directly to the Company's offices addressed to the Prevention Manager or to the email encargadodeprevencion@lq.cl.

Supplementary Information on Activities and Businesses

SUPPLIERS AND CUSTOMERS

The number of suppliers and customers that represent over 10% of the purchases or revenues for each of Quiñenco's business segments is detailed in the table below:

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

* *Corresponds to a customer in SM SAAM's tugboat segment and a customer in SM SAAM's port segment.*

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 diverse registered trademarks that they sell their products under. In the domestic market, its brand portfolio in the beer category includes, among others, Cristal, Cristal CER0,0°, Cristal Light, Escudo, Morenita, Kunstmann, D'olbek, Royal Guard, Dorada and Stones. In Argentina it has Schneider, Salta, Santa Fe, Córdoba, Bieckert, Palermo and Imperial.

Regarding nonalcoholic beverages in the carbonated category in Chile, CCU owns the brands: Bilz, Pap, Kem, Kem Zero, Kem Xtreme and Nobis. In the mineral water category in Chile it holds the brands Cachantun and Porvenir; in flavored water, it owns the brands Mas and Mas Woman; in purified water and HOD it has the brand Manantial. In Uruguay, the company owns the brands Nativa and Nix for bottled mineral water and carbonated beverages, respectively. Likewise, in Paraguay it owns the brands Pulp for carbonated soft drinks, Puro Sol for juices and La Fuente for waters.

In the wine category, CCU has an extensive portfolio of brands of the nine vineyards that make up its subsidiary VSPT, such as Altaïr, Cabo de Hornos, Sideral, 1865, Castillo de Molina, Epica, 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 Reserva and Alpaca de Santa Helena; in the sparkling wine category, Viñamar in its versions Extra Brut, Brut Unique, Brut and Rose 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, Ruta Norte, Campanario, Control C, Tres Erres, Moai de Pisco Tres Erres, La Serena, and Horcón Quemado. In the rum category, the company owns the brands Sierra Morena and Ron Cabo Viejo. Also in the liquor sector, CCU owns the Fehrenberg brand and its variants in Chamomile, Coffee, Cacao, Amaretto, Triple Sec, and Crème Menthe.

In the cider category in Argentina, CCU owns the brands Real, La Victoria and Sáenz Briones 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.

Until November 26, 2015, CCU participated in the snack and cereals business. On that date, the Company sold the productive assets (machines and equipment) and brands associated with Calaf and Natur business to Carozzi; and in 2016, continued to produce these products for the buyer for a provisional period pursuant to the terms established in the respective contracts.

Invexans: Invexans.

Techpack: Techpack.

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

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

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

Banchile Vida: Banchile.

LICENCES, FRANCHISES, ROYALTIES OR CONCESSIONS
The licenses, franchises, royalties and/or concessions held by Quiñenco or its subsidiaries and affiliates are described below:

Banco de Chile: 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 debtor's 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 might impose on it. This can be done at any time upon written notice 10 days in advance, and the company will have 60 days to change the trade 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: Directly or through its subsidiaries and affiliates, it holds a diverse portfolio of products under its own labels and the respective brand extensions, in the beer segment it holds Cristal, Cristal CER0,0°, Escudo, Royal Guard, Morenita, Dorada and Stones. In the premium beer segment, CCU holds exclusive license contracts to produce and/or sell Heineken, Sol, and Coors in Chile, as well as an exclusive distribution contract for Blue Moon and Tecate beers in Chile. It also produces and distributes Austral, Guayacán and Szot.

In nonalcoholic beverages, it holds license contracts over the brands Pepsi, 7up, Mirinda, Gatorade, Adrenaline Red, LifeWater, Lipton Ice Tea, Ocean Spray, Crush, Canada Dry Limón Soda, Canada Dry Ginger Ale, Canada Dry Agua Tónica and Pure Life, which grant CCU exclusivity to produce and/or to sell these products in Chile. CCU also holds exclusive contracts to sell and distribute Perrier and Red Bull. Most brands, either own or licensed, have brand extensions that include its Light and /or Zero versions, as appropriate; CCU also holds licenses for Watt´s, Frugo, Yogu Yogu and Shake a Shake over certain nonalcoholic beverages and formats, where in turn, it owns 50%. In addition, through a joint operation it produces, sells and distributes the instant powdered drinks Sprim, Fructus, Vivo and Caricia. Likewise, it produces, sells and distributes purified water under the Manantial brand, mainly HOD water dispensers (home and office delivery).

With regard to spirits, CCU produces, sells and distributes pisco under the brands Mistral, Mistral Ice, Mojito Ice, Ruta Cocktail, Campanario and their corresponding varieties. Also, it holds the brands Control C, Tres Erres, Moai Tres Erres, La Serena, and Horcón Quemado. It participates in the rum business through Sierra Morena and Cabo Viejo, with their respective varieties. Also in the liquor segment, CCU holds the brand Fehrenberg and its varieties. In addition, it is the exclusive distributor in Chile of the products Pernod Ricard, its main brands being Ballantine's, Chivas Regal, and Jameson for whisky, Absolut and Wyborowa in vodka and Havana Club in rum, among others.

In the domestic market and in connection with the export of wine and sparkling wine, its main brands are Altaïr, Cabo de Hornos, Sideral, 1865, Castillo de Molina, Epica, Gato and GatoNegro 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; additionally, Siglo de Oro, Santa Helena Reserva and Alpaca de Santa Helena; in the sparkling wine category, Viñamar in its versions Extra Brut, Brut and Rose and, finally, Manquehuito in the coolers category. In Argentina, it holds the brands La Celia and Bodega Tamarí.

In Argentina, its main beer brands are Schneider, Imperial, Palermo, Santa Fe, Salta, and Córdoba. In addition, CCU produces Heineken, Amstel, Sol and Budweiser, under exclusive license contracts to produce and sell these products. It imports Kunstmann from Chile and in turn, it exports to other countries mainly under the brands Schneider and Heineken. It holds an exclusive license in Argentina to distribute the energy drink Red Bull; it participates in the cider business under the brands Real, La Victoria and 1888; and in the liquor business under the brand El Abuelo, in addition to importing other liquors from Chile.

In Uruguay, it distributes Heineken, Schneider and Kunstmann beers, and Real cider. It participates in the mineral water business with the brands Nativa and Nix, in the flavored water segment with Nativa, in carbonated soft drinks with Nix, and in nectars with Watt´s.

In Paraguay, it owns the brands Pulp for carbonated soft drinks, Puro Sol for juices, La Fuente for waters and Zumo for flavored waters. Also, it holds a license to produce and distribute nectars under the Watt´s brand and to distribute beer under the brands Heineken, Coors, Paulaner, Schneider and Kunstmann. In March 2016, the subsidiary in Paraguay acquired the Sajonia beer brand, entering the crafts beer market with local production.

In May 2014, CCU entered the Bolivian market partnering with the Monasterio group, after purchasing 34% of Bebidas Bolivianas BBO S.A. (“BBO”). BBO produces carbonated soft drinks and beer in three plants located in the cities of Santa Cruz de la Sierra and Nuestra Señora de La Paz. In nonalcoholic beverages, waters and soft drinks, it owns the brands Mendocina, Malta Real, Natur All and Sinalco. In the beer segment, it holds the brands Real, Capital and Cordillera. In addition, it sells the imported beer Heineken and the energy drink Monster.

In November 2014, CCU agreed to a joint venture with the Colombian company Postobón S.A., called Cervecera de Colombia S.A.S. (“CCC”), for the production, sale and distribution in that country of beer and malt. It holds an exclusive contract for the import, distribution and production of Heineken, Buckler, Coors light, Tecate and Sol beers in that country. During 2016, CCC purchased the brand and assets of Artesana Beer Company S.A., relating to the craft beer “3 cordilleras”.

To satisfy its diverse requirements, CCU signs annual purchase contracts for its main raw materials, including malt, rice and hops for beer, sugar for beverages, grapes for wine, pisco and cocktails, and packaging materials from local producers or through procurement on the international market.

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

License	Expiration Date	Licensee	Territory
Amstel for Argentina[1]	July 2022	Amstel Brouwerij B.V.	Argentina
Amstel for Colombia[2]	March 2028	Heineken Brouwerijen B.V.	Colombia
Austral for Chile[3]	July 2018	Cervecería Austral S.A.	Chile
Blue Moon for Chile[4]	December 2021	Coors Brewing Company	Chile
Buckler for Colombia[2]	March 2028	Heineken Brouwerijen B.V.	Colombia
Budweiser for Argentina	December 2025	Anheuser-Bush Inc.	Argentina
Coors for Paraguay	In the process of subscribing a new contract	Coors Brewing Company	Paraguay
Coors for Chile5	December 2025	Coors Brewing Company	Chile
Coors for Argentina[6]	December 2019	Coors Brewing Company	Argentina
Coors for Colombia[6]	December 2020	Coors Brewing Company	Colombia
Crush, Canada Dry (Ginger Ale, Agua Tónica and	December 2018	Schweppes Holding Limited	Chile
Limón Soda) for Chile[7]	December 2018	Schweppes Holding Limited	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[9]	November 2022	Heineken Brouwerijen B.V.	Paraguay
Heineken for Uruguay[10]	10 years renewable	Heineken Brouwerijen B.V.	Uruguay
Heineken Chile and Argentina[10]	10 years renewable	Heineken Brouwerijen B.V.	Chile y Argentina
Heineken for Colombia[11]	March 2028	Heineken Brouwerijen B.V.	Colombia
Murphys for Colombia[2]	March 2028	Heineken Brouwerijen B.V.	Colombia
Nestlé Pure Life[6]	December 2017	Nestlé S.A., Societé de Produits	Chile
Paulaner for Paraguay	April 2019	Paulaner Brauerei GmbH & Co.	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	December 2017	Red Bull Argentina S.R.L.	Argentina
Red Bull for Chile[12]	Indefinite	Red Bull Panamá S.A.	Chile
Schneider for Paraguay	November 2017	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[2]	March 2028	Heineken Brouwerijen B.V.	Colombia
Té Lipton for Chile	March 2020	Pepsi Lipton International Limited	Chile
Tecate for Colombia[2]	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[13]	May 2019	Waat's Alimentos S.A.	Paraguay

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 The contract will remain in force while the company maintains the license agreement with Heineken for Colombia.
3 2-year term renewable license; subject to compliance with the conditions set forth in the contract.
4 Renewable until December 2025; and 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.
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 Indefinite contract, notice of termination six months in advance, first termination date cannot be prior to October 31, 2018.
13 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., among others.

Enex: : It 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 or franchises. 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 its container shipping business.

SM SAAM: Operates the following port concessions:

San Antonio Terminal Internacional (STI – Chile)

Owned by:	50% SAAM Puertos S.A. 50% SSA Holding International Chile Ltda.
Volume transferred in 2016:	12,902,486 tons/1,207,465 TEU
Number of berthing docks:	3
Pier length:	800 mts.
End of concession:	2024
Extension option:	+5 years

San Vicente Terminal Internacional (SVTI – Chile)

Owned by:	50% SSA Holding Internacional Chile Ltda. 50% SAAM Puertos S.A.
Volume transferred in 2016:	5,971,193 tons /488,754 TEU
Number of berthing docks:	5
Pier length:	1,084 mts.
End of concession:	2029
Extension option:	Extended

Iquique Terminal Internacional (ITI – Chile)

Owned by	15% Grupo Empresas Navieras S.A. 85% SAAM Puertos S.A.
Volume transferred in 2016:	2,280,459 tons / 271,967 TEU
Number of berthing docks:	2
Pier length:	624 mts.
End of concession:	2030
Extension option:	Extended

Antofagasta Terminal Internacional (ATI – Chile)

Owned by:	30% Inversiones Punta de Rieles Ltda. 35% Grupo Empresas Navieras S.A. 35% SAAM Puertos S.A.
Volume transferred in 2016:	2,704,954 tons / 89,614 TEU
Number of berthing docks:	2
Pier length:	575 mts.
End of concession:	2033
Extension option:	Extended

Portuario Portuaria Corral (Corral- Chile)

Owned by:	50% Sociedad de Inversiones Portuarias Ltda. 50% SAAM Puertos S.A.
Volume transferred in 2016:	980,425 tons
Number of berthing docks:	1
Pier length:	146 mts.
End of concession:	Own

Terminal Puerto Arica (TPA - Chile)

Owned by:	20% Ransa Comercial S.A. 25% Grupo Empresas Navieras S.A. 15% SAAM Puertos S.A. 5% Inversiones y Construcciones Belfi Ltda. 55% Inversiones Neltume Ltda.
Volume transferred in 2016:	3,089,392 tons / 226,768 TEU
Number of berthing docks:	4
Pier length:	920 mts.
End of concession:	2034
Extension option:	Extended

Terminal Portuario Guayaquil (TPG - Ecuador)

Owned by:	0.01% SAAM Internacional S.A. 99.99% SAAM Puertos S.A.
Volume transferred in 2016:	1,596,713 tons / 204,051 TEU
Number of berthing docks:	2
Pier length:	360 mts.
End of concession:	2056
Extension option:	Extended

Florida International Terminal (FIT – USA)

Owned by:	30% Agunsa Miami Inc. 70% SAAM Florida Inc.
Volume transferred in 2016:	1,195,649 tons / 202,842 TEU
Number of berthing docks:	4
Pier length:	1,402 mts.
End of concession:	2025
Extension option:	+5 years

Terminal Marítima Mazatlán (TMAZ - Mexico)

Owned by:	0.6% SAAM S.A. 99.4% SAAM Puertos S.A.
Volume transferred in 2016:	978,068 tons / 34,696 TEU
Number of berthing docks:	6
Pier length:	1,296 mts.
End of concession:	2032
Extension option:	+12 years

Puerto Buenavista (PBV – Colombia)

Owned by:	31.51% Yara Colombia S.A. 1.81% OFD Holding S. de R.L. 0.01 % Olaf Hektoen 33.3% SAAM Puertos S.A. 33.3% Cía. de Puertos Asociados (COMPAS)
Volume transferred in 2016:	332,990 tons
Number of berthing docks:	1
Pier length:	211 mts.
End of concession:	2017
Extension option:	+20 years

Terminal Internacional del Sur (TISUR –Peru)

Indirectly owned by:	35% Inversiones Misti S.A. (SAAM) 18% Ransa Comercial S.A. 47% Inversiones Piurana S.A.
Volume transferred in 2016:	6,504,123 tons / 17,783 TEU
Number of berthing docks:	4
Pier length:	863 mts.
End of concession:	2029

Consolidated Financial Statements

Quiñenco S.A. and Subsidiaries as of December 31, 2016 and 2015

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Independent Auditor's Report

Building a better working world

To
Shareholders and Directors
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, 2016 and 2015, 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 Superintendency of Securities and Insurance ("SVS") as described in Note 2a 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, 7.1% and 4.9% of the total consolidated assets as of December 31, 2016 and 2015, respectively, and total ordinary revenue representing 16.3% and 6.2% 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, as a whole, a total assets of ThCh$323,189,447 and ThCh$317,344,902 as of December 31, 2016 and 2015, and net accrued income of ThCh$35,537,246 and ThCh$36,242,439 for the years then ended. In addition, we did not audit the consolidated financial statements of the associate SM SAAM S.A., reflected in the consolidated financial statements under the equity method until December 31, 2015, which represent a total asset of ThCh$244,083,436 as of December 31, 2015, and net accrued income of ThCh$17,784,823 for the year 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 audits 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, 2016 and 2015, 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 Superintendency of Securities and Insurance (SVS) as described in Note 2 to the consolidated financial statements.

Accounting Basis

The indirect 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 Superintendency of Securities and Insurance ("SVS") 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 adjustment.

Juan Francisco Martínez A. EY Audit SpA
Santiago, March 30, 2017

Consolidated Statements of Financial Position

Assets	Note	12/31/2016 ThCh$	12/31/2015 ThCh$
Non-banking businesses			
Current assets			
Cash and cash equivalents	3	460,605,476	127,131,019
Other financial assets, current	4	142,633,789	69,623,179
Other non-financial assets, current	5	21,761,188	28,677,037
Trade and other receivables, current	6	192,833,243	243,666,167
Accounts receivable from related entities, current	7	19,879,774	4,519,243
Inventory, current	8	89,422,619	127,932,281
Current tax assets		33,818,944	19,873,555
Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners		**960,955,033**	**621,422,481**
Non-current assets or disposal groups classified as held for sale	9	34,499,892	30,636,359
Non-current assets or disposal groups classified as held for sale or for distribution to the owners		**34,499,892**	**30,636,359**
Total current assets		**995,454,925**	**652,058,840**
Non-current assets			
Other financial assets, non-current	10	108,639,378	105,259,594
Other non-financial assets, non-current	11	34,547,771	28,333,082
Accounts receivable, non-current	6	13,061,360	-
Accounts receivable from related parties, non-current	7	95,601	-
Inventory, non-current	8	1,628,821	-
Investments accounted for using the equity method	12	2,029,066,699	2,146,582,830
Intangible assets other than goodwill	13	283,697,343	220,685,331
Goodwill	14	850,353,823	874,419,641
Property, plant and equipment	17	652,212,321	392,187,426
Investment properties	18	18,336,787	17,821,209
Deferred tax assets	19	256,665,511	274,511,861
Total non-current assets		**4,248,305,415**	**4,059,800,974**
Total non-banking services assets		**5,243,760,340**	**4,711,859,814**
Banking assets			
Cash and bank deposits	39.5	1,408,166,486	1,361,222,262
Transactions pending settlement	39.5	376,252,606	526,044,917
Trading instruments	39.6	1,405,780,309	866,654,350
Repurchase agreements and securities lending	39.7	55,703,136	46,164,461
Financial derivative contracts	39.8	939,633,849	1,127,123,259
Due by banks	39.9	1,172,918,082	1,395,195,498
Customer loans and accounts receivable	39.10	24,775,289,600	23,951,162,539
Investment instruments held for sale	39.11	367,985,094	1,000,001,698
Investments in companies	39.12	32,588,475	28,125,874
Intangible assets	39.13	29,340,792	26,718,781
Property, plant and equipment	39.14	219,082,089	215,670,814
Current taxes	39.15	6,792,460	3,287,403
Deferred taxes	39.15	306,030,475	255,972,265
Other assets	39.16	462,184,333	484,518,847
Total banking services assets		**31,557,747,786**	**31,287,862,968**
Total assets		**36,801,508,126**	**35,999,722,782**

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

Consolidated Statements of Financial Position

Liabilities	Note	12/31/2016 ThCh$	12/31/2015 ThCh$
Non-banking businesses			
Current liabilities			
Other financial liabilities, current	20	106,918,046	100,200,011
Trade and other payables	21	168,069,269	210,404,107
Accounts payable to related parties, current	7	1,542,196	3,330,462
Other short-term provisions	22	38,646,449	25,671,704
Current tax liabilities		15,537,636	2,224,637
Provisions for employee benefits, current	23	15,454,496	10,492,785
Other non-financial liabilities, current	24	63,902,977	37,157,892
Total current liabilities other than liabilities included in disposal groups classified as held for sale		**410,071,069**	**389,481,598**
Liabilities included in disposal groups classified as held for sale	9	641,167	454,213
Total current liabilities		**410,712,236**	**389,935,811**
Non-current liabilities			
Other financial liabilities, non-current	20	1,059,281,166	692,465,574
Trade and other payables, non-current	21	1,673,675	-
Accounts payable to related parties, non-current	7	8,034	-
Other long-term provisions	22	38,412,967	53,032,977
Deferred tax liabilities	19	149,959,584	107,026,346
Provisions for employee benefits, non-current	23	22,168,993	16,576,107
Other non-financial liabilities, non-current	25	61,519,263	57,371,648
Total non-current liabilities		**1,333,023,682**	**926,472,652**
Total non-banking business liabilities		**1,743,735,918**	**1,316,408,463**
Banking liabilities			
Demand deposits and other obligations	39.17	8,283,930,265	8,305,369,907
Transactions pending settlement	39.5	194,982,365	241,841,370
Repurchase agreements and securities lending	39.7	216,817,177	184,131,435
Time deposits and other borrowings	39.18	10,550,576,329	9,905,144,303
Financial derivative contracts	39.8	1,002,087,406	1,127,927,538
Due to banks	39.19	1,040,026,289	1,529,628,173
Debt instruments issued	39.20	6,177,926,629	6,098,505,011
Subordinated obligation with the Chilean Central Bank		204,427,399	271,555,722
Other financial obligations	39.21	186,199,142	173,080,729
Current taxes	39.15	134,925	27,993,308
Deferred taxes	39.15	24,316,594	32,953,161
Provisions	39.22	491,020,645	439,975,745
Other liabilities	39.23	292,946,321	260,308,346
Total banking services liabilities		**28,665,391,486**	**28,598,414,748**
Total liabilities		**30,409,127,404**	**29,914,823,211**
Equity			
Issued capital	27	1,223,669,810	1,223,669,810
Retained earnings		1,287,450,213	1,172,945,419
Share premium	27	31,538,354	31,538,354
Other reserves	27	455,969,622	593,653,531
Equity attributable to owners of the controller		**2,998,627,999**	**3,021,807,114**
Non-controlling interests		3,393,752,723	3,063,092,457
Total equity		**6,392,380,722**	**6,084,899,571**
Total equity and liabilities		**36,801,508,126**	**35,999,722,782**

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

Consolidated Statements of Comprehensive Income

Income Statement	Note	01/01/2016 12/31/2016 ThCh$	01/01/2015 12/31/2015 ThCh$
Non-banking businesses			
Revenue	28 a)	2,158,855,134	1,917,120,577
Cost of sales		(1,815,695,118)	(1,683,034,126)
Gross margin		**343,160,016**	**234,086,451**
Other revenue by function		19,732,941	12,377,959
Administrative expenses		(311,952,150)	(235,671,422)
Other expenses by function	28 b)	(7,292,018)	(3,918,093)
Other gains (losses)	28 c)	22,475,049	(3,691,434)
Operating income		**66,123,838**	**3,183,461**
Finance income		9,545,810	10,543,387
Finance costs	28 d)	(44,323,236)	(36,026,676)
Share of income (loss) of associates and joint ventures accounted for using the equity method	12	67,373,219	1,805,129
Exchange differences		2,194,979	2,144,733
Gain from indexation adjustments		(17,381,876)	(23,727,063)
Income (loss) before taxes		**83,532,734**	**(42,077,029)**
Income tax expense	19	(29,239,995)	3,838,301
Net income (loss) from continued operations		**54,292,739**	**(38,238,728)**
Net loss from discontinued operations	9	15,274,803	5,461,392
Net income (loss) from non-banking businesses		**69,567,542**	**(32,777,336)**
Banking services			
Interest and indexation income	39.25	1,911,628,192	1,899,300,955
Interest and indexation expense	39.25	(689,114,675)	(678,966,499)
Net interest and indexation income	39.25	1,222,513,517	1,220,334,456
Fee income	39.26	441,044,571	436,077,203
Fee expense	39.26	(119,772,370)	(130,095,363)
Net fee income	39.26	321,272,201	305,981,840
Net gain (loss) from financial operations	39.27	148,885,572	36,536,848
Net exchange gain (loss)	39.28	12,405,600	57,319,006
Other operating revenue	39.33	30,868,647	27,388,739
Loan loss provisions	39.29	(309,733,379)	(303,062,280)
Total net operating income		**1,426,212,158**	**1,344,498,609**
Payroll and personnel expenses	39.30	(418,119,057)	(381,581,406)
Administrative expenses	39.31	(306,341,223)	(289,973,321)
Depreciation and amortization	39.32	(33,288,501)	(29,537,054)
Impairment	39.32	(273,615)	(263,035)
Other operating expenses	39.34	(30,765,093)	(25,163,758)
Total operating expenses		**(788,787,489)**	**(726,518,574)**
Operating income		**637,424,669**	**617,980,035**
Result of investments in companies	39.12	4,512,870	3,671,466
Interest on subordinated debt with the Chilean Central Bank		(73,448,475)	(75,740,231)
Income before taxes		**568,489,064**	**545,911,270**
Income tax expense	39.15	(89,146,655)	(61,817,816)
Net income from continuing operations		479,342,409	484,093,454
Banking services net income		**479,342,409**	**484,093,454**
Consolidated net income		**548,909,951**	**451,316,118**

Net income attributable to owners of the controller		**176,902,259**	**96,619,765**
Net income attributable to non-controlling interests		372,007,692	354,696,353
Consolidated net income		548,909,951	451,316,118

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

Consolidated Statements of Comprehensive Income

Comprehensive Income Statement	01/01/2016 12/31/2016 ThCh$	01/01/2015 12/31/2015 ThCh$
Consolidated net income	548,909,951	451,316,118
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	(6,730,715)	(1,941,123)
Total other comprehensive loss that will not be reclassified in net income (loss) for the year, before taxes	**(6,730,715)**	**(1,941,123)**
Components of other comprehensive income (loss) that will be reclassified in the net income (loss) for the year		
Currency translation differences		
Gains (losses) from cash-flow hedges, before tax	(83,164,329)	161,138,936
Other comprehensive income, currency translation differences	(83,164,329)	161,138,936
Financial assets held for sale		
Gains (losses) for new measurements of financial assets held for sale	(144,196)	8,172,711
Other comprehensive income, before tax, financial assets held for sale	(144,196)	8,172,711
Cash flow hedges		
Gains (losses) from cash-flow hedges, before tax	12,057,459	(5,369,817)
Other comprehensive income (loss), cash-flow hedges, before tax	12,057,459	(5,369,817)
Total other comprehensive income (loss) that will be reclassified in net income (loss) for the year, before taxes	**(71,251,066)**	**163,941,830**
Other components of other comprehensive income (loss), before taxes	(77,981,781)	162,000,707
Total comprehensive income	**470,928,170**	**613,316,825**
Comprehensive income attributable to:		
Owners of the controller	98,920,478	258,620,472
Non-controlling interests	372,007,692	354,696,353
Total comprehensive income	**470,928,170**	**613,316,825**

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

Consolidated Statements of Cash Flows

Statement of Cash Flows	Note	01/01/2016 12/31/2016 ThCh$	01/01/2015 12/31/2015 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		2,477,861,274	2,361,957,254
Proceeds from premiums, annuities and other policy benefits		90,191,928	61,050,021
Proceeds from other operating activities		5,081,108	3,661,281
Classes of payments			
Payments to suppliers of goods and services		(2,196,291,886)	(2,282,141,152)
Payments to and on behalf of employees		(146,730,383)	(81,017,884)
Other payments for operating activities		(89,488,093)	(67,307,608)
Net cash flows provided by (used in) operating activities		**140,623,948**	**(3,798,088)**
Income taxes paid		(23,571,991)	(22,605,790)
Other cash inflows		3,012,059	5,951,170
Net cash flow provided by (used in) non-banking services operating activities		**120,064,016**	**(20,452,708)**
Banking services			
Consolidated net income for the year		478,883,593	483,499,229
Charges (credits) to income not involving cash movements:			
Depreciation and amortization		33,562,116	29,800,089
Loan loss provisions		356,575,834	325,089,564
Adjustment to market value of trading instruments		(2,393,981)	1,273,331
Net income on investment in companies with significant influence		(4,018,784)	(3,242,949)
Net gain on sales of assets received in lieu of payment		(5,268,980)	(3,469,584)
Gain on sales of property, plant and equipment		(182,906)	(204,004)
Write-offs of assets received in lieu of payment		3,329,101	1,301,561
Other charges (credits) not involving cash movements		15,192,288	(514,717,609)
Net change in accrued interest, indexation and fees on assets and liabilities		(142,278,692)	132,766,204
Changes in assets and liabilities that affect operating cash flows:			
Net (increase) decrease in due from banks		221,395,751	(239,617,635)
Increase in customer loans and accounts receivable		(1,037,132,233)	(2,735,942,262)
Net increase in trading instruments		(348,675,134)	(336,420,658)
Increase (decrease) in demand deposits and other obligations		(4,410,645)	1,392,419,496
Increase (decrease) in repurchase agreements and securities lending		21,725,407	(59,373,724)
Increase in time deposits and other borrowings		624,955,718	174,290,439
Increase (decrease) in due to banks		296,819,453	(69,098,983)
Increase (decrease) in other financial obligations		17,467,145	(9,593,145)
Loans from the Chilean Central Bank (long-term)		35,881	28,122
Loans repaid to the Chilean Central Bank (long-term)		(38,707)	(30,628)
Foreign loans received (long-term)		968,682,949	2,247,055,359
Foreign loans repaid (long-term)		(1,754,659,786)	(1,747,858,370)
Other long-term loans obtained		17,808,434	13,803,222
Repayments of other long-term loans		(21,359,305)	(17,744,648)
Provision for payment of subordinated obligation with the Chilean Central Bank		73,448,475	75,740,231
Others		(46,374,758)	(57,790,682)
Subtotal of net cash flow used in banking services operating activities		**(236,911,766)**	**(918,038,034)**
Total net cash flow used in operating activities		**(116,847,750)**	**(938,490,742)**

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

Consolidated Statements of Cash Flows

Cash flows provided by (used in) investment activities	01/01/2016 12/31/2016 ThCh$	01/01/2015 12/31/2015 ThCh$
Non-banking services		
Cash flows provided by the loss of control of subsidiaries or other businesses	141,940,145	-
Cash flows used in obtaining control of subsidiaries or other businesses	(98,180,841)	(62,904,601)
Cash flows used in the purchase of non-controlling interests	(11,590,654)	(2,703,036)
Other proceeds from sale of equity or debt instruments of other entities	699,801,057	965,227,692
Other payments to acquire equity or debt instruments of other entities	(763,668,951)	(764,645,337)
Other proceeds from the sale of interests in joint ventures	740,918	(20,909,621)
Loans to related parties	(960,964)	(742,096)
Proceeds of sale of property, plant and equipment	12,667,051	7,145,414
Purchases of property, plant and equipment	(105,103,039)	(55,264,016)
Purchases of intangible assets	(1,748,180)	(67,695)
Purchases of other long-term assets	(45,567)	-
Proceeds of other long-term assets	-	306,804
Cash advances and loans granted to third parties	(7,189,272)	-
Payments received from related parties	1,361,644	982,436
Dividends received	42,603,824	29,096,571
Interest received	8,448,991	10,033,062
Other cash inflows	62,102,981	1,612,496
Net cash flow provided by (used in) non-banking investment activities	**(18,820,857)**	**107,168,073**
Banking services		
Net decrease in investment instruments held for sale	442,486,920	439,166,517
Purchases of property, plant and equipment	(27,817,677)	(31,475,891)
Sales of property, plant and equipment	219,444	574,586
Investments in companies	(1,129,342)	(313,668)
Dividends received on investments in companies	666,870	662,629
Sale of assets received in lieu of payment	14,513,216	7,768,576
Net (increase) decrease in other assets and liabilities	77,457,229	(112,187,558)
Others	(11,248,256)	(8,520,387)
Subtotal net cash flow provided by banking services investment activities	**495,148,404**	**295,674,804**
Total net cash flow provided by investment activities	**476,327,547**	**402,842,877**

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

Consolidated Statements of Cash Flows

	Note	01/01/2016 12/31/2016	01/01/2015 12/31/2015
		ThCh$	ThCh$
Cash flows provided by (used in) non-banking services financing activities			
Proceeds of share issues		-	96,547,912
Proceeds from long-term loans		309,832,440	32,679,163
Proceeds from short-term loans		911,470,866	244,865,985
Total loan proceeds		**1,221,303,306**	**277,545,148**
Loans from related parties		1,379,620	-
Loan repayments		(919,756,305)	(405,200,145)
Payments of finance lease obligations		(11,141,787)	(5,760,513)
Dividends paid		(105,749,880)	(177,360,453)
Interest paid		(34,553,952)	(48,593,530)
Other cash outflows		(1,222,625)	(2,006,696)
Net cash flow provided by (used in) non-banking services financing activities		**150,258,377**	**(264,828,277)**
Banking services			
Redemption of letters of credit		(8,551,997)	(13,059,477)
Bonds issued		1,420,036,996	2,470,406,431
Bonds repaid		(1,281,182,486)	(1,292,647,165)
Payment of subordinated obligation with the Chilean Central Bank		(140,614,239)	(142,855,888)
Dividends paid		(118,058,206)	(117,364,370)
Subtotal net cash flow provided by (used in) banking services financing activities		**(128,369,932)**	**904,479,531**
Total net cash flow provided by financing activities		**21,888,445**	**639,651,254**
Net increase in cash and cash equivalents, before the effect of exchange rate changes		381,368,242	104,003,389
Effects of exchange rate changes on cash and cash equivalents		(40,309,408)	88,606,927
Net increase in cash and cash equivalents		341,058,834	192,610,316
Cash and cash equivalents as of start of the year		2,216,722,532	2,024,112,216
Cash and cash equivalents as of end of the year	**3 c)**	**2,557,781,366**	**2,216,722,532**

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

Statements of Changes in Equity

	Common shares		Other reserves									
	Capital issued ThCh$	Share premium ThCh$	Revaluation surplus ThCh$	Reserves for currency translation differences ThCh$	Reserve for cash-flow hedges ThCh$	Reserves of gains and losses on re-measurement of financial assets held for sale ThCh$	Other reserves ThCh$	Total other reserves ThCh$	Retained earnings (accumulated losses) ThCh$	Equity atributable to owners of the controller ThCh$	Non-controlling interests ThCh$	Equity ThCh$
Opening balance current 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
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 current 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**
Opening balance previous period 01/01/15	**1,223,669,810**	**31,538,354**	**384,026**	**34,392,739**	**(2,629,592)**	**2,960,976**	**421,593,039**	**456,701,188**	**1,122,563,054**	**2,834,472,406**	**2,698,057,736**	**5,532,530,142**
Restated initial balance	1,223,669,810	31,538,354	384,026	34,392,739	(2,629,592)	2,960,976	421,593,039	456,701,188	1,122,563,054	2,834,472,406	2,698,057,736	5,532,530,142
Changes in equity												
Comprehensive income												
Net income	-	-	-	-	-	-	-	-	96,619,765	96,619,765	354,696,353	451,316,118
Other comprehensive income	-	-	-	161,138,936	(5,369,817)	8,172,711	(1,941,123)	162,000,707	-	162,000,707	-	162,000,707
Comprehensive income	-	-	-	161,138,936	(5,369,817)	8,172,711	(1,941,123)	162,000,707	96,619,765	258,620,472	354,696,353	613,316,825
Dividends	-	-	-	-	-	-	-	-	(46,090,403)	(46,090,403)	-	(46,090,403)
Increase (decrease) from changes in ownership interest in subsidiaries that do not imply a loss of control	-	-	-	-	-	-	(37,404,713)	(37,404,713)	-	(37,404,713)	37,404,713	-
Increase (decrease) for transfers and other changes	-	-	-	(679,243)	10,689	-	13,024,903	12,356,349	(146,997)	12,209,352	(27,066,345)	(14,856,993)
Total changes in equity	**-**	**-**	**-**	**160,459,693**	**(5,359,128)**	**8,172,711**	**(26,320,933)**	**136,952,343**	**50,382,365**	**187,334,708**	**365,034,721**	**552,369,429**
Closing balance previous period 12/31/15	**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**

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

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 Superintendency of Securities and Insurance (hereinafter the "SVS").

These consolidated financial statements have been approved by the Board of the Company at its meeting held on March 30, 2017.

(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 held 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, 2016 and 2015, 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.

As of December 31, 2016 and 2015, LQIF is the direct holder of 26.32% and 26.02%, respectively, of Banco de Chile. As of December 31, 2016 and 2015, LQIF is the holder of 58.24% of the holding company Sociedad Matriz del Banco de Chile S.A. (hereinafter "SM-Chile") which holds 12.43% directly (12.63% as of December 31, 2015) and 29.29% indirectly (29.75% as of December 31, 2015) 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 51.06% and 51.11% as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, LQIF holds 33.41% and 33.19%, 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, 2016 and 2015.

Manufacturing: The Company has an indirect interest in the French company Nexans through its 98.65% and 98.58% shareholding in Invexans as of December 31, 2016 and 2015, respectively. Additionally, Quiñenco has a minor indirect interest 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 40 countries and trading activities throughout the world. Nexans is quoted on the NYSE Euronext exchange in Paris.

Quiñenco also has an interest of 100% and 65.92% in Tech Pack (formerly Madeco) as of December 31, 2016 and 2015 respectively. Tech Pack was a regional producer of flexible packaging for mass consumption, through its subsidiary Alusa until May 31, 2016, when the Share Purchase Agreement that was signed on April 18, 2016 was completed, 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 1 – Corporate information (continued)

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

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.

Transport: Quiñenco has a 55.97% interest in the subsidiary Compañía Sud Americana de Vapores S.A. (CSAV), as of December 31, 2016 and 2015, respectively. This company is mainly involved in cargo shipping and its most important asset is a 31.35% 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, 2016, and 42.44% as of December 31, 2015. 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	**12-31-2016**	**12-31-2015**
Quiñenco	69	62
LQIF and subsidiaries	14,615	14,977
SM SAAM	3,403	-
Enex and subsidiaries	3,043	2,704
Tech Pack and subsidiaries	9	2,343
CSAV	147	162
Invexans	6	6
Other subsidiaries	64	64
Total employees	**21,356**	**20,318**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies

(a) Period covered

These consolidated financial statements cover the following periods:
- Statements of financial position: as of December 31, 2016 and 2015.
- Statements of comprehensive income, cash flows and changes in equity: for the years ended December 31, 2016 and 2015.

(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 2016 and 2015 the instructions and standards for preparation and presentation of financial information issued by the Superintendency of Securities and Insurance 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[1] 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.

[1] For IFRS purposes, "subsidiary" is any company in which the parent company 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

The Company has complied with SVS Circular 506 issued on February 13, 2009, by the Superintendency of Securities and Insurance, 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, 2015, 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 that are effective as of the date of these financial statements, are detailed below. The Company has assessed these standards and concluded that they do not materially affect the financial statements:

	Amendments and Modifications	Obligatory application
IFRS 5	Non-current assets held for sale and discontinued operations	January 1, 2016
IFRS 7	Financial instruments: disclosures	January 1, 2016
IFRS 10	Consolidated financial statements	January 1, 2016
IFRS 11	Joint arrangements	January 1, 2016
IFRS 12	Disclosures of interests in other entities	January 1, 2016
IAS 1	Presentation of financial statements	January 1, 2016
IAS 16	Property, plant and equipment	January 1, 2016
IAS 19	Employee benefits	January 1, 2016
IAS 27	Separate financial statements	January 1, 2016
IAS 28	Investments in associates and joint ventures	January 1, 2016
IAS 34	Interim financial reporting	January 1, 2016
IAS 38	Intangible assets	January 1, 2016

The standards, interpretations, improvements and modifications to IFRS, which have been issued but have not yet come into effect at the date of these financial statements, are detailed below. The Company is still evaluating the impact of applying these standards:

	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

(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 the subsidiary companies 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 subsidiaries whose financial statements have been included in the consolidation are the following:

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

Tax No.	Name of Subsidiary	Country	Functional Currency	Ownership Interest (%) 12/31/2016 Direct	Ownership Interest (%) 12/31/2016 Indirect	Ownership Interest (%) 12/31/2016 Total	12/31/2015 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	71.9516	27.9751	99.9267	99.9267
91.527.000-K	Empresa El Peñón S.A. and subsidiaries	Chile	CLP	98.0693	0.0000	98.0693	97.8026
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	65.9179
90.160.000-7	Compañía Sud Americana de Vapores S.A. and subsidiaries	Chile	USD	20.3410	35.6304	55.9714	55.9678
76.196.715-5	Sociedad Matriz SAAM S.A. and subsidiaries	Chile	USD	15.6396	36.5592	52.1988	0.0000
91.021.000-9	Invexans S.A. and subsidiaries	Chile	USD	75.3762	23.2719	98.6481	98.5790
Foreign	Excelsa Establishment	Liechtenstein	USD	0.0000	0.0000	0.0000	100.0000
59.068.040-0	Hidroindustriales Overseas	Cayman Islands	USD	0.0000	100.0000	100.0000	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	66.3000	66.3000	66.3000
96.917.990-3	Banchile Seguros de Vida S.A.	Chile	CLP	0.0000	99.9000	99.9000	99.9000
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
78.780.780-1	Operaciones y Servicios Enex Ltda.	Chile	CLP	0.0000	0.0000	0.0000	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	100.0000	100.0000	100.0000
96.805.890-8	SM-Chile S.A.	Chile	CLP	0.0000	58.2400	58.2400	58.2400
97.004.000-5	Banco de Chile	Chile	CLP	0.0000	51.0600	51.0600	51.1100
44.000.213-7	Banchile Trade Services Limited	Hong Kong	USD	0.0000	0.0000	0.0000	100.0000
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
96.510.950-1	Promarket S.A.	Chile	CLP	0.0000	0.0000	0.0000	100.0000
Foreign	Madeco Brasil Ltda.	Brazil	USD	0.0000	100.0000	100.0000	100.0000
96.956.680-k	Alusa S.A. and subsidiaries	Chile	USD	0.0000	0.0000	0.0000	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

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

Tax No.	Name of Subsidiary	Country	Functional Currency	Ownership Interest (%)			
				12/31/2016			12/31/2015
				Direct	Indirect	Total	Total
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	50.0000	50.0000	50.0000
Foreign	Efren Soluciones S.A.	Peru	USD	0.0000	50.0000	50.0000	50.0000
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
89.010.400-2	Alusa Chile S.A.	Chile	USD	0.0000	0.0000	0.0000	100.0000
96.750.090-9	Inversiones Alusa S.A.	Chile	USD	0.0000	0.0000	0.0000	100.0000
Foreign	Aluflex S.A.	Argentina	USD	0.0000	0.0000	0.0000	100.0000
Foreign	Peruplast S.A.	Peru	USD	0.0000	0.0000	0.0000	50.0000
Foreign	Empaques Flexa S.A.S.	Colombia	USD	0.0000	0.0000	0.0000	50.0000
Foreign	Norgistics (China) Ltd.	China	USD	0.0000	100.0000	100.0000	100.0000
96.840.950-6	Odfjell y Vapores S.A.	Chile	USD	0.0000	51.0000	51.0000	100.0000
96.838.110-5	Euroatlantic Container Line S.A.	Chile	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	Global Commodity Investments Inc.	Panama	USD	0.0000	100.0000	100.0000	100.0000
Foreign	CSAV Sudamericana de Vapores S.A.	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	Maritime Shipping & Trading International Inc.	Marshall Islands	USD	0.0000	50.0000	50.0000	50.0000
Foreign	Maritime Shipping Trading Inc.	Panama	USD	0.0000	50.0000	50.0000	50.0000
Foreign	OV Bermuda Ltd.	Bermuda	USD	0.0000	50.0000	50.0000	50.0000
Foreign	Navibras Comercial Maritima e Afretamentos Ltda.	Brazil	USD	0.0000	100.0000	100.0000	100.0000
Foreign	Lennox Ocean Shipping Co. S.A.	Panama	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	100.0000	100.0000	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	100.0000	100.0000	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	100.0000	100.0000	100.0000
92.048.000-4	SAAM S.A.	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	0.0000
76.002.201-2	SAAM Puertos S.A.	Chile	USD	0.0000	100.0000	100.0000	0.0000
76.708.840-K	Inmobiliaria San Marco Ltda.	Chile	CLP	0.0000	100.0000	100.0000	0.0000
96.720.220-7	Inversiones San Marco Ltda.	Chile	USD	0.0000	100.0000	100.0000	0.0000
Foreign	SAAM Remolques S.A. de C.V	Mexico	USD	0.0000	51.0000	51.0000	0.0000
Foreign	Concesionaria SAAM Costa Rica S.A.	Costa Rica	USD	0.0000	100.0000	100.0000	0.0000
Foreign	Ecuaestibas S.A.	Ecuador	USD	0.0000	100.0000	100.0000	0.0000
Foreign	SAAM Remolcadores Colombia S.A.S	Colombia	USD	0.0000	100.0000	100.0000	0.0000
Foreign	Inversiones Habsburgo S.A.	Panama	USD	0.0000	100.0000	100.0000	0.0000
Foreign	Inversiones Alaria S.A.	Panama	USD	0.0000	100.0000	100.0000	0.0000
Foreign	Saam Remolcadores Panamá S.A.	Panama	USD	0.0000	100.0000	100.0000	0.0000

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 SVS.

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 Superintendent of Securities and Insurance, 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 2016 Quiñenco has repeatedly acquired shares in Invexans, enabling it to increase its interest in that subsidiary to 98.65%.

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 year is taken into account of the reversal of deferred tax liabilities, and 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 periods, 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 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, 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 statement of position, but 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 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(g) Functional currency and foreign currency translation

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 shown in Unidades de Fomento ("U.F.") are shown at the closing value of the U.F. on the date of the statement of financial position, as published by the National Institute of Statistics (I.N.E.).

(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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 operatiional 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 liabilities that accrue interest. The Company does 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 statement of financial position, provided the result of the transaction can be estimated reliably.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 2 – Summary of significant accounting policies (continued)

(m) Revenue recognition (continued)

(m3) Interest income

The 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[2] 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 associated 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.

[2] 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 statement of comprehensive income. Losses for impairment are shown in the 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 statement of financial position at their fair value and their changes in fair value are shown in the 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 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 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) Financial debt

(q6.1) Financial debt at fair value through profit or loss

Financial debt at fair value through profit or loss includes financial debt held for trading and financial debt designated on its initial booking as at fair value through profit or loss.

Financial debt is classified as held for trading if acquired with the intention of being sold in the short term. Derivatives, including implicit derivatives, are also classified as held for trading unless they are designated as instruments for effective hedging. Gains or losses on liabilities held for trading are shown with charge or credit to comprehensive income.

When a contract has one or more implicit derivative, the whole hybrid contract may be designated as financial debt at fair value through profit or loss, except when the implicit derivative does not significantly modify the cash flows or it is clear that the separation of the implicit derivative is forbidden.

Financial debt may be designated in the initial booking as at fair value through gains or losses if the following criteria are met:

(1) the designation eliminates or significantly reduces the inconsistent treatment which would otherwise arise by measuring the liabilities or booking gains or losses on them on a different basis;
(2) or the liabilities are part of a group of financial debt which is managed and its performance measured on the basis of fair value, according to a documented risk-management strategy;
(3) or the financial debt contains an implicit derivative which would need to be booked separately.

As of December 31, 2016 and 2015, no financial debt has been designated at fair value through profit or loss.

(q6.2) 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(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 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:
  (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 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.

As of the date of the statement of financial position, the unrecognized deferred tax assets are revalued and recognized to the extent that it is again probable that future taxable income will permit the deferred tax asset to be recovered.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(r) Current and deferred taxes (continued)

(r2) Deferred taxes (continued)

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year the asset is realized or 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.

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 migrated to 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 periods.

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. and Terminal Marítima Mazatlán S.A. de C.V.

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 2 – Summary of significant accounting policies (continued)

(s) Intangible assets (continued)

(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.

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

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(t2) Non-financial assets (continued)

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.

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(u) Provisions

(u1) General

Provisions are booked when:

- The Company has a present obligation with respect to a past event,
- It is probable that an outflow of resources will be required including economic 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.

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(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 issued by the SVS.
- 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 statement of income.

(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 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 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 the item hedged booked 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 statement of comprehensive income. Changes in the fair value of a hedge instrument are also booked in the statement of comprehensive income.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(bb) Current and non-current classification

In the consolidated statement of financial position, balances 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 first to be absorbed. Considering that to achieve a unanimous agreement is practically impossible given the well-spread composition of the share capital of Quiñenco, the amount of the 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 are booked under the heading Other current liabilities as a charge to an account included in equity called Retained earnings (accumulated losses). The interim and final dividends are booked as a reduction to 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 takes 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 subsidiary Banchile Seguros de Vida are shown in the Other segment.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

The following shows the principal accounting policies of financial institutions regulated by the Superintendency of Banks and Financial Institutions (SBIF).

(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 SM-Chile as of December 31, 2016 and 2015, 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 the Company. The consolidated financial statements have been prepared using uniform accounting policies for similar transactions and other events in equivalent circumstances.

Transactions and significant balances (asset and liabilities, equity, revenue, expenses and cash flows) deriving from operations between the Company 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 the Company is not directly or indirectly the owner, and is shown separately in the consolidated equity and results of SM-Chile S.A.

(ff1) Subsidiaries

The consolidated financial statements as of December 31, 2016 and 2015, incorporate the financial statements of the Company and the controlled companies (subsidiaries) in accordance with IFRS 10 “Consolidated financial statements”. Control exists when the Company 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 Company controls a subsidiary when it has rights that give it the ability to direct the relevant activities of the subsidiary.

When the Company has less than a majority of the voting rights in a subsidiary, but those rights are sufficient for having the feasible ability to unilaterally direct the significant activities, it will then be concluded that the Company has control. The Company considers all the relevant factors and circumstances in assessing whether the voting rights are sufficient for obtaining control, including:

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

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff1) 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 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %	Total 2016 %	Total 2015 %
97.004.000-5	Banco de Chile	Chile	CLP	12.43	12.63	29.29	29.74	41.72	42.37
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 2016 %	Direct 2015 %	Indirect 2016 %	Indirect 2015 %	Total 2016 %	Total 2015 %
44.000.213-7	Banchile Trade Services Limited (*)	Hong Kong	USD	—	100.00	—	—	—	100.00
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
96.510.950-1	Promarket S.A. (**)	Chile	CLP	—	99.00	—	1.00	—	100.00

(*) On May 29, 2014, the Board of Directors of Banco de Chile agreed to the dissolution, liquidation and termination of the company. After completing all administrative proceedings required by the regulators, the dissolution was formally declared on July 5, 2016. (See Note 39.3 (k)).

(**) On December 30, 2016, the dissolution and merger of the company was reported. See Note 39.3 (t).

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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff2) Associates and joint ventures

(ff2.1) Associates

These are entities in which the Company 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 SM-Chile'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.

(ff2.2) 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.

(ff3) Shares or rights in other companies

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

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(ff) Basis of consolidation (continued)

(ff4) Special purpose entities

Under current regulations, the Company 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, 2016 and 2015, the Company does not control nor has created any special-purpose entity.

(ff5) 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 statement of financial position.

As established in IFRS 10, for the purposes of consolidation it is necessary to assess the role that the Company 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 take 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 take decisions. Therefore, in their role as agent no funds are consolidated as of December 31, 2016 and 2015.

(gg) Non-controlling interests

The non-controlling interest represents the portion of the losses and income, and of the net assets, that SM Chile 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(hh) Estimates and judgments

The preparation of the consolidated financial statements requires the Company'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 39.13 and 39.14).
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 2016, it was necessary to implement changes in accordance with the Compendium of Accounting Standards issued by the SBIF in Circulars 3,573, 3,584 and 3,604. The net effect of these changes resulted in a credit to net income of ThCh$653,000, as follows:

a) Expansion of risk classifications up to category A3 for guarantees that replace the debtor's credit quality when provisioning, which entailed a provision release of ThCh$2,125,000.

b) A new provisioning regulation specifically for factoring transactions, which allows the transferor's credit quality to be replaced by that of the invoice acceptor to the extent that the latter is classified in a category of A3 or better, which entailed a provision release of ThCh$2,420,000.

c) New definition of default according to Circular 3584 dated June 22, 2015, which required recalibration of the group provision models. This entailed a higher charge to net income of ThCh$13,443,000.

d) Changes in the percentage of credit equivalent for unrestricted credit lines, which decreased from 50% to 35%. This change entailed a credit to net income of ThCh$9,551,000.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities

The measurement or valuation of assets and liabilities is the process of determining the monetary amounts for which elements of the financial statements are shown and booked for their inclusion in the consolidated statement of position and consolidated statement of comprehensive income. The selection of a particular base or method of measurement is needed for this.

Various measurement methods are employed in the consolidated financial statements, with varying degrees and in combinations of these. Such methods are the following:

(ii1) 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.

(ii2) Classification

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

(ii3) Withdrawal of financial assets and liabilities

The Company and its subsidiaries withdraw financial assets from their consolidated 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 Company 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities (continued)

(ii3) Withdrawal of financial assets and liabilities (continued)

(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.

(ii4) Offsetting

Financial assets and liabilities are offset so that their net amount is shown in the consolidated statement of financial position only when the Company 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.

(ii5) 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.

(ii6) 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.

QUIÑENCO S.A.

Note 2 – Summary of significant accounting policies (continued)

(ii) Valuation of assets and liabilities (continued)

(ii6) Measurement of fair value (continued)

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.

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.

The Bank generally has assets and liabilities that compensate market risks. In these cases, average market prices are used as a basis for establishing values.

Estimates of fair value obtained based on models are adjusted by any other factor, like 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(jj) Functional currency

The items included in the financial statements of the Company 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. 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, 2016, the Bank and its subsidiaries applied the exchange rate of accounting representation according to the instructions of the SBIF, so assets in dollars are shown at their equivalent value in pesos calculated at the market exchange rate of Ch$670.40 per US$1 (Ch$708.24 per US$1 in 2015).

The balance of ThCh$12,405,600 relates to the net exchange gain (ThCh$57,319,006 in 2015) 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.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, there were no securities lending transactions.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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:

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 pp).

(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.

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 Note 2 qq.5.1).

b) Debtors subject to group assessment including all loans in the "Default Portfolio", as defined in Note 2 qq.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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 (PI) and loss from default (PDI) 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(PIdebtor /100)x(PDIdebtor/100)+EA x (PI guarantee /100)x(PDI 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 = $E\times (PP/100)$

Where:
E = Amount of exposure
R = Recoverable amount
PP = Provisioning percentage (according to the category in which the expected loss rate is grouped).

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 does not have any direct unpaid debts based on information compiled by the SBIF, except for insignificant amounts.

(qq5.2) 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.

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(Translation of financial statements originally issued in Spanish – See Note 2)

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Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq5) Loan loss provisions (continued)

(qq5.2) 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 due to 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 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)

Should the same debtor have more than one residential mortgage loan with the bank and one of them is 90 days or more past due, all these loans shall be allocated to the default portfolio, calculating provisions for each them in accordance with their respective LTV.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 does not have any direct unpaid debts based on information compiled by the SBIF, except for insignificant amounts.

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(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.

(qq.6.1) Charge-off of loans and accounts receivable

Charge-offs of loans and accounts receivable, other than lease operations, should be made in the following circumstances, according to which occurs first:

a) The Bank, based on all available information, concludes that it will obtain no cash flow from the asset.

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

Note 2 – Summary of significant accounting policies (continued)

(qq) Loans and accounts receivable from customers (continued)

(qq.6) Loan charge-offs (continued)

(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.

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(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 pp).

The Bank has no investment instruments held to maturity as of December 31, 2016 and 2015.

(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.

Note 2 – Summary of significant accounting policies (continued)

(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 income statement 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 2016 and 2015 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.

(uu) Current and deferred taxes

The provision for income tax of the Company 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 tax income to recover the deductions for timing differences. Deferred taxes are classified in accordance with SBIF regulations.

(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.

Notes to the Consolidated Financial Statements
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Note 2 – Summary of significant accounting policies (continued)

(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.

(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 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).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(yy) Provisions, contingent assets and liabilities (continued)

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.

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%
- Others	100%
g) Other contingent liabilities	100%

(*) See Note 2 hh).

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 Company 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.

Notes to the Consolidated Financial Statements
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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 (4.29% as of December 31, 2016 and 4.60% as of December 31, 2015).

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 Company.

(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:

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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

- Loans with real collateral below 80%: The accrual is suspended when the loan or one of its installments is past due more than six months.

In the case of loans subject to individual evaluation, the booking of the income can be continued for the accrual of interest and indexation which is being paid normally and which corresponds to obligations whose flows are independent, as might occur in the case of 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 statement of 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, 2016 and 2015, 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. The commitments arising on this business are disclosed in Note 39.24 a).

(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 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 2 – Summary of significant accounting policies (continued)

(hhh) Additional provisions (continued)

During the year, the Bank has established additional provisions on its loan portfolio with a charge to net income of ThCh$52,074,576 (ThCh$30,921,696 in 2015). As of December 31, 2016, the balance of additional provisions amounted to ThCh$213,251,877 (ThCh$161,177,301 in 2015), which are presented in "Provisions" in the statement of financial position.

(iii) Reclassifications

On May 25, 2015, the Superintendency of Banks and Financial Institutions issued Circular 3,583, which modifies Chapter C-3 of the Compendium of Accounting Standards, establishing a new loan classification for tertiary education loans within commercial loans, as of January 1, 2016.

This change resulted in the reclassification of student loans from "Consumer loans" to "Commercial loans" of ThCh$42,687,536 as of December 31, 2016. See Note 39.10 (a1)

There have been no other significant reclassifications as of year-end 2016.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 3 – Cash and cash equivalents

a) Cash and cash equivalents as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Cash	2,612,212	4,240,239
Balances in banks	68,188,412	18,789,724
Time deposits up to 90 days	363,325,941	94,875,689
Investments under repurchase agreements	26,478,911	9,225,367
Total	**460,605,476**	**127,131,019**

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$30,377,306 as of December 31, 2016 (ThCh$15,601,661 as of December 31, 2015), have been eliminated in the preparation of these consolidated financial statements.

b) Cash and cash equivalents by currency are detailed as follows:

	Currency		12-31-2016 ThCh$	12-31-2015 ThCh$
Cash and cash equivalents	CLP	(Chilean pesos)	193,314,484	77,321,540
Cash and cash equivalents	USD	(US dollars)	263,368,402	47,270,631
Cash and cash equivalents	EUR	(Euros)	187,201	740,428
Cash and cash equivalents	ARS	(Argentine pesos)	-	34,936
Cash and cash equivalents	PEN	(Peruvian soles)	2,561	227,570
Cash and cash equivalents	BRL	(Brazilian reais)	63,209	141,561
Cash and cash equivalents	COP	(Colombian pesos)	46,446	104,702
Cash and cash equivalents	OTR	(Other currencies)	3,623,173	1,289,651
Total			**460,605,476**	**127,131,019**

c) Reconciliation between cash and cash equivalents shown in the statement of financial position and that shown in the consolidated statement of cash flows.

	12-31-2016 ThCh$	12-31-2015 ThCh$
Cash and cash equivalents corresponding to non-banking businesses	460,605,476	127,131,019
Discontinued companies	193,565	259,950
Cash and cash equivalents corresponding to banking services		
Cash	665,463,820	672,253,003
Deposits with the Chilean Central Bank	118,501,034	111,330,400
Deposits with banks in Chile	8,432,850	5,099,702
Deposits abroad	615,768,782	567,962,573
Transactions pending settlement (net)	181,270,241	284,203,547
Highly liquid financial instruments	467,595,042	407,110,803
Repurchase agreements	39,950,556	41,371,535
Cash and cash equivalents shown in consolidated statement of cash flows	**2,557,781,366**	**2,216,722,532**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 3 – Cash and cash equivalents (continued)

d) Significant unavailable cash balances

As of December 31, 2016, there are restrictions on cash and cash equivalents resulting from the execution of the Share Purchase Agreement entered into on April 18, 2016, under which Tech Pack S.A. sold all of its shares in Alusa S.A. and Inversiones Alusa S.A., to Amcor, the principal global producer of rigid and flexible packaging. Under that contract, Tech Pack S.A. undertook to hold cash and cash equivalents of at least ThUS$28,493 until September 2017.

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, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Time deposits at more than 90 days	139,228,654	67,577,580
Financial instruments held to maturity	1,675,683	-
Investments in mutual funds	831,692	2,045,599
Hedging assets	663,445	-
Others	234,315	-
Total	**142,633,789**	**69,623,179**

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$6,106 as of December 31, 2016 (ThCh$ 6,040,264 in 2015), 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	
				12-31-2016 ThCh$	12-31-2015 ThCh$	12-31-2016 ThCh$	12-31-2015 ThCh$
Forward	Cash flow hedge instruments	Exchange rate fluctuations	Mexican pesos	125,191	-	125,191	-
Swap	Cash flow hedge instruments	Fuel price fluctuations	US dollars	538,254	-	538,254	-
	Total hedging assets			**663,445**	**-**	**663,445**	**-**

Note 5 – Other non-financial assets, current

Other current non-financial assets as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Dividends receivable	9,903,146	16,127,425
Advance payments to suppliers	4,937,940	7,592,849
VAT recoverable	5,378,146	3,546,366
Others	1,541,956	1,410,397
Total	**21,761,188**	**28,677,037**

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 6 – Trade and other receivables

Trade and other receivables as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Trade accounts receivable	191,421,159	238,993,184
Other accounts receivable	35,011,858	24,119,061
Allowance for doubtful accounts	(20,538,414)	(19,446,078)
Total	**205,894,603**	**243,666,167**
Less: Other accounts receivable, non-current (1)	(13,061,360)	-
Current trade and other receivables	**192,833,243**	**243,666,167**

(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:

	12-31-2016				12-31-2015			
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 past due	589,569	176,682,792	-	-	419,676	184,616,554	-	-
1-30 days	2,905	16,433,193	-	-	8,006	38,278,148	-	-
31-60 days	1,161	2,406,797	-	-	1,059	5,281,721	-	-
61-90 days	759	1,576,892	-	-	679	5,758,305	-	-
91-120 days	601	1,309,269	-	-	988	1,909,076	-	-
121-150 days	571	1,259,634	-	-	1,116	1,971,811	-	-
151-180 days	594	1,278,391	-	-	791	1,798,528	-	-
181-210 days	505	4,385,144	-	-	443	491,714	-	-
211_250 days	530	729,923	-	-	583	593,990	-	-
> 250 days	3,946	20,370,982	-	-	3,375	22,412,398	-	-
Total	**601,141**	**26,433,017**	**-**	**-**	**436,716**	**263,112,245**	**-**	**-**

Unsecuritized portfolio	12-31-2016		12-31-2015	
	No. Clients	Portfolio (ThCh$)	No. Clients	Portfolio (ThCh$)
Documents receivable rejected	26	640,013	142	396,080
Documents receivable under legal collection procedures	13	34,143	-	-

Provisions							
12-31-2016				12-31-2015			
Portfolio not renegotiated ThCh$	Renegotiated portfolio	Charge-offs for period ThCh$	Recoveries for period ThCh$	Portfolio not renegotiated ThCh$	Renegotiated portfolio	Charge-offs for period ThCh$	Recoveries for period ThCh$
(20,538,414)	-	2,364,142	1,118,634	(19,446,078)	-	1,367,139	-

As of December 31, 2016 and 2015, the Company had no clients classified in the securitized portfolio category.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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	
						12-31-2016	12-31-2015	12-31-2016	12-31-2015	12-31-2016	12-31-2015	12-31-2016	12-31-2015
						ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Minera Los Pelambres S.A.	96.790.240-3	Chile	Invoices	Shareholders in common	CLP	2,953,697	2,259,201	-	-	-	-	-	-
Embotelladoras Chilenas Unidas S.A.	99.501.760-1	Chile	Invoices	Subsidiary of joint venture	CLP	131,075	200,208	-	-	-	54,509	-	-
Cervecera CCU Chile Ltda.	96.989.120-4	Chile	Invoices	Subsidiary of joint venture	CLP	-	276,230	-	-	-	-	-	-
Sociedad de Inversiones de Aviación S.A.	82.040.600-1	Chile	Invoices	Associate of subsidiary	CLP	-	-	-	-	59,584	-	-	-
Comercial CCU S.A.	99.554.560-8	Chile	Invoices	Subsidiary of joint venture	CLP	-	-	-	-	76,220	-	-	-
Aguas CCU Nestlé Chile S.A.	76.003.431-2	Chile	Invoices	Subsidiary of joint venture	CLP	-	112,917	-	-	-	-	-	-
Asfaltos Cono Sur S.A.	96.973.920-8	Chile	Invoices	Joint Venture	CLP	33,862	440,417	-	-	402,765	402,765	-	-
Ferrocarril Antofagasta Bolivia S.A.	81.148.200-5	Chile	Invoices	Shareholders in common	CLP	792,101	-	-	-	-	-	-	-
Minera Antucoya	76.079.669-7	Chile	Invoices	Shareholders in common	CLP	988,243	-	-	-	-	-	-	-
Minera Centinela	76.727.040-2	Chile	Invoices	Shareholders in common	CLP	6,396,337	-	-	-	-	-	-	-
Nexans Brasil S.A. (1)	Foreign	Brazil	Legal settlement	Associate of subsidiary	USD	-	-	-	-	120,966	-	-	-
Hapag Lloyd Chile S.A.	76.049.840-8	Chile	Current account	Associate of subsidiary	USD	1,683,048	-	-	-	-	-	-	-
Hapag Lloyd AG	Foreign	Germany	Current account	Joint venture of subsidiary	USD	1,058,432	-	-	-	-	-	-	-
CSAV Agenciamiento marítimo SpA	76.350.651-7	Chile	Current account	Associate of subsidiary	USD	-	536,880	-	-	-	-	-	-
CSAV Portacontenedores SpA	76.380.217-5	Chile	Current account	Associate of subsidiary	USD	-	-	-	-	-	101,553	-	-
Southterm Shipmanagement (Chile) Ltda.	87.987.300-2	Chile	Current account	Associate of subsidiary	USD	633,988	-	-	-	416,410	43,320	-	-
Norgistics Brasil Operador Multimodal Ltda.	Foreign	Brazil	Current account	Associate of subsidiary	USD	162,012	20,595	-	-	-	-	-	-
Norgistic Chile S.A.	76.028.758-k	Chile	Services	Associate of subsidiary	CLP	82,345	-	-	-	-	-	-	-
CSAV Group Agencies (Hong Kong)	Foreign	Hong Kong	Current account	Associate of subsidiary	USD	-	73,857	-	-	-	73,146	-	-
Sudamericana, Agencias Aéreas y Marítimas SA.	92.048.000-4	Chile	Current account	Associate of subsidiary	USD	-	174,674	-	-	-	1,026,272	-	-
Norasia Container Lines Ltda.	Foreign	Malta	Current account	Associate of subsidiary	USD	-	-	-	-	-	938,832	-	-
CSAV Austral SpA	89.602.300-4	Chile	Current account	Associate of subsidiary	USD	291,219	-	-	-	-	-	-	-
Southterm Shipmanagement Co. S.A.	Foreign	Panama	Current account	Associate of subsidiary	USD	-	-	-	-	-	134,930	-	-
Consorcio Naviero Peruano S.A.	Foreign	Peru	Current account	Associate of subsidiary	USD	72,972	-	-	-	1,339	57,523	-	-
Terminal Puerto Arica S.A.	99.567.620-6	Chile	Dividends	Associate of subsidiary	USD	253,060	-	-	-	36,821	-	-	-
Transportes Fluviales Corral S.A.	96.657.210-8	Chile	Services	Associate of subsidiary	CLP	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	-	-	-	-	44,185	-	-	-
Antofagasta Terminal Internacional S.A.	99.511.240-K	Chile	Services	Associate of subsidiary	CLP	271,805	-	-	-	-	-	-	-
San Antonio Terminal Internacional S.A.	96.908.970-K	Chile	Services	Associate of subsidiary	CLP	42,846	-	-	-	12,720	-	-	-
San Antonio Terminal Internacional S.A.	96.908.970-K	Chile	Dividends	Associate of subsidiary	CLP	911,818	-	-	-	-	-	-	-
Portuaria Corral S.A.	96.610.780-4	Chile	Services	Associate of subsidiary	CLP	45,524	-	-	-	-	-	-	-
Lng Tugs Chile S.A.	76.028.651-6	Chile	Services	Associate of subsidiary	USD	90,378	-	-	-	-	-	-	-
Servicios Portuarios Reloncaví Ltda.	78.353.000-7	Chile	Services	Associate of subsidiary	CLP	192,138	-	-	-	-	-	-	-
Servicios Aeroportuarios Aerosan S.A.	94.058.000-5	Chile	Dividends	Associate of subsidiary	USD	1,339	-	-	-	-	-	-	-
San Vicente Terminal Internacional S.A.	96.908.930-0	Chile	Services	Associate of subsidiary	USD	1,232,494	-	-	-	22,093	-	-	-
Agencias Universales S.A.	96.566.940-K	Chile	Services	Associate of subsidiary	CLP	164,690	-	-	-	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	662,106	-	-	-	118,494	-	-	-
Luckymont	Foreign	Uruguay	Loan	Associate of subsidiary	USD	229,630	-	-	-	-	-	-	-
Inmobiliaria Carriel Ltda.	76.140.270-6	Chile	Services	Associate of subsidiary	USD	-	-	87,701	-	-	-	-	-
CSAV Group (China) Shipping Co. Ltd.	Foreign	China	Current account	Associate of subsidiary	USD	-	-	-	-	-	103,683	-	-
Others	-	-	Invoices		CLP	273,914	424,264	7,900	-	139,550	393,929	8,034	-
Total						19,879,774	4,519,243	95,601	-	1,542,196	3,330,462	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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO 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.

Tax No	Company	Relationship	´Transaction description	12/31/2016 Transaction amount ThCh$	12/31/2016 Effect on net income ThCh$	12/31/2015 Transaction amount ThCh$	12/31/2015 Effect on net income ThCh$
96.790.240-3	Minera Los Pelambres S.A.	Shareholders in common	Sale of products and services	24,606,450	2,175,944	20,956,707	2,705,527
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Services received	938,905	(935,905)	2,166,872	(2,166,872)
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Loans granted	960,964	-	742,096	-
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Loans collected	1,361,644	-	341,416	-
96.973.920-8	Asfaltos Cono Sur S.A.	Joint venture of subsidiary	Dividends received	490,902	-	577,000	-
81.095.400-0	Sociedad Nacional de Oleoductos S.A.	Associate of subsidiary	Dividends	3,373,382	3,373,382	3,082,862	3,082,862
82.040.600-1	Sociedad Inversiones de Aviación S.A.	Associate of subsidiary	Services received	653,514	(653,514)	554,247	(554,247)
82.040.600-1	Sociedad Inversiones de Aviación S.A.	Associate of subsidiary	Dividends	666,905	-	1,067,667	-
76.079.669-7	Minera Antucoya S.A.	Shareholders in common	Sale of products and services	7,692,481	492,926	2,951,472	6,867
76.727.040-2	Minera Centinela	Shareholders in common	Sale of products and services	48,967,330	3,650,900	3,254,773	14,240
81.148.200-5	Ferrocarril Antofagasta Bolivia S.A.	Shareholders in common	Sale of products and services	6,840,707	162,541	2,698,026	78,123
99.501.760-1	ECUSA S.A.	Subsidiary of joint venture	Promoting stores	286,329	286,329	146,227	146,227
99.501.760-1	ECUSA S.A.	Subsidiary of joint venture	Purchase of products	630,814	-	-	-
76.049.840-8	Hapag Lloyd Chile S.A.	Associate of subsidiary	Port operations	4,180,171	4,180,171	-	-
76.049.840-8	Hapag Lloyd Chile S.A.	Associate of subsidiary	Logistics services	433,817	433,817	-	-
76.049.840-8	Hapag Lloyd Chile S.A.	Associate of subsidiary	Container storage and handling	921,860	921,860	-	-
76.049.840-8	Hapag Lloyd Chile S.A.	Associate of subsidiary	Tug boats	827,465	827,465	-	-
76.380.217-5	Hapag Lloyd Chile SpA	Associate of subsidiary	Leasehold property	895,009	895,009	-	-
Foreign	Hapag Lloyd AG	Associate of subsidiary	Tug boats	650,055	650,055	-	-
Foreign	Hapag Lloyd AG	Associate of subsidiary	Port operations	5,597,439	5,597,439	-	-
76.380.217-5	CSAV Portacontenedores SpA	Associate of subsidiary	Container storage and handling	940,688	940,688	-	-
76.380.217-5	CSAV Portacontenedores SpA	Associate of subsidiary	Tug boats	645,300	645,300	-	-
87.987.300-2	Southern Shipmanagement Ltda.	Associate of subsidiary	Maritime agency	688,215	688,215	-	-
87.987.300-2	Southern Shipmanagement Ltda.	Associate of subsidiary	Administrative services	1,519,084	(1,519,084)	2,938,785	(2,938,785)
Foreign	Southern Shipmanagement Co Ltd.	Associate of subsidiary	Administrative services	1,622,739	(1,622,739)	2,997,237	(2,997,237)
Foreign	Southern Shipmanagement Co Ltd.	Associate of subsidiary	Maritime agency	360,844	360,844	-	-
96.908.930-0	San Vicente Terminal Internacional S.A.	Associate of subsidiary	Container storage and handling	471,976	471,976	-	-
96.908.930-0	San Vicente Terminal Internacional S.A.	Associate of subsidiary	Cost of port terminal services	567,041	567,041	-	-
96.915.330-0	Iquique Terminal Internacional S.A.	Associate of subsidiary	Port services	467,124	(467,124)	480,671	(480,671)
96.566.940-k	Agencias Universales S.A.	Associate of subsidiary	Port services	1,326,220	1,326,220	-	-
96.566.940-k	Agencias Universales S.A.	Associate of subsidiary	Tug boats	311,390	311,390	-	-
96.566.940-k	Agencias Universales S.A.	Associate of subsidiary	Container storage and handling	741,103	741,103	-	-
96.566.940-k	Agencias Universales S.A.	Associate of subsidiary	Ship charter costs	228,959	228,959	-	-
76.028.651-6	Lng Tugs Chile S.A.	Associate of subsidiary	Tug boats	1,671,667	1,671,667	-	-
Foreign	Nexans Brasil S.A.	Associate of subsidiary	Reimbursement of legal settlement	604,157	604,157	-	-
Foreign	Nexans Brasil S.A. (1)	Associate of subsidiary	Payment of legal settlement	725,462	(725,462)	-	-

(1) The recognition of loans related to lawsuits in Brazil arising from the sales contract of the Cables Unit. For legal purposes (Law 18045 and 18046) Nexans Brasil S.A. is not related to Invexans S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	12/31/2016	12/31/2015
	ThCh$	ThCh$
Wages and salaries	3,513,626	4,813,775
Fees (allowances and profit sharing)	863,733	2,515,947
Short-term benefits	3,832,519	3,703,403
Total	**8,209,878**	**11,033,125**

Note 8 – Inventory

Inventory is detailed as follows as of December 31, 2016 and 2015:

Current inventory	12-31-2016	12-31-2015
	ThCh$	ThCh$
Raw materials	97,751	27,913,443
Fuel and lubricants	75,475,447	83,388,328
Supplies for production	7,032,113	3,616,983
Work in progress	-	5,151,584
Others (1)	6,817,308	7,861,943
Total	**89,422,619**	**127,932,281**

(1) Mainly inventory in transit.

Non-current inventory	12-31-2016	12-31-2015
	ThCh$	ThCh$
Spare parts	1,628,821	-
Total	**1,628,821**	**-**

The following shows the reduction in value of inventory relating to the adjustment to the net realizable value of consumable materials, at the subsidiary Tech Pack.

	12-31-2016	12-31-2015
	ThCh$	ThCh$
Amounts deducted from inventory	-	1,700,138

The costs of inventory recognized as expenses in the consolidated statement of comprehensive income as of December 31 each year are:

	12-31-2016	12-31-2015
	ThCh$	ThCh$
Inventory costs booked as expenses	1,105,326,436	1,175,561,143

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015:

	Invexans		Tech Pack		SM SAAM		CSAV		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Non-current assets held for sale	5,680,350	6,043,775	21,447,152	24,103,314	6,992,614	-	-	-	34,120,116	30,147,089
Assets from discontinued operations	-	-	379,776	489,270	-	-	-	-	379,776	489,270
Total assets held for sale	**5,680,350**	**6,043,775**	**21,826,928**	**24,592,584**	**6,992,614**	**-**	**-**	**-**	**34,499,892**	**30,636,359**
Liabilities from discontinued operations	-	-	641,167	454,213	-	-	-	-	641,167	454,213
Total liabilities held for sale	**-**	**-**	**641,167**	**454,213**	**-**	**-**	**-**	**-**	**641,167**	**454,213**
Net income from discontinued operations	-	-	13,877,615	5,461,392	-	-	1,397,188	-	15,274,803	5,461,392
Total net income	**-**	**-**	**13,877,615**	**5,461,392**	**-**	**-**	**1,397,188**	**-**	**15,274,803**	**5,461,392**

(a) Non-current assets held for sale

Non-current assets held for sale as of December 31, 2016 and 2015, are detailed as follows:

	Invexans		Tech Pack		SM SAAM		CSAV		Total	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Properties	5,680,350	6,043,775	20,812,491	23,942,884	6,992,614	-	-	-	33,485,455	29,986,659
Machinery, vehicles and equipment	-	-	455,514	-	-	-	-	-	455,514	-
Other assets	-	-	179,147	160,430	-	-	-	-	179,147	160,430
Total assets	**5,680,350**	**6,043,775**	**21,447,152**	**24,103,314**	**6,992,614**	**-**	**-**	**-**	**34,120,116**	**30,147,089**

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) In the third quarter of 2016, the Company began the sale of real estate and industrial assets that are not required for its business and are 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) In 2015, the indirect subsidiary SAAM Brasil S.A., reclassified container cranes and machinery at the Cubatao site from property, plant and equipment. This was due to the sustained decline in container storage and handling in Brazil, as a result of losing contracts with CSAV.
c) In 2014, the indirect subsidiary Iquique Terminal Internacional S.A. has reclassified two Gottwald cranes acquired at the beginning of the concession in 2002 from property, plant and equipment. At the closing date of these financial statements, these assets were sold.

a.2 Tech Pack

The subsidiary Tech Pack has reclassified various properties associated with the Manufacturing segment as asset groups held for sale: The property located in Calle Nueva, Huechuraba. 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 this year. The land in Yumbo, Colombia, belonged to Empaques Flexa, a subsidiary of Alusa S.A., which was also 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 9 – Non-current assets or disposal groups classified as held for sale and discontinued operations (continued)

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 land located at La Divisa 900 plot 3 could be used in future production expansions of the company's business. The property located in Ureta Cox is a community center that was used by the company for its employees when the company operated. The property located in La Divisa 700 was used by its former subsidiary Cotelsa S.A., which was sold to Nexans within the sale of its cable unit. Finally, the building located in Quilpué was used by Armat S.A. (former subsidiary of the company) for manufacturing blanks.

(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 SA held on December 16, 2013, a subsidiary of Tech Pack SA, the Board agreed to terminate its production and commercial activities (manufacture and sale of copper pipes) as of that date.

As of June 30, 2015, the company Indalum S.A. became a discontinued company. On November 30, 2015, at an Extraordinary Shareholders' Meeting of Indalum S.A., the shareholders agreed to: (i) dissolve the company and liquidate it in accordance with Article 108 and following of the Corporations Law. (ii) add to the company's name the words "in liquidation" and on December 21, 2015, its dissolution was completed. As of December 31, 2016, there were no balances related to Indalum S.A.

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 December 31, 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	12/31/2016 ThCh$	12/31/2015 ThCh$
Revenue	94,315,302	244,557,145
Expenses	(92,807,109)	(234,485,368)
Net income before taxes	**1,508,193**	**10,071,777**
Income tax expense	(1,848,748)	(4,610,385)
Gain (loss) on discontinued operations, net of taxes	**(340,555)**	**5,461,392**
Gain on the sale of the discontinued operation Alusa S.A., net of taxes (*)	14,218,170	-
Gain on discontinued operations, net of taxes	**13,877,615**	**5,461,392**

b.2 CSAV

As of September 30, 2016, the subsidiary CSAV had a disposal plan for its liquid bulk cargo business unit, which operates within the Transport segment. As described above, and considering IFRS 5, the activities and transactions of the bulk liquid cargo transportation business unit should be considered discontinued operations and presented separately in the Consolidated Statement of Income.

On October 19, 2016, CSAV sold this business unit to its partner Odfjell Tankers through the sale of all the shares of CSAV held directly and indirectly by the companies Odfjell y Vapores SA, OV Bermuda Ltd. and Odfjell & Vapors Ltd. Bermuda, which became a wholly-owned subsidiary of the buyer. Therefore, as of December 31, 2016, CSAV has no assets or liabilities associated with the liquid bulk business unit. Therefore, the Consolidated Statement of Financial Position presented in this report does not contain assets or liabilities classified as held for sale.

Net income from discontinued operations at the subsidiary CSAV was as follows:

Income Statement	12-31-2016 ThCh$	12-31-2015 ThCh$
Revenue	9,414,450	-
Expenses	(7,722,161)	-
Net income before taxes	**1,692,289**	-
Income tax expense	(295,100)	-
Gain on discontinued operations, net of taxes	**1,397,188**	-

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 10 – Other financial assets, non-current

Other non-current financial assets as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Equity instruments (shares)	43,528,126	31,446,426
Mortgage-funding notes of domestic banks	98,739	267,938
Bonds issued by corporations	16,883,819	10,327,244
Bonds issued by domestic banks	11,426,581	33,032,926
Securities issued by the Chilean Central Bank	35,229,465	27,200,315
Other equity and foreign investments	1,472,648	2,984,745
Total	**108,639,378**	**105,259,594**

Equity instruments

Equity instruments as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Sociedad Nacional de Oleoductos S.A. (Sonacol)	42,244,722	31,101,591
Depósitos Asfálticos S.A. (DASA)	89,076	85,260
Others	1,194,328	259,575
Total	**43,528,126**	**31,446,426**

Note 11 – Other non-financial assets, non-current

Other non-current, non-financial assets as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Court deposits Ficap Brasil	9,207,272	7,449,793
Other recoverable taxes	19,152,917	14,065,055
Rentals paid in advance	2,183,884	1,059,050
Sole investment account	601,678	582,344
Loans to Enex distributors	37,263	2,723,075
Indemnity asset	-	1,619,464
Autopista Central incorporation fee	2,691,641	-
Others	673,116	834,301
Total	**34,547,771**	**28,333,082**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 12 – Investments booked using the equity method

a) Summary of financial information of significant subsidiaries[3]

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	31,558,000,139	4,585,466	232,711,863	28,702,780,440	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**	**31,558,000,139**	**298,708,529**	**568,981,522**	**28,702,780,440**	**3,469,597,344**	**(2,566,774,651)**	**277,590,325**

The summary of financial information of significant subsidiaries as of December 31, 2015, 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	65.92%	154,484,449	195,326,211	-	103,785,080	49,288,951	-	247,376,014	(198,655,662)	1,546,479
INVEXANS	Chile	USD	98.58%	13,897,575	284,950,915	-	1,433,937	18,101,682	-	241,945	(94,750)	(42,893,164)
LQIF	Chile	CLP	50.00%	2,103,894	852,492,510	31,292,976,022	4,508,217	228,144,901	28,624,108,988	1,343,904,384	(726,518,574)	224,599,939
ENEX	Chile	CLP	100.00%	283,286,537	491,451,043	-	156,325,851	87,397,083	-	1,697,628,576	(1,533,117,758)	19,773,069
CSAV	Chile	USD	55.97%	56,932,817	1,519,697,659	-	43,509,371	80,611,683	-	118,519,193	(116,780,561)	(17,055,238)
Total				**510,705,272**	**3,343,918,338**	**31,292,976,022**	**309,562,456**	**463,544,300**	**28,624,108,988**	**3,407,670,112**	**(2,575,167,305)**	**185,971,085**

[3] Significant subsidiaries are determined by following the same criterion used in establishing the Company's **Operating Segments** (Note 33).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 12 – Investments booked using the equity method (continued)

b) Interest in joint ventures

Through its subsidiary Compañía Sud Americana de Vapores (CSAV), Quiñenco has an interest in Hapag Lloyd AG, over which it has significant influence and jointly controls through a shareholder agreement with the other controlling shareholders: the City of Hamburg and Kühne Maritime.

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.

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, 2016 and 2015:

						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.	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.	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
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		**1,660,184,525**		**1,886,684,571**	**8,517,881,157**	**2,320,584,598**	**3,107,535,721**	**6,466,065,444**	**(5,254,865,705)**	**(9,777,152)**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 12 – Investments booked using the equity method (continued)

b) Interest in joint ventures (continued)

				12-31-2015						
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.	Germany	1,268,917,438	31.35%	1,210,680,768	7,359,885,192	1,855,861,128	2,811,097,344	7,063,084,597	(6,441,805,834)	87,255,088
Inversiones y Rentas S.A.	Chile	297,878,765	50.00%	684,873,810	1,166,182,295	384,345,943	318,120,288	1,498,371,715	(685,075,251)	65,959,743
Foods Compañía de Alimentos CCU S.A.	Chile	11,582,085	50.00%	13,685,102	14,863,595	4,867,684	516,844	26,420,382	(12,642,965)	(2,502,784)
Asfaltos Cono Sur S.A.	Chile	6,595,902	50.00%	2,054,848	12,033,717	896,760	-	3,946,377	(2,964,574)	981,803
Transportes y Servicios Aéreos S.A.	Chile	135,037	50.00%	272,573	-	2,499	-	-	-	5,041
Total		**1,585,109,227**		**1,911,567,101**	**8,552,964,799**	**2,245,974,014**	**3,129,734,476**	**8,591,823,071**	**(7,142,488,624)**	**151,698,891**

There are no contingent liabilities or investment commitments relating to the interest in joint ventures. The method used for booking the interest in the jointly-controlled entities is the equity method, giving an identical treatment to investments in associates.

c) Interest in associates

(i) Investment in Sociedad Matriz SAAM S.A.

During the first quarter of 2016, Quiñenco acquired additional shares in Sociedad Matriz SAAM, taking control and making it a consolidated subsidiary (see Note 15).

(ii) 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 SVS by its Resolution 10,914 of April 30, 2012.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 12 – Investments booked using the equity method (continued)

c) Interest in associates (continued)

iii) In accordance with paragraph 10 of IFRS 12, the following is summarized financial information on the significant interests in associates as of December 31, 2016 and 2015:

						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) y (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**

						12-31-2015				
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$**
SM SAAM S.A.	Chile	279,553,481	42.44%	184,901,519	682,063,230	102,119,588	175,850,529	277,974,634	(204,928,248)	46,141,463
Nexans S.A. (1) and (2)	France	276,352,432	28.98%	2,473,774,895	1,573,143,399	1,769,498,570	1,281,493,940	4,718,268,619	(4,018,145,952)	(133,964,255)
Total		**555,905,913**		**2,658,676,414**	**2,255,206,629**	**1,871,618,158**	**1,457,344,469**	**4,996,243,253**	**(4,223,074,200)**	**(87,822,792)**

(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 SVS by its Resolution 10,914 of April 30, 2012.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 12 – Investments booked using the equity method (continued)

d) Movement in investments in associates and joint ventures:

Movements during 2016 are detailed as follows:

Company	Principal business	Country	Functional currency	Percentage interest	Balance as of 01-01-2016	Share of income (loss)	Dividends received	Other increases (decreases)	Balance as of 12-31-2016
					ThCh$	ThCh$	ThCh$	ThCh$	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**

(1) During the first quarter of 2016, Quiñenco acquired additional shares in Sociedad Matriz SAAM, taking control and making it a consolidated subsidiary.
(2) 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$300,675,209 in equity and ThCh$2,498,963 in goodwill.
(3) The market value of Invexans' investment in Nexans as of December 31, 2016 and 2015, amounted to 619,569,435 and 425,079,690 Euros, equivalent to ThCh$437,181,440 and ThCh$329,270,979, respectively.
(4) The market value of HLAG's investment in CSAV as of December 31, 2016 and 2015, amounted to 812,868,709 and 745,839,444 Euros, equivalent to ThCh$573,560,161 and ThCh$577,734,692, respectively.
(5) This caption includes 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 12 – Investments booked using the equity method (continued)

d) Movement in investments in associates and joint ventures (continued):

Movements during 2015 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	289,954,455	32,979,871	(16,331,405)	(8,724,156)	297,878,765
SM SAAM S.A. (6)	Transport	Chile	USD	42.44	244,696,752	17,784,823	(7,951,528)	25,023,434	279,553,481
Habitaria S.A.	Real estate	Chile	CLP	50.00	210,024	3,388	-	(200,000)	13,412
Nexans S.A. (7)	Manufacturing	France	EUR	28.84	304,634,405	(38,012,698)	-	9,730,725	276,352,432
Foods Compañía de Alimentos CCU S.A.	Food	Chile	CLP	50.00	12,829,340	(1,251,392)	-	4,137	11,582,085
Odfjell and Vapores Ltd. (Bermudas)	Transport	Bermudas	USD	50.00	6,674	-	-	1,138	7,812
Hamburg Container Lines Holding	Transport	Germany	EUR	50.00	74,630	-	-	3,488	78,118
Hapag-Lloyd A.G.	Transport	Germany	EUR	31.35	1,070,943,481	(11,152,228)	-	213,111,603	1,272,902,856
Transportations y Servicios Aéreos S.A.	Transport	Chile	CLP	50.00	132,517	2,521	-	(1)	135,037
Asfaltos Cono Sur S.A.	Bitumen	Chile	CLP	50.00	6,682,000	490,902	(577,000)	-	6,595,902
Sociedad Inversiones Aviación SIAV Ltda.	Supply of fuel and lubricants	Chile	CLP	33.33	1,555,736	959,786	(1,067,667)	-	1,447,855
Inmobiliaria El Norte y El Rosal S.A.	Real estate	Chile	CLP	50.00	34,906	167	-	2	35,075
Empresa Aérea El Litoral S.A.	Transport	Chile	CLP	0.57	390	(11)	-	(379)	-
Total					**1,931,755,310**	**1,805,129**	**(25,927,600)**	**238,949,991**	**2,146,582,830**

(6) The goodwill related to the acquisition of the associate SM SAAM is part of the value of the investment. The amount shown of ThCh$279,553,481 is ThCh$244,083,436 in equity and ThCh$35,470,045 in goodwill.
(7) 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$276,352,432 is ThCh$275,172,491 in equity and ThCh$1,179,941 in goodwill.

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(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 13 – Intangible assets other than goodwill

Classes of intangible assets, net	12-31-2016 ThCh$	12-31-2015 ThCh$
Intangible assets with finite life, net	103,919,821	34,954,840
Intangible assets with indefinite life, net (1)	179,777,522	185,730,491
Intangible assets, net	**283,697,343**	**220,685,331**

(1) Intangible assets with an indefinite useful life are the Banco de Chile brand and the contracts to use the Citibank and Tech Pack brands in 2015, 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, 2016 and 2015, are detailed as follows:

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**

As of December 31, 2015	Gross assets ThCh$	Accumulated amortization ThCh$	Net assets ThCh$
Patents, trademarks and other rights	187,442,323	(1,711,832)	185,730,491
Computer programs	4,475,599	(717,227)	3,758,372
Other intangible assets	268,226,518	(237,030,050)	31,196,468
Total	**460,144,440**	**(239,459,109)**	**220,685,331**

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 13 – Intangible assets other than goodwill (continued)

a) Movement of identifiable intangible assets

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)
Withdrawals	(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 following shows the movement of identifiable intangible assets during 2015:

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	185,408,826	-	2,002,153	33,330,580	220,741,559
Additions	71,613	-	1,951,618	-	2,023,231
Internally-developed additions	-	-	-	34,217	34,217
Amortization	(224,636)	-	(378,237)	(3,873,532)	(4,476,405)
Increase (decrease) in currency translation	836,347	-	284,367	1,521,826	2,642,540
Other increases (decreases)	(361,659)	-	(101,529)	183,377	(279,811)
Closing balance	**185,730,491**	-	**3,758,372**	**31,196,468**	**220,685,331**

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.

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QUIÑENCO S.A.

Note 14 – Goodwill

Movements in goodwill during 2016 and 2015 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, 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**
As of December 31, 2015						
Opening balance as of 01-01-2015	514,466,490	108,438,209	31,868,173	194,701,400	23,659,167	873,133,439
Increase (decrease) in currency translation	-	-	-	-	3,680,153	3,680,153
Transfers to (from) non-current assets and disposal groups held for sale	-	-	-	-	(82,379)	(82,379)
Other increases (decreases)	-	-	-	-	(2,311,572)	(2,311,572)
Closing balance as of 12-31-2015	**514,466,490**	**108,438,209**	**31,868,173**	**194,701,400**	**24,945,369**	**874,419,641**

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QUIÑENCO S.A.

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 its effect on net income, according to IFRS 10, is 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	**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).

These effects are presented in Note 28 c) Other gains (losses).

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QUIÑENCO S.A.

Note 16 – Transactions with non-controlling interests

- **Capital increase in CSAV**

As of December 31, 2014, a capital increase process was still being performed by the subsidiary CSAV and the Preferential Option Period was still open. At that date, 58% of the new issuance had been subscribed and paid (equivalent to US$231 million), of which Quiñenco had subscribed its option in full to reach a 64.60% shareholding. As of December 31, 2015, third parties had subscribed their shares during the Option Period, resulting in Quiñenco's shareholding falling to 55.97%. This transaction has been recorded as a charge to Other reserves in equity as the counterparties are non-controlling interests.

- **Fully paid-in shares**

In March 2016 and 2015, at extraordinary shareholders' meetings of Banco de Chile, shareholders approved the distribution of 30% 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 payment of dividends through new fully paid-in shares in 2016 and 2015 have generated 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.

- **Shareholding increase in Invexans**

During the first half of 2014, Quiñenco participated in the capital increase of the subsidiary Invexans, increasing its shareholding from 65.92% to 80.45%.

In December 2014, Quiñenco launched a tender offer for the remaining 19.55% interest that it did not control. It received acceptances representing 17.88% of the bid. Consequently Quiñenco became direct and indirect owner of 98.33% of Invexans.

During 2016 and 2015, Quiñenco has made successive purchases of Invexans shares, allowing it to increase its interest in the subsidiary to 98.65%.

These operations have been booked as a credit to Other reserves, considering that the counterparties are non-controlling interests.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 16 – Transactions with non-controlling interests (continued)

- **Shareholding increase in Sociedad Matriz SAAM S.A.**

During 2016 and subsequent to obtainging control, Quiñenco has made successive purchases of shares of Sociedad Matriz SAAM, and its interest has risen to 52.20%. These transactions have been recorded as a credit to Other reserves, as the counterparties are non-controlling interests.

- **Shareholding increase in Tech Pack S.A.**

On September 29, 2016, Quiñenco published its intention to launch a public tender offer ("OPA") for Tech Pack S.A., representing 34.08% of its share capital. On November 5, 2016, the Offer was declared successful, and Quiñenco became the direct and indirect holder of 98.98% of the share capital of Tech Pack. Subsequently in December 2016, Quiñenco exercised the right of purchase contained in Article 71 bis of Law 18,046 (Corporations Law), over the shares it did not own, thus directly and indirectly reaching 100% ownership of Tech Pack. This transaction has been recorded as a credit to Other reserves, as the counterparties are non-controlling interests.

The net effects (considering for these purposes only Quiñenco's interest) generated by these transactions with non-controlling interests as of December 31, 2016 and 2015 are as follows:

	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**	ThCh$	**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**

	Dividend paid with new fully paid shares in Banco de Chile	**Tender offer and share purchase in Invexans**	**Participation in capital increase of CSAV**	**Total**
	12-31-2015	**12-31-2015**	**12-31-2015**	**12-31-2015**
	ThCh$	ThCh$	ThCh$	ThCh$
Equity value	(6,853,558)	15,949,844	(46,500,999)	(37,404,713)
Net effect on equity	**(6,853,558)**	**15,949,844**	**(46,500,999)**	**(37,404,713)**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 17 – Property, plant and equipment

(a) Composition

Property, plant and equipment as of December 31, 2016 and 2015, is detailed as follows:

	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**

	Gross assets ThCh$	Accumulated depreciation ThCh$	Net assets ThCh$
As of December 31, 2015			
Construction in progress	68,237,929	-	68,237,929
Land	91,441,083	-	91,441,083
Buildings	60,790,746	(12,508,514)	48,282,232
Plant and equipment	282,512,544	(134,842,903)	147,669,641
Computer equipment	9,028,648	(2,952,142)	6,076,506
Fixed installations and accessories	12,822,986	(7,370,098)	5,452,888
Ships	20,944,528	(3,032,383)	17,912,145
Motor vehicles	6,281,366	(3,038,039)	3,243,327
Improvements to leased assets	653,106	(201,281)	451,825
Other property, plant and equipment	9,465,286	(6,045,436)	3,419,850
Total as of December 31, 2015	**562,178,222**	**(169,990,796)**	**392,187,426**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 17 – Property, plant and equipment (continued)

(b) Movement

Movements in 2016 are detailed as follows:

		Construction in progress ThCh$	Land ThCh$	Buildings, net ThCh$	Plant and equipment, net ThCh$	Computer equipment, net ThCh$	Fixed installations and accessories, net ThCh$	Ships and tug boats, net ThCh$	Motor vehicles, net ThCh$	Improvements to leased assets ThCh$	Other property, plant and equipment, net ThCh$	Property, plant and equipment, net 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
	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)
Movement	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)
	Withdrawals	(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**

Movements in 2015 are detailed as follows:

		Construction in progress ThCh$	Land ThCh$	Buildings, net ThCh$	Plant and equipment, net ThCh$	Computer equipment, net ThCh$	Fixed installations and accessories, net ThCh$	Ships, net ThCh$	Motor vehicles, net ThCh$	Improvements to leased assets ThCh$	Other property, plant and equipment, net ThCh$	Property, plant and equipment, net ThCh$
Opening balance as of January 1, 2015		40,258,796	89,588,026	45,931,596	147,245,865	1,737,020	5,369,466	10,933,028	2,745,930	577,368	3,120,064	347,507,159
	Additions	26,865,306	1,233,810	364,439	10,514,861	5,665,164	1,466,797	1,941,577	1,403,619	-	965,267	50,420,840
	Divestments				(219,029)	-	(6,667)	-	(183,555)	-	-	(409.251)
	Transfers to (from) investment properties	-	(1,933,263)	(492,141)	-	-	-	-	-	-	-	(2.425.404)
Movement	Retirements	-	-	-	(34,682)	(43,990)	(107,236)	-	-	-	(3,225)	(189.133)
	Charge for depreciation	-	-	(1,691,597)	(15,261,753)	(770,846)	(1,277,751)	(1,751,440)	(736,994)	(41,728)	(766,867)	(22.298.976)
	Increases (decreases) in exchange differences	694,261	2,229,209	6,186,640	3,482,592	90,131	162,780	1,848,618	22,467	(83,815)	319,415	14.952.298
	Other increases (decreases)	419,566	323,301	(2,016,705)	1,941,787	(600,973)	(154,501)	4,940,362	(8,140)	-	(214,804)	4.629.893
Closing balance as of December 31, 2015		**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**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 17 – Property, plant and equipment (continued)

(c) Finance leases

As of December 31, 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.

As of December 31, 2015, the subsidiary Enex and Tech Pack's subsidiaries, Alusa S.A., Peruplast S.A. and Empaques Flexa S.A.S., have signed contracts to acquire land, buildings and equipment. The lessors are Rabobank, Ricoh, Banco de Colombia, Banco Citibank, Banco Continental, Banco de Crédito, Banco Scotiabank, Des. de Tec. y Sistemas 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, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Land	505,812	3,063,808
Buildings, net	-	13,737,335
Plant and equipment, net	5,525,152	20,802,268
Motor vehicles, net	-	4,261
Other property, plant and equipment under finance leases, net	-	167,598
Total	**6,030,964**	**37,775,270**

The present value of future finance lease payments as of December 31, 2016 and 2015, is as follows:

		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**

		12-31-2015	
	Gross ThCh$	**Interest ThCh$**	**Present value ThCh$**
Less than one year	5,283,975	(470,126)	4,813,849
One to five years	11,012,034	(482,199)	10,529,835
Over five years	-	-	-
Total	**16,296,009**	**(952,325)**	**15,343,684**

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

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.

Should it be decided to terminate in advance without giving the required notification period, the installments established in the original contract must be paid.

There are no restrictions imposed by the operating lease contracts.

The future payments under operating leases as of December 31, 2016 and 2015, are as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Less than one year	32,135,299	20,709,575
Between one and five years	41,788,077	62,303,358
Total	**73,923,376**	**83,012,933**

The following are the installments of leases and sub-leases booked in the consolidated statement of comprehensive income as of December 31, 2016 and 2015:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Minimum lease payments under operating leases	14,845,689	12,615,037
Total	**14,845,689**	**12,615,037**

Note 18 – Investment properties

a) Investment properties as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Land	4,197,203	3,684,917
Buildings	14,139,584	14,136,292
Total	**18,336,787**	**17,821,209**

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Note 18 – Investment properties (continued)

b) Movement

Movement in investment properties during 2016 and 2015 are detailed as follows:

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	919,852	2,353,857
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	-	(269,254)
Other increases (decreases)	(170,483)	(526,817)	(170,483)
Closing balance, net	**4,197,203**	**14,139,584**	**18,336,787**

2015	**Land ThCh$**	**Buildings ThCh$**	**Total ThCh$**
Opening balance, net	3,331,730	12,184,419	15,516,149
Additions	1,953,016	811,033	2,764,049
Transfers to (from) non-current assets and disposal groups held for sale	(1,934,674)	(471,044)	(2,405,718)
Charge for depreciation	-	(269,853)	(269,853)
Increases in exchange differences	334,845	595,359	930,204
Other increases	-	1,286,378	1,286,378
Closing balance, net	**3,684,917**	**14,136,292**	**17,821,209**

c) Revenue from rentals and direct operating expenses of investment properties during 2016 and 2015 are detailed as follows:

	12-31-2016 ThCh$	**12-31-2015 ThCh$**
Revenue from rental of investment properties	2,490,999	3,028,561
Direct operating expenses	(483,015)	(610,848)

d) The fair values of investment properties do not vary significantly from their book values.

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QUIÑENCO S.A.

Note 19 – Current and deferred taxes

a) General information

The following shows the Parent company's positive taxable income fund (FUT) and its related credits as of December 31, 2016:

Credit	ThCh$
21.0%	2,936,377
20.0%	43,026,200
17.0%	127,720,610
16.5%	348,785
16.0%	332,141
15.0%	710,546
none	48,240,297

The positive non-taxable income fund (FUNT) and its related credits as of December 31, 2016, are as follows:

	ThCh$
Non-taxable income	403,056,936
Exempt with credit	50,062,203
Exempt without credit	42,218,231

(b) Deferred taxes

Deferred tax assets and liabilities as of December 31, 2016 and 2015, are detailed as follows:

Deferred taxes	**12-31-2016**		**12-31-2015**	
	Assets ThCh$	**Liabilities ThCh$**	**Assets ThCh$**	**Liabilities ThCh$**
Depreciation	-	60,209,471	-	19,106,259
Amortization	-	4,356,241	-	216,546
Provisions	13,083,586	47,532	14,596,306	-
Post-employment benefits	2,538,016	542,070	2,514,310	108,701
Revaluations of property, plant and equipment	2,639,051	10,505,730	100,895	12,052,803
Intangible assets	-	48,362,462	-	48,928,171
Revaluations of financial instruments	22,764	149,291	70,943	-
Revaluations of investment properties	404,827	-	-	-
Tax losses	205,266,760	-	224,920,745	1,980,033
Tax credits	9,987,042	-	10,349,502	-
Deferred tax assets related to others	22,723,465	-	21,959,160	-
Deferred tax liabilities related to others	-	25,786,787	-	24,633,833
Total	**256,665,511**	**149,959,584**	**274,511,861**	**107,026,346**

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
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Note 19 – Current and deferred taxes (continued)

(c) Income tax expense

This account is detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Charge for current taxes	(15,822,627)	(4,689,731)
Charge for other taxes and deferred taxes	(580,085)	(207,923)
Other tax credits	-	169,812
Adjustment for deferred tax assets and liabilities	(12,423,799)	8,600,819
Others	(413,484)	(34,676)
Net income tax expense	**(29,239,995)**	**3,838,301**

(d) Reconciliation of applicable taxation

The reconciliation of the income tax expense from the financial result before tax as of December 31 2016 and 2015 is as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Tax benefit (expense) using the statutory rate	**(20,047,856)**	**9,467,332**
Tax effect of rates of other jurisdictions	(5,897,551)	(11,319,146)
Tax effect of non-taxable revenue	36,664,416	22,242,726
Tax effect of expenses disallowed for tax purposes	(27,708,526)	(31,437,803)
Tax effect of a revaluation of deferred tax assets not booked	(22,625)	(350,648)
Taxation calculated at applicable rate	1,288,063	(2,214,248)
Income tax on discontinued operations	(295,100)	-
Other increases (decreases) in charge for statutory taxes	(13,220,816)	17,450,088
Income tax benefit (expense) using the effective rate	**(29,239,995)**	**3,838,301**

Notes to the Consolidated Financial Statements
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Note 20 – Other current and non-current financial liabilities

Other current and non-current financial liabilities as of December 31, 2016 and 2015, are detailed as follows:

	Current		Non-current	
	12-31-2016	**12-31-2015**	**12-31-2016**	**12-31-2015**
	ThCh$	**ThCh$**	**ThCh$**	**ThCh$**
Bank loans	64,603,426	56,662,362	194,639,282	122,561,301
Bonds outstanding	39,382,000	35,931,355	842,710,362	558,182,850
Concession liabilities	1,166,217	-	17,675,347	-
Finance leases	1,698,117	4,813,849	4,182,533	10,529,835
Hedge liabilities	68,286	2,792,445	73,642	1,191,588
Total	**106,918,046**	**100,200,011**	**1,059,281,166**	**692,465,574**

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)

a) Interest-bearing bank loans as of December 31, 2016, 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	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	-	29,687,628	-	6,596,957	6,597,292	6,597,292	9,896,087	30,042,447
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**			**194,639,282**						**259,242,708**

QUIÑENCO S.A.

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)

a) Interest-bearing bank loans as of December 31, 2016, 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	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**

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, 2015, 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$
Foreign	Aluflex S.A.	Argentina	Banco de la Nación	ARS	Monthly	9.90%	9.90%	230,523	57,523	173,000	250,757	250,757	-	-	-	-	481,280
Foreign	Aluflex s.A.	Argentina	Banco ICBC	ARS	At maturity	25.50%	25.50%	918,947	917,527	1,420	-	-	-	-	-	-	918,947
Foreign	Aluflex S.A.	Argentina	Banco Macro	ARS	Monthly	24.00%	24.00%	11,363	11,363	-	-	-	-	-	-	-	11,363
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Quarterly	23.66%	23.66%	1,603,542	1,494,177	109,365	-	-	-	-	-	-	1,603,542
Foreign	Aluflex S.A.	Argentina	Banco Internacional	ARS	Monthly	6.75%	6.75%	14,913	14,913	-	-	-	-	-	-	-	14,913
89.010.400-2	Alusa Chile S.A.	Chile	Banco BBVA	CLF	At maturity	3.56%	3.56%	3,077,123	-	3,077,123	-	-	-	-	-	-	3,077,123
89.010.400-2	Alusa Chile S.A.	Chile	Banco Corpbanca	CLP	Monthly	3.96%	3.96%	8,318,104	8,318,104	-	-	-	-	-	-	-	8,318,104
89.010.400-2	Alusa Chile S.A.	Chile	Banco Itaú	CLP	At maturity	3.59%	3.59%	4,145,914	2,878,989	1,266,925	-	-	-	-	-	-	4,145,914
89.010.400-2	Alusa Chile S.A.	Chile	Banco Scotiabank	USD	At maturity	3.74%	3.74%	1,038,254	537,591	500,663	2,081,479	1,024,761	1,056,718	-	-	-	3,119,733
89.010.400-2	Alusa Chile S.A.	Chile	Banco Estado	USD	At maturity	3.07%	3.07%	1,065,240	1,065,240	-	-	-	-	-	-	-	1,065,240
Foreign	Empaques Flexa S.A.S.	Colombia	Banco Bancolombia	COP	At maturity	1.88%	1.83%	33,378	-	33,378	3,598,380	830,177	1,107,139	1,661,064	-	-	3,631,758
Foreign	Empaques Flexa S.A.S.	Colombia	Banco Corpbanca	COP	Quarterly	1.83%	1.78%	36,928	-	36,928	3,381,782	780,466	1,040,384	1,560,932	-	-	3,418,710
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	At maturity	0.74%	0.74%	10,682,226	8,545,355	2,136,871	-	-	-	-	-	-	10,682,226
Foreign	Peruplast S.A.	Peru	Banco de Crédito	PEN	At maturity	4.63%	3.18%	7,145,630	305,369	6,840,261	6,325,395	2,028,927	2,028,927	2,028,927	238,614	-	13,471,025
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Quarterly	1.78%	1.78%	935,991	935,991	-	-	-	-	-	-	-	935,991
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	At maturity	1.15%	1.15%	4,240,365	321,702	3,918,663	-	-	-	-	-	-	4,240,365
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	1.37%	1.37%	29,337	29,337	-	10,652,400	-	10,652,400	-	-	-	10,681,737
Foreign	OV Bermuda Limited.	Bermuda	DNB Bank ASA	USD	Semi-annually	2.90%	2.90%	623,520	-	623,520	2,409,573	602,926	602,216	602,216	602,215	-	3,033,093
Foreign	OV Bermuda Limited.	Bermuda	Odfjell Chemical Tankers III	USD	Annually	3.50%	3.50%	538,302	-	538,302	-	-	-	-	-	-	538,302
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	2.50%	290,455	290,455	-	31,396,884	-	-	13,954,644	17,442,240	-	31,687,339
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Monthly	4.69%	4.69%	325,603	325,603	-	-	-	-	-	-	-	325,603
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Annually	6.45%	5.46%	3,829,376	-	3,829,376	11,519,715	5,759,858	5,759,857	-	-	-	15,349,091
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Annually	6.45%	5.46%	6,962,503	-	6,962,503	20,944,936	10,472,468	10,472,468	-	-	-	27,907,439
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	6.06%	4.43%	564,825	-	564,825	30,000,000	3,000,000	3,000,000	6,000,000	6,000,000	12,000,000	30,564,825
			TOTAL					**56,662,362**			**122,561,301**						**179,223,663**

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, 2015, 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$
Foreign	Aluflex S.A.	Argentina	Banco de la Nación	ARS	Monthly	9.90%	9.90%	271,281	70,306	200,975	266,310	266,310	-	-	-	-	537,591
Foreign	Aluflex s.A.	Argentina	Banco ICBC	ARS	At maturity	25.50%	25.50%	917,527	917,527	-	-	-	-	-	-	-	917,527
Foreign	Aluflex S.A.	Argentina	Banco Macro	ARS	Monthly	24.00%	24.00%	11,363	11,363	-	-	-	-	-	-	-	11,363
Foreign	Aluflex S.A.	Argentina	Banco Patagonia S.A.	ARS	Quarterly	23.66%	23.66%	1,615,614	1,506,249	109,365	-	-	-	-	-	-	1,615,614
Foreign	Aluflex S.A.	Argentina	Banco Internacional	ARS	Monthly	6.75%	6.75%	14,913	14,913	-	-	-	-	-	-	-	14,913
89.010.400-2	Alusa Chile S.A.	Chile	Banco BBVA	CLF	At maturity	3.56%	3.56%	3,136,067	-	3,136,067	-	-	-	-	-	-	3,136,067
89.010.400-2	Alusa Chile S.A.	Chile	Banco Corpbanca	CLP	Monthly	3.96%	3.96%	8,354,322	8,354,322	-	-	-	-	-	-	-	8,354,322
89.010.400-2	Alusa Chile S.A.	Chile	Banco Itaú	CLP	At maturity	3.59%	3.59%	4,218,351	2,897,453	1,320,898	-	-	-	-	-	-	4,218,351
89.010.400-2	Alusa Chile S.A.	Chile	Banco Scotiabank	USD	At maturity	3.74%	3.74%	1,126,314	585,882	540,432	2,163,148	1,081,574	1,081,574	-	-	-	3,289,462
89.010.400-2	Alusa Chile S.A.	Chile	Banco Estado	USD	At maturity	3.07%	3.07%	1,065,950	1,065,950	-	-	-	-	-	-	-	1,065,950
Foreign	Empaques Flexa S.A.S.	Colombia	Banco Bancolombia	COP	At maturity	1.88%	1.83%	352,239	79,538	272,701	4,236,104	1,130,575	1,315,926	1,789,603	-	-	4,588,343
Foreign	Empaques Flexa S.A.S.	Colombia	Banco Corpbanca	COP	Quarterly	1.83%	1.78%	329,514	73,146	256,368	3,984,708	1,073,052	1,232,128	1,679,528	-	-	4,314,222
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	At maturity	0.74%	0.74%	10,697,140	8,551,747	2,145,393	-	-	-	-	-	-	10,697,140
Foreign	Peruplast S.A.	Peru	Banco de Crédito	PEN	At maturity	4.63%	3.18%	7,597,291	441,009	7,156,282	6,983,713	2,342,818	2,243,395	2,145,393	252,107	-	14,581,004
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Quarterly	1.78%	1.78%	939,542	939,542	-	-	-	-	-	-	-	939,542
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	At maturity	1.15%	1.15%	4,265,931	324,543	3,941,388	-	-	-	-	-	-	4,265,931
91.021.000-9	Invexans S.A.	Chile	Banco Estado	USD	Semi-annually	1.37%	1.37%	158,786	-	158,786	12,011,445	12,011,445	-	-	-	-	12,170,231
Foreign	OV Bermuda Limited.	Bermuda	DNB Bank ASA	USD	Semi-annually	2.90%	2.90%	711,422	25,721	685,701	2,602,552	705,026	1,897,526	-	-	-	3,313,974
Foreign	OV Bermuda Limited.	Bermuda	Odfjell Chemical Tankers III	USD	Annually	3.50%	3.50%	577,563	5,252	572,311	-	-	-	-	-	-	577,563
90.160.000-7	Compañía Sud Americana de Vapores S.A.	Chile	Banco Itau Chile	USD	Semi-annually	2.50%	2.50%	1,036,056	491,497	544,559	37,731,971	1,206,790	1,244,875	8,306,198	8,057,267	18,916,841	38,768,027
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Monthly	4.69%	4.69%	325,603	325,603	-	-	-	-	-	-	-	325,603
78.080.440-8	Enex S.A.	Chile	Banco Santander	CLP	Annually	6.45%	5.46%	4,556,146	-	4,556,146	12,343,319	6,171,659	6,171,660	-	-	-	16,899,465
78.080.440-8	Enex S.A.	Chile	Banco BBVA	CLP	Annually	6.45%	5.46%	8,283,902	-	8,283,902	22,442,398	11,221,199	11,221,199	-	-	-	30,726,300
78.080.440-8	Enex S.A.	Chile	Banco Estado	CLP	Annually	6.06%	4.43%	1,340,075	-	1,340,075	33,472,500	7,041,750	7,041,750	6,578,750	6,578,750	6,231,500	34,812,575
			TOTAL					**61,902,912**			**138,238,168**						**200,141,080**

The above tables do not include bank loans granted by Banco de Chile to Quiñenco and its subsidiaries, amounting to ThCh$0 as of December 31, 2016 (ThCh$ 4,065,346 in 2015), which have been eliminated in the preparation of these consolidated financial statements.

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)

c) Bonds outstanding as of December 31, 2016, 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%	2,408,700	-	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

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%	3,833,631	-	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

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, 2015, 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%	2,342,789	-	2,342,789	76,730,371	-	-	-	-	76,730,371	79,073,160
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	1,973,655	-	1,973,655	98,129,897	-	-	-	-	98,129,897	100,103,552
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	555,976	-	555,976	25,552,539	-	-	8,543,030	8,543,030	8,466,479	26,108,515
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	1,735,546	-	1,735,546	76,161,022	-	-	-	-	76,161,022	77,896,568
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	924,210	-	924,210	60,979,974	-	-	-	-	60,979,974	61,904,184
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	202,435	-	202,435	58,463,280	-	-	-	-	58,463,280	58,665,715
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	13,569,620	-	13,569,620	25,320,762	12,814,545	12,506,217	-	-	-	38,890,382
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	2,603,319	-	2,603,319	113,531,646	-	-	-	-	113,531,646	116,134,965
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	12,023,805	-	12,023,805	23,313,359	11,917,527	11,395,832	-	-	-	35,337,164
						TOTAL				**35,931,355**			**558,182,850**						**594,114,205**

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%	3,729,033	-	3,729,033	145,874,373	5,593,549	5,593,549	5,593,549	5,593,549	123,500,177	149,603,406
96.929.880-5	LQIF	Chile	597	Series D	2033	CLF	Annually	3.84%	3.50%	3,543,222	-	3,543,222	141,981,955	5,314,832	5,314,833	9,532,953	9,532,954	112,286,383	145,525,177
91.705.000-7	Quiñenco	Chile	595	Series I	2021	CLF	Annually	3.71%	3.70%	937,835	-	937,835	29,098,230	937,835	937,835	9,386,798	9,074,187	8,761,575	30,036,065
91.705.000-7	Quiñenco	Chile	715	Series J	2032	CLF	Annually	3.90%	3.85%	2,927,566	-	2,927,566	127,273,072	2,927,566	2,927,566	2,927,566	2,927,566	115,562,808	130,200,638
91.705.000-7	Quiñenco	Chile	715	Series O	2035	CLF	Annually	3.36%	3.40%	2,046,761	-	2,046,761	99,087,328	2,046,761	2,046,761	2,046,761	2,046,761	90,900,284	101,134,089
91.705.000-7	Quiñenco	Chile	427	Series C	2032	CLF	Annually	4.24%	4.00%	2,357,261	-	2,357,261	90,754,541	2,357,261	2,357,261	2,357,261	2,357,261	81,325,497	93,111,802
91.705.000-7	Quiñenco	Chile	595	Series E	2018	CLF	Annually	3.51%	3.35%	13,947,126	-	13,947,126	26,620,571	13,522,566	13,098,005	-	-	-	40,567,697
91.705.000-7	Quiñenco	Chile	596	Series F	2032	CLF	Annually	3.97%	3.85%	4,391,349	-	4,391,349	162,765,055	4,391,349	4,391,349	4,391,349	4,391,349	145,199,659	167,156,404
91.705.000-7	Quiñenco	Chile	426	Series G	2018	CLF	Annually	3.81%	3.50%	13,023,866	-	13,023,866	24,810,169	12,611,345	12,198,824	-	-	-	37,834,035
						TOTAL				**46,904,019**			**848,265,294**						**895,169,313**

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)

e) Financial liabilities for concession contracts as of December 31, 2016, 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	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**

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	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**

f) There were no financial liabilities for concession contracts as of December 31, 2015.

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)

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	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**

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	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)

QUIÑENCO S.A.

Note 20 – Other current and non-current financial liabilities (continued)

h) Finance leases as of December 31, 2015, 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$
89.010.400-2	Alusa Chile S.A.	Chile	Rabobank	CLF	Quarterly	6.78%	6.30%	339,456	85,219	254,237	172,569	137,061	35,508	-	-	-	512,025
89.010.400-2	Alusa Chile S.A.	Chile	Ricoh	CLF	Monthly	5.83%	5.83%	710	710	-	-	-	-	-	-	-	710
Foreign	Empaques Flexa S.A.S.	Colombia	Banco de Colombia	COP	Monthly	0.64%	0.64%	226,541	55,392	171,149	1,007,717	240,034	279,093	488,590	-	-	1,234,258
Foreign	Peruplast S.A.	Peru	Banco Citibank	USD	Quarterly	4.65%	3.97%	312,471	76,698	235,773	30,537	30,537	-	-	-	-	343,008
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	Monthly	3.85%	1.08%	1,273,317	334,485	938,832	3,552,931	1,214,374	1,227,867	1,110,690	-	-	4,826,248
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Monthly	3.93%	0.28%	2,197,235	541,852	1,655,383	4,756,651	2,283,164	1,482,814	990,673	-	-	6,953,886
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	4.48%	4.48%	374,255	92,321	281,934	400,531	304,659	95,872	-	-	-	774,786
78.080.440-8	Enex S.A.	Chile	Des. de Tec. y Sistemas	CLF	Monthly	6.60%	6.60%	12,568	12,568	-	-	-	-	-	-	-	12,568
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	37,417	9,130	28,287	277,246	65,117	65,117	73,506	73,506	-	314,663
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	39,879	9,750	30,129	331,653	68,678	68,678	97,148	97,149	-	371,532
								4,813,849			**10,529,835**						**15,343,684**

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$
89.010.400-2	Alusa Chile S.A.	Chile	Rabobank	CLF	Quarterly	6.78%	6.30%	360,051	92,321	267,730	180,380	144,162	36,218	-	-	-	540,431
89.010.400-2	Alusa Chile S.A.	Chile	Ricoh	CLF	Monthly	5.83%	5.83%	710	710	-	-	-	-	-	-	-	710
Foreign	Empaques Flexa S.A.S.	Colombia	Banco de Colombia	COP	Monthly	0.64%	0.64%	313,891	78,828	235,063	1,132,706	308,920	328,804	494,982	-	-	1,446,597
Foreign	Peruplast S.A.	Peru	Banco Citibank	USD	Quarterly	4.65%	3.97%	322,412	80,958	241,454	30,537	30,537	-	-	-	-	352,949
Foreign	Peruplast S.A.	Peru	Banco Continental	USD	Monthly	3.85%	1.08%	1,364,927	360,051	1,004,876	3,644,541	1,274,737	1,256,273	1,113,531	-	-	5,009,468
Foreign	Peruplast S.A.	Peru	Banco de Crédito	USD	Monthly	3.93%	0.28%	2,431,588	607,897	1,823,691	5,002,368	2,431,588	1,547,439	1,023,341	-	-	7,433,956
Foreign	Peruplast S.A.	Peru	Banco Scotiabank	USD	Monthly	4.48%	4.48%	400,531	100,133	300,398	412,603	316,021	96,582	-	-	-	813,134
78.080.440-8	Enex S.A.	Chile	Des. de Tec. y Sistemas	CLF	Monthly	6.60%	6.60%	12,864	12,864	-	-	-		-	-	-	12,864
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	7.44%	7.44%	59,160	14,790	44,370	342,055	88,740	88,740	82,287	82,288	-	401,215
78.080.440-8	Enex S.A.	Chile	Metlife Chile	CLF	Monthly	6.90%	6.90%	63,504	15,876	47,628	339,395	71,234	71,234	98,463	98,464	-	402,899
								5,329,638			**11,084,585**						**16,414,223**

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) Hedge liabilities as of December 31, 2016 and 2015, are detailed as follows:

			Current		Non-current		Fair value	
Hedge description	**Company**	**Risk hedged**	**12-31-2016 ThCh$**	**12-31-2015 ThCh$**	**12-31-2016 ThCh$**	**12-31-2015 ThCh$**	**12-31-2016 ThCh$**	**12-31-2015 ThCh$**
Hedge	Enex S.A.	Cash flow	-	2,086,546	-	-	-	2,086,546
Currency swap	Quiñenco S.A.	Cash flow	-	-	-	190,491	-	190,491
Fuel swap	CSAV S.A.	Cash flow	-	705,899	-	-	-	705,899
Swap	SM SAAM S.A.	Interest rate	24,770	-	73,642	-	98,412	-
Forward	SM SAAM S.A.	Exchange rate	43,516	-	-	-	43,516	-
Currency swap	Tech Pack S.A.	Exchange rate	-	-	-	772,567	-	772,567
Forward	Tech Pack S.A.	Exchange rate	-	-	-	228,530	-	228,530
		TOTAL	**68,286**	**2,792,445**	**73,642**	**1,191,588**	**141,928**	**3,984,033**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 21 – Trade and other payables

Trade and other payables as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Trade payables	163,289,211	207,257,583
Other accounts payable	4,780,058	3,146,524
Total	**168,069,269**	**210,404,107**

Current trade payables past due and not yet due as of December 31, 2016, are detailed as follows:

Suppliers not yet due

	Amounts according to term						
Type of Supplier	**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 12-31-2016 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

	Amounts according to past due days						
Type of Supplier	**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 12-31-2016 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**

Non-current trade payables past due and not yet due as of December 31, 2016, are detailed as follows

Supplier	**Over 365 days ThCh$**	**Total 12-31-2016 ThCh$**
Services	1,673,675	1,673,675
Total	**1,673,675**	**1,673,675**

Trade payables past due and not yet due as of December 31, 2015, are detailed as follows

Suppliers not yet due

	Amounts according to term						
Type of Supplier	**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 12-31-2015 ThCh$**
Products	111,765,720	9,916,367	7,051,179	5,248,082	-	-	133,981,348
Services	54,537,930	2,549,151	1,765,405	2,280,266	2,194,189	-	63,326,941
Others	1,622,571	125,773	17,949	36,838	-	-	1,803,131
Total	**167,926,221**	**12,591,291**	**8,834,533**	**7,565,186**	**2,194,189**	**-**	**199,111,420**

Suppliers past due

	Amounts according to past due days						
Type of Supplier	**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 12-31-2015 ThCh$**
Products	2,148,855	697,080	54,307	2,996	312,922	211,089	3,427,249
Services	4,001,098	671,088	1,439,759	523,049	682,805	432,837	7,750,636
Others	73,833	3,350	9,479	-	-	28,140	114,802
Total	**6,223,786**	**1,371,518**	**1,503,545**	**526,045**	**995,727**	**672,066**	**11,292,687**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 21 – Trade and other payables (continued)

As of December 31, 2016 and 2015, 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. 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, 2016 and 2015, are detailed as follows:

	Current		Non-Current	
	12-31-2016 ThCh$	12-31-2015 ThCh$	12-31-2016 ThCh$	12-31-2015 ThCh$
Restructuring expenses	2,468,532	2,191,385	-	-
Profit sharing and bonuses	1,389,762	609,921	-	-
Legal claims	14,882,988	12,674,225	6,803,358	21,746,520
Onerous contracts	2,707,337	347,978	-	-
Other provisions (1) (2)	17,197,830	9,848,195	31,609,609	31,286,457
Total	**38,646,449**	**25,671,704**	**38,412,967**	**53,032,977**

b) Other provisions

(1) Other current provisions as of December 31, 2016 and 2015, are detailed as follows:

	Current	
	12-31-2016 ThCh$	12-31-2015 ThCh$
Contingencies	11,366,436	4,165,044
Specific taxes, royalties and others	1,825,903	1,824,742
Service station maintenance and operational services	1,408,401	1,944,187
Commissions and insurance	716,452	735,519
Municipal and other taxes	543,680	424,579
Brand agreements	526,396	247,130
Fees and consultancies	258,008	21,221
Basic consumables	151,046	168,008
General, audit, annual report and other expenses	87,783	131,776
Others	313,725	185,989
Total	**17,197,830**	**9,848,195**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 22 – Other provisions (continued)

b) Other provisions (continued)

(2) Other non-current provisions as of December 31, 2016 and 2015, are detailed as follows:

	Non-Current	
	12-31-2016	12-31-2015
	ThCh$	ThCh$
Contingencies	16,050,916	17,459,106
Tank removal	11,142,561	10,214,265
Incurred but not reported claims (Banchile)	4,416,132	3,613,086
Total	**31,609,609**	**31,286,457**

c) Movements

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)	-	(1,867,520)	(181,264)	(2,303,025)	(4,351,809)
Changes in provisions, total	277,147	(12,734,399)	2,359,359	8,452,628	(1,645,265)
Closing balance as of 12-31-2016	**2,468,532**	**21,686,346**	**2,707,337**	**50,197,201**	**77,059,416**

Movements in provisions in 2015 are detailed as follows:

	Restructuring ThCh$	Legal claims ThCh$	Onerous contracts ThCh$	Other provisions and participations ThCh$	Total ThCh$
Opening balance as of 01-01-2015	2,514,000	31,524,303	5,407,356	45,591,479	85,037,138
Additional provisions	401,183	-	-	33,584,649	33,985,832
Increase (decrease) in existing provisions	-	2,896,531	345,781	20,606,665	23,848,977
Provision used	(723,798)	(5,352,209)	(6,276,873)	(55,283,247)	(67,636,127)
Increase (decrease) in currency translation	-	-	-	(2,949,817)	(2,949,817)
Other increases (decreases)	-	5,352,120	871,714	194,844	6,418,678
Changes in provisions, total	(322,615)	5,116,402	(5,059,378)	(6,066,866)	(6,332,457)
Closing balance as of 12-31-2015	**2,191,385**	**34,420,745**	**347,978**	**41,744,573**	**78,704,681**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 periods.

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, 2016 and 2015, are detailed as follows:

	Current		**Non-Current**	
	12-31-2016 ThCh$	**12-31-2015 ThCh$**	**12-31-2016 ThCh$**	**12-31-2015 ThCh$**
Personnel vacations	5,915,504	4,810,527	-	-
Remuneration	7,573,867	4,566,945	-	-
Termination benefits and retirement fund	864,286	119	22,124,276	16,475,803
Labor lawsuit settlement	-	-	-	100,304
Other benefits	1,100,839	1,115,194	44,717	-
Total	**15,454,496**	**10,492,785**	**22,168,993**	**16,576,107**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 23 – Provisions for employee benefits (continued)

b) Termination benefits

As of December 31, 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, 2016, covered staff turnover, retirement age, etc. The actuarial assumptions applied to Enex and SM SAAM as of December 31, 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 2016:

Provision for Termination Benefits	**12.31.2016**
Mortality table	M95H-M95M
Annual interest rate	4.29%
Voluntary employee turnover rate	Turnover statistics for the last few years
Involuntary employee turnover rate (business need)	Turnover statistics for the last few years
Salary increase	2.00%
Retirement age	
Men	65
Women	60

Provision for Post-Employment Benefits	**12.31.2016**
Mortality table	RV-2014
Annual interest rate	1.66%

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

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 2.30% (2.99% in 2015).
ii) Salary increase rate 1.2% (1.4% in 2015).
(iii) Average turnover rate of the group ranging from 4.65% to 5.60% for voluntary retirement and 0.6% and 6.7% for dismissal (4.65% and 5.60% for voluntary retirement and 0.6% and 6.7% for dismissal in 2015).
iv) Mortality table rv-2014 (rv-2009 in 2015).

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QUIÑENCO S.A.

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	2.53%	2.30%	2.07%
Salary increment	1.32%	1.20%	1.00%
Employee turnover due to resignation (*)	5.12% -6.16%	4.65% - 5.60%	4.19% - 5.04%
Employee turnover due to business need (*)	0.66% - 7.37%	0.60% - 6.70%	0.54% -6.03%

(*) Employee turnover includes the variables applied to each company

The analysis results using these variables are detailed as follows:

Effect of the change in actuarial variables	+10%	-10%
Book value as of 12.31.2016	8,739,262	8,739,262
Actuarial change	(185,573)	202,444
Book value after the actuarial change	**8,553,689**	**8,941,706**

c) Reconciliation of present value obligation defined benefit plan

	12-31-2016 ThCh$	12-31-2015 ThCh$
Present value of defined benefit plan obligation, opening balance	**16,475,922**	**17,512,442**
Cost of current service on defined benefit plan obligation	2,129,412	(370,430)
Interest cost on defined benefit plan obligation	940,305	1,015,618
Actuarial gains on defined benefit plan obligation	283,832	289,230
Increase (decrease) in foreign currency translation	(233,579)	(926,102)
Contributions paid on defined benefit plan obligation	(2,788,571)	(1,016,792)
Reductions in defined benefit plan obligation	(2,122,051)	(28,044)
Business combinations	8,303,292	-
Present value of defined benefit plan obligation, closing balance	**22,988,562**	**16,475,922**

d) Presentation in the statement of financial position

Post-employment benefits	**1231-2016 ThCh$**	**12-31-2015 ThCh$**
Liability booked for termination benefits, current	864,286	119
Liability booked for termination benefits, non-current	22,124,276	16,475,803
Total obligation for post-employment benefits	**22,988,562**	**16,475,922**

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(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 24 – Other non-financial liabilities, current

Other current non-financial liabilities as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Dividends payable Quiñenco shareholders	53,156,676	29,125,629
Dividends payable minority shareholders of subsidiaries	5,319,189	2,661
Sales advances	2,958,117	4,724,660
Others	2,468,995	3,304,942
Total	**63,902,977**	**37,157,892**

Note 25 – Other non-financial liabilities, non-current

Other non-current non-financial liabilities as of December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Insurance company reserves	61,202,537	55,258,668
Indemnity liability	-	1,619,165
Others	316,726	493,815
Total	**61,519,263**	**57,371,648**

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

Note 26 - Classes of financial assets and liabilities

Financial assets as of December 31, 2016 and 2015, are detailed as follows:

Description of financial asset	Category and valuation of financial asset	Current 12-31-2016 ThCh$	Current 12-31-2015 ThCh$	Non-current 12-31-2016 ThCh$	Non-current 12-31-2015 ThCh$	Fair value 12-31-2016 ThCh$	Fair value 12-31-2015 ThCh$
Cash and cash equivalents	**Financial asset at fair value**	**460,605,476**	**127,131,019**	**-**	**-**	**460,605,476**	**127,131,019**
Equity instruments (investments in shares)	Financial asset at fair value (market value) held for sale	-	-	51,455,177	31,446,426	51,455,177	31,446,426
Financial investments more than 90 days for current assets and more than one year for non-current assets	Financial asset at fair value	141,970,344	69,623,179	57,184,201	73,813,168	199,154,545	143,436,347
Foreign exchange hedges	Fair value hedge instrument	663,445	-	-	-	663,445	-
Other current and non-current financial assets		**142,633,789**	**69,623,179**	**108,639,378**	**105,259,594**	**251,273,167**	**174,882,773**
Trade and other receivables	**Financial assets at amortized cost**	**192,833,243**	**243,666,167**	**13,061,360**	**-**	**205,894,603**	**243,666,167**
Accounts receivable from related parties	**Financial assets at amortized cost**	**19,879,774**	**4,519,243**	**95,601**	**-**	**19,975,375**	**4,519,243**
Total financial assets		**815,952,282**	**444,939,608**	**121,796,339**	**105,259,594**	**937,748,621**	**550,199,202**

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Note 26 - Classes of financial assets and liabilities (continued)

Financial liabilities as of December 31, 2016 and 2015, are detailed as follows:

Description of financial liability	Category and valuation of financial liability	Current 12-31-2016 ThCh$	Current 12-31-2015 ThCh$	Non-current 12-31-2016 ThCh$	Non-current 12-31-2015 ThCh$	Fair value 12-31-2016 ThCh$	Fair value 12-31-2015 ThCh$
Bank loans, bonds payable and other loans	Financial liabilities	105,151,643	92,593,717	1,055,024,991	680,744,151	1,160,176,634	773,337,868
Finance lease obligations	Financial liabilities	1,698,117	4,813,849	4,182,533	10,529,835	5,880,650	15,343,684
Foreign exchange hedges	Fair value hedge instrument	68,286	2,792,445	73,642	1,191,588	141,928	3,984,033
Other current and non-current financial liabilities		**106,918,046**	**100,200,011**	**1,059,281,166**	**692,465,574**	**1,166,199,212**	**792,665,585**
Trade creditors, social-security withholdings, taxes and other accounts payable	**Financial liabilities at amortized cost**	**168,069,269**	**210,404,107**	**1,673,675**	**-**	**169,742,944**	**210,404,107**
Accounts payable to related parties	**Financial liabilities at amortized cost**	**1,542,196**	**3,330,462**	**8,034**	**-**	**1,550,230**	**3,330,462**
Total financial liabilities		**276,529,511**	**313,934,580**	**1,060,962,875**	**692,465,574**	**1,337,492,386**	**1,006,400,154**

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QUIÑENCO S.A.

Note 27 - Equity

a) Capital and number of shares

The capital of the Company as of December 31, 2016, 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 S.A., 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 all the shares of Inversiones Consolidadas S.A. and Inversiones Alaska Ltda. Andrónico Luksic Craig's family controls all the shares of Inversiones Salta S.A. 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2015 and December 31, 2016:

Dividend No.	Type of dividend	Date agreed	Payment date	Dividend per share Ch$
34 and 35	Final	04/30/2016	05/12/2016	72.00759
36 and 37	Final	04/29/2016	05/11/2016	23.24323

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, 2016, are detailed as follows:

	12/31/2016 ThCh$
Revaluation surplus reserves	1,031,342
Currency translation reserves	49,198,381
Cash flow hedge reserves	3,566,078
Held for sale reserves	19,025,420
Other miscellaneous reserves	383,148,401
Total Other Reserves	**455,969,622**

As of December 31, 2016, the detail of Other miscellaneous reserves is as follows:

	12/31/2016 ThCh$
Effect of sale of LQIF-D shares	131,642,239
Effect of changes in interest in Banco de Chile	104,120,297
Dilution effect of non-concurrence capital increase CCU	40,399,427
Effect of changes in interest in Invexans	37,734,931
Effect of changes in interest in Tech Pack	32,192,576
Effect of changes in interest in CSAV	(20,013,812)
Effect of changes in interest in SM SAAM	2,258,411
Other reserves from the equity of subsidiary SM SAAM S.A.	10,569,983
Other reserves from the equity of subsidiary LQIF S.A.	41,918,185
Other reserves from the equity of other subsidiaries	2,523,038
Other effects	(196,874)
Total Other Miscellaneous Reserves	**383,148,401**

The amount shown in exchange differences in the 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 28 – Revenue and expenses

(a) Revenue

Revenue for the years ended December 31, 2016 and 2015, is detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Sale of goods	1,670,170,972	1,679,531,398
Provision of services	488,684,162	237,589,179
Total	**2,158,855,134**	**1,917,120,577**

(b) Other expenses by function

Other expenses for the years ended December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Amortization of intangible assets	(2,686,400)	(2,686,400)
Impairment of property, plant and equipment	(2,300,678)	-
Lawsuit expenses Brazil	-	(939,184)
Unrecoverable VAT and additional taxes	(743,058)	-
Contribution to earthquake relief (Ecuador)	(422,535)	-
Other operating expenses	(1,139,347)	(292,509)
Total	**(7,292,018)**	**(3,918,093)**

(c) Other gains (losses)

Other gains and losses for the years ended December 31, 2016 and 2015, are detailed as follows

	12-31-2016 ThCh$	12-31-2015 ThCh$
Other gains		
Negative goodwill on investment in SM SAAM	59,717,758	-
Reversal of contingency provision	9,675,294	692,324
Gain on sale of other investments	424,458	
Gain on sale of assets	433,103	68,359
Recovery of costs and expenses	231,686	-
Gain on sale of property, plant and equipment	357,033	
Other gains	234,386	-
Total other gains	**71,073,718**	**760,683**
Other losses		
Initial valuation investment in SM SAAM	(36,442,263)	-
Effect of change in interest in Nexans S.A.	(28,588)	(2,075,443)
Directors' allowances, profit sharing and remuneration	(1,283,586)	(1,307,670)
Losses on forward hedges and others	(1,169,532)	-
Unrecoverable PPUA expenses	(655,420)	-
Asset impairment	(302,280)	-
Contingencies	(7,939,363)	(710,504)
Amortization of intangible assets	(58,217)	(133,246)
Third-party consultancy	(409,147)	(320,257)
Donations	(91,801)	
Other income (expenses)	(218,472)	95,003
Total other losses	**(48,598,669)**	**(4,452,117)**
Total other gains (losses), net	**22,475,049**	**(3,691,434)**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 28 – Revenue and expenses (continued)

(d) Finance costs

Finance costs for the years ended December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Interest on bank loans and bonds issued	(37,881,530)	(32,228,356)
Interest on other financial instruments	(2,616,364)	(2,342,112)
Bank commission, stamp taxes and other finance costs	(3,825,342)	(1,456,208)
Total	**(44,323,236)**	**(36,026,676)**

Note 29 – Personnel expenses

Personnel expenses for the years ended December 31, 2016 and 2015, are detailed as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Wages and salaries	(114,135,371)	(44,692,799)
Short-term employee benefits	(17,085,724)	(5,688,639)
Post-employment benefits	(6,379,161)	(4,020,451)
Termination benefits	(871,755)	(813,132)
Other personnel expenses	(6,606,419)	(1,196,343)
Total	(145,078,430)	(56,411,364)

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, 2016 and 2015 is as follows:

	12-31-2016	12-31-2015
Net income (loss) attributable to holders of equity instruments of the controller - ThCh$	176,902,259	96,619,765
Result available for common shareholders, basic - ThCh$	176,902,259	96,619,765
Weighted average number of shares, basic	1,662,759,593	1,662,759,593
Basic earnings (loss) per share - ThCh$	**0.106390761**	**0.058108079**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 31 –Environment

The Parent company is not affected by this concept as it is an investment company.

As of December 31, 2016, the subsidiaries Invexans, Tech Pack and CSAV have made no disbursements for this concept.

As of December 31, 2016, the subsidiary Enex disbursed ThCh$ 689,628 (ThCh$ 664,064 in 2015) 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 liabilities or assets of a financial nature is managed by Techpack according to its policies. Cash surpluses or available funds are invested in accordance with its investment 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 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 customer 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 trade credit lines, 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 the current Enex 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, industry and the customer's market, 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 constantly. 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, 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 takes 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 is a subsidiary of SM SAAM and has 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 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, financials, 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 32 – Financial risk management policy (continued)

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 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.

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.

For the details of balances and maturities of financial liabilities, see Note Other current and non-current financial liabilities.

Market risk[4]

Exchange-rate risk
At the corporate level, there is no exposure to currency exchange risk as of December 31, 2016, 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, 2016, Invexans's net exposure to exchange-rate risk is an asset equivalent to Ch$441 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$22 million in the statement of comprehensive income.

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.

[4] Exposure to market risks for financial assets and liabilities is measured at a consolidated level, therefore, any balances between subsidiaries, if there aer any, are eliminated in consolidation.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 32 – Financial risk management policy (continued)

As of December 31, 2016, Tech Pack's net exposure to exchange risk is an asset equivalent to Ch$468 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$23 million in the comprehensive income statement.

The subsidiary LQIF has no exchange-rate exposure as it has no foreign currency assets or liabilities as of December 31, 2016 and 2015.

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 habitual purchases of currency on the spot market. As of December 31, 2016, the net exchange-rate exposure of Enex is a liability equivalent to Ch$1,372 million. If a 5% fluctuation is assumed in currencies other than the functional currency over this exposure, an estimated effect before taxes of Ch$ 69 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, 2016, the net exposure to exchange risk of CSAV is a liability equivalent to Ch$ 145 million. If a 5% fluctuation is assumed in the US dollar against other relevant currencies, an estimated effect before taxes of Ch$7 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. As of December 31, 2016, the net exposure to exchange rate risk of SM SAAM is an asset equivalent to Ch$10,711 million. If a 5% fluctuation is assumed in the US dollar against other relevant currencies, an estimated effect of Ch$536 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 peso, are recognized as a credit or charge to equity until the clearance of the balance when they will be booked to income.

Interest-rate risk

As of December 31, 2016, at the corporate level Quiñenco has financial assets at fair value with changes in income for Ch$285,470 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$50 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, 2016, 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 48.9% of its obligations at fixed rates and 51.1% at variable rates.

CSAV has 52.3% of its obligations at fixed rates and 47.7% at variable rates.

SM SAAM has 62.9% of its obligations at fixed rates, 4.3% at protected rates and 32.8% at variable rates.

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

Note 32 – Financial risk management policy (continued)

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 89.1% of the debt is structured at fixed interest or protected rates.

Consolidated financial debt according to interest rate	12-31-2016	12-31-2015
Fixed rate	88.5%	87.6%
Protected rate	0.6%	0.0%
Variable rate	10.9%	12.4%
Total	**100.0%**	**100.0%**

As of December 31, 2016, the consolidated variable interest-rate exposure is a liability of Ch$125,564 million. A 100-basis point variation in the interest rate would generate an effect on finance costs for the year of Ch$1,256 million.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 Seguros de Vida, 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, 2016 and 2015, is as follows:

	12-31-2016 ThCh$	12-31-2015 ThCh$
Chile	1,925,487,070	1,798,601,384
South America	77,963,189	64,252,019
Central America	8,805,458	-
North America	99,116,199	-
Europe	26,733,946	25,559,687
Asia	20,749,272	28,707,487
Total revenue from external customers	**2,158,855,134**	**1,917,120,577**

(1) The Share Purchase 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, 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 commercialization of flexible packaging in Chile and abroad.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 33 – Segment reporting (continued)

Geographical area (continued)

Non-current assets by geographic area as of December 31, 2016, are detailed as follows

	12-31-2016
	ThCh$
Chile	624,090,728
Rest of America	297,393,422
Europe	18,843,938
Asia	13,918,363
Total (*)	**954,246,451**

(*) Includes balances of property, plant and equipment, investment properties and intangible assets other than goodwill.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016, the results by segment are as follows:

Income Statement	**Manufacturing**	**Financial**	**Energy**	**Transport**	**Port Services**	**Others**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Revenue	57,455	-	1,691,433,763	85,830,969	266,521,815	115,011,132	2,158,855,134
Revenue from transactions between segments	-	-	-	-	-	-	-
Cost of sales	(2,960)	-	(1,499,639,825)	(81,276,573)	(197,067,804)	(37,707,956)	(1,815,695,118)
Gross margin	54,495	-	191,793,938	4,554,396	69,454,011	77,303,176	343,160,016
Other revenue by function	-	-	11,843,036	1,473,195	3,838,953	2,577,757	19,732,941
Distribution costs	-	-	-	-	-	-	-
Administrative expenses	(5,852,891)	(1,428,264)	(167,924,966)	(12,092,388)	(46,745,454)	(77,908,187)	(311,952,150)
Other expenses by function	-	(2,686,400)	(429,239)	-	(4,176,379)		(7,292,018)
Other gains (losses)	319,841	-	(8,172,389)	9,456,603	(472,466)	21,343,460	22,475,049
Operating income (loss)	(5,478,555)	(4,114,664)	27,110,380	3,391,806	21,898,665	23,316,206	66,123,838
Finance income	464,434	337,052	159,090	211,874	993,728	7,379,632	9,545,810
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	(41,116)	1,485,719	86,974	2,194,979
Gain (loss) from indexation adjustments	7,735	(4,901,271)	-	4,880	(41,753)	(12,451,467)	(17,381,876)
Income (loss) before taxes	5,462,806	(16,478,435)	21,195,902	(4,550,981)	45,567,254	32,336,188	83,532,734
Income tax benefit (expense)	(4,372,467)	663,249	(969,265)	(14,044,065)	(7,829,126)	(2,688,321)	(29,239,995)
Net income (loss) from continued operations	1,090,339	(15,815,186)	20,226,637	(18,595,046)	37,738,128	29,647,867	54,292,739
Net income (loss) from discontinued operations	13,877,615	-	-	1,397,188	-	-	15,274,803
Net income (loss) from non-banking businesses	**14,967,954**	**(15,815,186)**	**20,226,637**	**(17,197,858)**	**37,738,128**	**29,647,867**	**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**	**29,647,867**	**548,909,951**
Net income 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 attributable to non-controlling interests	3,090,692	351,690,173	-	(7,183,927)	20,699,109	3,711,645	372,007,692
Consolidated net income (loss)	**14,967,954**	**463,527,223**	**20,226,637**	**(17,197,858)**	**37,738,128**	**29,647,867**	**548,909,951**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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	(4,530,791)	(2,690,327)	(14,442,924)	(2,223,608)	(40,998,333)	(560,256)	(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
Investment 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)
Investment 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	-	31,558,000,139	-	-	-	(252,353)	31,557,747,786
Total assets	**482,820,500**	**32,408,676,497**	**777,629,961**	**1,458,177,965**	**991,014,335**	**683,188,868**	**36,801,508,126**
Current liabilities	14,927,046	4,585,466	145,342,209	37,051,123	96,802,685	112,003,707	410,712,236
Non-current liabilities	20,324,906	232,711,863	71,786,757	73,009,329	196,025,764	739,165,063	1,333,023,682
Banking liabilities	-	28,702,780,440	-	-	-	(37,388,954)	28,665,391,486
Total liabilities	**35,251,952**	**28,940,077,769**	**217,128,966**	**110,060,452**	**292,828,449**	**813,779,816**	**30,409,127,404**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 33 – Segment reporting (continued)

The net income attributable to owners of the controller for each segment correspond to the final contribution of each segment, and of the companies comprising them, to Quiñenco S.A.'s net income.

As of December 31, 2015, the results by segment are as follows:

Income Statement	**Manufacturing**	**Financial**	**Energy**	**Transport**	**Others**	**Total**
Non-banking businesses	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Revenue	241,945	-	1,697,628,576	118,519,193	100,730,863	1,917,120,577
Revenue from transactions between segments	-	-	-	-	-	-
Cost of sales	(94,750)	-	(1,533,117,758)	(116,780,561)	(33,041,057)	(1,683,034,126)
Gross margin	147,195	-	164,510,818	1,738,632	67,689,806	234,086,451
Other revenue by function	-	-	8,925,705	1,410,482	2,041,772	12,377,959
Distribution costs	(115)	-	-	-	-	(115)
Administrative expenses	(5,666,317)	(1,093,637)	(148,395,446)	(13,008,214)	(67,507,693)	(235,671,307)
Other expenses by function	(1,194,269)	(2,686,400)	(32,268)	(5,156)		(3,918,093)
Other gains (losses)	(1,668,521)	-	(457,701)	692,324	(2,257,536)	(3,691,434)
Operating income (losses)	(8,382,027)	(3,780,037)	24,551,108	(9,171,932)	(33,651)	3,183,461
Finance income	41,148	316,590	1,642,724	169,180	8,373,745	10,543,387
Finance costs	(356,612)	(7,524,989)	(6,440,968)	(2,591,506)	(19,112,601)	(36,026,676)
Share of income (loss) of associates and joint ventures accounted for using the equity method	(38,012,698)	-	1,450,688	(11,152,228)	49,519,367	1,805,129
Exchange differences	64,209	-	158,420	2,021,583	(99,479)	2,144,733
Gain from indexation adjustments	7,122	(6,823,379)	-	(597,903)	(16,312,903)	(23,727,063)
Income (loss) before tax	(46,638,858)	(17,811,815)	21,361,972	(21,322,806)	22,334,478	(42,077,029)
Income tax benefit (expense)	4,674,951	485,718	(1,588,917)	4,013,442	(3,746,893)	3,838,301
Net income (loss) from continued operations	(41,963,907)	(17,326,097)	19,773,055	(17,309,364)	18,587,585	(38,238,728)
Net income (loss) from discontinued operations	5,461,392	-	-	-	-	5,461,392
Net income (loss) from non-banking businesses	**(36,502,515)**	**(17,326,097)**	**19,773,055**	**(17,309,364)**	**18,587,585**	**(32,777,336)**
Banking services						
Total net operating revenue	-	1,344,498,609	-	-	-	1,344,498,609
Total operating expenses	-	(726,518,574)	-	-	-	(726,518,574)
Operating income	-	617,980,035	-	-	-	617,980,035
Result of investments in companies	-	3,671,466	-	-	-	3,671,466
Interest on subordinated debt with the Chilean Central Bank	-	(75,740,231)	-	-	-	(75,740,231)
Income before taxes	-	545,911,270	-	-	-	545,911,270
Income tax expense	-	(61,817,816)	-	-	-	(61,817,816)
Net income from continuing operations	-	484,093,454	-	-	-	484,093,454
Net income banking services	-	484,093,454	-	-	-	484,093,454
Consolidated net income (loss)	**(36,502,515)**	**466,767,357**	**19,773,055**	**(17,309,364)**	**18,587,585**	**451,316,118**
Net income attributable to owners of the controller	**(41,220,670)**	**112,299,969**	**19,773,055**	**(9,991,421)**	**15,758,832**	**96,619,765**
Net income attributable to non-controlling interests	4,718,155	354,467,388	-	(7,317,943)	2,828,753	354,696,353
Consolidated net income (loss)	**(36,502,515)**	**466,767,357**	**19,773,055**	**(17,309,364)**	**18,587,585**	**451,316,118**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2015:

	Manufacturing	**Financial**	**Energy**	**Transport**	**Others**	**Total**
	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$
Depreciation and amortization	(10,876,488)	(2,687,138)	(11,006,989)	(1,954,427)	(520,192)	(27,045,234)
Cash flow from non-banking services						
Operating cash flows	(1,680,630)	(1,859,262)	13,472,823	(15,922,978)	(14,462,661)	(20,452,708)
Investment cash flows	(28,992,678)	407,391	(39,548,414)	(22,750,382)	198,052,156	107,168,073
Financing cash flows	(15,754,135)	(107,050,403)	(7,103,272)	43,786,724	(178,707,191)	(264,828,277)
Cash flow from banking services						
Operating cash flows	-	(902,436,372)	-	-	(15,601,662)	(918,038,034)
Investment cash flows	-	295,674,804	-	-	-	295,674,804
Financing cash flows	-	904,133,100	-	-	346,431	904,479,531
Current assets	168,382,024	2,103,894	283,286,437	56,932,817	141,353,668	652,058,840
Non-current assets	480,277,126	852,492,510	491,451,043	1,519,697,659	715,882,636	4,059,800,974
Banking assets	-	31,287,862,968	-	-	-	31,287,862,968
Total assets	**648,659,150**	**32,142,459,372**	**774,737,480**	**1,576,630,476**	**857,236,304**	**35,999,722,782**
Current liabilities	105,219,017	4,508,217	156,325,851	43,509,371	80,373,355	389,935,811
Non-current liabilities	67,390,633	228,144,901	87,397,083	80,611,683	462,928,352	926,472,652
Banking liabilities	-	28,598,414,748	-	-	-	28,598,414,748
Total liabilities	**172,609,650**	**28,831,067,866**	**243,722,934**	**124,121,054**	**543,301,707**	**29,914,823,211**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 34 – Effect of variations in foreign exchange rates

a) 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**

QUIÑENCO S.A.

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)

b) 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	182,857,008	45,854,280	810,313,054	-	-	-	-	-	20,256,824	1,059,281,166
Trade and other payables, non-current	1,673,675	-	-	-	-	-	-	-	-	1,673,675
Accounts payable to related parties, non-current	-	8,034	-	-	-	-	-	-	-	8,034
Other long-term provisions	6,575,738	22,167,374	-	-	-	-	9,191,184	-	478,671	38,412,967
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	121,241	61,398,022	-	-	-	-	-	-	-	61,519,263
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**

QUIÑENCO S.A.

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, 2015, 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	47,270,631	77,321,540	-	740,428	227,570	34,936	141,561	104,702	1,289,651	127,131,019
Other financial assets, current	-	61,921,011	7,702,168	-	-	-	-	-	-	69,623,179
Other non-financial assets, current	4,628,480	23,812,303	-	27,740	-	106,243	11,363	63,212	27,696	28,677,037
Trade and other receivables, current	53,800,557	172,117,181	15,100	1,307,746	3,233,172	4,139,812	67,465	6,845,200	2,139,934	243,666,167
Accounts receivable from related parties, current	896,932	3,622,311	-	-	-	-	-	-	-	4,519,243
Inventory	25,566,276	95,911,838	-	-	-	-	-	6,454,167	-	127,932,281
Current tax assets	2,710,685	15,099,828	-	-	-	293,687	177,534	863,907	727,914	19,873,555
Total current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**134,873,561**	**449,806,012**	**7,717,268**	**2,075,914**	**3,460,742**	**4,574,678**	**397,923**	**14,331,188**	**4,185,195**	**621,422,481**
Non-current assets or disposal groups classified as held for sale	10,094,218	20,161,121	-	-	-	381,020	-	-	-	30,636,359
Total non-current assets other than assets or disposal groups classified as held for sale or for distribution to the owners	**10,094,218**	**20,161,121**	**-**	**-**	**-**	**381,020**	**-**	**-**	**-**	**30,636,359**
Current assets, total	**144,967,779**	**469,967,133**	**7,717,268**	**2,075,914**	**3,460,742**	**4,955,698**	**397,923**	**14,331,188**	**4,185,195**	**652,058,840**
Non-current assets										
Other financial assets, non-current	1,117,556	104,142,038	-	-	-	-	-	-	-	105,259,594
Other non-financial assets, non-current	70,088	20,790,477	-	1,420	-	5,681	7,449,793	-	15,623	28,333,082
Investments accounted for using the equity method	279,561,293	317,688,131	-	1,549,333,406	-	-	-	-	-	2,146,582,830
Intangible assets other than goodwill	19,671,875	200,945,991	-	-	-	-	65,335	-	2,130	220,685,331
Goodwill	22,166,200	852,253,441	-	-	-	-	-	-	-	874,419,641
Property, plant and equipment	104,766,434	272,904,403	-	-	-	-	19,174	14,457,646	39,769	392,187,426
Investment properties	9,694,727	6,193,219	-	-	-	-	-	1,933,263	-	17,821,209
Deferred tax assets	222,859,378	51,089,982	-	-	-	-	-	100,895	461,606	274,511,861
Total non-current assets	**659,907,551**	**1,826,007,682**	**-**	**1,549,334,826**	**-**	**5,681**	**7,534,302**	**16,491,804**	**519,128**	**4,059,800,974**
Total non-banking business assets	**804,875,330**	**2,295,974,815**	**7,717,268**	**1,551,410,740**	**3,460,742**	**4,961,379**	**7,932,225**	**30,822,992**	**4,704,323**	**4,711,859,814**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 34 – Effect of variations in foreign exchange rates (continued)

d) Liabilities by domestic and foreign currency as of December 31, 2015, 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	26,393,413	24,146,325	39,438,508	-	7,145,630	2,779,288	-	296,847	-	100,200,011
Trade and other payables, current	51,897,512	143,474,339	723,411	322,411	1,874,112	2,766,783	1,707,997	4,478,269	3,159,273	210,404,107
Accounts payable to related parties, current	651,648	2,678,814	-	-	-	-	-	-	-	3,330,462
Other short-term provisions	18,259,275	6,556,052	58,415	133,816	-	110,934	499,243	-	53,969	25,671,704
Current tax liabilities	16,816	1,351,075	-	-	137,273	-	-	407,713	311,760	2,224,637
Provisions for employee benefits, current	28,406	7,647,058	-	-	2,024,215	379,958	-	413,148	-	10,492,785
Other non-financial liabilities, current	5,482,274	30,944,569	-	-	556,207	110,166	-	64,676	-	37,157,892
Total current liabilities other than liabilities included in disposal groups classified as held for sale	**102,729,344**	**216,798,232**	**40,220,334**	**456,227**	**11,737,437**	**6,147,129**	**2,207,240**	**5,660,653**	**3,525,002**	**389,481,598**
Liabilities included in disposal groups classified as held for sale	70,452	167,891	-	1,552	-	214,318	-	-	-	454,213
Total current liabilities	**102,799,796**	**216,966,123**	**40,220,334**	**457,779**	**11,737,437**	**6,361,447**	**2,207,240**	**5,660,653**	**3,525,002**	**389,935,811**
Non-current liabilities										
Other financial liabilities, non-current	56,472,574	62,464,651	558,964,318	-	6,325,395	250,757	-	7,987,879	-	692,465,574
Other long-term provisions	23,966,480	21,630,948	-	-	-	-	7,435,549	-	-	53,032,977
Deferred tax liabilities	7,002,414	87,329,361	-	-	6,133,886	4,821,171	-	1,739,514	-	107,026,346
Provisions for employee benefits, non-current	-	16,475,803	-	-	-	-	-	100,304	-	16,576,107
Other non-financial liabilities, non-current	149,844	57,027,776	-	-	-	-	-	194,028	-	57,371,648
Total non-current liabilities	**87,591,312**	**244,928,539**	**558,964,318**	**-**	**12,459,281**	**5,071,928**	**7,435,549**	**10,021,725**	**-**	**926,472,652**
Total non-banking business liabilities	**190,391,108**	**461,894,662**	**599,184,652**	**457,779**	**24,196,718**	**11,433,375**	**9,642,789**	**15,682,378**	**3,525,002**	**1,316,408,463**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies

(a) Lawsuits

a.1) On April 1, 1998, the subsidiary VTR SA, today known as UNITRON SA, filed a tax claim against Assessment No. 29 dated January 21, 1998, for Single Tax under paragraph 3 Article 21 of Income Law, applied to the loss on a foreign currency futures contract signed on January 2, 1995, between VTR and Citibank NA. This claim was originally processed before the Tax Court of the Metropolitan Santiago Center of the Internal Revenue Service, as case 10106-98, as the first instance ruling dated October 26, 1999, was rejected.

Later, on May 11, 2007, the Santiago Appeals Court annulled the sentence in the first instance as it was given by a delegated tax judge (lacking jurisdiction) and ordered that the appeal be reconsidered by the regional director of the Metropolitan Santiago Center of the Internal Revenue Service, invalidating therefore all the previous proceedings.

As a result, the proceedings are currently pending in the first instance, having re-entered the tax tribunal of the Metropolitan Santiago Center of the Internal Revenue Service on June 1, 2007 (Case No.10.520-2007). These are presently in the evidence stage. On August 28, 2007, the tribunal resolved to receive the tax appeal and ordered the inspector's report. On November 30, 2007, comments were presented on the report No.178-1 issued on October 29, 2007 by the selective inspectorate department of the Metropolitan Santiago Center of the Internal Revenue Service, and the tax tribunal resolved to acknowledge receipt of the comments in that report.

On August 7, 2014, the subsidiary UNITRON S.A. exercised its option right granted by Law 20.322, sending the details to the Second Taxation and Customs Tribunal of the Metropolitan Region. This tribunal received the appeal on September 8, 2015, transferring it to the Internal Revenue Service (SII) for its response. On October 3, 2014, the SII received the case.

On April 2, 2015, the case was opened to receive evidence, thus initiating the evidentiary period to receive testimonial and documentary evidence.

On July 30, 2015, the Metropolitan Region Tax and Customs Tribunal issued a ruling to close the case for judgment.

On July 31, 2015, the First Metropolitan Region Tax and Customs Tribunal issued the final judgment, accepting the claim of VTR S.A., today UNITRON S.A., nullifying the assessment filed by the IRS. In turn, the Internal Revenue Service filed a tax appeal against the final judgment.

On January 29, 2016, the Santiago Appeals Court ruled on the case, overturning the first instance ruling, and supporting the assessment issued by the IRS.

In view of the foregoing, on February 11, 2016, an appeal was filed against the Santiago Appeals Court ruling, and this appeal is currently pending admissibility for subsequent hearing by the Supreme Court.

As of December 31, 2016, the appeal was filed with the second chamber of the Supreme Court, awaiting a hearing.

a.2 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(a) Lawsuits (continued)

Regarding the investigation of infringement of anti-trust laws in the car carrier business, and the legislation in other jurisdictions, the Board of CSAV has decided to maintain a provision of ThUS$ 40,000 for the possible costs the company 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 5, 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, whose first three payments were made in May 2014, 2015 and 2016, amounting to ThUS $ 6,750 as a whole, 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. The final payment to the DOJ will be in May 2017, for ThUS$2,150, in order to complete the ThUS$ 8,900 mentioned previously.

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 the Company 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 the Company. There are pending appeals against this ruling. In parallel, these class action suits have been re-initiated at the FMC, which has suspended processing until the appeals filed in the ordinary courts have been resolved. Rules contained in the US Shipping Act of 1984 and the FMC's rules do not provide for resolving class actions and in the past the FMC has rejected these cases when it has deemed that they do not fall within its administrative functions. 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 January 27, 2015, the Office of the Attorney General (FNE in Spanish) filed a claim against various shipping companies, including CSAV, for violation of the provisions of letter a) of Article 3 of Decree Law No. 211 of 1973, on the Defense of Free Competition ("DL 211"), in the business of transporting vehicles (Claim). As stated in the Claim and in accordance with the provisions of Article 39 bis of DL 211, The Company is exempt from fines in relation to conduct described in the Claim, given its cooperation with the investigation by the FNE, so this process has no financial impact on the results of CSAV. The Claim is pending before the Free Trade Court.

3. 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.

4. On December 9, 2015, the Competition Tribunal of South Africa approved an agreement (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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 35 – Contingencies (continued)

(a) Lawsuits (continued)

5. 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. The fines referred to in numbers 3, 4 and 5 above were paid prior to December 31, 2016. Accordingly, they were deducted from the provision recorded in 2013, so they are not part of the provisions for current Legal Claims.

As of December 31, 2016, claims have been made against CSAV as a result of the merger of its container ship business with HLAG. In accordance with the provisions of the merger agreement between CSAV and HLAG, all legal contingencies that relate to the container business are now under the legal and financial responsibility of HLAG, including legal costs and disbursements, even if CSAV is the defendant. Provisions have been made to cover other contingencies unrelated to this business, where the Company has estimated that disbursements are reasonably likely. The foregoing is without prejudice to the authority of the Company to question the origin or amount of such potential liabilities in the future.

Regarding the case mentioned in previous reports against the NYSAILA 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 the Company up 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.3 Although Alusa S.A. and its subsidiaries were sold during the current year, 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.4 As of December 31, 2016, 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.5 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(b) Financial contingencies

b.1 As of December 31, 2016, 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, 2016, are:

- To maintain unencumbered assets to unsecured debt at book value of at least 1.3 times. As of December 31, 2016, the ratio of unencumbered assets to unsecured debt at book value is 4.6 times, as follows:

Quiñenco individual	**ThCh$**
Total assets	3,833,558,476
Encumbered assets	-
Unencumbered assets	**3,833,558,476**
Total current liabilities	95,423,344
Other short-term provisions	(3,419,003)
Provisions for employee benefits, current	(852,003)
Total non-current liabilities	739,507,133
Other long-term provisions	(3,319,453)
Unencumbered liabilities	**827,340,018**

- To maintain an unconsolidated financial debt ratio to total capitalization of no more than 0.47:1. As of December 31, 2016 the financial debt to total equity at book value ratio is 0.20:1, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	34,969,277
Accounts payable to related parties, current	-
Other financial liabilities, non-current	629,637,811
Accounts payable to related parties, non-current	106,549,869
Financial debt	**771,156,957**
Capitalization	
Equity attributable to owners of the controller	2,998,627,999
Financial debt	771,156,957
Capitalization	**3,769,784,956**

- To maintain a consolidated financial debt ratio to total capitalization of no more than 0.62:1. As of December 31, 2016, the consolidated financial debt ratio to total capitalization at book value is 0.19, as follows:

Financial debt	**ThCh$**
Other financial liabilities, current	106,918,046
Accounts payable to related parties, current	1,542,196
Other financial liabilities, non-current	1,059,281,166
Accounts payable to related parties, non-current	8,034
Financial debt	**1,167,749,442**
Capitalization	
Equity attributable to owners of the controller	2,998,627,999
Financial debt	1,167,749,442
Non-controlling interests (1)	1,970,232,133
Capitalization	**6,136,609,574**

(i) Non-controlling interests in Quiñenco of ThCh$ 3,393,752,723 less non-controlling interests in LQIF ThCh$1,423,520,590.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

- To maintain a minimum equity of Ch$ 809,849 million. As of December 31, 2016, the equity attributable to owners of the controller is Ch$ 2,998,628 million.
- The Luksic Group must maintain control of Quiñenco.

b.2 The VTR S.A. share purchase agreement with SBC International Inc., dated June 16, 1999, states certain mutual obligations by the parties that translate into sale price adjustments.

b.3 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, 2016, are:

- The company 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, 2016, was 0.083 times.

b.4 Tech Pack S.A.
As of December 31, 2016, 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, the main global producer of rigid and flexible packaging. Under that agreement, Tech Pack S.A. agreed to maintain a balance of cash and cash equivalents of at least ThUS$ 28,493 and a financial asset for at least the same amount until September 2017. As of December 31, 2016, both restrictions are met.

The total amount of the transaction was US$ 435 million (on a debt and cash basis, or 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.

Following compliance with the conditions stipulated in the agreement, Tech Pack received US$ 204 million in cash for its interest in the flexible packaging business, discounting the estimated financial debt and changes in working capital, among others. The final price was subject to the differences between the estimated accounts as of May 31, 2016, and the final accounting records at the end of the period. These adjustments had not been recognized between the parties as of the date these Financial Statements were published, as the price adjustment process has not yet been finalized, according to the terms established in the agreement.

Although Alusa S.A. and its subsidiaries were sold during the current year, 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.5 Invexans S.A. (legal successor of Madeco S.A.)

In October 2014, Invexans signed a loan agreement for USD 15 million with Banco Estado. In addition to the usual obligations in these types of loans, the obligation is established to maintain in the annual consolidated financial statements a total debt of no more than 1:1 and a minimum equity of USD 250 million. The Luksic Group should also maintain control.

As of December 31, 2016, Invexans is in compliance with all the restrictions stated in the above agreement, as follows:

Covenants	**12-31-2016**	**Covenants**
Net total leverage in consolidated balance sheet	0.05	< 1.00
Minimum equity	ThUS$ 437,206	> ThUS$ 250,000
Controlled by Quiñenco	Yes	Yes

b.6 Enex S.A.

As of December 31, 2016, 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 ratio plus minority interest less than 0.5. As of December 31, 2016, this ratio was 0.11, according to the following detail:

	ThCh$ 12-31-2016
Other current financial liabilities	17,442,774
Other non-current financial liabilities	46,394,896
Total financial debt	63,837,670
	ThCh$ 12-31-2016
Equity attributable to the owners of the controller	560,500,996
Non-controlling interests	(1)
Total equity	560,500,995

- Maintain a ratio of EBITDA to finance costs greater than 2.5. As of December 31, 2016, EBITDA over finance costs was 6.70, according to the following detail:

	ThCh$ 12-31-2016
Operating income	34,771,818
Depreciation	14,442,924
EBITDA	49,214,742
Interest on bank loans	4,189,908
Losses on derivative instruments	2,162,145
Other interest	994,767
Total finance costs	7,346,820

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.7 CSAV

The financing agreements at CSAV and its subsidiaries have the following covenants:

b.7.1 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.
b) Maintain unencumbered assets at 130% of the consolidated financial liabilities.
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.

b.7.2 Series B bearer bonds for ThUS$ 50,000, Securities Registry ((SVS) 839:

a) Maintain consolidated borrowing at levels that keep Total Liabilities / Total Equity to no more than 1.3 times
b) Maintain unencumbered assets at 130% of the consolidated financial liabilities.
c) Maintain minimum consolidated total assets of ThUS$ 1,730,000.

Furthermore, the aforementioned credits and vouchers 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.7.3 Mortgages for financial commitments.

As of December 31, 2016, CSAV does not have any mortgages over any of its assets, in order to guarantee its financial obligations.

The only current guarantee recorded by CSAV in the Consolidated Interim Financial Statements as of September 30, 2016, was related to a naval mortgage for the M/V Bow Condor, a chemical vessel owned by its former subsidiary OV Bermuda Ltd., which was sold through the sale of this subsidiary and the remainder of the liquid bulk business unit, to its partner Odfjell Tankers on October 19, 2016.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(b) Financial contingencies (continued)

b.8 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	12-31-2016	12-31-2015
SAAM S.A. (As guarantor of Kios S.A)	Banco Estado	Financial debt to equity	As of December 31, each year it must be less than 1.2	N/A	0.12
		Interest coverage ratio	As of December 31, each year it must be more than 2.75	N/A	5.04
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	0.31	-
		Interest coverage ratio	As of December 31, each year it must be more than 2.75	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	0.31	-
		Interest coverage ratio	As of December 31, each year it must be more than 2.75	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 4 in 2015 and 3.5 from 2016 onwards.	0.89	1.36
		Financial debt to equity	As of December 31, each year it must be less than 3	0.62	1.30
Iquique Terminal Intemacional S.A.(ITI))	Banco Estado	Net Financial Debt / EBITDA	As of December 31, each year it must be less than 3	0.62	1.08
		Debt service coverage ratio	As of December 31, each year it must be more than 1	1.84	1.83
		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$28,227	ThUS$ 24,018
SAAM Remolques SA de C.V	Banco Inbursa	Net Financial Debt / EBITDA	Every quarter it must be less than 2.5 times	1.45	1.54
		Interest coverage ratio	Every quarter it must be more than 3 times	5.5	8.83
		Equity in the financial statements no less than MX$ 600,000	Every quarter it must be more than MXS 600,000	MXS 4,405,152	MXS 3,602,677
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	2.12	1.95
Terminal Maritima Mazatlan. De C.V	Banco Itaú	Net Financial Debt / Equity	As of December 31 2016 and 2015, it must be less than 1.5 and 2.5 respectively	0.57	0.99
Terminal Maritima Mazatlan. De C.V	Banco Itaú	Net Financial Debt / EBITDA	As of December 31 2016 and 2015, it must be less than 3 and 4 respectively	0.80	1.44
Smit Marine Canada Inc	Banco Scotiabank Canada	Debt over net tangible assets	Every quarter it must be less than 2.5 times	0.58	0.60
		Consolidated EBITDA over financial expenses and debt repayments	Every quarter it must be more than 1.25 times	4.74	3.66

(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 Warranties and assurances

The Nexans contract establishes warranties and assurances customary for such contracts. These warranties and assurances 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.

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 35 – Contingencies (continued)

(c) Other contingencies

c.2 Compensation

Nexans has the right to be compensated for any breach of these warranties and assurances, and to the other obligations established in the contract.

Furthermore, Nexans is entitled to compensation, considering the validity of these warranties and assurances, 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 warranties and assurances (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 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 an 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 (Note 9). 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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. The historical value of these proceedings amounted to ThBRL 7,424.

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 bonds to guarantee their payment.

Due to a new amnesty program that allowed the reduction of all interests and fines in collection by the tax authorities of the State of Rio de Janeiro, two of the four assessments were paid in December 2015. To terminate both processes, a total of ThUS$ 567 was paid.

In relation to the other two processes that remained valid, the Company decided not to use the amnesty program and to continue this litigation, as the Company's legal counsel in Brazil believed that it had a good chance of winning. This took into consideration its current procedural status, since both processes have favorable judgments at the second instance. Therefore, in September 2016, one of these trials was definitively terminated and the guarantee was lifted. Thus, as of the closing date of these financial statements, only one case remains pending.

d.3 Assessment 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 assessment.

d.4 Madeco Mills S.A.

On April 30, 2013, Madeco Mills received notification of summons 239 from the Chilean IRS regarding the use of the tax credit arising on supplier’s raw material purchase invoices from 2009 to 2011.

On May 30, 2013, a response with background information was presented to the IRS, arguing that the VAT use was correct, according to the opinion of legal advisors.

On July 31, 2013, Madeco Mills S.A. received a notification of settlement regarding the use of the tax credit arising on supplier’s raw material purchase invoices used for their production processes. The settlement covers the period from January 2009 to March 2011, and the Company has followed its defense proceedings through the corresponding judicial process.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 35 – Contingencies (continued)

(d) Other contingencies (continued)

The Third Tax and Customs Court of the Metropolitan Region, under case Madeco Mills S.A. vs Internal Revenue Service XVI DR. South Santiago, RIT No. GR-17-00075-2013, RUC No. 13-9-0002267-5, dated October 5, 2016, ruled against Madeco Mills SA. and rejected the appeals against assessments 477 to 501, dated July 31, 2013, for Ch$ 11,954,511,659, for rejection of VAT tax credit for the periods April 2009 to March 2011 and additional tax under paragraph 3 of Article 21 of Income Tax Law, for the tax years 2010, 2011 and 2012.

Madeco Mills S.A. appealed against that judgment as it was convinced that it had followed the letter of the law and that all the evidence submitted during the process that supports the company's position had not been considered. According to the opinion of its legal advisors, the company has strong arguments to assert its position in the corresponding instances.

As of December 31, 2016, Madeco Mills S.A. has total assets of ThUS$ 174 and total liabilities of ThUS$ 2,752, which gives it total negative equity of ThUS$ 2,578.

d.5 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.

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QUIÑENCO S.A.

Note 36 – Guarantees

The Company has received no guarantees from third parties as of December 31, 2016.

Note 37 – Sanctions

Neither the Company nor its directors or managers received any sanctions from the SVS or any other regulatory authority during 2016 and 2015.

Note 38 – Subsequent events

There were no events of a financial or other nature between December 31, 2016, and the date of issue of these consolidated financial statements that might affect significantly their interpretation.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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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 29.29% of the share capital of that bank (29.75% in 2015) 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, 2016, the contractual value of the Subordinated Obligation with the Chilean Central Bank, including interest, amounts to UF 13,473,746.91 (UF 18,160,796.32 in 2015), 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.1 – Company information (continued)

The annual quota for 2016 amounts to ThCh$142,003,347 (ThCh$140,614,239 in 2015). As of December 31, 2016, there is a surplus in the Surpluses for Future Deficits Account of UF 26,590,768.25 (UF 23,101,772.91 in 2015).

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, 2016, there have been changes in accounting estimates resulting from instructions given by the Superintendency of Banks and Financial Institutions. See note 2 (hh).

There have been no other significant accounting changes affecting the presentation of these consolidated financial statements.

Note 39.3 – Material information on the banking subsidiaries

a) On January 28, 2016, Banco de Chile reported a Material Event that in Ordinary Meeting BCH 2,832, held on that date, the Board of Directors convened an Ordinary Shareholders' Meeting for March 24, 2016, with the purpose of proposing, among other matters, the distribution of dividend 204 of Ch$ 3.37534954173 for each of the 96,129,146,433 shares, payable from the distributable net income for the year ended December 31, 2015, corresponding to 70% 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 30% of the Bank's net distributable income for 2015, through the issuing new fully paid-in shares, with no par value, at a value of Ch$ 64.79 per share, distributed among the shareholders at the rate of 0.02232718590 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.

   The Board of Directors also agreed that from January 2016 provisions totaling 60% of the net distributable income will be recorded for dividends during the course of each year, in accordance with number 3.2 of Chapter B4 of the Compendium of Accounting Standards issued by the Superintendency of Banks and Financial Institutions regarding provisions for minimum dividends.

b) On January 28, 2016, the Board of Directors of the Sociedad Matriz del Banco de Chile S.A. held Ordinary Meeting SM-231 where they agreed to convene an Ordinary Shareholders' Meeting for March 24, 2016, with the purpose of proposing, among other matters, the distribution of dividend 20 of Ch$ 3.388832808670 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 30% of Banco de Chile's net distributable income for 2015, which will be distributed at a rate of 0.02232718590 "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 March 24, 2016, Banco de Chile reported a Material Event that at Ordinary Meeting BCH 2,835, held on the same date, the Board of Directors agreed to accept the resignation presented by the CEO Mr. Arturo Tagle Quiroz, with effect from April 30, 2016.

Likewise, at said meeting, Mr. Eduardo Ebensperger Orrego was appointed CEO of Banco de Chile with effect from May 1, 2016.

Finally, it was reported that Mr. Arturo Tagle Quiroz was appointed as an advisor to the Board of Directors as of May 1, 2016.

d) On March 24, 2016, at an Ordinary Shareholders Meeting of SM Chile S.A., shareholders approved the proposal from the Board of Directors to pay dividend 20 of Ch$ 3.388832808670 for each share in the B, D and E series.

The Bank began to pay this dividend immediately after the Shareholders' Meeting ended.

At the same meeting, it was also agreed to distribute as dividends among the shareholders of B, D and E series shares, new fully paid-in shares to be received from the subsidiary Banco de Chile, at the rate of 0.02232718590 shares of Banco de Chile for each share of the aforementioned series. These shares will be distributed on the date agreed by the Bank's Board, which in any case will occur after they are registered in the securities registry of the Superintendency of Banks and Financial Institutions.

e) On March 29, 2016, Banco de Chile reported as a Material Event that the Chilean Central Bank Council communicated on the same date that in Special Meeting 1967E held on March 28, 2016, considering the resolutions adopted at the Extraordinary Shareholders' Meeting of Banco de Chile, held on March 24, 2016, in respect of the distribution of dividends and of the capital increase through issuing new fully paid-in shares for 30% of net income for the year ended December 31, 2015, 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 the provisions in section b) of Article 31 of Law 19,396, on the modification of the form of payment of subordinated obligations, and other applicable regulations.

f) At a Board meeting held on May 19, 2016, the Board of Directors of the subsidiary Banchile Corredores de Bolsa S.A. accepted the resignation of the CEO, Mr. Andres Bucher Cepeda, submitted on May 5, 2016. The Board also agreed to appoint Mr. Andrés Ergas Heller as Acting CEO.

g) In a Board meeting held on May 20, 2016, the Board of Directors of the subsidiary Banchile Asesoría Financiera S.A. accepted the resignation submitted by the Director, Mr. Arturo Tagle Quiroz. It appointed Mr. José Miguel Quintana Malfanti as his replacement until the next Ordinary Shareholders Meeting. The Board of Directors also agreed to appoint Mr. Alfonso Yáñez Fernández as CEO of Banchile Asesoría Financiera S.A., replacing Mr. Jorge Muñoz Apara, who resigned as CEO on May 5, 2016.

h) At a Board meeting held on May 23, 2016, the Board of Directors of the subsidiary Socofin S.A. accepted the resignation of the Director Mr. Arturo Tagle Quiroz, and appointed Mr. Eduardo Ebensperger Orrego as his replacement.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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Note 39 - Additional Notes (continued)

Note 39.3 – Material information on the banking subsidiaries (continued)

i) On June 23, 2016, Banco de Chile reported that with respect to the capitalization of 30% of net distributable income for 2015, through issuing new fully paid-in shares agreed at the Extraordinary Shareholders Meeting held on March 24, 2016, the following:

- At the aforementioned Extraordinary Shareholders' Meeting, it was agreed to increase the capital of the Bank by Ch$ 96,874,072,595 through issuing 1,495,200,997 new fully paid-in shares, with no par value, payable from net distributable income for 2015, 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 162 dated May 13, 2016, which was registered in the Commercial Registry of Santiago on page 35,404 number 19,610 of 2016 and published in the Official Gazette on May 20, 2016.

  These new fully paid-in shares were recorded in the Securities Registry of the Superintendency at 4/2016, dated June 16, 2016.

- The Board of Directors of Banco de Chile Meeting BCH 2,840 held on June 23, 2016, agreed to issue and distribute the new fully paid-in shares on July 7, 2016.

- Shareholders who are registered in the Company's Register of Shareholders on July 1, 2016 will be entitled to receive the new shares, at a rate of 0.02232718590 new fully paid-in shares for each share held.

- 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.

- As a result of issuing new fully paid-in shares, the Bank's capital is divided into 97,624,347,430 registered shares, with no par value, which are fully subscribed and paid.

j) The collective bargaining process took place during the year between Socofin and Socofin Union, and as a result a four-year Collective Agreement (2016-2020) was signed.

k) On July 8, 2016, Banco de Chile reported that the Hong Kong Companies Register declared Banchile Trade Services Limited formally dissolved as of July 5, 2016.

l) On July 14, 2016, Banco de Chile and Citigroup Inc. signed an extension of the Master Services Agreement originally signed on September 25, 2009. The extension will last six months from July 1, 2016, and consequently expire on January 1, 2017.

m) At a Board meeting held on July 22, 2016, the Board of Directors of the subsidiary Socofin S.A. accepted the resignation of the Director Mr. Mauricio Baeza Letelier, and appointed Mr. Hector Castagnoli Aracena as his replacement.

n) The collective bargaining process took place during August 2016 between Banchile Administradora General de Fondos and the Banchile ADM General de Fondos SA Union, and as a result a three-year Collective Agreement (2016-2019) was signed.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 - Additional Notes (continued)

Note 39.3 – Material information on the banking subsidiaries (continued)

o) The collective bargaining process took place during the year between the subsidiary Banchile Corredores de Bolsa S.A. and the Banchile Corredores de Bolsa S.A. Union, and as a result a three-year Collective Agreement (2016 - 2019) was signed.

p) On September 1, 2016, at an Extraordinary Shareholders' Meeting of the subsidiary Socofin S.A., shareholders agreed: 1) to increase its capital by two billion Chilean pesos, by issuing shares; 2) to amend Article 5 of the bylaws regarding share capital; and 3) to incorporate a transitory article on the manner in which share capital is issued. The capital increase was fully subscribed and paid by its shareholders on September 29, 2016.

q) At a Board meeting held on September 22, 2016, the Board of Directors of the subsidiary Banchile Corredores de Bolsa S.A. appointed Mr. Hernán Arellano Salas as the new CEO.

r) On October 14, 2016, the CEO of SM Chile S.A. received the reply sent by the Chairman of the Chilean Central Bank to the proposal made by the Chairman of the Sociedad Matriz del Banco de Chile SA by means of a confidential letter dated September 14, 2016, with the purpose of agreeing the total advance payment of the subordinated obligation held by the subsidiary SAOS S.A. with that entity through the redemption of shares delivered in pledge and paying the entire obligation, including indexation and interest accrued at the date of payment. Notwithstanding the proposal to pay the total obligation, the Chairman of the Central Bank reported that the Board of the Central Bank had rejected the advance payment proposed by the Chairman of the Company under the terms indicated above.

s) On December 13, 2016, Banco de Chile and its subsidiary Banchile Corredores de Seguros Limitada, by public deed dated December 12, 2016, granted at the Santiago Notary Public of Mr. René Benavente Cash, signed Collective Insurance Contracts with Banchile Seguros de Vida S.A covering Life Protection and Total and 2/3 Permanent Disability Protection on its mortgage loan transactions.

These contracts were signed in accordance with the provisions of Article 40 of DFL 251 dated 1931, General Regulation 330 issued by the Superintendency of Securities and Insurance, and Circular 3,530 issued by the Superintendency of Banks and Financial Institutions, both dated March 21, 2012. The public tender of insurance contracts covering Life Protection and Total and 2/3 Permanent Disability Protection was awarded to Banchile Seguros de Vida SA who offered the lowest rate in both cases, of 0.0115% monthly and 0.0124% monthly, respectively, which includes the commission of the broker Banchile Corredores de Seguros Limitada of 14.00%.

t) On December 30, 2016, Banco de Chile reported as a Material Event that by public deed dated December 19, 2016, granted at the Santiago Notary Public of Mr. René Benavente Cash, Banco de Chile has acquired all the shares held by Banchile Asesoría Financiera S.A. in Promarket S.A., a subsidiary of Banco de Chile.

Pursuant to Article 103 paragraph 2 of Law 18,046 on Corporations, after an uninterrupted period of more than 10 days, Promarket S.A. was dissolved, as all its shares were owned by Banco de Chile, which as of that date is its legal successor.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, derivatives 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.

Notes to the Consolidated Financial Statements
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QUIÑENCO 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 the Basel guidelines.

- Operating expenses are shown at each of the Bank's functional areas. The assignment of expenses from functional areas to business segments is done by using various expense assignment criteria for which specific drivers are defined for each concept.

There were no transactions with a customer or counterparty that exceed 10% of the Bank's total revenue for the years ended December 31, 2016 and 2015.

Taxes are managed at a corporate level and are not assigned by business segments.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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Note 39 – Additional notes (continued)

Note 39.4 – Business segments (continued)

The following table shows the results for 2016 and 2015 by each segment of the subsidiary Banco de Chile:

	Retail		Wholesale		Treasury		Subsidiaries (**)		Subtotal		Consolidation adjustment		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Net interest and indexation income	873,532,482	840,451,799	339,980,012	355,782,838	11,193,660	27,941,883	(4,337,940)	(6,553,592)	1,220,368,214	1,217,622,928	1,000,695	1,511,562	1,221,368,909	1,219,134,490
Net fee income	170,541,195	156,938,938	42,227,197	43,852,879	(2,509,736)	(2,162,967)	121,383,104	116,144,875	331,641,760	314,773,725	(10,369,559)	(8,791,885)	321,272,201	305,981,840
Other operating revenue	92,436,768	25,199,788	43,013,953	64,861,103	35,762,864	10,354,633	23,923,411	24,804,607	195,136,996	125,220,131	(2,980,006)	(3,977,103)	192,156,990	121,243,028
Total operating revenue	1,136,510,445	1,022,590,525	425,221,162	464,496,820	44,446,788	36,133,549	140,968,575	134,395,890	1,747,146,970	1,657,616,784	(12,348,870)	(11,257,426)	1,734,798,100	1,646,359,358
Loan loss provisions (*)	(301,490,156)	(229,668,852)	(8,242,530)	(73,510,218)	—	—	(693)	116,790	(309,733,379)	(303,062,280)	—	—	(309,733,379)	(303,062,280)
Depreciation and amortization	(24,383,091)	(21,310,510)	(5,688,460)	(5,363,647)	(240,681)	(267,223)	(2,976,269)	(2,595,674)	(33,288,501)	(29,537,054)	—	—	(33,288,501)	(29,537,054)
Other operating expenses	(507,413,369)	(471,533,037)	(149,780,273)	(138,637,958)	(5,307,454)	(4,769,835)	(104,847,366)	(93,021,459)	(767,348,462)	(707,962,289)	12,348,870	11,257,426	(754,999,592)	(696,704,863)
Share of income (loss) of investments in companies	3,072,168	2,520,143	921,151	716,310	77,236	34,089	442,315	400,924	4,512,870	3,671,466	—	—	4,512,870	3,671,466
Income before taxes	306,295,997	302,598,269	262,431,050	247,701,307	38,975,889	31,130,580	33,586,562	39,296,471	641,289,498	620,726,627	—	—	641,289,498	620,726,627
Income tax expense													(89,040,533)	(61,729,903)
Net income after taxes													552,248,965	558,996,724

(*) As of December 31, 2016, the Retail and Wholesale segments include additional provisions based on their risk-weighted assets.

(**) On December 30, 2016, the dissolution and merger of the subsidiary Promarket S.A (see Note 39.3 (t)) was reported. Given the above, for comparison purposes, the figures for the retail segment for 2015 have been restated.

The following table shows the total balances of assets and liabilities as of December 31, 2016 and 2015, for each of the above segments:

	Retail		Wholesale		Treasury		Subsidiaries		Subtotal		Consolidation adjustment		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Assets	15,427,022,160	14,350,330,854	11,358,447,454	11,926,049,000	4,061,180,600	4,383,945,000	535,727,146	520,384,562	31,382,377,360	31,180,709,416	(137,201,178)	(147,013,478)	31,245,176,182	31,033,695,938
Current and deferred taxes													312,822,604	259,251,598
Total assets													31,557,998,786	31,292,947,536
Liabilities	10,249,667,937	9,726,290,425	10,268,860,824	9,934,304,406	7,874,356,010	8,605,278,014	390,452,711	373,055,716	28,783,337,482	28,638,928,561	(137,201,178)	(147,013,478)	28,646,136,304	28,491,915,083
Current and deferred taxes													24,451,519	60,946,469
Total liabilities													28,670,587,823	28,552,861,552

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015, are as follows:

	2016 ThCh$	2015 ThCh$
Cash and bank deposits:		
Cash (*)	665,463,820	672,253,003
Deposits with Chilean Central Bank (*)	118,501,034	111,330,400
Deposits with banks in Chile	8,432,850	9,676,286
Foreign deposits	615,768,782	567,962,573
Subtotal – cash and deposits in banks	1,408,166,486	1,361,222,262
Transactions pending settlement – net	181,270,241	284,203,547
Highly liquid financial instruments	467,595,042	407,110,803
Repurchase agreements	39,950,556	41,371,535
Total cash and cash equivalents	2,096,982,325	2,093,908,147

(*) The funds in cash and with the Chilean Central Bank reflect cash-reserve requirements that the Bank has to maintain for average monthly periods.

(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:

	2016 ThCh$	2015 ThCh$
Assets		
Documents payable by other banks (clearing)	191,105,461	293,907,282
Funds receivable	185,147,145	232,137,635
Subtotal – assets	376,252,606	526,044,917
Liabilities		
Funds payable	(194,982,365)	(241,841,370)
Subtotal – liabilities	(194,982,365)	(241,841,370)
Transactions pending settlement, net	181,270,241	284,203,547

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.6 – Trading instruments

Instruments classified as financial instruments for trading are detailed as follows:

	2016 ThCh$	2015 ThCh$
Instruments of the State and the Chilean Central Bank		
Bonds of the Chilean Central Bank	30,545,439	46,067,656
Notes of the Chilean Central Bank	393,019,108	103,831,800
Other instruments of the State and the Chilean Central Bank	58,780,337	100,016,221
Instruments of Other Domestic Institutions		
Bonds of banks in Chile	—	20,690
Deposits in banks in Chile	896,553,924	583,217,456
Bonds of other companies in Chile	279	279
Other instruments issued in Chile	672,097	10,420,092
Instruments of Foreign Institutions		
Foreign sovereign or central bank instruments	—	—
Other foreign instruments	385,724	—
Investments in Mutual Funds		
Funds managed by related parties	25,823,401	23,080,156
Funds managed by others	—	—
Total	1,405,780,309	866,654,350

Instruments issued by the State and the Chilean Central Bank include instruments sold under repurchase agreements to customers and financial institutions, amounting to ThCh$ 21,788,804 as of December 31, 2016 (ThCh$ 9,244,448 in December 2015). The repurchase agreements have an average maturity of 4 days at the end of 2016 (6 days in December 2015). Instruments are held that guarantee margins on offset hedging transactions through Comder Contraparte Central S.A. of 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$159,802,789 as of December 31, 2016 (ThCh$149,332,520 in 2015). Repurchase agreements have an average maturity of 10 days as of December 31, 2016 (10 days in 2015).

The Bank also holds investments in its own mortgage-funding notes amounting to ThCh$19,468,500 as of December 31, 2016 (ThCh$25,303,261 in 2015), which are shown deducted from Debt instruments issued.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, is as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Instruments of the State and the Chilean Central Bank														
Bonds of the Chilean Central Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Notes of the Chilean Central Bank	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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 issue by banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deposits in banks in Chile	—	3,461,032	—	—	—	—	—	—	—	—	—	—	—	3,461,032
Bonds of other Chilean companies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments issued in Chile	30,963,709	32,449,000	21,966,664	8,703,611	2,772,763	1,550,818	—	—	—	—	—	—	55,703,136	42,703,429
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other foreign instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	30,963,709	35,910,032	21,966,664	8,703,611	2,772,763	1,550,818	—	—	—	—	—	—	55,703,136	46,164,461

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, 2016, the Bank and its subsidiaries have investments in repurchase agreements with a fair value of ThCh$54,498,725 (ThCh$46,324,305 in December 2015).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015, is as follows:

	Up to 1 month		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Instruments of the State and the Chilean Central Bank														
Bonds of the Chilean Central Bank	10,568,045	3,051,633	—	—	—	—	—	—	—	—	—	—	10,568,045	3,051,633
Notes of the Chilean Central Bank	16,164,845	7,301,314	—	—	—	—	—	—	—	—	—	—	16,164,845	7,301,314
Other instruments of the State and the Chilean Central Bank	—	1,942,487	—	—	—	—	—	—	—	—	—	—	—	1,942,487
Instruments of Other Domestic Institutions														
Deposit notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Mortgage-funding notes of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Bonds of banks in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Deposits of banks in Chile	174,078,275	158,155,633	16,006,012	13,680,368		—	—	—	—	—	—	—	190,084,287	171,836,001
Bonds of other companies in Chile	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other instruments in the country	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Instruments of Foreign Institutions														
Foreign sovereign and central bank instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other foreign instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total	200,811,165	170,451,067	16,006,012	13,680,368	—	—	—	—	—	—	—	—	216,817,177	184,131,435

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, 2016 amounts to ThCh$223,721,178 (ThCh$184,918,664 in December 2015). 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.8 – Financial derivative contracts and hedge accounting

a) The Bank as of December 31, 2016 and 2015, has the following portfolio of derivative instruments:

	Notional amount of contracts with final maturity in												Fair value			
	Up to 1 month		1 to 3 months		3 to 5 months		1 to 3 years		3 to 5 years		More than 5 years		Asset		Liability	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Derivatives held for fair value hedges																
Currency and rate swaps	—	—	—	—	—	—	—	—	—	—	16,720,837	19,221,820	—	—	4,304,179	4,188,780
Interest-rate swaps	—	—	—	—	10,726,400	14,946,697	50,212,960	11,331,840	19,776,800	66,503,736	41,365,021	81,270,540	217,697	279,328	5,989,111	10,360,258
Total derivative hedges at fair value	—	—	—	—	10,726,400	14,946,697	50,212,960	11,331,840	19,776,800	66,503,736	58,085,858	100,492,360	217,697	279,328	10,293,290	14,549,038
Cash flow hedge derivatives																
Currency and rate swaps	—	—	—	103,638,329	203,881,619	201,722,951	546,728,936	441,930,324	30,882,818	318,240,435	416,506,900	306,581,752	63,482,499	203,892,049	45,722,223	3,665,752
Total cash flow hedge derivatives	—	—	—	103,638,329	203,881,619	201,722,951	546,728,936	441,930,324	30,882,818	318,240,435	416,506,900	306,581,752	63,482,499	203,892,049	45,722,223	3,665,752
Derivatives for trading																
Currency forwards	5,464,264,885	6,361,172,472	6,186,900,692	5,658,682,037	10,373,904,548	6,392,029,139	740,167,110	1,097,148,468	53,336,460	79,217,150	6,704,000	—	163,701,193	180,616,276	138,573,848	207,960,857
Interest rate swaps	1,146,528,243	1,444,510,147	4,015,500,071	3,626,015,352	7,430,119,829	8,414,997,928	10,543,378,344	9,190,932,870	4,924,192,794	5,063,261,509	6,837,253,988	5,676,905,160	253,306,346	173,364,736	249,930,164	159,667,823
Currency and-rate swaps	185,591,643	1,283,607,310	563,298,857	835,357,403	1,512,445,920	1,369,605,177	1,999,816,936	2,370,091,302	1,641,550,992	1,513,471,063	3,239,684,666	2,394,036,450	455,784,417	566,412,301	554,721,821	737,845,871
Currency call options	31,432,019	25,127,059	51,502,488	69,802,210	80,547,481	77,364,271	10,578,912	35,412	—	—	—	—	1,557,862	1,878,090	1,978,728	3,689,211
Currency put options	19,175,273	16,503,115	29,093,188	50,577,998	63,861,765	66,037,905	10,578,912	35,412	—	—	—	—	1,583,835	680,479	867,332	548,986
Total derivatives for trading	6,846,992,063	9,130,920,103	10,846,295,296	10,240,435,000	19,460,879,543	16,320,034,420	13,304,520,214	12,658,243,464	6,619,080,246	6,655,949,722	10,083,642,654	8,070,941,610	875,933,653	922,951,882	946,071,893	1,109,712,748
Total	**6,846,992,063**	**9,130,920,103**	**10,846,295,296**	**10,344,073,329**	**19,675,487,562**	**16,536,704,068**	**13,901,462,110**	**13,111,505,628**	**6,669,739,864**	**7,040,693,893**	**10,558,235,412**	**8,478,015,722**	**939,633,849**	**1,127,123,259**	**1,002,087,406**	**1,127,927,538**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Hedged item		
Commercial loans	16,720,837	19,221,820
Corporate bonds	122,081,181	174,052,813
Hedge instrument		
Cross-currency swap	16,720,837	19,221,820
Interest-rate swap	122,081,181	174,052,813

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		More than 5 years		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Hedged item														
Cash outflows:														
Corporate bond EUR	—	—	—	—	(552,408)	(603,326)	(1,104,815)	(1,206,653)	(1,104,815)	(1,206,653)	(35,467,170)	(39,339,712)	(38,229,208)	(42,356,344)
Corporate bond HKD	—	—	—	—	(12,143,892)	(12,852,847)	(76,922,435)	(25,658,194)	(21,084,129)	(79,630,582)	(338,517,117)	(368,923,529)	(448,667,573)	(487,065,152)
Corporate bond PEN	—	—	—	—	(15,614,058)	(636,308)	—	(16,218,679)	—	—	—	—	(15,614,058)	(16,854,987)
Corporate bond CHF	—	(255,141)	(1,031,308)	(108,677,642)	(87,307,994)	(166,473,325)	(370,925,549)	(279,477,048)	(495,028)	(217,701,854)	(99,748,153)	—	(559,508,032)	(772,585,010)
Obligation USD	(530,763)	(677,964)	—	—	(115,113,017)	(1,736,209)	(101,477,610)	(229,376,571)	—	—	—	—	(217,121,390)	(231,790,744)
Corporate bond JPY	—	—	(306,317)	(313,674)	(623,048)	(66,316,901)	(46,414,965)	(1,901,431)	(29,418,318)	(76,301,726)	(28,866,396)	(29,852,627)	(105,629,044)	(174,686,359)
Hedge instrument														
Cash inflows:														
Cross-currency swap EUR	—	—	—	—	552,408	603,326	1,104,815	1,206,653	1,104,815	1,206,653	35,467,170	39,339,712	38,229,208	42,356,344
Cross-currency swap HKD	—	—	—	—	12,143,892	12,852,847	76,922,435	25,658,194	21,084,129	79,630,582	338,517,117	368,923,529	448,667,573	487,065,152
Cross-currency swap PEN	—	—	—	—	15,614,058	636,308	—	16,218,679	—	—	—	—	15,614,058	16,854,987
Cross-currency swap CHF	—	255,141	1,031,308	108,677,642	87,307,994	166,473,325	370,925,549	279,477,048	495,028	217,701,854	99,748,153	—	559,508,032	772,585,010
Cross-currency swap USD	530,763	677,964	—	—	115,113,017	1,736,209	101,477,610	229,376,571	—	—	—	—	217,121,390	231,790,744
Cross-currency swap JPY	—	—	306,317	313,674	623,048	66,316,901	46,414,965	1,901,431	29,418,318	76,301,726	28,866,396	29,852,627	105,629,044	174,686,359
Net cash flows	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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		1 to 3 months		3 to 12 months		1 to 3 years		3 to 5 years		Over 5 years		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Hedged item														
Cash inflows:														
Cash flow in CHF	1,155,420	2,960,549	2,304,138	107,006,826	232,832,918	231,948,032	592,204,401	494,015,328	54,094,113	345,014,567	470,207,178	359,901,650	1,352,798,168	1,540,846,952
Hedge instrument														
Cash outflows:														
Cross-currency swap HKD	—	—	—	—	(9,253,255)	(9,062,426)	(66,277,715)	(17,999,206)	(16,091,023)	(63,301,042)	(288,321,811)	(288,281,399)	(379,943,804)	(378,644,073)
Cross-currency swap PEN	—	—	—	—	(16,587,479)	(493,312)	—	(16,134,899)	—	—	—	—	(16,587,479)	(16,628,211)
Cross-currency swap JPY	—	—	(1,042,707)	(1,023,644)	(1,866,714)	(68,014,725)	(52,106,592)	(5,660,080)	(32,878,081)	(79,041,589)	(30,760,659)	(30,715,661)	(118,654,753)	(184,455,699)
Cross-currency swap USD	—	—	—	—	(114,210,148)	(3,865,748)	(108,691,412)	(216,819,815)	—	—	—	—	(222,901,560)	(220,685,563)
Cross-currency swap CHF	(1,155,420)	(2,960,549)	(1,261,431)	(105,983,182)	(89,876,102)	(149,492,624)	(363,044,531)	(235,376,819)	(3,560,469)	(200,641,873)	(109,592,365)	—	(568,490,318)	(694,455,047)
Cross-currency swap EUR	—	—	—	—	(1,039,220)	(1,019,197)	(2,084,151)	(2,024,509)	(1,564,540)	(2,030,063)	(41,532,343)	(40,904,590)	(46,220,254)	(45,978,359)
	—	—	—	—	—	—	—	—	—	—	—	—	—	—
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 2016 in the subsidiary Banco de Chile for derivative contracts that are hedge instruments in this cash-flow hedging strategy has been booked as a charge to equity amounting to ThCh$21,211,484 (credit of ThCh$4,139,861 in 2015). The net effect of deferred taxes is a charge to equity of ThCh$16,123,137 in 2016 (net credit of ThCh$3,208,215 in 2015).

The accumulated balance for this concept as of December 31, 2016, is a charge to equity of ThCh$11,486,443 (credit of ThCh$9,725,041 in 2015).

(c.4) The effect of the cash-flow hedge derivatives in Banco de Chile, which offsets the charge to income in the value of the instruments hedged, is a charge to income of ThCh$135,927,771 (credit to income of ThCh$148,553,991 in 2015).

(c.5) As of December 31, 2016 and 2015, 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, 2016 and 2015, the Bank has no hedges of net investment in foreign businesses.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.9 – Due by banks

(a) As of December 31, 2016 and 2015, the balances of amounts due by banks are as follows:

	2016 ThCh$	2015 ThCh$
Banks in Chile		
Overdrafts on current accounts	4	—
Interbank liquidity loans	200,019,444	20,000,000
Interbank commercial loans	8,384,310	25,257,847
Provisions on loans to banks in Chile	(99,649)	(71,749)
Subtotal	208,304,109	45,186,098
Foreign banks		
Interbank commercial loans	129,903,758	211,573,149
Foreign trade finance between other countries	77,049,332	91,277,659
Foreign trade finance Chilean exports	57,748,822	47,355,466
Provisions on loans to banks abroad	(428,622)	(629,931)
Subtotal	264,273,290	349,576,343
Chilean Central Bank		
Restricted deposits in Central Bank	700,000,000	1,000,000,000
Other credits with Central Bank	340,683	433,057
Subtotal	700,340,683	1,000,433,057
Total	1,172,918,082	1,395,195,498

(b) Movements in provisions for loans due by banks during 2016 and 2015 are detailed as follows:

	Banks in Chile ThCh$	Banks in Abroad ThCh$	Total ThCh$
Balance as of January 1, 2015	61,205	755,436	816,641
Charge-offs	—	—	—
Provisions recorded	10,544	—	10,544
Provisions released	—	(125,505)	(125,505)
Balances as of December 31, 2015	71,749	629,931	701,680
Charge-offs	—	—	—
Provisions recorded	27,900	—	27,900
Provisions released		(201,309)	(201,309)
Balances as of December 31, 2016	99,649	428,622	528,271

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015, are detailed as follows:

	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

(1) 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2015							
	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	10,335,384,550	89,791,591	383,964,838	10,809,140,979	(154,114,605)	(83,520,548)	(237,635,153)	10,571,505,826
Foreign trade finance	1,318,078,441	64,848,940	60,317,971	1,443,245,352	(84,281,598)	(3,286,317)	(87,567,915)	1,355,677,437
Checking account debtors	227,063,047	2,518,717	9,646,106	239,227,870	(5,728,365)	(4,082,186)	(9,810,551)	229,417,319
Factoring operations	483,797,579	2,281,520	754,043	486,833,142	(10,571,489)	(1,772,825)	(12,344,314)	474,488,828
Commercial lease operations (1)	1,334,037,246	15,366,870	25,651,279	1,375,055,395	(6,907,757)	(11,003,545)	(17,911,302)	1,357,144,093
Other loans and accounts receivable	50,899,579	256,526	7,147,053	58,303,158	(2,114,829)	(3,414,694)	(5,529,523)	52,773,635
Subtotal	13,749,260,442	175,064,164	487,481,290	14,411,805,896	(263,718,643)	(107,080,115)	(370,798,758)	14,041,007,138
Residential mortgage loans								
Loans with mortgage-funding notes	49,848,678	—	3,771,264	53,619,942	—	(67,932)	(67,932)	53,552,010
Endorsable mortgage loans	82,826,045	—	1,818,094	84,644,139	—	(94,881)	(94,881)	84,549,258
Other residential mortgage loans	6,146,484,502	—	111,422,528	6,257,907,030	—	(34,760,472)	(34,760,472)	6,223,146,558
Loans from the ANAP	17,269	—	—	17,269	—	(4)	(4)	17,265
Housing leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	8,643,349	—	154,320	8,797,669	—	(29,343)	(29,343)	8,768,326
Subtotal	6,287,819,843	—	117,166,206	6,404,986,049	—	(34,952,632)	(34,952,632)	6,370,033,417
Consumer loans								
Installment consumer loans	2,188,880,495	—	233,216,907	2,422,097,402	—	(153,215,812)	(153,215,812)	2,268,881,590
Checking account debtors	292,533,967	—	4,325,097	296,859,064	—	(7,476,459)	(7,476,459)	289,382,605
Credit card debtors	991,831,654	—	24,517,817	1,016,349,471	—	(34,968,447)	(34,968,447)	981,381,024
Consumer leases	—	—	—	—	—	—	—	—
Other loans and accounts receivable	49,982	—	781,016	830,998	—	(354,233)	(354,233)	476,765
Subtotal	3,473,296,098	—	262,840,837	3,736,136,935	—	(196,014,951)	(196,014,951)	3,540,121,984
Total	23,510,376,383	175,064,164	867,488,333	24,552,928,880	(263,718,643)	(338,047,698)	(601,766,341)	23,951,162,539

(2) Banco de Chile finances its customers to acquire assets, whether movable or immovable, under finance lease contracts. As of December 31, 2015, ThCh$653,225,116 relate to real estate finance leases, and ThCh$721,830,279 relate to movable asset finance leases.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39– Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(a1) Loans and accounts receivable from customers (continued):

Changes in volumes for the default and impaired portfolios stem mainly from the individually evaluated commercial portfolio, as a result of portfolio sales, classification changes and adopting new regulations issued by the SBIF.

Until December 31, 2015, the Bank included in the default portfolio with group evaluation all those transactions with customers who fulfilled any of the following conditions:

- 90 days or more past due on any of their loans.
- Unauthorized overdraft on a current account for over 30 days (for individuals without a business).
- Customer being managed by the collection team or subject to court collections.
- To leave the default category, the customer is required to have 6 months' good payment behavior (less than 30 days past due).

As a result of new regulations (Circular 3,584 dated June 22, 2015) that modified the definition of the default portfolio with group evaluations, starting this year the Bank includes customers that comply with the following:

The default portfolio includes all loans and all contingent loans due from debtors whose payment of interest or principal on any loan is 90 days or more past due at the end of a month. It will also include debtors who are granted a loan to settle a transaction that was more than 60 days past due, and those debtors who have been subject to forced restructuring or partial debt forgiveness.

In order to remove a debtor from the Default Portfolio, all the circumstances that led to their classification in this portfolio according to the current rules must have been resolved, and at least 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 does not have any direct unpaid debts according to information compiled by the SBIF, except for insignificant amounts.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(a.2) Impaired portfolio

As of December 31, 2016 and 2015, 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	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Commercial loans	14,021,924,638	13,866,413,879	468,612,441	545,392,017	14,490,537,079	14,411,805,896	(221,085,223)	(263,718,643)	(105,174,097)	(107,080,115)	(326,259,320)	(370,798,758)	14,164,277,759	14,041,007,138
Residential mortgage loans	6,784,612,800	6,287,819,843	135,572,566	117,166,206	6,920,185,366	6,404,986,049	—	—	(33,866,200)	(34,952,632)	(33,866,200)	(34,952,632)	6,886,319,166	6,370,033,417
Consumer loans	3,723,548,928	3,473,296,098	251,010,212	262,840,837	3,974,559,140	3,736,136,935	—	—	(249,866,465)	(196,014,951)	(249,866,465)	(196,014,951)	3,724,692,675	3,540,121,984
Total	**24,530,086,366**	**23,627,529,820**	**855,195,219**	**925,399,060**	**25,385,281,585**	**24,552,928,880**	**(221,085,223)**	**(263,718,643)**	**(388,906,762)**	**(338,047,698)**	**(609,991,985)**	**(601,766,341)**	**24,775,289,600**	**23,951,162,539**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 2016 and 2015 are detailed as follows:

	Provisions		
	Individual ThCh$	Group ThCh$	Total ThCh$
Balance as of January 1, 2015	206,023,017	322,590,849	528,613,866
Charge-offs:			
Commercial loans	(13,228,333)	(44,759,076)	(57,987,409)
Residential mortgage loans	—	(2,553,303)	(2,553,303)
Consumer loans	—	(196,014,832)	(196,014,832)
Total charge-offs	(13,228,333)	(243,327,211)	(256,555,544)
Debt exchange	(2,690,395)	—	(2,690,395)
Portfolio acquisition	12,329,134	—	12,329,134
Provisions	61,285,220	258,784,060	320,069,280
Balance as of December 31, 2015	263,718,643	338,047,698	601,766,341
Balance as of January 1, 2016	263,718,643	338,047,698	601,766,341
Charge-offs:			
Commercial loans	(14,913,455)	(44,930,159)	(59,843,614)
Residential mortgage loans	—	(4,190,409)	(4,190,409)
Consumer loans	—	(213,023,460)	(213,023,460)
Total charge-offs	(14,913,455)	(262,144,028)	(277,057,483)
Debt exchange	(24,923,687)	—	(24,923,687)
Provisions	—	313,003,092	313,003,092
Provisions released	(2,796,278)	—	(2,796,278)
Balance as of December 31, 2016	221,085,223	388,906,762	609,991,985

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, 2016 and 2015, 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).

2. As of December 31, 2016 and 2015, 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)).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 (*)	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Up to 1 year	463,295,334	460,003,530	(54,346,506)	(54,353,463)	408,948,828	405,650,067
1 to 2 years	325,230,348	333,373,699	(40,165,872)	(39,912,601)	285,064,476	293,461,098
2 to 3 years	223,796,353	218,307,657	(26,156,222)	(27,286,802)	197,640,131	191,020,855
3 to 4 years	147,047,172	152,329,472	(18,162,004)	(19,090,813)	128,885,168	133,238,659
4 to 5 years	99,991,980	106,805,894	(12,698,121)	(13,652,316)	87,293,859	93,153,578
Over 5 years	265,660,247	281,488,811	(28,399,302)	(30,492,005)	237,260,945	250,996,806
Total	1,525,021,434	1,552,309,063	(179,928,027)	(184,788,000)	1,345,093,407	1,367,521,063

(*) The net balance receivable does not include doubtful credits amounting to ThCh$6,018,648 as of December 31, 2016 (ThCh$7,534,332 in 2015).

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 17 years.

d) Loans by economic activity

As of December 31, 2016 and 2015, the portfolio before provisions by customers' economic activity is as follows:

	Loans				Total			
	Chile		Abroad					
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	%	2015 ThCh$	%
Commercial loans								
Commerce	2,182,770,976	2,265,154,443	52,455,945	80,164,090	2,235,226,921	8.81	2,345,318,533	9.55
Financial services	2,102,582,965	2,117,466,226	13,621,436	13,480,355	2,116,204,401	8.34	2,130,946,581	8.68
Services	1,937,427,965	1,668,021,948	—	324,189	1,937,427,965	7.63	1,668,346,137	6.79
Construction	1,647,861,686	1,585,940,145	—	—	1,647,861,686	6.49	1,585,940,145	6.46
Transport and telecommunications	1,636,993,934	1,656,110,825	—	12,516,665	1,636,993,934	6.45	1,668,627,490	6.80
Manufacturing	1,517,435,670	1,534,130,590	44,301,288	92,384,186	1,561,736,958	6.15	1,626,514,776	6.62
Agriculture and livestock	1,184,868,881	1,185,113,397	—	—	1,184,868,881	4.67	1,185,113,397	4.83
Electricity, gas and water	566,437,918	473,172,416	—	—	566,437,918	2.23	473,172,416	1.93
Mining	432,821,879	545,374,748	—	—	432,821,879	1.70	545,374,748	2.22
Fishing	264,042,465	351,530,936	—	—	264,042,465	1.04	351,530,936	1.43
Others	906,914,071	830,920,737	—	—	906,914,071	3.57	830,920,737	3.40
Subtotal	14,380,158,410	14,212,936,411	110,378,669	198,869,485	14,490,537,079	57.08	14,411,805,896	58.71
Residential mortgage loans	6,920,185,366	6,404,986,049	—	—	6,920,185,366	27.26	6,404,986,049	26.08
Consumer loans	3,974,559,140	3,736,136,935	—	—	3,974,559,140	15.66	3,736,136,935	15.21
Total	25,274,902,916	24,354,059,395	110,378,669	198,869,485	25,385,281,585	100.00	24,552,928,880	100.00

(e) Purchase of loan portfolio

During 2016, the Bank acquired a loan portfolio with a nominal value of ThCh$54,968,690. The main transactions are portfolio purchases from local banks.

During 2015, the Bank acquired a loan portfolio with a nominal value of ThCh$649,144,436. The most important transaction was a portfolio purchase from a local bank.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.10 – Loans and accounts receivable from customers (continued)

(f) Sale or assignment of loans

During 2016 and 2015 the following loans from the loan portfolio were sold or assigned:

	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

	2015			
	Loan value ThCh$	Provision ThCh$	Sale value ThCh$	Effect on income (loss) gain ThCh$
Sale of loans	89,084,866	(2,690,395)	89,084,866	2,690,395
Sale of charged-off loans	—	—	1,440,000	1,440,000
Total	**89,084,866**	**(2,690,395)**	**90,524,866**	**4,130,395**

(g) Securitization of own assets

No own asset securitization transactions were carried out during 2016 and 2015.

Note 39.11 – Investment instruments

Investment instruments designated as held for sale and held to maturity as of December 31, 2016 and 2015, are detailed as follows:

	2016			2015		
	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	20,943,835	—	20,943,835	36,258,391	—	36,258,391
Notes of the Chilean Central Bank	—	—	—	—	—	—
Other state instruments and the Chilean Central Bank	38,256,232	—	38,256,232	50,250,444	—	50,250,444
Instruments of Other Chilean Institutions						
Deposit notes of banks in Chile	—	—	—	—	—	—
Mortgage-funding notes of banks in Chile	108,932,786	—	108,932,786	87,610,345	—	87,610,345
Bonds of banks in Chile	7,973,279	—	7,973,279	83,959,319	—	83,959,319
Deposits with banks in Chile	24,031,679	—	24,031,679	450,975,840	—	450,975,840
Bonds of other companies in Chile	29,524,979	—	29,524,979	17,766,337	—	17,766,337
Notes of other companies in Chile	—	—	—	—	—	—
Other instruments issued in Chile	138,322,304	—	138,322,304	191,537,024	—	191,537,024
Instruments of Foreign Institutions						
Foreign sovereign or central bank instruments	—	—	—	—	—	—
Other instruments	—	—	—	81,643,998	—	81,643,998
Total	367,985,094	—	367,985,094	1,000,001,698	—	1,000,001,698

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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$4,974,547 as of December 31, 2016 (ThCh$3,053,846 in 2015). The repurchase agreements had an average maturity of 7 days as of December 2016 (6 days in 2015). Instruments are also held that guarantee margins for offset hedging transactions through Comder Contraparte Central S.A. of ThCh$2,099,000 as of December 31, 2016.

Instruments under foreign institutions include mainly bank bonds and equities.

The portfolio of instruments held for sale as of December 31, 2016 includes a net accumulated unrealized gain of ThCh$352,855 (unrealized gain of ThCh$22,210,605 in 2015), booked as valuation adjustment in equity.

During the years 2016 and 2015 there is no evidence of impairment of investment instruments held for sale.

Realized gains and losses are determined using the procedure of sales less cost (specific identification method) of the investments identified to be sold. Any unrealized gain or loss previously booked at the liquid value of the investments, is reversed through the income accounts.

Gross realized gains and losses on the sale of instruments held for sale are shown in Income of financial operations, as of December 31, 2016 and 2015 (Note 39.27).

The gross realized gains and losses on sales of instruments held for sale in the subsidiary Banco de Chile as of December 31, 2016 and 2015, booked proportionately by the company, are as follows:

	2016 ThCh$	**2015 ThCh$**
Unrealized gain during the year	5,272,506	6,630,790
Realized loss (reclassified to income)	(27,130,256)	(3,277,765)
Subtotal	(21,857,750)	3,353,025
Income tax on other comprehensive income	5,241,385	(1,088,034)
Net effect	(16,616,365)	2,264,991

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.12 – Investments in other companies

a) Investments in companies shows a total of ThCh$32,588,475 as of December 31, 2016 (ThCh$28,125,874 in 2015), detailed as follows:

		Percentage interest		Equity of the company		Investment			
						Value		Result (***)	
		2016	2015	2016	2015	2016	2015	2016	2015
Company	**Shareholder**	**%**	**%**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**	**ThCh$**
Associate									
Transbank S.A.(*)	Banco de Chile	26.16	26.16	49,518,176	40,302,116	12,953,972	10,541,596	1,362,596	1,314,222
Soc. Operadora de Tarjetas de Crédito Nexus S.A.	Banco de Chile	25.81	25.81	10,809,085	9,471,540	2,789,458	2,444,234	493,096	449,324
Administrador Financiero del Transantiago S.A.	Banco de Chile	20.00	20.00	13,907,210	12,757,662	2,781,511	2,551,542	229,910	322,533
Redbanc S.A.	Banco de Chile	38.13	38.13	6,422,014	5,418,519	2,449,039	2,066,307	425,192	244,929
Sociedad Imerc OTC S.A. (**)	Banco de Chile	12.33	11.48	10,991,269	9,822,947	1,346,551	1,128,116	134,776	(119,173)
Centro de Compensación Automatizado S.A.	Banco de Chile	33.33	33.33	3,984,883	3,251,663	1,328,230	1,083,789	248,038	211,483
Sociedad Interbancaria de Depósitos de Valores S.A.	Banco de Chile	26.81	26.81	3,100,714	2,655,875	831,224	711,981	175,232	125,114
Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A.	Banco de Chile	15.00	15.00	5,472,001	4,955,465	820,864	743,319	100,086	135,869
Subtotal Associates				104,205,352	88,635,787	25,300,849	21,270,884	3,168,926	2,684,301
Joint ventures									
Servipag Ltda.	Banco de Chile	50.00	50.00	8,596,282	7,778,114	4,298,203	3,889,067	409,084	248,482
Artikos Chile S.A.	Banco de Chile	50.00	50.00	1,430,723	1,377,540	715,417	688,779	440,774	310,166
Subtotal Joint ventures				10,027,005	9,155,654	5,013,620	4,577,846	849,858	558,648
Subtotal				114,232,357	97,791,441	30,314,469	25,848,730	4,018,784	3,242,949
Investments at cost (1)									
Bolsa de Comercio de Santiago S.A.						1,645,820	1,645,820	438,000	369,394
Banco Latinoamericano de Comercio Exterior S.A. (Bladex)						308,858	308,858	61,114	59,123
Bolsa Electrónica de Chile S.A.						257,033	257,033	—	—
Sociedad de Telecomunicaciones Financieras Interbancarias Mundiales (Swift)						54,308	57,446	—	—
CCLV Contraparte Central S.A.						7,987	7,987	—	—
Subtotal						2,274,006	2,277,144	499,114	428,517
Total						32,588,475	28,125,874	4,517,898	3,671,466

(1) Income relating to investments booked at cost is revenue booked on a received basis (dividends).

(*) During 2016, Transbank S.A. had a capital increase for an amount equivalent to ThCh$9,041,111 through the capitalization of profits, a premium on share placement and issuing new shares. Banco de Chile subscribed and paid for shares totaling ThCh$ 1,046,256 (which does not include indexation of ThCh$ 8,302). Banco de Chile's interest in Transbank S.A. did not change as a result of this capital increase.

(**) During July 2016, Banco de Chile increased its interest in Servicios de Infraestructura de Mercado OTC S.A., by acquiring 82 shares.

(***) 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. See Note 39.3 (t).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.12 - Investments in companies (continued)

(b) Associates

	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**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.12 - Investments in companies (continued)

(b) Associates (continued)

	2015								
	Centro de Compensación Automatizado S.A. ThCh$	**Soc. Operadora de la Cámara de Compensación de Pagos de Alto Valor S.A. ThCh$**	**Soc. Operadora de Tarjetas de Crédito Nexus S.A. ThCh$**	**Sociedad Interbancaria de Depósitos de Valores S.A. ThCh$**	**Redbanc S.A. ThCh$**	**Transbank S.A. ThCh$**	**Administrador Financiero del Transantiago S.A. ThCh$**	**Sociedad Imerc OTC S.A. ThCh$**	**Total ThCh$**
Current assets	1,273,077	5,328,784	11,306,627	99,989	5,221,625	549,890,891	41,202,617	6,653,065	620,976,675
Non-current assets	3,875,406	401,308	12,776,221	2,613,998	15,074,264	51,735,609	1,315,377	10,978,160	98,770,343
Total Assets	**5,148,483**	**5,730,092**	**24,082,848**	**2,713,987**	**20,295,889**	**601,626,500**	**42,517,994**	**17,631,225**	**719,747,018**
Current liabilities	1,370,748	774,627	11,064,838	58,112	12,359,565	561,183,608	29,324,946	4,814,665	620,951,109
Non-current liabilities	526,072	—	3,546,470	—	2,517,805	140,776	435,386	2,985,177	10,151,686
Total liabilities	1,896,820	774,627	14,611,308	58,112	14,877,370	561,324,384	29,760,332	7,799,842	631,102,795
Equity	3,251,663	4,955,465	9,471,540	2,655,875	5,418,519	40,302,116	12,757,662	9,822,947	88,635,787
Non-controlling interests	—	—	—	—	—	—	—	8,436	8,436
Total Liabilities and Equity	**5,148,483**	**5,730,092**	**24,082,848**	**2,713,987**	**20,295,889**	**601,626,500**	**42,517,994**	**17,631,225**	**719,747,018**
Operating revenue	1,803,832	3,061,715	44,631,608	3,588	32,428,601	133,442,257	3,167,886	2,569,479	221,108,966
Operating expenses	(1,017,146)	(2,321,595)	(42,630,469)	(25,830)	(31,114,094)	(128,007,299)	(1,818,718)	(4,190,717)	(211,125,868)
Other income (expenses)	(28,648)	364,639	62,804	585,124	(472,247)	825,938	595,894	32,434	1,965,938
Income (loss) before taxes	758,038	1,104,759	2,063,943	562,882	842,260	6,260,896	1,945,062	(1,588,804)	11,949,036
Income tax benefit (expense)	(123,533)	(215,395)	(322,791)	—	(199,979)	(1,236,429)	(332,407)	550,470	(1,880,064)
Net income (loss) for the year	**634,505**	**889,364**	**1,741,152**	**562,882**	**642,281**	**5,024,467**	**1,612,655**	**(1,038,334)**	**10,068,972**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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.	
	2016 ThCh$	**2015 ThCh$**	**2016 ThCh$**	**2015 ThCh$**
Current assets	1,149,652	1,224,047	49,477,460	50,449,236
Non-current assets	1,028,764	755,175	17,349,746	17,193,347
Total Assets	**2,178,416**	**1,979,222**	**66,827,206**	**67,642,583**
Current liabilities	747,693	601,682	53,545,079	55,127,571
Non-current liabilities	—	—	4,685,845	4,736,898
Total liabilities	**747,693**	**601,682**	**58,230,924**	**59,864,469**
Equity	1,430,723	1,377,540	8,596,282	7,778,114
Total liabilities and equity	**2,178,416**	**1,979,222**	**66,827,206**	**67,642,583**
Operating revenue	2,752,132	3,147,270	39,586,692	38,878,380
Operating expenses	(2,072,406)	(735,370)	(38,123,973)	(37,631,519)
Other income (expenses)	22,730	(1,929,253)	(541,883)	(796,900)
Income before taxes	**702,456**	**482,647**	**920,836**	**449,961**
Income tax benefit (expense)	179,092	137,686	(102,667)	47,002
Net income for the year	**881,548**	**620,333**	**818,169**	**496,963**

d) The movement of permanent investments in companies that are not consolidated in 2016 and 2015 is as follows:

	2016 ThCh$	**2015 ThCh$**
Initial book value	28,125,874	25,311,647
Acquisition of investments	1,129,342	313,668
Share of income (loss) from investments with significant influence and joint control	4,018,784	3,242,949
Dividends receivable	(560,110)	(535,193)
Dividends received	(666,870)	(662,629)
Dividends paid	535,193	405,315
Others	6,262	50,117
Total	32,588,475	28,125,874

(e) There was no impairment of these investments during the years ended December 31, 2016 and 2015.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets

a) Intangible assets as of December 31, 2016 and 2015, are detailed as follows:

	Years									
	Useful life		Average remaining amortization		Gross balance		Accumulated amortization		Net balance	
	2016	2015	2016	2015	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Other intangible assets:										
Software or computer programs	6	6	5	4	109,484,660	99,993,614	(80,143,868)	(73,274,833)	29,340,792	26,718,781
Total					109,484,660	99,993,614	(80,143,868)	(73,274,833)	29,340,792	26,718,781

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.13 – Intangible assets (continued)

b) Movements in intangible assets during 2016 and 2015 are detailed as follows:

2016	**Software or computer programs ThCh$**	**Total ThCh$**
Gross balance		
Balance as of January 1, 2016	99,993,614	99,993,614
Acquisitions	11,248,256	11,248,256
Withdrawals/write-offs	(1,757,210)	(1,757,210)
Impairment loss (*)	—	—
Total	109,484,660	109,484,660
Accumulated amortization		
Balance as of January 1, 2016	(73,274,833)	(73,274,833)
Amortization for the year (*)	(8,594,893)	(8,594,893)
Withdrawals/write-offs	1,725,858	1,725,858
Total	(80,143,868)	(80,143,868)
Balance as of December 31, 2016	29,340,792	29,340,792

2015	**Software or computer programs ThCh$**	**Total ThCh$**
Gross balance		
Balance as of January 1, 2015	92,217,828	92,217,828
Acquisitions	8,520,387	8,520,387
Withdrawals/write-offs	(685,134)	(685,134)
Impairment loss (*)	(59,467)	(59,467)
Total	99,993,614	99,993,614
Accumulated amortization		
Balance as of January 1, 2015	(65,624,869)	(65,624,869)
Amortization for the year (*)	(8,330,708)	(8,330,708)
Withdrawals/write-offs	680,744	680,744
Total	(73,274,833)	(73,274,833)
Balance as of December 31, 2015	26,718,781	26,718,781

(*) See Note 39.32 on depreciation, amortization and impairment.

c) As of December 31, 2016 and 2015, the following commitments have been made by the Bank for technological developments:

	Amount of commitment	
	2016 ThCh$	**2015 ThCh$**
Software and licenses	3,023,862	5,778,779

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.14 –Property, plant and equipment

(a) Property, plant and equipment as of December 31, 2016 and 2015, is detailed as follows:

	Gross balance		Accumulated depreciation		Net balance	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Description:						
Land and buildings	302,187,227	292,165,602	(134,900,334)	(126,569,042)	167,286,893	165,596,560
Equipment	180,321,312	167,873,561	(139,277,217)	(127,643,621)	41,044,095	40,229,940
Others	50,403,617	47,960,821	(39,652,516)	(38,116,507)	10,751,101	9,844,314
Total	532,912,156	507,999,984	(313,830,067)	(292,329,170)	219,082,089	215,670,814

(b) Movements in property, plant and equipment during 2016 and 2015 are detailed as follows:

	2016			
	Land and buildings ThCh$	Equipment ThCh$	Others ThCh$	Total ThCh$
<u>Gross balance</u>				
Balance as of January 1, 2016	292,165,602	167,873,561	47,960,821	507,999,984
Reclassification	—	—	—	—
Additions	10,174,174	14,103,606	3,539,897	27,817,677
Withdrawals/write-offs	(138,008)	(1,652,190)	(1,071,472)	(2,861,670)
Transfers	—	—	—	—
Impairment (*) (***)	(14,541)	(3,665)	(25,629)	(43,835)
Total	302,187,227	180,321,312	50,403,617	532,912,156
<u>Accumulated depreciation</u>				
Balance as of January 1, 2016	(126,569,042)	(127,643,621)	(38,116,507)	(292,329,170)
Reclassification	—	—	—	—
Depreciation for the year (*) (**)	(8,469,300)	(13,268,583)	(2,588,143)	(24,326,026)
Write-offs and sales in year	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

	2015			
	Land and buildings ThCh$	Equipment ThCh$	Others ThCh$	Total ThCh$
<u>Gross balance</u>				
Balance as of January 1, 2015	285,754,430	151,909,804	43,774,196	481,438,430
Reclassification	625,318	—	859,453	1,484,771
Additions	7,908,469	18,746,207	4,821,215	31,475,891
Withdrawals/write-offs	(2,050,367)	(2,768,864)	(1,382,056)	(6,201,287)
Transfers	—	(10,546)	10,546	—
Impairment (*) (***)	(72,248)	(3,040)	(122,533)	(197,821)
Total	292,165,602	167,873,561	47,960,821	507,999,984
<u>Accumulated depreciation</u>				
Balance as of January 1, 2015	(120,084,836)	(119,841,031)	(36,110,611)	(276,036,478)
Reclassification	(109,701)	—	(881,721)	(991,422)
Depreciation for the year (*) (**)	(8,117,292)	(10,567,139)	(2,142,305)	(20,826,736)
Write-offs and sales in year	1,742,787	2,763,758	1,018,921	5,525,466
Transfers	—	791	(791)	—
Total	(126,569,042)	(127,643,621)	(38,116,507)	(292,329,170)
Balance as of December 31, 2015	165,596,560	40,229,940	9,844,314	215,670,814

(*) See Note 23.32 on depreciation, amortization and impairment
(**) Excludes depreciation for the year of investment properties that are included in Other assets for ThCh$367,582 (ThCh$379,610 in 2015).
(***) Excludes provisions for write-offs of property, plant and equipment of ThCh$229,780 (ThCh$5,747 in 2015).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.14 – Property, plant and equipment (continued)

(c) As of December 31, 2016 and 2015, Banco de Chile had operating lease contracts that cannot be rescinded unilaterally. Future rental payments are as follows:

		2016						
	Expense for year ThCh$	**Up to 1 month ThCh$**	**1 to 3 months ThCh$**	**3 to 12 months ThCh$**	**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**Over 5 years ThCh$**	**Total ThCh$**
Lease contracts	34,489,778	2,473,123	4,903,459	20,326,683	44,809,420	36,213,344	46,901,773	155,627,802

		2015						
	Expense for year ThCh$	**Up to 1 month ThCh$**	**1 to 3 months ThCh$**	**3 to 12 months ThCh$**	**1 to 3 years ThCh$**	**3 to 5 years ThCh$**	**Over 5 years ThCh$**	**Total ThCh$**
Lease contracts	30,983,434	2,400,853	4,859,890	19,428,386	32,797,764	25,034,102	44,722,472	129,243,467

As these are operating lease contracts, the assets leased are not shown in the statement of financial position, in accordance with IAS17.

Banco de Chile has commercial leases on investment properties. These leases have an average life of 5 years. There are no restrictions for the lessee.

(d) There are no finance lease contracts outstanding as of December 31, 2016 and 2015, so there are no balances of property, plant and equipment under finance leases as of those dates.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 2016 and 2015 in accordance with current tax laws. This provision is shown as the net amount of recoverable or payable taxes as of December 31, 2016 and 2015, as follows:

	2016 ThCh$	2015 ThCh$
Income tax	119,228,886	121,673,362
Tax on disallowed expenses (rate 35%)	3,520,931	2,805,255
Less:		
Monthly provisional payments	(126,372,145)	(94,900,988)
Training expense credits	(2,031,324)	(1,930,568)
Property taxes paid	—	(895,550)
Others	(1,003,883)	(2,045,606)
Total	(6,657,535)	24,705,905
Income tax rate	24.0%	22.5%

	2016 ThCh$	2015 ThCh$
Current tax assets	6,792,460	3,287,403
Current tax liabilities	(134,925)	(27,993,308)
Total tax recoverable (payable)	6,657,535	(24,705,905)

b) Income tax

The tax charge during the years ended December 31, 2016 and 2015, is composed of the following concepts:

	2016 ThCh$	2015 ThCh$
Income tax:		
Tax current year	131,344,392	119,429,604
Tax previous years	1,029,564	(1,850,721)
Subtotal	132,373,956	117,578,883
Deferred taxes:		
Origination and reversal of timing differences	(34,198,070)	(42,138,760)
Tax rate change effect on deferred taxes	(12,176,688)	(15,651,921)
Subtotal	(46,374,758)	(57,790,681)
Taxes on disallowed expenses (Art 21 of the tax law)	3,520,931	2,805,255
Others	(373,474)	(775,641)
Net income tax expense	89,146,655	61,817,816

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015:

	2016		2015	
	Tax rate %	ThCh$	Tax rate %	ThCh$
Tax on financial result	24.00	153,954,894	22.50	139,737,887
Additions or deductions	(0.33)	(2,103,416)	(0.05)	(313,597)
Subordinated obligation (*)	(5.31)	(34,092,087)	(5.10)	(31,638,204)
Indexation on taxation	(3.78)	(24,229,017)	(4.30)	(26,717,639)
Taxes from previous years	0.16	1,029,564	(0.30)	(1,850,721)
Single tax (disallowed expenses)	0.55	3,520,931	0.45	2,805,255
Effect on deferred taxes (change in rates)	(1.90)	(12,176,688)	(2.52)	(15,651,921)
Others	0.51	3,242,474	(0.73)	(4,553,244)
Effective rate and income tax expense	13.90	89,146,655	9.95	61,817,816

(*) 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 2016 is 13.90% (9.95% in 2015).

On December 29, 2015, 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 changed Law 20,780, specifically in relation to the default regime for companies.

Article 8 of Law 20,899 establishes that publicly traded corporations must apply by default the corporate income tax regime with partial credit deduction of final taxes. Under this regime shareholders will only be entitled to a credit against personal taxes (Global Supplementary or Additional Tax) of 65% of the corporate income tax paid by the company.

Law 20,780 establishes a gradual increase in the corporate income tax rates under this regime, as follows:

Year	Rate
2015	21.0%
2016	22.5%
2016	24.0%
2017	25.5%
2018	27.0%

The effect of deferred taxes on net income due to the change in the tax rate meant a credit to income for the year of ThCh$12,176,688 for 2016 (ThCh$15,651,921 in 2015).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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$**	**Equity ThCh$**	**12.31.2015 ThCh$**
Debtor differences:				
Loan loss provisions	178,167,791	25,887,750	—	204,055,541
Provisions relating to personnel	7,866,903	3,081,054	—	10,947,957
Provision for vacations	6,268,179	406,119	—	6,674,298
Accrued interest and indexation on impaired portfolio	4,025,354	(670,635)	—	3,354,719
Termination benefits	1,352,100	(337,131)	(45,438)	969,531
Provision for credit card related expenses	13,627,893	(1,168,493)	—	12,459,400
Provision for accrued expenses	11,786,792	2,701,740	—	14,488,532
Leases	18,238,669	18,880,092	—	37,118,761
Others adjustments	14,638,584	1,323,152	—	15,961,736
Total net assets	**255,972,265**	**50,103,648**	**(45,438)**	**306,030,475**
Creditor differences:				
Depreciation and indexation on property, plant and equipment	13,162,507	(1,347,307)	—	11,815,200
Revaluation of investments held for sale	12,581,422	—	(12,365,457)	215,965
Transitory assets	2,640,433	976,532	—	3,616,965
Accrued loans effective rate	2,565,375	(313,438)	—	2,251,937
Other adjustments	2,003,424	4,413,103	—	6,416,527
Total net liabilities	**32,953,161**	**3,728,890**	**(12,365,457)**	**24,316,594**
Total net assets	**223,019,104**	**46,374,758**	**12,320,019**	**281,713,881**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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.

(e.1) Loans /and accounts receivable from customers as of 12.31.2016	Assets at value of financial statements(*) ThCh$	Assets at tax value ThCh$	Assets at tax value: Past due portfolio with collateral ThCh$	Assets at tax value: Past due portfolio without collateral ThCh$	Assets at tax value: Total past due portfolio ThCh$
Due by 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

(e.1) Loans /and accounts receivable from customers as of 12.31.2015	Assets at value of financial statements(*) ThCh$	Assets at tax value ThCh$	Assets at tax value: Past due portfolio with collateral ThCh$	Assets at tax value: Past due portfolio without collateral ThCh$	Assets at tax value: Total past due portfolio ThCh$
Due by banks	1,395,195,498	1,395,897,178	—	—	—
Commercial loans	12,200,385,789	12,733,690,813	29,606,587	69,941,717	99,548,304
Consumer loans	3,540,121,984	3,959,497,459	447,560	17,298,452	17,746,012
Residential mortgage loans	6,370,033,417	6,402,267,624	5,803,334	136,062	5,939,396
Total	23,505,736,688	24,491,353,074	35,857,481	87,376,231	123,233,712

(*) 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.15 – Current and deferred taxes (continued)

(e.2) Provisions for past due portfolio as of 12.31.2016	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.2) Provisions for past due portfolio as of 12.31.2015	Balance as of 01.01.2015 ThCh$	Charge-offs against provisions ThCh$	Provisions recorded ThCh$	Provisions released ThCh$	Balance as of 12.31.2015 ThCh$
Commercial loans	57,349,965	(41,860,294)	108,206,261	(53,754,215)	69,941,717
Consumer loans	18,642,927	(192,744,963)	213,755,528	(22,355,040)	17,298,452
Residential mortgage loans	92,544	(921,295)	1,414,002	(449,189)	136,062
Total	76,085,436	(235,526,552)	323,375,791	(76,558,444)	87,376,231

(e.3) Direct charge-offs and recoveries	2016 ThCh$	2015 ThCh$
Direct charge-offs (Art. 31 No.4, 2nd paragraph)	15,889,953	11,908,009
Forgiven debt originating release of provisions	1,148,666	793,576
Recoveries or re-negotiation of charged-off loans	45,103,019	48,696,421

(e.4) Application of Art. 31 No.4 1st and 3rd paragraphs of Income Tax Law	2016 ThCh$	2015 ThCh$
Charge-offs (according to the 1st paragraph)	—	—
Pardoned debt (according to the 3rd paragraph)	1,148,666	793,576

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.16 – Other assets

a) Composition

Other assets as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Assets for lease (*)	103,077,588	117,331,124
Assets received or awarded in lieu of payment (**)		
Assets awarded in court auction	7,281,886	5,644,427
Assets received in lieu of payment	6,117,054	785,138
Provisions for assets received in lieu of payment or awarded	(2,104,417)	(175,524)
Subtotal	11,294,523	6,254,041
Other assets		
Derivative margin deposits	178,528,935	226,212,918
Other accounts and notes receivable	52,079,672	21,644,634
Document broking (***)	32,243,371	30,729,335
Investment properties	14,673,915	15,041,497
Servipag available funds	14,482,342	13,922,399
VAT recoverable	13,413,506	10,143,290
Prepaid expenses	10,740,061	6,915,029
Fees receivable	6,713,643	7,557,904
Recoverable tax	6,277,531	8,717,560
Pending transactions	5,069,467	3,472,245
Rental guarantees	1,815,083	1,742,854
Materials and supplies	741,665	642,760
Leased assets recovered for sale	589,055	624,609
Receivables on the sale of assets received in lieu of payment	245,028	752,404
Others	10,198,948	12,814,244
Subtotal	347,812,222	360,933,682
Total	462,184,333	484,518,847

(*) 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 0.1640% (0.0227% in 2015) 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 2016 and 2015 are detailed as follows:

Provisions for assets	**ThCh$**
Balance as of January 1, 2015	207,357
Provisions used	(181,425)
Provisions recorded	149,592
Provisions released	—
Balance as of December 31, 2015	175,524
Provisions used	(751,033)
Provisions recorded	2,679,926
Provisions released	—
Balance as of December 31, 2016	2,104,417

Note 39.17 – Demand deposits and other obligations

Demand deposits and other obligations as of December 31, 2016 and 2015, are detailed as follows:

	20162016 ThCh$	**2015 ThCh$**
Current accounts	6,891,622,972	6,884,950,363
Other demand obligations	856,710,077	892,487,164
Other deposits and sight accounts	535,597,216	527,932,380
Total	8,283,930,265	8,305,369,907

Note 39.18 – Deposits and term obligations

Deposits and term obligations as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	**2015 ThCh$**
Time deposits	10,274,967,919	9,527,425,700
Time savings accounts	208,435,256	205,171,338
Other term creditor balances	67,173,154	172,547,265
Total	10,550,576,329	9,905,144,303

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.19 – Due to banks

(a) Due to banks, as of December 31, 2016 and 2015, is detailed as follows:

	2016 ThCh$	2015 ThCh$
Banks in Chile	—	—
Banks abroad		
Foreign trade financing		
Citibank N.A.	234,629,332	283,802,890
Bank of America	169,181,638	150,208,049
Sumitomo Mitsui Banking	127,447,301	35,421,468
HSBC Bank	114,488,286	121,026,784
The Bank of New York Mellon	114,095,517	149,617,375
Wells Fargo Bank	67,623,906	112,932,690
Mizuho Bank Ltd	60,339,911	—
Standard Chartered Bank	20,554,273	56,975,038
Zuercher Kantonalbank	14,106,718	22,010,533
Commerzbank A.G.	3,241,707	1,445,536
Canadian Imperial Bank of Commerce	—	166,918,373
Bank of Nova Scotia	—	94,297,937
Bank of Montreal	—	92,095,551
Toronto Dominion Bank	—	63,787,587
ING Bank	—	31,872,571
Others	482,785	842,115
Loans and other obligations		
Wells Fargo Bank	100,885,075	106,463,168
Citibank N.A.	7,776,399	37,570,660
Deutsche Bank	3,411,105	—
Others	1,759,309	2,333,825
Subtotal banks abroad	1,040,023,262	1,529,622,150
Chilean Central Bank	3,027	6,023
Total	1,040,026,289	1,529,628,173

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	2016 ThCh$	2015 ThCh$
Loans and other obligations	—	—
Line of credit for renegotiation of obligations with Central Bank	3,027	6,023
Total	3,027	6,023

Note 39.20 – Debt instruments issued

Debt instruments issued as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Mortgage-funding notes	32,914,146	44,591,637
Bonds	5,431,574,615	5,268,299,827
Subordinated bonds	713,437,868	785,613,547
Total	6,177,926,629	6,098,505,011

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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	29/01/2016	29/01/2026
BCHIAR0613	10,869,495	10	3.60	UF	18/02/2016	18/02/2026
BCHIBJ0915	53,552,754	10	2.90	UF	25/05/2016	25/05/2026
BCHIBF0915	79,626,295	8	2.70	UF	25/05/2016	25/05/2024
BCHIBK0915	53,484,785	11	2.90	UF	25/05/2016	25/05/2027
BCHIBL1115	79,806,040	11	2.90	UF	25/05/2016	25/05/2027
BCHIBA0815	53,480,262	5	2.50	UF	29/06/2016	29/06/2021
BCHIBI1115	80,404,850	10	2.90	UF	29/06/2016	29/06/2026
BCHIBB0815	6,706,202	6	2.50	UF	05/07/2016	05/07/2022
BCHIBB0815	46,949,702	6	2.50	UF	06/07/2016	06/07/2022
BOND USD	19,704,600	5	1.97	USD	05/08/2016	05/08/2021
BOND USD	68,060,000	5	1.96	USD	01/09/2016	01/09/2021
BCHIBM0815	85,147,671	12	2.90	UF	28/09/2016	28/09/2028
BOND CHF	101,560,290	8	25.00	CHF	11/11/2016	11/11/2024
BOND JPY	57,129,000	5	0.35	JPY	21/12/2016	21/12/2021
Total December 2016	**804,979,082**					

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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	04/01/2016	05/07/2016
JP. Morgan Chase	30,879,203	0.70	USD	05/01/2016	04/04/2016
Wells Fargo Bank	10,882,950	0.62	USD	14/01/2016	13/04/2016
Citibank N.A.	10,810,200	0.95	USD	25/01/2016	22/07/2016
Citibank N.A.	10,722,750	0.75	USD	27/01/2016	23/05/2016
Citibank N.A.	11,362,080	0.95	USD	28/01/2016	27/07/2016
Citibank N.A.	3,550,650	0.75	USD	28/01/2016	27/05/2016
Merrill Lynch	3,534,500	0.90	USD	03/02/2016	02/08/2016
Merrill Lynch	10,744,880	0.68	USD	03/02/2016	04/05/2016
JP. Morgan Chase	19,943,210	0.65	USD	04/04/2016	01/07/2016
Merrill Lynch	4,689,510	1.25	USD	04/05/2016	28/04/2017
Merrill Lynch	13,295,600	0.95	USD	06/05/2016	03/11/2016
Citibank N.A.	12,216,960	0.77	USD	10/05/2016	08/09/2016
Wells Fargo Bank	10,180,800	1.07	USD	10/05/2016	10/02/2017
Merrill Lynch	10,203,150	0.56	USD	11/05/2016	12/07/2016
Citibank N.A.	41,097,000	0.59	USD	12/05/2016	11/07/2016
Citibank N.A.	10,274,250	0.98	USD	12/05/2016	09/11/2016
Citibank N.A.	18,155,422	0.79	USD	16/05/2016	16/09/2016
Citibank N.A.	27,614,400	0.59	USD	18/05/2016	18/07/2016
Citibank N.A.	1,989,951	0.98	USD	15/06/2016	15/11/2016
Wells Fargo Bank	11,462,420	1.25	USD	22/06/2016	21/06/2017
JP. Morgan Chase	10,313,784	0.70	USD	01/07/2016	03/10/2016
Merrill Lynch	13,266,000	0.71	USD	05/07/2016	04/10/2016
Citibank N.A.	33,132,500	1.04	USD	06/07/2016	05/01/2017
Wells Fargo Bank	3,329,950	1.02	USD	07/07/2016	28/12/2016
Merrill Lynch	6,659,900	1.00	USD	07/07/2016	09/01/2017
Citibank N.A.	3,304,550	0.74	USD	11/07/2016	19/10/2016
Merrill Lynch	3,281,750	1.02	USD	13/07/2016	09/01/2017
Wells Fargo Bank	1,969,050	0.84	USD	13/07/2016	10/11/2016
Wells Fargo Bank	32,548,000	1.05	USD	14/07/2016	10/01/2017
Merrill Lynch	9,764,400	1.05	USD	14/07/2016	11/01/2017
Merrill Lynch	3,905,760	1.30	USD	14/07/2016	12/07/2017
JP. Morgan Chase	12,368,240	0.78	USD	14/07/2016	14/10/2016
Citibank N.A.	25,896,310	0.83	USD	15/07/2016	13/12/2016
Citibank N.A.	13,410,200	0.87	USD	09/09/2016	06/12/2016
Citibank N.A.	6,699,800	0.85	USD	12/09/2016	06/12/2016
Merrill Lynch	18,004,950	1.26	USD	07/10/2016	05/04/2017
JP. Morgan Chase	12,738,740	1.06	USD	14/10/2016	15/02/2017
Citibank N.A.	33,932,000	0.91	USD	18/11/2016	15/02/2017
Total December 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	18/08/2016	18/08/2041
UCHIG1111	9,257,425	25	3.75	UF	01/09/2016	01/09/2041
UCHIG1111	42,150,807	25	3.75	UF	02/09/2016	02/09/2041
Total December 2016	**82,205,604**					

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.20 – Debt instruments issued (continued)

During the year ended December 31, 2015, Banco de Chile placed bonds amounting to ThCh$2,470,406,431, consisting of bonds amounting ThCh$1,342,224,035 and commercial papers bonds amounting to ThCh$1,128,182,396, as follows:

Bonds

Series	Amount ThCh$	Term	Issue rate %	Currency	Issue date	Maturity date
BCHIAI0213	17,131,906	6	3.40	UF	17/02/2015	17/02/2021
BCHIAM0413	40,425,315	8	3.60	UF	20/02/2015	20/02/2023
BCHIAB1211	80,282,095	15	3.50	UF	27/02/2015	27/02/2030
BCHIAM0413	4,881,192	8	3.60	UF	13/03/2015	13/03/2023
BCHIAM0413	5,972,333	8	3.60	UF	19/03/2015	19/03/2023
BCHIAM0413	11,225,391	8	3.60	UF	06/04/2015	06/04/2023
BCHIAM0413	2,673,315	8	3.60	UF	07/04/2015	07/04/2023
BCHIAZ0613	53,873,932	14	3.60	UF	17/04/2015	17/04/2029
BOND USD	30,595,000	6	LIBOR 3 M + 0.69	USD	30/04/2015	30/04/2021
BCHIAM0413	15,241,944	8	3.60	UF	08/05/2015	08/05/2023
BCHIAP0213	29,715,329	9	3.60	UF	15/05/2015	15/05/2024
BCHIAP0213	7,434,561	9	3.60	UF	18/05/2015	18/05/2024
BCHIAP0213	2,658,155	9	3.60	UF	22/05/2015	22/05/2024
BCHIAP0213	13,308,173	9	3.60	UF	27/05/2015	27/05/2024
BCHIAO0713	14,072,368	8	3.40	UF	09/06/2015	09/06/2023
BCHIAO0713	21,146,120	8	3.40	UF	10/06/2015	10/06/2023
BCHIAO0713	4,517,632	8	3.40	UF	15/06/2015	15/06/2023
BCHIAO0713	4,653,456	8	3.40	UF	16/06/2015	16/06/2023
BCHIAO0713	10,638,824	8	3.40	UF	18/06/2015	18/06/2023
BCHIAO0713	9,315,445	8	3.40	UF	23/06/2015	23/06/2023
BCHIAW0213	80,003,094	13	3.60	UF	25/06/2015	25/06/2028
BCHIAO0713	22,367,435	8	3.40	UF	03/07/2015	03/07/2023
BCHIAO0713	3,691,981	8	3.40	UF	07/07/2015	07/07/2023
BCHIAX0613	16,067,570	13	3.60	UF	08/07/2015	08/07/2028
BCHIAX0613	37,493,620	13	3.60	UF	09/07/2015	09/07/2028
BCHIAO0713	4,255,438	8	3.40	UF	10/07/2015	10/07/2023
BCHIAO0713	2,681,020	8	3.40	UF	22/07/2015	22/07/2023
BCHIAS0513	9,549,527	10	3.60	UF	28/07/2015	28/07/2025
BCHIUY1211	80,744,440	14	3.50	UF	06/08/2015	06/08/2029
BCHIAS0513	9,333,674	10	3.60	UF	13/08/2015	13/08/2025
BCHIAK0613	81,153,941	7	3.40	UF	14/08/2015	14/08/2022
BCHIAS0513	3,297,346	10	3.60	UF	18/08/2015	18/08/2025
BCHIAS0513	6,046,498	10	3.60	UF	19/08/2015	19/08/2025
BCHIUW1011	54,750,476	13	3.50	UF	24/08/2015	24/08/2028
BCHIUW1011	55,117,139	13	3.50	UF	31/08/2015	31/08/2028
BCHIAN0513	54,642,475	8	3.60	UF	07/10/2015	07/10/2023
BCHIAS0513	4,127,492	10	3.60	UF	14/10/2015	14/10/2025
BCHIUX0212	80,795,567	13	3.50	UF	14/10/2015	14/10/2028
BOND HKD	53,955,988	10	3.05	HKD	20/10/2015	20/10/2025
BCHIAQ0213	81,748,195	10	3.60	UF	06/11/2015	06/11/2025
BCHIAT0613	82,317,568	11	3.50	UF	06/11/2015	06/11/2026
BCHIAR0613	62,984,947	10	3.60	UF	06/11/2015	06/11/2025
BOND EUR	35,879,233	10	1.66	EUR	16/11/2015	16/11/2025
BOND USD	35,410,000	5	LIBOR 3 M + 1.15	USD	16/12/2015	16/12/2020
BCHIAS0513	4,046,885	10	3.60	UF	18/12/2015	18/12/2025
Total December 2015	**1,342,224,035**					

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.20 – Debt instruments issued (continued)

Commercial papers

Counterparty	Amount ThCh$	Interest rate %	Currency	Issue date	Maturity date
Merrill Lynch	15,425,000	0.32%	USD	05/01/2015	06/04/2015
Goldman Sachs	15,380,000	0.33%	USD	07/01/2015	10/04/2015
Goldman Sachs	30,638,000	0.33%	USD	08/01/2015	08/04/2015
Wells Fargo Bank	12,255,200	0.32%	USD	08/01/2015	08/04/2015
Wells Fargo Bank	3,077,000	0.43%	USD	12/01/2015	13/07/2015
Merrill Lynch	9,420,600	0.46%	USD	21/01/2015	21/07/2015
Merrill Lynch	9,420,600	0.60%	USD	21/01/2015	16/10/2015
JP. Morgan Chase	49,944,000	0.37%	USD	22/01/2015	22/04/2015
Wells Fargo Bank	16,261,960	0.32%	USD	10/02/2015	11/05/2015
Wells Fargo Bank	2,501,840	0.47%	USD	10/02/2015	10/08/2015
JP. Morgan Chase	48,215,035	0.35%	USD	03/03/2015	02/06/2015
Wells Fargo Bank	4,393,200	0.82%	USD	06/03/2015	04/03/2016
Merrill Lynch	15,690,000	0.42%	USD	06/03/2015	06/08/2015
JP. Morgan Chase	31,395,000	0.35%	USD	09/03/2015	08/06/2015
Wells Fargo Bank	2,569,160	0.48%	USD	17/03/2015	14/09/2015
Merrill Lynch	4,975,380	0.42%	USD	20/03/2015	06/08/2015
Merrill Lynch	3,121,700	0.48%	USD	23/03/2015	17/09/2015
JP. Morgan Chase	31,950,600	0.38%	USD	23/03/2015	22/06/2015
Wells Fargo Bank	25,078,800	0.35%	USD	30/03/2015	30/06/2015
JP. Morgan Chase	37,466,616	0.48%	USD	06/04/2015	02/10/2015
JP. Morgan Chase	14,519,384	0.38%	USD	06/04/2015	06/07/2015
Goldman Sachs	42,857,500	0.35%	USD	08/04/2015	08/07/2015
Citibank N.A.	15,505,750	0.35%	USD	10/04/2015	06/07/2015
JP. Morgan Chase	16,523,882	0.40%	USD	17/04/2015	17/08/2015
JP. Morgan Chase	49,536,000	0.40%	USD	22/04/2015	03/08/2015
Wells Fargo Bank	15,855,580	0.34%	USD	11/05/2015	10/08/2015
JP. Morgan Chase	48,721,123	0.40%	USD	02/06/2015	02/09/2015
JP. Morgan Chase	31,567,000	0.40%	USD	08/06/2015	08/09/2015
Wells Fargo Bank	3,796,200	0.52%	USD	19/06/2015	16/12/2015
JP. Morgan Chase	32,321,107	0.36%	USD	22/06/2015	17/09/2015
Wells Fargo Bank	2,620,392	0.27%	USD	30/06/2015	17/09/2015
Wells Fargo Bank	10,162,008	0.37%	USD	30/06/2015	02/10/2015
Wells Fargo Bank	12,782,400	0.59%	USD	30/06/2015	04/01/2016
JP. Morgan Chase	15,222,325	0.39%	USD	06/07/2015	05/10/2015
Citibank N.A.	16,030,250	0.36%	USD	06/07/2015	05/10/2015
Goldman Sachs	45,651,200	0.36%	USD	08/07/2015	08/10/2015
Merrill Lynch	10,418,560	0.72%	USD	21/07/2015	15/04/2016
Wells Fargo Bank	3,390,350	0.54%	USD	04/08/2015	03/02/2016
Wells Fargo Bank	33,903,500	0.31%	USD	04/08/2015	30/09/2015
Merrill Lynch	19,664,030	0.36%	USD	04/08/2015	04/11/2015
Merrill Lynch	22,323,112	0.36%	USD	06/08/2015	04/11/2015
Wells Fargo Bank	11,548,780	0.93%	USD	06/08/2015	04/08/2016
Wells Fargo Bank	6,772,800	0.36%	USD	07/08/2015	13/11/2015
Wells Fargo Bank	6,739,500	0.93%	USD	10/08/2015	05/08/2016
Wells Fargo Bank	13,634,000	0.45%	USD	11/08/2015	08/12/2015
Citibank N.A.	18,710,474	0.45%	USD	18/08/2015	16/11/2015
JP. Morgan Chase	69,151,000	0.51%	USD	02/09/2015	02/12/2015
JP. Morgan Chase	34,540,500	0.51%	USD	08/09/2015	08/12/2015
JP. Morgan Chase	42,392,565	0.50%	USD	02/10/2015	05/01/2016
Citibank N.A.	17,091,500	0.50%	USD	05/10/2015	08/01/2016
JP. Morgan Chase	17,091,500	0.50%	USD	05/10/2015	08/01/2016
Merrill Lynch	10,223,550	0.78%	USD	14/10/2015	11/07/2016
Merrill Lynch	13,828,600	0.65%	USD	04/11/2015	04/05/2016
Merrill Lynch	26,101,483	0.45%	USD	04/11/2015	03/02/2016
Wells Fargo Bank	3,555,000	0.82%	USD	15/12/2015	13/06/2016
Merrill Lynch	4,249,800	1.10%	USD	17/12/2015	13/12/2016
Total December 2015	**1,128,182,396**				

No subordinated bonds were issued during the year ended December 31, 2015.

During 2016 and 2015 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.21 – Other financial obligations

Other financial obligations as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Other obligations in Chile	149,602,798	132,135,654
Obligations with the public sector	36,596,344	40,945,075
Total	186,199,142	173,080,729

Note 39.22 - Provisions

a) Provisions as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Provisions for minimum dividends shareholders SM-Chile	23,759,068	23,526,641
Provisions for minimum dividends other shareholders	90,471,218	101,874,977
Provisions for employee benefits and remuneration	83,344,958	74,790,851
Provisions for contingent credits risk (*)	53,680,388	59,212,535
Provisions for contingencies:		
Additional provisions (**)	213,251,877	161,177,301
Provisions for country risk	4,619,657	15,133,340
Other provisions for contingencies	21,893,479	4,260,100
Total	491,020,645	439,975,745

(*) See Note 2 (hh).

(**) An additional provision was made as of December 31, 2016, amounting to ThCh$52,074,576 (ThCh$30,921,696 in 2015). See Note 39.22 (b).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.22 - Provisions (continued)

(b) Movements in provisions during 2016 and 2015 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, 2015	124,754,813	81,516,049	54,077,289	130,255,605	11,277,941	401,881,697
Provisions recorded	125,401,618	60,206,866	5,135,246	30,921,696	8,361,770	230,027,196
Provisions used	(124,754,813)	(66,932,064)	—	—	(246,271)	(191,933,148)
Provisions released	—	—	—	—	—	—
Balance as of December 31, 2015	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	7,411,987	241,539,238
Provisions used	(125,401,618)	(59,268,282)	—	—	(256,291)	(184,926,191)
Provisions released	—	—	(5,532,147)	—	(36,000)	(5,568,147)
Balance as of December 31, 2016	114,230,286	83,344,958	53,680,388	213,251,877	26,513,136	491,020,645

(c) Provisions for personnel benefits and remuneration:

	2016 ThCh$	2015 ThCh$
Provisions for performance bonuses	37,867,687	34,307,198
Provisions for vacations	25,538,760	25,480,474
Provisions for termination benefits	8,850,848	10,727,608
Provisions for other employee benefits	11,087,663	4,275,571
Total	83,344,958	74,790,851

d) Termination benefits:

(i) Movements in termination benefit provisions:

Present value of obligations	2016 ThCh$	2015 ThCh$
Opening balance	10,727,608	11,471,223
Increase in provision	427,501	837,618
Payments made	(2,134,796)	(1,613,948)
Effect of change in factors	(169,465)	32,715
Closing balance	8,850,848	10,727,608

(ii) Net cost of benefits:

	2016 ThCh$	2015 ThCh$
Increase in provision	58,869	384,183
Interest cost of benefit obligations	368,632	453,435
Effect of change in actuarial factors	(169,465)	32,715
Net cost of benefits	258,036	870,333

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	2016 %	2015 %
Discount rate	4.29	4.60
Salary increase rate	4.56	5.41
Probability of payment	99.99	99.99

The most recent actuarial valuation of the provision for termination benefits was made as of December 31, 2016.

(e) Movement in provision for performance bonuses:

	2016 ThCh$	2015 ThCh$
Opening balance	34,307,198	29,677,753
Provisions recorded	37,338,856	35,253,461
Provisions used	(33,778,367)	(30,624,016)
Provisions released	—	—
Closing balance	37,867,687	34,307,198

(f) Movement in provision for personnel vacations:

	2016 ThCh$	2015 ThCh$
Opening balance	25,480,474	23,727,329
Provisions recorded	5,931,657	6,672,096
Provisions used	(5,873,371)	(4,918,951)
Provisions released	—	—
Closing balance	25,538,760	25,480,474

(g) Provision for employee benefits in shares:

As of December 31, 2016 and 2015, the Bank and its subsidiaries have no share compensation plan.

(h) Contingent loan provisions:

As of December 31, 2016 and 2015, the Bank and its subsidiaries had provisions for contingent loans of ThCh$53,680,388 and ThCh$59,212,535, respectively, as shown in Note 39.24 (d).

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.23 – Other liabilities

Other liabilities as of December 31, 2016 and 2015, are detailed as follows:

	2016 ThCh$	2015 ThCh$
Accounts and notes payable (*)	142,540,945	121,418,912
Advance payments received	6,077,607	6,643,741
Agreed dividends payable	979,079	906,364
Other liabilities		
Co-branding	47,462,032	54,005,608
Document broking transactions (**)	52,313,784	39,734,579
Securities being settled	12,376,234	3,428,886
VAT payable	12,548,860	13,234,622
Deferred leasing income	3,935,653	6,040,282
Insurance payables	163,410	633,984
Transactions pending settlement	757,570	766,349
Others	13,791,147	13,495,019
Total	292,946,321	260,308,346

(*) 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO 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:

	2016 ThCh$	2015 ThCh$
Contingent liabilities		
Guarantees	279,362,347	389,727,466
Confirmed foreign letters of credit	64,044,177	33,871,218
Documentary letters of credit opened	152,118,451	122,060,160
Performance bonds	2,150,307,101	2,058,813,277
Committed lines of credit	7,572,687,493	7,224,241,807
Other credit commitments	148,189,911	204,862,360
Operations on behalf of third parties		
Documents for collection	137,259,340	217,478,540
Third-party funds managed by the Bank:		
Financial assets managed on behalf of third parties	39,713,684	18,563,405
Other assets managed on behalf of third parties	—	—
Financial assets acquired in own name	174,021,873	151,374,825
Other assets acquired in own name	—	—
Custody of securities		
Valuables held in custody with the Bank	9,586,026,298	8,248,415,935
Valuables in custody deposited in other entity	5,607,815,076	5,006,510,227
Total	25,911,545,751	23,675,919,220

The above only includes the most important balances.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 actions 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, 2016, the Bank and its subsidiaries have provisions for legal contingencies of ThCh$21,629,999 (ThCh$14,877,049 in December 2015), which form part of "Provisions" in the statement of financial position.

These include the following significant lawsuits:

Class action suit filed by the National Consumer Service in accordance with Law 19,496. 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.

Suit filed by the Chilean National Consumers and Users Corporation seeking a declaration that clauses in the "Unified Contract of Personal Products" referring to the overdraft in relation to the fees charged and the tacit consent are abusive and therefore void; also, seeking termination of outsourcing for handling the monthly statements of current accounts, compensatory damages, plus fines for each violation.

Class action suit filed by the Chilean Consumers and Users Organization seeking a declaration that clauses of the Unified Contract of Personal Products relating to services for the use of self-service channels and credit cards are abusive and therefore void, with respect to the user's obligation to maintain due diligence and care regarding secret passwords and their responsibility in case of disclosure to third parties and their use of such passwords.

The following shows the estimated dates of termination of the lawsuits:

	December 31, 2016				
	2017 ThCh$	2018 ThCh$	2019 ThCh$	2020 ThCh$	Total ThCh$
Court contingencies	21,268,999	361,000	—	—	21,629,999

b.2) Contingencies for significant lawsuits in the courts:

As of December 31, 2016 and 2015, there are no significant lawsuits in the courts that affect or could affect these consolidated financial statements.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 2,642,000, maturing January 10, 2017 (UF 2,603,000 maturing January 8, 2016 in 2015). For real estate funds the company took out guarantee insurance policies with Mapfre Seguros Generales S.A., for a guaranteed total of UF 263,000.

As of December 31, 2016 and 2015, there were no guaranteed mutual funds.

In compliance with letter f) of SVS 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 250,000 with maturity on January 10, 2017.

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.

Securities in guarantee:	**2016 ThCh$**	**2015 ThCh$**
Shares in guarantee of simultaneous transactions on:		
Securities exchange of the Bolsa de Comercio de Santiago	17,750,323	14,627,786
Securities exchange of the Bolsa Electrónica de Chile	21,872,032	27,980,693
Fixed-income securities to guarantee CCLV system		
Securities exchange of the Bolsa de Comercio de Santiago	2,992,190	2,995,208
Fixed-income securities to guarantee loans of shares		
Securities exchange of the Bolsa Electrónica de Chile	—	80,429
Shares to guarantee equity lending		
Securities exchange of the Bolsa Electrónica de Chile	609,748	—
Secdurities exchange of the Bolsa de Comercio de Santiago	883,857	
Total	44,108,150	45,684,116

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 share 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, 2017, that covers employee fidelity, physical losses, falsification or adulteration, and currency fraud with a cover equivalent to US$ 10,000,000.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2017.

A performance bond No. 379031-1 for UF 215,000 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, 2017.

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, 2016, 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

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	2016 ThCh$	2015 ThCh$
Unrestricted credit lines (*)	30,798,546	36,743,323
Performance bonds	19,159,252	18,474,085
Guarantees	3,027,850	3,313,797
Letters of credit	508,862	392,735
Other credit commitments	185,878	288,595
Total	53,680,388	59,212,535

(*) See Note 2 (hh).

e) In the 11th Civil Court of Santiago, Banchile Corredores de Bolsa S.A. brought a claim against SVS Resolution 270 of October 30, 2014, whereby the SVS sanctioned the company with a fine of 50,000 Unidades de Fomento, believing that it had infringed Article 53.2 of the Securities Law by acting as intermediary in sales of shares in SQM-A. In making the claim, Banchile deposited 25% of the amount of the fine. It is intended that the fine be left without effect. This case was combined with Case No. 25,795-2014, of the 22nd Civil Court of Santiago, and the Court had ruled that the evidence period begin. Subsequently, the case was suspended until the two cases were combined. Currently, the motions submitted by the parties regarding the evidence period are being resolved by the Court.

In accordance with the company's provisioning policy, it has made no provisions as sentence has not yet been given in these proceedings and also as the company's legal advisors believe there are solid arguments to support the claim.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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:**

	2016				2015			
	Interest ThCh$	Indexation ThCh$	Prepayment commissions ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Prepayment commissions ThCh$	Total ThCh$
Commercial loans	712,198,159	142,820,449	3,828,786	858,847,394	659,786,042	188,239,557	3,471,488	851,497,087
Consumer loans	602,898,251	1,513,962	9,564,166	613,976,379	560,591,092	3,327,241	9,388,796	573,307,129
Residential mortgage loans	261,913,273	181,473,888	4,001,620	447,388,781	233,887,763	230,934,489	4,811,038	469,633,290
Investment instruments	24,521,372	5,705,224	—	30,226,596	46,375,659	16,054,804	—	62,430,463
Repurchase agreements	1,689,941	—	—	1,689,941	1,367,032	—	—	1,367,032
Loans granted to banks	32,280,440	—	—	32,280,440	28,267,076	—	—	28,267,076
Other interest and indexation income	1,645,387	1,950,650	—	3,596,037	719,203	2,700,899	—	3,420,102
Total	1,637,146,823	333,464,173	17,394,572	1,988,005,568	1,530,993,867	441,256,990	17,671,322	1,989,922,179

The amount of interest and indexation income booked as received on the impaired portfolio during 2016 amounted to ThCh$5,628,633 (ThCh$10,125,857 in 2015).

b) Suspended interest and indexation income as of the year-end is detailed as follows:

	2016			2015		
	Interest ThCh$	Indexation ThCh$	Total ThCh$	Interest ThCh$	Indexation ThCh$	Total ThCh$
Commercial loans	6,910,122	1,192,455	8,102,577	8,185,476	3,097,481	11,282,957
Residential mortgage loans	2,608,079	1,972,882	4,580,961	2,186,897	2,207,706	4,394,603
Consumer loans	82,376	14,291	96,667	248,302	7,744	256,046
Total	9,600,577	3,179,628	12,780,205	10,620,675	5,312,931	15,933,606

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO

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, 2016 and 2015, excluding hedge results, is detailed as follows:

	2016			2015		
	Interest ThCh$	**Indexation ThCh$**	**Total ThCh$**	**Interest ThCh$**	**Indexation ThCh$**	**Total ThCh$**
Time deposits and borrowings	319,181,822	56,215,790	375,397,612	273,719,462	67,035,249	340,754,711
Debt instruments issued	185,079,061	124,509,362	309,588,423	169,052,488	160,057,882	329,110,370
Other financial obligations	1,630,241	286,037	1,916,278	1,741,756	506,627	2,248,383
Repurchase agreements	6,212,688	9,554	6,222,242	6,947,540	267,658	7,215,198
Obligations with banks	13,504,802	(59)	13,504,743	10,170,903	10	10,170,913
Demand deposits	522,570	5,717,663	6,240,233	679,672	7,978,056	8,657,728
Other interest and indexation expenses	5,773	429,430	435,203	—	1,065,340	1,065,340
Total	526,136,957	187,167,777	713,304,734	462,311,821	236,910,822	699,222,643

(d) As of December 31, 2016 and 2015, 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.

	2016			2015		
	Income ThCh$	**Expense ThCh$**	**Total ThCh$**	**Income ThCh$**	**Expense ThCh$**	**Total ThCh$**
Accounting hedge fair value gain	3,665,022	—	3,665,022	7,241,899	—	7,241,899
Accounting hedge fair value loss	(7,641,214)	—	(7,641,214)	(6,044,185)	—	(6,044,185)
Accounting cash-flow hedge gain	343,039,489	365,014,286	708,053,775	171,042,541	212,031,097	383,073,638
Accounting cash-flow hedge loss	(412,787,648)	(340,824,227)	(753,611,875)	(256,120,970)	(191,774,953)	(447,895,923)
Result adjustment hedged element	(2,653,025)	—	(2,653,025)	(6,740,509)	—	(6,740,509)
Total	(76,377,376)	24,190,059	(52,187,317)	(90,621,224)	20,256,144	(70,365,080)

e) The summary of interest and indexation for the years ended December 31, 2016 and 2015, is as follows:

	2016 ThCh$	**2015 ThCh$**
Interest and indexation income	1,988,005,568	1,989,922,179
Interest and indexation expense	(713,304,734)	(699,222,643)
Subtotal interest and indexation income	1,274,700,834	1,290,699,536
Result of accounting hedges (net)	(52,187,317)	(70,365,080)
Total net interest and indexation	1,222,513,517	1,220,334,456

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	2016 ThCh$	2015 ThCh$
Fee income		
Card services	144,007,522	129,962,276
Investments in mutual funds or others	79,853,765	76,842,796
Collections and payments	49,362,170	52,656,851
Account administration	41,953,857	39,275,988
Insurance sales commission	28,036,003	23,258,076
Guarantees and letters of credit	21,067,388	20,122,335
Use of distribution channel	18,995,710	20,679,475
Brand use agreement	14,215,238	13,660,596
Securities trading and management	13,666,532	14,701,997
Credit lines and overdrafts	5,795,118	13,400,066
Financial advisory	4,152,327	12,608,170
Other fee income	19,938,941	18,908,577
Total fee income	441,044,571	436,077,203
Fee expenses		
Card operation remuneration	(98,115,415)	(100,230,498)
Interbank transactions	(10,361,457)	(14,321,786)
Collections and payments	(6,426,701)	(6,567,734)
Securities operations	(3,968,897)	(3,137,826)
Sales force	(407,960)	(1,342,680)
Other commissions	(491,940)	(4,494,839)
Total fee expenses	(119,772,370)	(130,095,363)

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.27 – Results of financial operations

The net gain (loss) on financial operations is detailed as follows:

	2016 ThCh$	2015 ThCh$
Sale of instruments held for sale	65,321,813	8,859,495
Financial instruments for trading	59,332,322	18,657,770
Trading derivatives	18,596,870	3,201,950
Sale of loan portfolio	4,929,339	4,130,395
Net result of other transactions	705,228	1,687,238
Total	148,885,572	36,536,848

Note 39.28 – Net exchange gain (loss)

Foreign exchange results are detailed as follows:

	2016 ThCh$	2015 ThCh$
Foreign currency indexation	108,848,693	(177,467,300)
Exchange difference, net	(6,073,422)	21,410,030
Result of accounting hedges	(90,369,671)	213,376,276
Total	12,405,600	57,319,006

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.29 – Loan loss provisions

Movements in 2016 and 2015 in provisions are detailed as follows:

	Due by banks		Loans and Accounts Receivable from Customers								Contingent credits		Total	
			Commercial loans		Residential mortgage loans		Consumer loans		Total					
	2016 ThCh$	2015 ThCh$	2016 ThCh$$	2015 ThCh$	2016 ThCh$$	2015 ThCh$	2016 ThCh$$	2015 ThCh$	2016 ThCh$$	2015 ThCh$	2016 ThCh$$	2015 ThCh$	2016 ThCh$$	2015 ThCh$
Recording of provisions:														
- Individual	—	—	—	(61,285,220)	—	—	—	—	—	(61,285,220)	—	(3,723,487)	—	(65,008,707)
- Group	—	—	(43,024,141)	(40,094,840)	(3,103,977)	(13,485,150)	(266,874,974)	(205,204,070)	(313,003,092)	(258,784,060)	—	(1,411,758)	(313,003,092)	(260,195,818)
Result of recording of provisions	—	—	(43,024,141)	(101,380,060)	(3,103,977)	(13,485,150)	(266,874,974)	(205,204,070)	(313,003,092)	(320,069,280)	—	(5,135,245)	(313,003,092)	(325,204,525)
Release of provisions:														
- Individual	173,409	114,961	2,796,278	—	—	—	—	—	2,796,278	—	2,054,219	—	5,023,906	114,961
- Group	—	—	—	—	—	—	—	—	—	—	3,477,928	—	3,477,928	—
Result of release of provisions	173,409	114,961	2,796,278	—	—	—	—	—	2,796,278	—	5,532,147	—	8,501,834	114,961
Net result of provisions	173,409	114,961	(40,227,863)	(101,380,060)	(3,103,977)	(13,485,150)	(266,874,974)	(205,204,070)	(310,206,814)	(320,069,280)	5,532,147	(5,135,245)	(304,501,258)	(325,089,564)
Additional provisions	—	—	(52,074,576)	(30,921,696)	—	—	—	—	(52,074,576)	(30,921,696)	—	—	(52,074,576)	(30,921,696)
Recovery of charged-off assets	—	—	13,017,077	18,010,333	2,349,770	1,895,401	31,475,608	33,043,246	46,842,455	52,948,980	—	—	46,842,455	52,948,980
Net result loan loss provisions	173,409	114,961	(79,285,362)	(114,291,423)	(754,207)	(11,589,749)	(235,399,366)	(172,160,824)	(315,438,935)	(298,041,996)	5,532,147	(5,135,245)	(309,733,379)	(303,062,280)

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.30 – Payroll and personnel expenses

Payroll and personnel expenses for the years 2016 and 2015 are detailed as follows:

	2016 ThCh$	2015 ThCh$
Payroll	228,882,077	216,336,892
Bonuses and incentives	48,927,217	44,244,529
Variable remuneration	39,012,755	36,854,571
Meals and health benefits	28,473,743	25,338,551
Legal bonuses	24,355,351	22,703,271
Termination benefits	24,140,765	13,386,201
Training expenses	2,020,280	2,546,426
Other staff expenses	22,306,869	20,170,965
Total	418,119,057	381,581,406

Note 39.31 – Administrative expenses

Administrative expenses for the years 2016 and 2015 are detailed as follows:

	2016 ThCh$	2015 ThCh$
General administrative expenses		
Data processing and communications	68,237,737	60,902,018
Maintenance and repair of property, plant and equipment	34,643,698	32,816,439
Office and equipment rentals	26,839,464	24,465,391
Guards and valuables transport services	13,185,383	11,965,813
External professional and consultancy fees	10,091,658	9,288,177
Office materials	8,473,163	7,222,418
Rental of automated teller machine spaces	7,650,314	6,518,043
Postal and courier delivery services	6,497,585	5,740,540
Lighting, heating and other services	5,618,594	5,241,073
Personnel entertainment and travel expenses	4,619,103	4,434,398
Insurance premiums	4,104,873	4,146,651
Legal and notary costs	3,595,319	4,718,382
External financial reporting services	3,017,108	2,956,285
External document custody services	2,989,862	2,872,527
Donations	1,832,067	2,170,047
Other general administrative expenses	7,900,927	8,700,224
Subtotal	209,296,855	194,158,426
Subcontracted services		
Credit evaluation	17,149,568	20,682,664
Data processing	11,246,385	10,565,648
External technological development expenses	9,178,149	8,050,063
Technology certification and testing	6,052,028	5,140,799
Others	3,297,394	3,492,017
Subtotal	46,923,524	47,931,191
Directors' expenses		
Directors' remuneration	2,460,614	2,296,081
Other board expenses	719,285	565,380
Subtotal	3,179,899	2,861,461
Marketing expenses		
Publicity and advertising	32,780,725	32,509,178
Subtotal	32,780,725	32,509,178
Taxes, contributions		
Contribution to the SBIF	8,855,632	8,083,873
Property taxes	2,787,487	2,627,456
Municipal taxes	1,251,522	1,299,976
Other taxes	1,265,579	501,760
Subtotal	14,160,220	12,513,065
Total	306,341,223	289,973,321

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.32 – Depreciation, amortization and impairment

(a) The charges to income for depreciation and amortization during 2016 and 2015 were:

	2016 ThCh$	2015 ThCh$
Depreciation and amortization		
Depreciation of property, plant and equipment (Note 39,14 b)	24,693,608	21,206,346
Amortization of intangible assets (Note 39,13b)	8,594,893	8,330,708
Total	33,288,501	29,537,054

(b) The charge for impairment for the years ended December 31, 2016 and 2015, is detailed as follows

	2016 ThCh$	2015 ThCh$
Impairment		
Impairment of investment instruments	—	—
Impairment of property, plant and equipment (Note 39.14b)	273,615	203,568
Impairment of intangible assets (Note 39.13b)	—	59,467
Total	273,615	263,035

Note 39.33 – Other operating income

Other operating income of Banco de Chile and its subsidiaries during 2016 and 2015 is detailed as follows:

	2016 ThCh$	2015 ThCh$
Income from assets received in lieu of payment		
Gain on sale of assets received in lieu of payment	5,268,980	3,469,584
Other income	37,987	15,400
Subtotal	5,306,967	3,484,984
Releases of provisions for contingencies		
Provisions for country risk	—	—
Other provisions for contingencies	119,650	280,350
Subtotal	119,650	280,350
Other income		
Rent received	8,670,908	8,536,640
Other credit card income	5,755,560	2,107,417
Correspondent bank rebates	2,909,019	2,980,246
Expense reimbursements	2,896,391	3,385,378
Monthly tax prepayments indexation	1,088,391	1,632,452
Income on sale of leased assets	681,467	1,985,487
Operational risks recoverable	344,670	—
Custody and trust services	236,365	210,141
Gain on sale of property, plant and equipment	184,796	207,878
Others	2,674,463	2,577,766
Subtotal	25,442,030	23,623,405
Total	30,868,647	27,388,739

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.34 – Other operating expenses

Other operating expenses of the Bank and its subsidiaries incurred in 2016 and 2015 are detailed as follows:

	2016 ThCh$	2015 ThCh$
Provisions and expenses for assets received in lieu of payment		
Write-offs of assets received in lieu of payment	3,329,101	1,301,561
Provisions for assets received in lieu of payment	2,954,044	318,591
Maintenance expenses of assets received in lieu of payment	519,770	482,683
Subtotal	6,802,915	2,102,835
Provisions for contingencies		
Provisions for country risk	359,557	1,301,030
Other provisions for contingencies	6,879,789	6,360,020
Subtotal	7,239,346	7,661,050
Other expenses		
Card administration	3,921,263	3,372,311
Provisions and write-offs other assets	3,703,480	2,360,921
Operational write-offs	3,359,434	4,844,244
Lease operating expenses and write-offs	1,053,873	1,096,373
Provision leased assets recovered	839,960	692,051
Contributions to other organisms	250,896	234,291
Mortgage-protection insurance	249,790	198,161
Indexation on dividends	200,958	-
Civil lawsuits	93,992	288,638
Loss on sale of property, plant and equipment	1,890	3,874
Others	3,047,296	2,309,009
Subtotal	16,722,832	15,399,873
Total	30,765,093	25,163,758

Note 39 – Additional notes (continued)

Note 39.35 - Related party transactions

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.

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.

Article 89 of the Corporations Law, which also applies to banks, states that any transaction with a related party must be carried out under conditions similar to those prevailing in the market.

Article 147 of the Corporations Law states that a publicly held corporation may only carry out transactions with related parties when their object is to contribute to the corporate interest, they reflect in price, terms and conditions those prevailing in the market at the time of their approval, and meet the requirements and procedures set out in this law.

Article 84 of the General Banking Law establishes limits on loans granted to related parties and prohibits the granting of loans to the Bank's directors, managers and general representatives.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

a) Loans with related parties

The following details loans and accounts receivable, contingent liabilities and assets related to trading and investment securities, corresponding to related parties.

	Productive Companies (*)		Investment Companies (**)		Individuals (***)		Total	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Loans and accounts receivable:								
Commercial loans	287,511,669	289,802,734	27,800,134	40,916,262	8,290,479	7,570,468	323,602,282	338,289,464
Residential mortgage loans	—	—	—	—	31,898,368	27,677,920	31,898,368	27,677,920
Consumer loans	—	—	—	—	6,493,955	5,681,630	6,493,955	5,681,630
Gross loans	287,511,669	289,802,734	27,800,134	40,916,262	46,682,802	40,930,018	361,994,605	371,649,014
Loan loss provisions	(923,863)	(920,546)	(45,364)	(78,718)	(292,392)	(248,083)	(1,261,619)	(1,247,347)
Net Loans	**286,587,806**	**288,882,188**	**27,754,770**	**40,837,544**	**46,390,410**	**40,681,935**	**360,732,986**	**370,401,667**
Contingent credits:								
Guarantees	12,942,820	11,500,976	43,878	46,354	—	—	12,986,698	11,547,330
Letters of credit	164,717	487,080	—	—	—	—	164,717	487,080
Foreign letters of credit	—	—	—	—	—	—	—	—
Performance bonds	42,319,800	63,246,833	1,539,869	2,472,525	—	—	43,859,669	65,719,358
Committed credit lines	66,784,713	60,002,364	1,759,868	24,469,992	15,908,681	15,319,303	84,453,262	99,791,659
Total contingent credits	122,212,050	135,237,253	3,343,615	26,988,871	15,908,681	15,319,303	141,464,346	177,545,427
Provisions for contingent liabilities	(143,324)	(117,109)	(1,307)	(1,247)	—	—	(144,631)	(118,356)
Net contingent credits	**122,068,726**	**135,120,144**	**3,342,308**	**26,987,624**	**15,908,681**	**15,319,303**	**141,319,715**	**177,427,071**
Amounts covered by collateral								
Mortgages	93,049,730	88,139,971	7,452,224	7,618,668	48,271,743	39,657,174	148,773,697	135,415,813
Warrants	—	—	—	—	—	—	—	—
Pledges	2,900,000	—	—	—	2,528	2,708	2,902,528	2,708
Others (****)	26,329,707	84,912,729	8,816,011	11,873,383	1,737,273	1,703,954	36,882,991	98,490,066
Total collateral	**122,279,437**	**173,052,700**	**16,268,235**	**19,492,051**	**50,011,544**	**41,363,836**	**188,559,216**	**233,908,587**

(*) 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.

(**) Investment companies include those legal entities which do not meet the conditions of productive 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

b) Other assets and liabilities with related parties:

	2016 ThCh$	2015 ThCh$
Assets		
Cash and bank deposits	51,222,324	222,253
Transactions pending settlement	7,537,450	—
Financial derivative contracts	147,045,520	112,370,393
Investment instruments	15,129,711	7,454,071
Other assets	50,691,132	32,027,596
Total	**271,626,137**	**152,074,313**
Liabilities		
Demand deposits	194,393,338	139,290,554
Transactions pending settlement	5,636,776	—
Repurchase contracts	34,709,752	—
Time deposits and other borrowings	265,600,227	298,319,685
Financial derivative contracts	151,398,183	101,432,585
Due to banks	242,405,731	321,373,550
Other liabilities	60,306,842	11,616,585
Total	**954,450,849**	**872,032,959**

c) Income and expenses on operations with related parties (*):

	2016		**2015**	
	Income ThCh$	**Expense ThCh$**	**Income ThCh$**	**Expense ThCh$**
Income or expense description				
Interest and indexation income and expense	18,861,117	15,255,465	23,830,269	13,560,482
Fees and services income and expense	66,386,953	54,180,335	54,094,066	45,291,285
Results of financial transactions (**)	466,613,754	468,136,536	276,153,850	224,328,246
Release or constitution of credit-risk provisions	290,028	—	—	229,632
Operational support costs	—	85,979,427	—	115,230,768
Other income and expense	457,638	30,294	485,872	29,061

(*) 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 increase is due to derivative operations offset by Comder Contraparte Central S.A. (related entity), which began in July 2015. This process has implied that part of the derivative contracts initially closed with a local (unrelated) counterpart bank have been novated to this institution to complete their centralized clearing.

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QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.35 – Related party transactions (continued)

d) Contracts with related parties:

During 2016, no new contracts have been signed with related parties that do not form part of normal business transactions and are performed with customers in general, when such contracts are for amounts greater than UF 1,000.

e) Payments to key management:

During 2016 and 2015, key management has been paid total remuneration of ThCh$43,401 and ThCh$41,247 respectively.

f) Directors' expenses and remuneration

	Remuneration		Per diem for board meetings		Advisor Committee		Total	
Director	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Andrónico Luksic Craig	125,024	120,260	—	—	—	—	125,024	120,260
Jorge Awad Mehech	—	—	2,791	2,671	—	—	2,791	2,671
Rodrigo Manubens Moltedo	—	—	1,395	1,335	—	—	1,395	1,335
Thomas Fürst Freiwirth	—	—	1,395	893	—	—	1,395	893
Total	125,024	120,260	5,581	4,899	—	—	130,605	125,159

As of December 31, 2016, SM-Chile paid directors' remuneration of ThCh$ 130,605 (ThCh$ 125,159 in 2015). Banco de Chile and its subsidiaries have paid and accrued as a charge to income concepts related to directors' remuneration of ThCh$3,179,899 (ThCh$2,861,461 in 2015), in accordance with that approved by the Shareholders' Meeting.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities

Banco de Chile 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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.

In calculating the liquidity adjustment, the position of each factor is considered 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 the valuation process, are within acceptable ranges of differences when comparing them with the same combination of parameters prepared independently by the product control area. 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 and performance control area 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:

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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-05, Pesos-07, Pesos-10, UF-02, 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 quality of the credit of the counterparties, exchange rates and interest-rate curves.

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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	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 daily prices

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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	
	2016 ThCh$	**2015 ThCh$**	**2016 ThCh$**	**2015 ThCh$**	**2016 ThCh$**	**2015 ThCh$**	**2016 ThCh$**	**2015 ThCh$**
Financial Assets								
Instruments for trading								
State and the Chilean Central Bank	82,558,958	122,919,200	399,785,926	126,996,477	—	—	482,344,884	249,915,677
Other instruments issued in Chile	672,097	10,420,372	887,594,229	565,210,271	8,959,974	18,027,874	897,226,300	593,658,517
Instruments issued abroad	385,724	—	—	—	—	—	385,724	—
Investments in mutual funds	25,823,401	23,080,156	—	—	—	—	25,823,401	23,080,156
Subtotal	109,440,180	156,419,728	1,287,380,155	692,206,748	8,959,974	18,027,874	1,405,780,309	866,654,350
Derivative contracts for trading								
Forwards	—	—	163,701,193	180,616,276	—	—	163,701,193	180,616,276
Swaps	—	—	709,090,763	739,777,037	—	—	709,090,763	739,777,037
Call options	—	—	1,557,862	1,878,090	—	—	1,557,862	1,878,090
Put options	—	—	1,583,835	680,479	—	—	1,583,835	680,479
Futures	—	—	—	—	—	—	—	—
Subtotal	—	—	875,933,653	922,951,882	—	—	875,933,653	922,951,882
Accounting hedge derivative contracts								
Hedge of fair value (swaps)	—	—	217,697	279,328	—	—	217,697	279,328
Cash flow hedges (swaps)	—	—	63,482,499	203,892,049	—	—	63,482,499	203,892,049
Subtotal	—	—	63,700,196	204,171,377	—	—	63,700,196	204,171,377
Investment instruments held for sale (1)								
State and the Chilean Central Bank	—	15,322,065	59,200,067	71,186,770	—	—	59,200,067	86,508,835
Other instruments issued in Chile	—	—	232,780,240	735,723,697	76,004,787	96,125,168	308,785,027	831,848,865
Instruments issued abroad	—	81,643,998	—	—	—	—	—	81,643,998
Subtotal	—	96,966,063	291,980,307	806,910,467	76,004,787	96,125,168	367,985,094	1,000,001,698
Total	109,440,180	253,385,791	2,518,994,311	2,626,240,474	84,964,761	114,153,042	2,713,399,252	2,993,779,307
Financial liabilities								
Derivative contracts for trading								
Forwards	—	—	138,573,848	207,960,857	—	—	138,573,848	207,960,857
Swaps	—	—	804,651,985	897,513,694	—	—	804,651,985	897,513,694
Call options	—	—	1,978,728	3,689,211	—	—	1,978,728	3,689,211
Put options	—	—	867,332	548,986	—	—	867,332	548,986
Futures	—	—	—	—	—	—	—	—
Subtotal	—	—	946,071,893	1,109,712,748	—	—	946,071,893	1,109,712,748
Accounting hedge derivative contracts								
Hedge of fair value (swaps)	—	—	10,293,290	14,549,038	—	—	10,293,290	14,549,038
Cash flow hedges (swaps)	—	—	45,722,223	3,665,752	—	—	45,722,223	3,665,752
Subtotal	—	—	56,015,513	18,214,790	—	—	56,015,513	18,214,790
Total	—	—	1,002,087,406	1,127,927,538	—	—	1,002,087,406	1,127,927,538

(1) As of December 31, 2016, 89% of the instruments grouped in Level 3 are investment grade. Also, all these financial instruments are from local issuers.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.36 – Fair value of financial assets and liabilities (continued)

(c) Reconciliation Level 3

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, 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

	December 31, 2015							
	Balance as of Jan-01-2015 ThCh$	Gain (Loss) booked in Income (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-31-2015 ThCh$
Financial assets								
Trading instruments								
Other Chilean institutions	1,400,602	(25,846)	—	18,054,548	(49,983)	—	(1,351,447)	18,027,874
Subtotal	1,400,602	(25,846)	—	18,054,548	(49,983)	—	(1,351,447)	18,027,874
Investment instruments held for sale:								
Other Chilean institutions	179,377,816	11,230,315	(774,525)	212,617	(101,213,068)	13,336,063	(6,044,050)	96,125,168
Foreign institutions	1,937,789	102,870	56,493	—	(2,097,152)	—	—	—
Subtotal	181,315,605	11,333,185	(718,032)	212,617	(103,310,220)	13,336,063	(6,044,050)	96,125,168
Total	182,716,207	11,307,339	(718,032)	18,267,165	(103,360,203)	13,336,063	(7,395,497)	114,153,042

(1) Recorded in Net Income Statement under "Net gain (loss) from financial operations"
(2) Recorded in Equity under "Valuation accounts"

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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:

	2016		2015	
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	8,959,974	(175,534)	18,027,874	(444,968)
Total	8,959,974	(175,534)	18,027,874	(444,968)
Investment instruments held for sale				
Other instruments issued in Chile	76,004,787	(1,254,505)	96,125,168	(1,968,770)
Instruments issued abroad	—	—	—	—
Total	76,004,787	(1,254,505)	96,125,168	(1,968,770)
Total	84,964,761	(1,430,039)	114,153,042	(2,413,738)

In order to measure the sensitivity of the financial investments to changes in relevant market factors, Banco de Chile 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.

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QUIÑENCO S.A.

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	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Assets				
Cash and bank deposits	1,408,166,486	1,361,222,262	1,408,166,486	1,361,222,262
Transactions pending settlement	376,252,606	526,044,917	376,252,606	526,044,917
Repurchase agreements and securities lending	55,703,136	46,164,461	55,703,136	46,164,461
Subtotal	1,840,122,228	1,933,431,640	1,840,122,228	1,933,431,640
Due by banks				
Banks in Chile	208,304,109	45,186,098	208,304,109	45,186,098
Chilean Central Bank	700,340,683	1,000,433,057	700,340,683	1,000,433,057
Banks abroad	264,273,290	349,576,343	264,273,290	349,576,343
Subtotal	1,172,918,082	1,395,195,498	1,172,918,082	1,395,195,498
Loans and accounts receivable from customers				
Commercial loans	14,164,277,759	14,041,007,138	13,998,224,685	13,854,836,051
Residential mortgage loans	6,886,319,166	6,370,033,417	7,313,953,338	6,625,556,699
Consumer loans	3,724,692,675	3,540,121,984	3,728,302,287	3,525,034,488
Subtotal	24,775,289,600	23,951,162,539	25,040,480,310	24,005,427,238
Total	**27,788,329,910**	**27,279,789,677**	**28,053,520,620**	**27,334,054,376**
Liabilities				
Demand deposits and other obligations	8,283,930,265	8,305,369,907	8,283,930,265	8,305,369,907
Transactions pending settlement	194,982,365	241,841,370	194,982,365	241,841,370
Repurchase agreements and securities lending	216,817,177	184,131,435	216,817,177	184,131,435
Time deposits and other borrowings	10,550,576,329	9,905,144,303	10,561,426,093	9,899,919,602
Obligations with banks	1,040,026,289	1,529,628,173	1,036,091,183	1,522,666,890
Other financial obligations	186,199,142	173,080,729	186,199,142	173,080,729
Subtotal	20,472,531,567	20,339,195,917	20,479,446,225	20,327,009,933
Debt instruments issued				
Mortgage-funding notes	28,893,063	39,567,925	30,918,234	41,848,675
General-funding notes	4,021,083	5,023,712	4,302,849	5,416,115
Bonds	5,431,574,615	5,268,299,827	5,594,748,280	5,302,742,349
Subordinated bonds	713,437,868	785,613,547	720,454,597	788,883,321
Subtotal	6,177,926,629	6,098,505,011	6,350,423,960	6,138,890,460
Total	**26,650,458,196**	**26,437,700,928**	**26,829,870,185**	**26,465,900,393**

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2016 and 2015:

	Level 1 Estimated fair value		Level 2 Estimated fair value		Level 3 Estimated fair value		Total Estimated fair value	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Assets								
Cash and bank deposits	1,408,166,486	1,361,222,262	—	—	—	—	1,408,166,486	1,361,222,262
Transactions pending settlement	376,252,606	526,044,917	—	—	—	—	376,252,606	526,044,917
Repurchase agreements	55,703,136	46,164,461	—	—	—	—	55,703,136	46,164,461
Subtotal	1,840,122,228	1,933,431,640	—	—	—	—	1,840,122,228	1,933,431,640
Due by banks								
Banks in Chile	208,304,109	45,186,098	—	—	—	—	208,304,109	45,186,098
Chilean Central Bank	700,340,683	1,000,433,057	—	—	—	—	700,340,683	1,000,433,057
Banks abroad	264,273,290	349,576,343	—	—	—	—	264,273,290	349,576,343
Subtotal	1,172,918,082	1,395,195,498	—	—	—	—	1,172,918,082	1,395,195,498
Loans and accounts receivable customers								
Commercial loans	—	—	—	—	13,998,224,685	13,854,836,051	13,998,224,685	13,854,836,051
Residential mortgage loans	—	—	—	—	7,313,953,338	6,625,556,699	7,313,953,338	6,625,556,699
Consumer loans	—	—	—	—	3,728,302,287	3,525,034,488	3,728,302,287	3,525,034,488
Subtotal	—	—	—	—	25,040,480,310	24,005,427,238	25,040,480,310	24,005,427,238
Total	3,013,040,310	3,328,627,138	—	—	25,040,480,310	24,005,427,238	28,053,520,620	27,334,054,376
Liabilities								
Demand deposits and other obligations	8,283,930,265	8,305,369,907	—	—	—	—	8,283,930,265	8,305,369,907
Transactions pending settlement	194,982,365	241,841,370	—	—	—	—	194,982,365	241,841,370
Repurchase agreements	216,817,177	184,131,435	—	—	—	—	216,817,177	184,131,435
Term deposits and other obligations	—	—	—	—	10,561,426,093	9,899,919,602	10,561,426,093	9,899,919,602
Due to Banks	—	—	—	—	1,036,091,183	1,522,666,890	1,036,091,183	1,522,666,890
Other financial obligations	186,199,142	173,080,729	—	—	—	—	186,199,142	173,080,729
Subtotal	8,881,928,949	8,904,423,441	—	—	11,597,517,276	11,422,586,492	20,479,446,225	20,327,009,933
Debt instruments issued								
Mortgage-funding notes	—	—	30,918,234	41,848,675	—	—	30,918,234	41,848,675
General funding notes	—	—	4,302,849	7,205,697	—	—	4,302,849	7,205,697
Bonds	—	—	5,594,748,280	5,302,742,349	—	—	5,594,748,280	5,302,742,349
Subordinated bonds	—	—	—	—	720,454,597	788,883,321	720,454,597	788,883,321
Subtotal	—	—	5,629,969,363	5,351,796,721	720,454,597	788,883,321	6,350,423,960	6,140,680,042
Total	8,881,928,949	8,904,423,441	5,629,969,363	5,351,796,721	12,317,971,873	12,211,469,813	26,829,870,185	26,467,689,975

Notes to the Consolidated Financial Statements
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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

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

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	
	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$	2016 ThCh$	2015 ThCh$
Financial derivative contract assets	939,633,849	1,127,123,259	(307,920,521)	(258,213,024)	(280,439,177)	(244,064,167)	(54,335,685)	(148,022,655)	296,938,466	476,823,413
Financial derivative contract liabilities	1,002,087,406	1,127,927,538	(307,920,521)	(258,213,024)	(280,439,177)	(244,064,167)	(164,889,079)	(190,563,252)	248,838,629	435,087,095

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

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, 2016 and 2015. Instruments for trading or held for sale are included at their fair value.

	2016								
	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 3 years	3 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
Due by 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

	2015								
	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 3 years	3 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	1,361,222,262	—	—	1,361,222,262	—	—	—	—	1,361,222,262
Transactions pending settlement	526,044,917	—	—	526,044,917	—	—	—	—	526,044,917
Instruments for trading	866,654,350	—	—	866,654,350	—	—	—	—	866,654,350
Repurchase agreements and securities lending	35,910,032	8,703,611	1,550,818	46,164,461	—	—	—	—	46,164,461
Financial derivative contracts	74,809,805	75,895,264	160,886,438	311,591,507	323,580,025	171,497,931	320,453,796	815,531,752	1,127,123,259
Due by banks (*)	1,063,248,630	78,055,997	224,943,038	1,366,247,665	29,649,513	—	—	29,649,513	1,395,897,178
Customer loans and accounts receivable (*)	2,670,006,978	2,935,330,098	4,586,125,953	10,191,463,029	4,873,870,735	2,843,390,328	6,649,317,842	14,366,578,905	24,558,041,934
Investment instruments held for sale	124,175,127	73,409,004	343,349,603	540,933,734	76,833,893	121,680,139	260,553,932	459,067,964	1,000,001,698
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—
Total financial assets	6,722,072,101	3,171,393,974	5,316,855,850	15,210,321,925	5,303,934,166	3,136,568,398	7,230,325,570	15,670,828,134	30,881,150,059

(*) These are shown without deducting the respective provisions which amount to ThCh$609,991,985 (ThCh$601,766,341 in 2015) for loans and accounts receivable from customers; and ThCh$528,271 (ThCh$701,680 in 2015) for sums due by banks.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.37 – Maturities of assets and liabilities (continued)

	2016									
	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Subtotal over 1 year		Total
Liabilities	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

	2015									
	Up to 1 month	1 to 3 months	3 to 12 months	Subtotal up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Subtotal over 1 year		Total
Liabilities	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$	ThCh$		ThCh$
Demand deposits and other obligations	8,305,369,907	—	—	8,305,369,907	—	—	—	—		8,305,369,9077
Transactions pending settlement	241,841,370	—	—	241,841,370	—	—	—	—		241,841,370
Repurchase agreements and securities lending	170,451,067	13,680,368	—	184,131,435	—	—	—	—		184,131,435
Time deposits and other obligations (**)	4,573,076,712	1,687,604,209	2,975,070,210	9,235,751,131	463,454,163	556,746	210,925	464,221,834		9,699,972,965
Financial derivative contracts	84,043,924	97,291,649	193,170,900	374,506,473	289,987,246	135,759,698	327,674,121	753,421,065		1,127,927,538
Obligations with Banks	340,857,026	126,034,115	905,877,942	1,372,769,083	156,859,090	—	—	156,859,090		1,529,628,173
Debt instruments issued:										
Funding notes	3,225,248	3,220,298	8,157,455	14,603,001	15,035,409	9,452,048	7,290,761	31,778,218		46,381,219
Bonds	370,502,370	141,996,167	254,425,807	766,924,344	791,008,555	1,008,830,266	2,703,450,727	4,503,289,548		5,270,213,892
Subordinated bonds	2,565,035	1,756,183	181,591,833	185,913,051	52,626,901	46,037,755	501,035,840	599,700,496		785,613,547
Other financial obligations	132,761,734	2,107,564	9,982,315	144,851,613	19,236,790	7,928,356	1,063,970	28,229,116		173,080,729
Total financial liabilities	14,224,694,393	2,073,690,553	4,528,276,462	20,826,661,408	1,788,208,154	1,208,564,869	3,540,726,344	6,537,499,367		27,364,160,775

(**) Excludes term saving accounts, which amount to ThCh$208,435,256 (ThCh$205,171,338 as of December 31, 2015),

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 each of the different types of 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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 potential impacts on operations and financial performance as a result of 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 transactions (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 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

The Committee holds ordinary meetings once a month and may meet extraordinarily at the request of the chairman, directors or chief executive.

(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 is responsible for defining 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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 banks and its 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, specific provision models and additional provisions model. 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 and the Retail Banking and Branches Division, and the Deputy Manager of Information and Intelligence. The Committee has standing invitations for the manager of the Retail Risk area, the Manager of the Risk Management and Control area and the Manager of the Financial Management and Control Division. The committee may be called extraordinarily at the request of the Chairman of the Board, two Directors or the Chief Executive Officer.

(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 Manager of the Operational and Process Risk Division, the General Counsel, the Manager of the Financial Management and Control Division, the Manager of the Operations and Technology Division, the Manager of the Marketing Division, and the Manager of the Operational Risk Area. The Manager of the Comptroller Division, and the Manager of the Safety and Risk Prevention area have also 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 Manager of the Operational and Process Risk Division, 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 at the request of the Chairman, or two of its members.

(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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(a) Approval Process

Depending on the segment (Retail, Wholesale) the admission process uses various 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

The following approval models have been defined:

a. **Automated model**: Focused mainly on the segment of individuals without a commercial business, and making distinctions between Credichile and Banco de Chile. The Bank has automated evaluation models, which assess three important aspects during the approval process: Policies, Scores, and Borrowing Parameters.

b. **Parametric model:** This method is used to assess individual applications in the SME segment. The model considers the evaluation of customers or prospects based on three fundamental pillars: the internal and external payment behavior; analysis of financial information; and evaluation of the customer's business, including the experience of the owners and/or management.

This evaluation process delivers a category that qualifies the customer's credit quality through a score or rating, which is directly linked to credit authority required to approve each transaction.

c. **Pre-approved model:** Considering the available customer information, mass assessment processes are performed to generate pre-approved credit offers, with differentiated strategies for each segment and customer niche. These processes make way for proactive and efficient credit management.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(a) Approval Process (continued)

Wholesale segment

A case-by-case model is applied, which involves an individual evaluation with specialized knowledge that integrates risk, terms, amounts, products, complexity and business prospects, financial analysis, guarantees, business perspectives, among other variables. This process is usually supported by a rating model, which provides greater consistency in evaluating a customer and its economic segment, establishing the level of 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 Follow-up

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.

The retail segment controls and monitors portfolio credit risk by constantly monitoring customer and market trends to determine the corrective measures required to maintain risk within the desired limits. It prepares monitoring reports covering expected loss in the portfolio; new customer analysis; general delinquency with special monitoring of products and segments; and approval standards. Statistical models have been developed to manage credit to ensure correct credit evaluations, which have strict monitoring tools including back-test analysis, variable stability, and segmentation, among others, thereby ensuring their predictive ability over time.

The wholesale segment has centralized monitoring processes that issue warnings based on financial indicators and behavioral variables, and portfolio classification management. Portfolio monitoring establishes action plans for companies that have activated risk warnings; in addition to monitoring cyclical market trends requiring special portfolio review. Other monitoring activities cover compliance with pre-established conditions at the approval stage, such as monitoring financial clauses (covenants), guarantee coverage, particular credit approval conditions and restrictions, etc.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(2) Credit risk (continued)

(c) Derivative Instruments

The value of financial derivative contracts is at all times reflected in the systems used for the management and valuation of these portfolios. In addition, the risk generated by these, determined according to SBIF models, is controlled against credit lines at the start of each transaction.

(d) Portfolio Concentration

The maximum exposure to credit risk, without considering collateral and other credit improvements, by customer or counterparty as of December 31, 2016 and 2015 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, 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
Due by 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	14,380,409	—	14,075	96,304	14,490,788
Residential mortgage loans	6,920,186	—	—	—	6,920,186
Consumer loans	3,974,560	—	—	—	3,974,560
Subtotal	25,275,155	—	14,075	96,304	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	—	—	—	—	—

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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	707,826	700,341	—	—	—	—	—	—	—	—	—	—	—	—	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
Due by 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	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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, 2015:

	Chile MCh$	United States MCh$	Brazil MCh$	Others MCh$	Total MCh$
Financial assets					
Cash and bank deposits	793,261	543,492	—	24,469	1,361,222
Trading instruments					
State and the Chilean Central Bank	249,916	—	—	—	249,916
Other instruments issued in Chile	593,658	—	—	—	593,658
Instruments issued abroad	—	—	—	—	—
Investments in mutual funds	23,080	—	—	—	23,080
Subtotal	866,654	—	—	—	866,654
Repurchase agreements and securities lending	46,164	—	—	—	46,164
Derivative contracts for trading					
Forwards	154,367	4,800	—	21,449	180,616
Swaps	534,356	111,636	—	93,785	739,777
Call options	1,878	—	—	—	1,878
Put options	680	—	—	—	680
Futures	—	—	—	—	—
Subtotal	691,281	116,436	—	115,234	922,951
Accounting hedge derivative contracts					
Forwards	—	—	—	—	—
Swaps	48,133	47,378	—	108,660	204,171
Call options	—	—	—	—	—
Put options	—	—	—	—	—
Futures	—	—	—	—	—
Subtotal	48,133	47,378	—	108,660	204,171
Due by banks					
Chilean Central Bank	1,000,433	—	—	—	1,000,433
Banks in Chile	45,258	—	—	—	45,258
Banks abroad	—	—	190,150	160,056	350,206
Subtotal	1,045,691	—	190,150	160,056	1,395,897
Loans and accounts receivable from customers					
Commercial loans	14,218,048	21,261	23,333	154,276	14,416,918
Residential mortgage loans	6,404,986	—	—	—	6,404,986
Consumer loans	3,736,137	—	—	—	3,736,137
Subtotal	24,359,171	21,261	23,333	154,276	24,558,041
Investment instruments held for sale					
State and the Chilean Central Bank	86,508	—	—	—	86,508
Other instruments issued in Chile	831,849	—	—	—	831,849
Instruments issued abroad	—	81,644	—	—	81,644
Subtotal	918,357	81,644	—	—	1,000,001
Investment instruments held to maturity	—	—	—	—	—

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

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$	Forestry MCh$	Fishing MCh$	Transport and telecom MCh$	Construction MCh$	Services MCh$	Others MCh$	Total MCh$
Cash and bank deposits	1,249,892	111,330	—	—	—	—	—	—	—	—	—	—	—	—	—	1,361,222
Trading instruments																
State and Chilean Central Bank	—	149,900	100,016	—	—	—	—	—	—	—	—	—	—	—	—	249,916
Other instruments issued in Chile	593,658	—	—	—		—	—	—	—	—	—	—	—	—	—	593,658
Instruments issued abroad	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Investments in mutual funds	23,080	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23,080
Subtotal	616,738	149,900	100,016	—	—	—	—	—	—	—	—	—	—	—	—	866,654
Repurchase agreements and securities lending	12,473	—	—	—	3,264	797	4,893	19,830	282	—	—	3,841	228	—	556	46,164
Derivative contracts for trading																
Forwards	170,420	—	—	—	2,088	4,906	111	47	2,192	—	8	53	739	52	—	180,616
Swaps	629,455	—	—	—	17,538	21,271	20,485	30,361	9,926	—	4,664	2,214	2,597	1,266	—	739,777
Call options	161	—	—	—	1,047	301	—	—	306	—	—	29	—	34	—	1,878
Put options	1	—	—	—	616	36	—	—	11	—	—	—	—	16	—	680
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	800,037	—	—	—	21,289	26,514	20,596	30,408	12,435	—	4,672	2,296	3,336	1,368	—	922,951
Hedge accounting derivative contracts																
Forwards	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Swaps	204,171	—	—	—	—	—	—	—	—	—	—	—	—	—	—	204,171
Call options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Put options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Futures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	204,171	—	—	—	—	—	—	—	—	—	—	—	—	—	—	204,171
Due by banks																
Chilean Central Bank	—	1,000,433	—	—	—	—	—	—	—	—	—	—	—	—	—	1,000,433
Banks in Chile	45,258	—	—	—	—	—	—	—	—	—	—	—	—	—	—	45,258
Banks abroad	350,206	—	—	—	—	—	—	—	—	—	—	—	—	—	—	350,206
Subtotal	395,464	1,000,433	—	—	—	—	—	—	—	—	—	—	—	—	—	1,395,897
Loans and accounts receivable from customers																
Commercial loans	2,130,946	—	—	—	2,345,318	1,626,515	545,375	473,172	1,185,113	—	351,531	1,668,628	1,585,940	1,668,346	836,034	14,416,918
Residential mortgage loans	—	—	—	6,404,986	—	—	—	—	—	—	—	—	—	—	—	6,404,986
Consumer loans	—	—	—	3,736,137	—	—	—	—	—	—	—	—	—	—	—	3,736,137
Subtotal	2,130,946	—	—	10,141,123	2,345,318	1,626,515	545,375	473,172	1,185,113	—	351,531	1,668,628	1,585,940	1,668,346	836,034	24,558,041
Investment instruments held for sale																
State and Chilean Central Bank	—	36,258	50,250	—	—	—	—	—	—	—	—	—	—	—	—	86,508
Other instruments issued in Chile	709,003	—	—	—	23,407	—	8,436	38,190	51,096	—	—	—	1,717	—	—	831,849
Instruments issued abroad	81,644	—	—	—	—	—	—	—	—	—	—	—	—	—	—	81,644
Subtotal	790,647	36,258	50,250	—	23,407	—	8,436	38,190	51,096	—	—	—	1,717	—	—	1,000,001
Investment instruments held to maturity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, are as follows:

2016	Loans MCh$	Mortgages MCh$	Pledges MCh$	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**

2015	Loans MCh$	Mortgages MCh$	Pledges MCh$	Securities MCh$	Warrants MCh$	Others MCh$	Total MCh$
Corporations	11,029,022	2,090,295	75,436	464,998	4,854	358,086	2,993,669
SMEs	3,387,896	2,017,450	32,428	34,853	—	47,844	2,132,575
Consumer	3,736,137	247,330	1,460	2,872	—	18,390	270,052
Residential mortgage	6,404,986	5,573,300	122	598	—	—	5,574,020
Total	**24,558,041**	**9,928,375**	**109,446**	**503,321**	**4,854**	**424,320**	**10,970,316**

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.

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, is MCh$129,066 and MCh$118,464 respectively.

The value of guarantees held by the Bank relating to past due loans not impaired as of December 31, 2016 and 2015, is MCh$305,666 and ThCh$283,718 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, 2016:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Default MCh$	Normal MCh$	Default MCh$	Total MCh$
Financial Assets						
Due by 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

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2015:

	Individual Portfolio			Group Portfolio		
	Normal MCh$	Substandard MCh$	Default MCh$	Normal MCh$	Default MCh$	Total MCh$
Financial Assets						
Due by banks						
Chilean Central Bank	1,000,433	—	—	—	—	1,000,433
Banks in Chile	45,258	—	—	—	—	45,258
Banks abroad	350,206	—	—	—	—	350,206
Subtotal	1,395,897	—	—	—	—	1,395,897
Loans and Account Receivables from Customers (excluding loan loss provisions)						
Commercial loans	11,543,265	175,066	273,461	2,211,106	214,020	14,416,918
Residential mortgage loans	—	—	—	6,287,820	117,166	6,404,986
Consumer loans	—	—	—	3,473,296	262,841	3,736,137
Subtotal	11,543,265	175,066	273,461	11,972,222	594,027	24,558,041

Ageing analysis of past due loans by financial asset class, including the portion past due and the remaining balance:

Term:
Past due 1: 1 to 29 days
Past due 2: 30 to 59 days
Past due 3: 60 to 89 days

As of December 31, 2016

	Past due 1 MCh$	Past due 2 MCh$	Past due 3 MCh$
Due by 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

As of December 31, 2015

	Past due 1 MCh$	Past due 2 MCh$	Past due 3 MCh$
Due by banks	15,354	—	—
Commercial loans	152,739	59,428	19,346
Foreign trade finance	19,437	1,255	6,096
Factoring operations	36,917	5,093	2,757
Commercial lease operations	37,837	8,149	2,145
Other loans and accounts receivable	1,021	440	407
Residential mortgage loans	132,767	53,915	22,279
Consumer loans	225,577	90,188	33,864
Total	621,649	218,468	86,894

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, 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$
2016	518,369	126,177	32,936	658
2015	460,401	121,272	34,864	926

(*) These amounts include the portion past due and the remaining balance.

(g) Assets Received in Lieu of Payment

The Bank has assets received in lieu of payment amounting to MCh$13,399 and MCh$6,429 as of December 31, 2016 and 2015, 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	2016 MCh$	2015 MCh$
Due by banks		
Chilean Central Bank	—	—
Banks in Chile	—	—
Banks abroad	—	—
Subtotal	—	—
Loans and accounts receivable from customers, net		
Commercial loans	172,255	238,491
Residential mortgage loans	17,466	18,186
Consumer loans	358,023	335,489
Subtotal	547,744	592,166
Total renegotiated financial assets	547,744	592,166

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 (liquidity risk) or adverse movements in the prices of market variables (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, discounted 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 covering all time periods, but also with sub-limits for certain deadlines. These position limits are established only for Trading Book positions, as changes to the valuation of positions in this book impacts the Bank's Statement of Income, which is not the case for positions in the Banking Book. 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 bank business, 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 2016 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	3,614	6,142	1,849	3,355
Minimum	1,451	3,669	398	998
Average	2,841	5,043	1,077	2,224

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, but 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 more strategic and longer-term liquidity is protected that relates not only to the future of the entity but also to that of the country.

The values for Crossed Currency Funding for 2016 are as follows:

	Cross Currency Funding **MUS$**
Maximum	2,751
Minimum	539
Average	1,643

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 2016:

	Liquid Assets/ Net Funds up to 1 year	**Liabilities > 1 year / Assets > 1 year**	**Deposits/ Loans**
Maximum	129%	74%	63%
Minimum	108%	72%	60%
Average	116%	73%	62%

Liquidity risk controls also include monitoring the evolution of specific financial market prices and conditions, in order to detect scarce systemic liquidity.

Finally, the Bank also uses several regulatory reports to measure its liquidity situation, including those introduced at the end of 2015 and put into operation during 2016, such as the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (known as NSFR), rate of liability renewal by counterparty, concentration of funding instruments, etc.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 2016 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	76%	94%	39%
Minimum	21%	49%	9%
Average	48%	74%	22%
Standard limit	100%	200%	100%

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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, 2016 and 2015, is as follows:

	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	8,321,148	—	—	—	—	—	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

	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, 2015							
Demand deposits and other obligations	8,327,048	—	—	—	—	—	8,327,048
Transactions pending settlement	241,842	—	—	—	—	—	241,842
Repurchase agreements and securities lending	184,041	51	—	—	—	—	184,092
Time deposits and other borrowings	4,637,114	1,788,360	3,128,918	484,858	557	211	10,040,018
Physically settled derivatives	269,483	232,474	364,917	629,015	329,806	640,329	2,466,024
Obligations with banks	231,893	125,946	904,310	262,757	—	—	1,524,906
Other obligations	421	1,100	5,535	18,435	23,918	789	50,198
Debt instruments issued	113,758	199,062	766,134	1,157,411	1,384,072	3,756,483	7,376,920
Total gross financial liabilities (excluding derivatives under offsetting agreements)	14,005,600	2,346,993	5,169,814	2,552,476	1,738,353	4,397,812	30,211,048
Derivatives under offsetting agreements	262,962	356,434	809,548	1,053,043	528,528	1,017,489	4,028,004

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing risk

Measurement and Limits of Pricing 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 are included in the "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 2016 are as follows:

	Value-at-Risk 99% confidence escalated to 1 month **MUS$**
Maximum	12.1
Minimum	1.9
Average	5.6

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.

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The values for the EaR indicator for 2016 are as follows:

	Earnings-at-Risk 97.7% confidence 3 months from the period close **MCh$**
Maximum	73,582
Minimum	64,343
Average	68,879

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

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, 2016 and 2015:

	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
Due by 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$
Assets as of December 31, 2015							
Cash and bank deposits	1,336,900	—	—	—	—	—	1,336,900
Transactions pending settlement	516,151	—	—	—	—	—	516,151
Repurchase agreements and securities lending	3,462	—	—	—	—	—	3,462
Hedge derivatives	475,630	136,918	160,383	324,360	374,857	438,135	1,910,283
Due by banks	1,065,713	78,726	227,895	30,236	—	—	1,402,570
Loans and accounts receivable from customers	3,407,077	3,920,279	6,135,079	5,067,738	2,888,550	7,725,546	29,144,269
Investment instruments held for sale	53,523	76,135	369,755	125,645	151,502	244,707	1,021,267
Investment instruments held to maturity	—	—	—	—	—	—	—
Total assets	6,858,456	4,212,058	6,893,112	5,547,979	3,414,909	8,408,388	35,334,902

	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

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing 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$
Liabilities as of December 31, 2015							
Demand deposits and other obligations	8,338,672	—	—	—	—	—	8,338,672
Transactions pending settlement	231,059	—	—	—	—	—	231,059
Repurchase agreements and securities lending	10,358	—	—	—	—	—	10,358
Time deposits and other borrowings	4,641,021	1,789,871	3,123,713	484,606	557	211	10,039,979
Hedge derivatives	4,272	107,432	254,360	523,234	427,855	446,276	1,763,429
Obligations with banks	826,857	487,504	210,569	—	—	—	1,524,930
Debt instruments issued (*)	381,779	162,304	604,023	1,155,900	1,311,992	3,755,090	7,371,088
Other financial obligations	197,685	1,100	5,535	18,435	23,918	789	247,462
Total liabilities	14,631,703	2,548,211	4,198,200	2,182,175	1,764,322	4,202,366	29,526,977

(*) 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.

Pricing Risk Sensitivity Analysis

The Bank uses stress tests as the principal sensitivity analysis tool for pricing 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.

Notes to the Consolidated Financial Statements
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Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

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	-53	-49	620	593	-3	141	3.6%
6 m	-66	-57	286	260	-7	116	3.1%
9 m	-76	-62	193	161	-10	110	2.8%
1 year	-84	-66	149	119	-12	96	2.5%
2 years	-104	-69	55	56	-22	79	2.4%
4 years	-51	-94	27	24	-33	83	-
6 years	-45	-75	-9	-10	-35	89	-
10 years	-28	-44	-4	-5	-36	90	-
16 years	-29	-45	-21	-19	-36	90	-
20 years	-25	-41	-11	-11	-36	93	-

bps = basis points

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

QUIÑENCO S.A.

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing Risk (continued)

The impact on the Bank's trading book as of December 31, 2016 is as follows:

POTENTIAL GAIN OR LOSS IN TRADING BOOK (MCh$)		
Interest rates in CLP		**(2,596)**
Derivatives	(1,559)	
Debt instruments	(1,037)	
Interest rates in CLF		**(6,085)**
Derivatives	(456)	
Debt instruments	(5,629)	
Interest rates US$, EUR, JPY offshore		**(338)**
Interest rate spreads local/offshore USD, EUR, JPY		**3,291**
Total interest rate		**(5,728)**
Exchange rate		**412**
Option volatility		**1,026**
TOTAL		**(4,290)**

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 31, 2016, 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	(171,420)
Impact of shock on spreads	40,799
Higher/(Lower) Income	**(130,621)**

Note 39 – Additional notes (continued)

Note 39.38 –Risk management (continued)

(3) Market Risk (continued)

(b) Pricing 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 OF PORTFOLIO HELD FOR SALE			
Currency of instrument	DV01 (US$)	Impact of change in interest rates (MUS$)	Impact for change in interest rates (MCh$)
CLP	(30,172)	(1.95)	(1,309)
CLF	(126,078)	(9.78)	(6,558)
US$	(64,214)	(5.65)	(3,788)
Total		**(17.38)**	**(11,655)**

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 healthy capital ratios. During 2016, 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 2016.

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.

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QUIÑENCO S.A.

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.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

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 2016 and 2015 are as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2016 MCh$	2015 MCh$	2016 MCh$	2015 MCh$
Balance sheet assets (net of provisions)				
Cash and bank deposits	1,408,167	1,361,222	21,940	42,335
Transactions pending settlement	376,252	526,046	53,126	59,719
Instruments for trading	1,405,781	866,654	211,762	160,150
Repurchase agreements and securities lending	55,703	46,164	55,703	46,164
Financial derivative contracts	939,634	1,127,122	703,211	1,064,661
Due by banks	1,172,917	1,395,195	305,934	358,614
Loans and accounts receivable from customers	24,775,543	23,956,275	22,024,193	21,411,781
Investment instruments held for sale	367,985	1,000,001	199,860	420,482
Investment instruments held to maturity	—	—	—	—
Investments in companies	32,588	28,126	32,588	28,126
Intangible assets	29,341	26,719	29,341	26,719
Property, plant and equipment	219,082	215,671	219,082	215,671
Current taxes	6,792	3,279	679	328
Deferred taxes	306,030	255,972	30,603	25,597
Other assets	462,185	484,498	462,185	484,498
Subtotal			24,350,207	24,344,845
Assets off the balance sheet				
Contingent credits	4,154,890	5,221,333	2,491,879	3,131,800
Total risk-weighted assets			26,842,086	27,476,645

	December 31, 2016		December 31, 2015	
	MCh$	%	MCh$	%
Basic Capital (*)	2,887,410	8.09	2,740,084	7.45
Regulatory Capital	3,729,427	13.89	3,457,523	12.58

(*) Basic capital refers to the equity of the owners of the Bank in the consolidated statement of financial position.

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Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 39 – Additional notes (continued)

Note 39.39 – Subsequent events

a) On January 26, 2017, the Board of Banco de Chile met at Meeting Number BCH 2,853 and agreed to call an Ordinary Shareholders' Meeting on March 23, 2017, to propose the distribution of dividend No. 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, 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 2016, by issuing new fully paid-in shares, without nominal value, with a value of Ch$ 73.28 per share, distributed among the shareholders at the rate of 0.02658058439 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.

b) On January 26, 2017, the Board of Sociedad Matriz del Banco de Chile S.A. met at Meeting Number SM242, and agreed to call an ordinary shareholders' meeting for March 23, 2017, in order to propose the distribution of dividend No.21 of Ch$ 2.93471581504 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 2016, to be distributed on the basis of 0.02658058439 Banco de Chile shares for each share held in the above-mentioned series.

In the opinion of the management, there are no other significant subsequent events that affect or may affect the company's consolidated financial statements between December 31, 2016, and the date of issue of these consolidated financial statements.

QUIÑENCO S.A.

Notes to the Consolidated Financial Statements
(Translation of financial statements originally issued in Spanish – See Note 2)

Note 40 – Material events

On April 7, 2016, a Material Event was reported to the SVS:

"In accordance with the provisions of Article 9 and second paragraph of Article 10 of Law 18,045 governing the Securities Market, and the provisions of General Regulation 30 and Circular 660 issued by the Superintendency of Securities and Insurance, and being duly authorized to do so, I hereby report as a Material Event that at a meeting of the Board of Directors held on April 7, 2016, it was agreed to propose at the next Ordinary Shareholders' Meeting, to be held on April 29, 2016, the distribution of a final dividend of Ch$ 38,647,903,655, which is 40% of the net income attributable to the owners of the controller for 2015 ("net distributable income for 2015"), consisting of: (a) a minimum mandatory dividend of Ch$ 28,985,923,584, equivalent to 30% of net income for 2015 and (b) an additional dividend of Ch$ 9,661,980,071, equivalent to 10% of net income for 2015.

This final dividend is the sum of Ch$ 23.24323 (twenty-three point two four three two three pesos) per share, which will be paid as from May 11, 2016, to the shareholders registered in the respective register at midnight on the fifth business day prior to that date".

On April 18, 2016, the following Material Event was reported to the SVS:

"In accordance with the provisions of Articles 9 and 10, second paragraph of Law 18,045 governing the Securities Market, and the instructions issued by the Superintendency of Securities and Insurance in its General Regulation 30, and being duly authorized to do so by the Board of Directors of Quiñenco S.A., I hereby report as a Material Event that:

1. On April 18, 2016, the subsidiary Tech Pack SA and its own subsidiary Inmobiliaria Techpack SA signed a sale agreement (hereinafter "the Sale Agreement") to sell all their shares in Alusa S.A. and Inversiones Alusa S.A. to Amcor Holding and Amcor Holding N° 1, which belong to the Amcor Group (the main global producer of rigid and flexible packaging). Tech Pack S.A. is the owner, through Alusa S.A and its subsidiary Inversiones Alusa S.A. of Alusa Chile S.A. and Aluflex S.A. (Argentina) and 50% of the share capital of Peruplast S.A. (Peru) and Empaques Flexa S.A.S. (Colombia). Nexus Group is the direct and indirect holder of the remaining 50% of the Peruvian and Colombian companies referred to above, and has simultaneously signed a similar sale agreement with the same buyers. Thus, Tech Pack S.A. will no longer have a direct and indirect interest in the flexible packaging business.

2. The Sale Agreement is subject to the fulfillment of conditions customary to such transactions. These include the approval of this sale at an Extraordinary Shareholders Meeting of Tech Pack S.A., which will be convened in accordance with the law, and authorizations of antitrust entities in Brazil and Costa Rica.

3. The transaction imposes contractual obligations on Quiñenco S.A. relating to not participating in the flexible packaging business for a period of 3 years, and other obligations customary to such transactions.

4. The transaction value is US$ 435 million (on a debt and cash basis, or Enterprise Value) for the entire flexible packaging business described above. The final price for all the shares covered by the Sale Agreement will be calculated based on adjustments for changes in working capital and net debt, as is usual in such transactions.

5. This transaction would produce a gain of about US$ 50 million for the subsidiary Tech Pack S.A., after deducting expenses associated with the transaction, considering current market conditions, exchange rates, and other relevant variables.

6. The effect of this transaction on Quiñenco S.A. would be a pre-tax gain of approximately US$ 33 million.

By virtue of this Material Event, the Superintendency is advised to cease treating Quiñenco SA's communication dated March 3, 2016 as confidential."

Notes to the Consolidated Financial Statements
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QUIÑENCO S.A.

Note 40 – Material events (continued)

On September 27, 2016, a Material Event was reported to the SVS:

"In accordance with the provisions of Articles 9 and 10, second paragraph of Law 18,045 governing the Securities Market, and instructions issued by the Superintendency of Securities and Insurance in its General Regulation 30, being duly authorized to do so by the Board of Directors of Quiñenco S.A. (hereinafter the "Company") in unanimous agreement, we hereby report as a Material Event that:

The Company will launch a Tender Offer ("OPA") on a voluntary basis, for all of the shares of its subsidiary Tech Pack S.A. of which it is not currently the direct or indirect holder, i.e. 128,104,275 (one hundred and twenty-eight million, one hundred and four thousand, two hundred and seventy-five) Tech Pack S.A. shares, representing 34.08% (thirty-four point zero eight percent) of that company's total shares.

The OPA Commencement Notice will be published on September 29, 2016, in the El Mercurio (of Santiago) and La Tercera newspapers. The Prospectus relating to the OPA will be available from that same day, in the places required by Law 18,045 governing the Securities Market.

The price offered for the shares of Tech Pack S.A. will be US$ 0.54 (fifty-four United States cents) per share, payable in the form and terms reported in the Commencement Notice and the OPA Prospectus."

On November 5, 2016, a Material Event was reported to the SVS:

"On September 29, 2016, Quiñenco S.A. (hereinafter the "Bidder") published in the El Mercurio (of Santiago) and La Tercera newspapers, the Commencement Notice for its OPA to acquire 128,104,275 shares of Tech Pack S.A., a public limited company, registered in the Securities Registry of the Superintendency of Securities and Insurance (SVS), under number 1108, representing 34.08% of its share capital (hereinafter the "Offer"). On October 19, 2016, the Bidder published in the same newspapers changes to that Commencement Notice and made available to interested parties a consolidated text of the corresponding Prospectus.

Subject to the terms of the Offer, no pro-rata mechanism was envisaged.

During the validity of the Offer, acceptances and sales orders were received for a total of 124,256,051 shares of Tech Pack S.A., representing 33.06% of its share capital.

On November 5, 2016, pursuant to the provisions of Article 212 of the Securities Market Law and General Regulation 104 issued by the SVS, the Bidder published in the El Mercurio (of Santiago) and La Tercera newspapers the result of the Tender Offer, which it declared to be successful. It accepted and acquired 124,256,051 shares of Tech Pack SA Therefore, the Bidder became the direct and indirect holder of 372,021,776 shares of Tech Pack S.A., representing 98.98% of its share capital.

Management's Analysis of the Consolidated Financial Statements

As of December 31, 2016

I. SUMMARY

During 2016, Quiñenco posted net income[5] of Ch$176,902 million, 83.1% more than the Ch$96,620 million reported in 2015. The increase is mainly due to a significant increment in the contribution from the manufacturing sector, particularly at Invexans, which achieved a positive result that reflected the profit reported by Nexans in 2016, reversing the loss reported the previous year. The French multinational's net income reflects sustained operational growth as a result of the implementation of strategic initiatives and restructuring. Techpack, in turn, sold its flexible packaging business to the Australian firm Amcor, which generated an after-tax gain of Ch$14,218 million and boosted its result for the year. The energy sector also contributed with an increase of 2.3% in net income at Enex, as a result of a higher sales volume of fuels at service stations and through industrial channels, and a strong performance by lubricants. Banchile Vida achieved net income growth of 12.6%, due to direct premium growth and good claims management. In the transport sector, Hapag-Lloyd performed well, despite falling freight rates, due to the favorable effects of synergies and cost savings, as well as lower oil prices. Meanwhile, CSAV achieved better performance in the car carrier business during the year. Banco de Chile reported a slight decrease in net income of 1.2%, in the context of low economic growth and lower inflation. Its revenue from customers grew, but this was offset by higher operating expenses, increased income tax and a moderate increase in loan loss provisions. SM SAAM reported a reduction in net income of 20.9%, due to a non-recurring gain recorded in 2015 from restructuring its operations in Peru, partly offset by good performances from the port terminals division, particularly TISUR, and the tug boat division in South America. The contribution from SM SAAM also reflects the increase in Quiñenco's interest from 42.4% to 52.2%. Net income at CCU was 1.9% lower than the previous year, due to a poorer performance from international businesses, reflecting the devaluation of the Argentine peso, which was offset by a stronger performance from the wine segment, together with a stable result in Chile. Corporate results improved thanks to a gain on the revaluation of the investment in SM SAAM, as a result of changing its accounting treatment from the equity method to consolidation in 2016, and the favorable effect of lower inflation on indexed liabilities.

The increase in Quiñenco's interest in SM SAAM during the year led to consolidating SM SAAM as a subsidiary with effect from the financial statements as of March 31, 2016, with the resulting changes in the statements of financial position, net income and cash flow. Therefore, a new business segment called Port Services was established.

5 Net income refers to Net income attributable to owners of the controller.

The sale of the flexible packaging business by Techpack at the end of May 2016 involved the reclassification of its subsidiary Alusa and subsidiaries to discontinued operations in the statement of income for 2015 and 2016.

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.

Since 2012, the Superintendency of Securities and Insurance (SVS) modified the format of the financial statements, incorporating the line "Income (loss) from operating activities". Therefore, this line includes the following concepts: Gross income, Other revenue by function, Distribution costs, Administrative expenses, Other expenses by function and Other gains (losses). According to this definition, income or loss from operating activities, or operating income or loss, are defined in the same way in this analysis.

1. Analysis of Non-Banking Business Results

The following segments are included in the non-banking businesses:

a) Manufacturing
- Invexans
- Techpack

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) in 2016.

f) Others
- Quiñenco and others (includes CCU, SM SAAM in 2015, Banchile Seguros de Vida (Banchile Vida), Quiñenco holding company and eliminations).

On May 31, 2016, Techpack sold its entire flexible packaging business to the Australian firm Amcor. Therefore, with effect from the financial statements as of June 30, 2016, the subsidiary Alusa and its subsidiaries were reclassified as discontinued operations in the statement of income for 2016 and 2015. During the last quarter of 2016 Techpack acquired 0.53% of Nexans on the Paris Stock Exchange. Therefore, as of December 31, 2016, Quiñenco indirectly owns 29.05% of Nexans, through its direct subsidiaries Invexans and Techpack.

On December 4, 2014, Quiñenco's Board approved a public tender offer for the remaining shares in Invexans, which concluded in January 2015.

On September 27, 2016, Quiñenco's Board approved a public tender offer for the remaining shares in Techpack, which concluded in November 2016.

As of December 31, 2016, Quiñenco holds directly or through its direct subsidiary Inv. Río Grande and its indirect subsidiaries Inmobiliaria Norte Verde and Inv. Río Azul, 100.0% of the share capital of Techpack and 98.6% of Invexans.

During July, August and December 2014 and February 2015, Quiñenco and its subsidiaries Inv. Río Bravo and Inmobiliaria Norte Verde took part in capital increases at CSAV, acquiring an additional interest of 9.2%. Therefore, Quiñenco has consolidated CSAV with effect from the financial statements as of September 30, 2014. As of December 31, 2016, Quiñenco directly and indirectly holds 56.0% of CSAV. In December 2014, CSAV's container ship business merged with Hapag-Lloyd, and as a result CSAV became the main shareholder of Hapag-Lloyd with a 30% interest. Hapag-Lloyd carried out a capital increase in December 2014, which CSAV subscribed to, taking CSAV's interest to 34.0%. Hapag-Lloyd launched an Initial Public Offering (IPO) in November 2015, and its shares are now traded on the Frankfurt and Hamburg stock exchanges. CSAV subscribed US$30 million of the US$300 million raised, decreasing its interest in the German shipping company to 31.35%. On October 19, 2016, CSAV sold its entire interest in its bulk liquid cargo business to Odfjell Tankers. Therefore, with effect from the financial statements as of September 30, 2016, the bulk liquid cargo business was reclassified as a discontinued operation in the Statement of income for 2016.

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, 2016, Quiñenco holds directly, and through its subsidiaries Inv. Río Bravo and Inmobiliaria Norte Verde, a 52.2% interest in SM SAAM. Therefore, Quiñenco has consolidated SM SAAM with effect from the financial statements as of March 31, 2016. In 2015 the investment in SM SAAM was recognized as an associate at equity value.

Results from Non-Banking Businesses	Figures in MCh$	
	12/31/2016	**12/31/2015**
Operating income	66,124	3,183
Non-operating income (loss)	17,409	(45,260)
Income tax benefit (expense)	(29,240)	3,838
Net income from discontinued operations	15,275	5,461
Consolidated net income (loss) from non-banking businesses	**69,568**	**(32,777)**

Revenue

Revenue increased by 12.6% to Ch$2,158,855 million in 2016, primarily due to consolidating revenue from SM SAAM with effect from 2016, and, to a lesser extent, to higher revenue from Banchile Vida, partially offset by falling revenue at CSAV and Enex.

The composition of revenue is shown in comparative terms as follows:

	Figures in MCh$	
	12/31/2016	**12/31/2015**
Manufacturing		
Invexans	42	242
Techpack	15	-
Subtotal manufacturing	57	242
Financial		
LQIF holding	-	-
Energy		
Enex	1,691,434	1,697,629
Transport		
CSAV	85,831	118,519
Port Services		
SM SAAM	266,522	-
Other		
Quiñenco and others	115,011	100,731
Revenue	**2,158,855**	**1,917,121**

SM SAAM achieved revenue of Ch$266,522 million in 2016, which consists of tug boats, port terminal and logistics services. As mentioned earlier, during 2015 SM SAAM was accounted for as an associate using the equity method in the Other segment.

Revenue at Banchile Vida, included in Quiñenco and others, increased by 14.3% in 2016 compared to the previous year.

CSAV posted revenue of Ch$85,831 million in 2016, a fall of 27.6% compared to the previous year. This was caused by discontinuing the refrigerated bulk cargo business in reefer vessels, used for seasonal fruit transportation until the close of the first quarter of 2015, and also by reduced freight rates for the car carrier business, and, to a lesser extent, by the discontinuation of the solid bulk cargo business during the third quarter of 2015.

Enex's revenue was Ch$1,691,434 million in 2016, a slight decrease of 0.4% compared to the previous year, due to lower fuel prices despite higher sales volumes. Total volumes delivered in 2016 were 3,665 thousand cubic meters, 12.2% higher than the previous year, of which 97.7% were fuels.

Cost of sales

Cost of sales increased by 7.9% in 2016, compared to the previous year. This increase was mainly due to the consolidation of costs at SM SAAM from 2016, and, to a lesser extent, an increase in costs at Banchile Vida, partially offset by a decrease in costs in the transport and energy sectors.

The composition of consolidated cost of sales in comparative terms is as follows:

	Figures in MCh$	
	12/31/2016	12/31/2015
Manufacturing		
Invexans	(3)	(95)
Techpack	-	-
Subtotal manufacturing	(3)	(95)
Financial		
LQIF holding	-	-
Energy		
Enex	(1,499,640)	(1,533,118)
Transport		
CSAV	(81,277)	(116,781)
Port Services		
SM SAAM	(197,068)	-
Other		
Quiñenco and others	(37,708)	(33,041)
Cost of sales	**(1,815,695)**	**(1,683,034)**

Cost of sales at SM SAAM for 2016 amounted to Ch$197,068 million, which consists of costs for tug boats, port terminals and logistics services. It was equivalent to 73.9% of sales in 2016.

Cost of sales at Banchile Vida was included in Quiñenco and others, and increased by 14.2% in 2016 compared to the previous year.

Cost of sales at CSAV amounted to Ch$81,277 million in 2016, which was 30.4% lower than the previous year, reflecting the discontinuation of the refrigerated bulk cargo business in reefer vessels and the solid bulk cargo business, a more efficient operational structure for car carrier services that matched lower market demand, and a drop in fuel costs. Cost of sales was equivalent to 94.7% and 98.5% of sales in 2016 and 2015, respectively.

Cost of sales at Enex was Ch$1,499,640 million in 2016, which was 2.2% lower than the previous year, reflecting the fall in fuel costs. It was equivalent to 88.7% and 90.3% of sales in 2016 and 2015, respectively.

Gross income

The composition of gross income in comparative terms is as follows:

	Figures in MCh$	
	12/31/2016	12/31/2015
Manufacturing		
Invexans	39	147
Techpack	15	-
Subtotal manufacturing	54	147
Financial		
LQIF holding	-	-
Energy		
Enex	191,794	164,511
Transport		
CSAV	4,554	1,739
Port Services		
SM SAAM	69,454	-
Other		
Quiñenco and others	77,303	67.690
Gross income	**343,160**	**234,086**

Gross income was Ch$343,160 million in 2016, which was 46.6% higher than in 2015, mostly due to the consolidation of SM SAAM in 2016, the increase in gross income at Enex, and, to a lesser extent, at Banchile Vida (included in Quiñenco and others) and CSAV. SM SAAM registered a gross income of Ch$69,454 million. Enex increased its gross income by 16.6%, driven by higher sales volumes at service stations and through industrial channels, along with greater volume and margin from lubricants. Banchile Vida increased its gross income by 14.3%. Meanwhile, CSAV achieved a gross income of Ch$4,554 million in 2016, significantly higher than the Ch$1,739 million recorded for the previous year, due to higher gross income from the car carrier business, as a result of greater cost efficiencies and higher volumes, which surpassed the impact of lower freight rates.

Operating income

Operating income was Ch$66,124 million for 2016, significantly higher than the Ch$3,183 million recorded in the previous year, due to consolidating income at SM SAAM, to positive variations for Quiñenco (corporate) and at CSAV, and, to a lesser extent, improved operational performance from Invexans and Enex in 2016, partially offset by an increase in the net operating loss at Techpack.

The comparative composition of operating income is as follows:

	Figures in MCh$	
	12/31/2016	12/31/2015
Manufacturing		
Invexans	(962)	(4,980)
Techpack	(4.517)	(3,402)
Subtotal manufacturing	(5,479)	(8,382)
Financial		
LQIF holding	(4,115)	(3,780)
Energy		
Enex	27,110	24,551
Transport		
CSAV	4,614	(9,172)
Port Services		
SM SAAM	26,830	-
Other		
Quiñenco and others	17,162	(34)
Operating income	**66,124**	**3,183**

SM SAAM achieved operating income of Ch$26,830 million in 2016, due to its gross margin, though this was partially offset by administrative expenses.

Operating income for Quiñenco and others was Ch$17,162 million in 2016, which contrasts positively with the loss of Ch$34 million recorded in the previous year, mainly due to the revaluation of its investment in SM SAAM of Ch$23,275 million reported in 2016, as a result of changing its accounting recognition from the equity method to consolidation, and, to a lesser extent, a 14.7% increase in operating income at Banchile Vida, mostly explained by a 14.3% increase in gross income, which was partially offset by an increase of 14.6% in administrative expenses.

CSAV achieved operating income of Ch$4,614 million in 2016, which compares favorably with the loss of Ch$9,172 million recorded in the previous year, reflecting the reversal of the provision for the NYSA-ILA case recognized in Other gains (losses), an increase in gross income, and lower administrative expenses for the year.

Operating income at Enex was Ch$27,110 million in 2016, up 10.4% compared to 2015, due to higher gross income, though partially offset by higher operating expenses at service stations and convenience stores, higher logistics costs associated with the increase in sales volumes, higher trademark costs following the conversion of Terpel fuel stations during 2015, and new provisions for legal contingencies in 2016.

The operating loss at Invexans amounted to Ch$962 million in 2016, which represents an improvement of 80.7% compared to 2015, mainly due to recognizing the dilution caused by the capital increase reserved for Nexans employees and provisions associated with lawsuits in Brazil reported in 2015, and, to a lesser extent, a reduction in administrative expenses of 19.9% in 2016.

The operating loss at Techpack amounted to Ch$4,517 million in 2016, up 32.8% compared to 2015, due to higher administrative expenses as a result of severance payments for part of the staff following the sale of the flexible packaging busines.

Non-operating results

The comparative composition of non-operating income (loss) is as follows:

	Figures in MCh$	
	12/31/2016	12/31/2015
Finance income	9,546	10,543
Finance costs	(44,323)	(36,027)
Share of income (loss) of associates & joint ventures	67,373	1,805
Exchange differences	2,195	2,145
Indexation adjustments	(17,382)	(23,727)
Non-operating income (loss)	**17,409**	**(45,260)**

Non-operating income was Ch$17,409 million in 2016, which contrasts positively with the loss of Ch$45,260 million recorded in 2015. The most important movements were the following:

- The share of income of associates was Ch$67,373 million in 2016, significantly higher than the income of Ch$1,805 million recorded in 2015, due to the positive variance of Ch$ 48,542 million reflecting the share of Invexans, and, to a lesser extent, Techpack, in the net income achieved by Nexans in 2016, compared to the proportional loss for the previous year. This improvement is also due to the incorporation of associates belonging to SM SAAM, which brought in income of Ch$28,637 million in 2016, and, to a lesser extent, the positive change in the contribution from the investment in Hapag-Lloyd, reflecting CSAV's share of the loss incurred by the German shipping company in 2016, adjusted for the valuation to fair value of this investment by CSAV, which resulted in a loss of Ch$5,335 million, a reduction of 52.2% compared to the loss of Ch$11,152 million reported in 2015. These changes were partially offset by the accounting recognition of SM SAAM as an associate in 2015 only, with a contribution of Ch$17,785 million.

- A lower loss from indexation adjustments at Quiñenco, and, to a lesser extent, at LQIF and CSAV, due to lower inflation in 2016 and the corresponding effect on liabilities in UF.

This was partially offset by:

- Higher finance costs, due to the consolidation of SM SAAM, and, to a lesser extent, higher finance costs at Enex, partially offset by lower finance costs at Quiñenco, reflecting the non-recurring costs associated with the prepayment of bonds in July 2015.

Net income from non-banking businesses

	Figures in MCh$	
	12/31/2016	12/31/2015
Net income (loss) from continuing operations before taxes	83,533	(42,077)
Income tax benefit (expense)	(29,240)	3,838
Net income from discontinued operations	15,275	5,461
Consolidated net income (loss) from non-banking businesses	**69,568**	**(32,777)**

During 2016 the non-banking businesses achieved consolidated net income of Ch$69,568 million, which compares favorably with the net loss of Ch$32,777 million reported for the previous year, due to the positive change achieved by Invexans, driven by net income from its associate Nexans, which reversed the loss recorded in 2015. This improvement also reflects the consolidation of SM SAAM in 2016, as a result the consolidated net income for 2016 includes the minority interest, while in 2015 it included only Quiñenco's interest of 42.4%. At the corporate level a gain was reported on the revaluation of the investment in SM SAAM, as a result of changing its accounting recognition from the equity method to consolidation in 2016, and a lower loss from indexation adjustments. Banchile Vida, LQIF holding and, to a lesser extent, Enex, also contributed to growth in consolidated net income.

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 2016 and 2015.

Banking services results	Figures in MCh$	
	12/31/2016	12/31/2015
Operating income	637,425	617,980
Non-operating loss	(68,936)	(72,069)
Income tax expense	(89,147)	(61,818)
Consolidated net income from banking services	**479,342**	**484,093**

Operating revenue[6]

Operating revenue amounted to Ch$1,735,946 million in 2016, an increase of 5.4% over the previous year, explained by growth in customer revenue, driven by higher income from loans, reflecting an increase of 7.9% in average loan volumes, higher fee income, and, to a lesser extent, an increase in non-customer income, explained by higher results on investments held for sale. These favorable effects were partially offset by lower income from the Bank's net asset position in UF, within a context of lower inflation and the negative impact of the asset position in US dollars required to cover provisions denominated in US dollars.

Loan loss allowances

Banco de Chile's loan loss allowances were Ch$309,735 million in 2016, a slight increase of 2.2% over the provisions for 2015 of Ch$303,062 million. This change is due to higher provisions reflecting growth in the loan portfolio and increased additional anti-cyclical provisions established during the year. These effects were partially offset by the positive impact on loans denominated in foreign currencies, and lower provisions following improvements in the credit quality of debtors within the wholesale segment.

Operating expenses

Operating expenses were Ch$788,787 million in 2016, 8.6% higher than the Ch$726,519 million recorded in 2015. This change reflects increased personnel and administrative expenses, and, to a lesser extent, higher other operating expenses, depreciation and amortization. Personnel expenses increased mainly due to inflation, termination benefits and bonuses. Meanwhile, administrative expenses grew due to increases in the cost of IT, rental, maintenance, repairs and acquisitions of property, plant and equipment. The increase in other operating expenses is due to higher provisions for assets received in lieu of payment. The increase in depreciation and amortization expenses was attributable to the replacement of ATMs and implementing technology.

Non-operating loss[7]

A non-operating loss of Ch$68,936 million was recorded in 2016, 4.3% lower than the non-operating loss of Ch$72,069 million for 2015, due to lower interest on the subordinated debt with Banco Central de Chile in 2016, mainly due to the effect of lower inflation during the year.

Net income from banking services

Consolidated net income from banking services fell slightly by 1.0% to Ch$479,342 million in 2016, as a result of increased income tax following a rise in the corporate income tax rate. Before taxes, however, higher operating expenses and a moderate increase in loan loss provisions were more than offset by growth in operating income.

3. Analysis of Results by Segment

The following shows the composition of results by segment.

Business / Segment	Figures in MCh$													
	Manufacturing		Financial		Energy		Transport		Port Services		Other		Total	
	As of December 31,													
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-banking businesses														
Income (loss) from continuing operations before taxes	5,463	(46,639)	(16,478)	(17,812)	21,196	21,362	(4,551)	(21,323)	45,567	-	32,336	22,334	83,533	(42,077)
Income tax benefit (expense)	(4,372)	4,675	663	486	(969)	(1,589)	(14,044)	4,013	(7,829)	-	(2,688)	(3,747)	(29,240)	3,838
Net income from discontinued operations	13,878	5,461	-	-	-	-	1,397	-	-	-	-	-	15,275	5,461
Consolidated net income (loss) from non-banking businesses	**14,968**	**(36,503)**	**(15,815)**	**(17,326)**	**20,227**	**19,773**	**(17,198)**	**(17,309)**	**37,738**	**-**	**29,648**	**18,588**	**69,568**	**(32,777)**
Banking services														
Income before taxes	-	-	568,489	545,911	-	-	-	-	-	-	-	-	568,489	545,911
Income tax expense	-	-	(89,147)	(61,818)	-	-	-	-	-	-	-	-	(89,147)	(61,818)
Consolidated net income from banking services	**-**	**-**	**479,342**	**484,093**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**479,342**	**484,093**
Consolidated net income (loss)	**14,968**	**(36,503)**	**463,527**	**466,767**	**20,227**	**19,773**	**(17,198)**	**(17,309)**	**37,738**	**-**	**29,648**	**18,588**	**548,910**	**451,316**
Net income (loss) attributable to non-controlling interests	3,091	4,718	351,690	354,467	-	-	(7,184)	(7,318)	20,699	-	3,712	2,829	372,008	354,696
Net income (loss) attributable to owners of the controller(1)	**11,877**	**(41,221)**	**111,837**	**112,300**	**20,227**	**19,773**	**(10,014)**	**(9,991)**	**17,039**	**-**	**25,936**	**15,759**	**176,902**	**96,620**
EBITDA(2)	**(1,268)**	**4,163**	**669,289**	**646,424**	**49,726**	**36,016**	**(3,841)**	**(7,910)**	**63,369**	**-**	**2,533**	**2,744**	**779,808**	**681,437**

(1) Net income attributable to owners of the controller for each segment comprise the final contribution from each segment, and the companies within each segment, to Quiñenco's net income.
(2) EBITDA is defined as Operating income, excluding Other gains (losses), plus Depreciation and amortization

6 Operating revenue is the total net operating revenue excluding loan loss provisions.
7 The non-operating loss includes the result of investments in companies and interest on the subordinated debt with the Chilean Central Bank.

Manufacturing Segment

	Figures in MCh$	
	12/31/2016	12/31/2015
Invexans[8]	8,946	(42,240)
Techpack[9]	2,931	1,019
Net income (loss) for the manufacturing segment	**11,877**	**(41,221)**

The manufacturing segment contributed net income of Ch$11,877 million to Quiñenco's net income for 2016, which contrasts positively with the net loss of Ch$41,221 million for the previous year.

Invexans

Invexans	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	42	242
Operating loss	(962)	(4,980)
Non-operating income (loss)	10,175	(37,959)
Net income (loss) attributable to owners of the controller	**9,071**	**(42,893)**

Invexans produced net income of Ch$9,071 million[10] in 2016, reversing a loss of Ch$42,893 million recorded in the previous year. This change is primarily due to improved performance by its associate Nexans in 2016, which reported a net gain for the year.

Invexans' revenue, which corresponds mainly to services and leases, declined by 82.6% in 2016 compared to 2015, explained by fewer properties under lease.

Invexans had an operating loss of Ch$962 million in 2016, a significant improvement of 80.7% over its loss of Ch$4,980 million in 2015. This favorable change is mainly due to the loss on recognizing the dilution caused by the capital increase reserved for employees of Nexans, and provisions associated with lawsuits in Brazil, both reported in 2015. Furthermore, in 2016 administrative expenses were reduced by 19.9%, there was a favorable effect due to the management of legal contingencies in Brazil, and a gain on the sale of a property.

Non-operating income was Ch$10,175 million in 2016, which contrasts positively with the non-operating loss of Ch$37,959 million recorded in the previous year. This positive change is due to the gain from joint ventures in 2016, relating to Invexans recognizing its investment in Nexans using the equity method. This French company reported net income of €61 million in 2016, which contrasts positively with its net loss of €194 million in 2015. Operating income grew by 24% to €242 million, reflecting the positive impact of its restructuring and efficiency plan, despite a slight decrease in the volume of organic sales[11] of 1.2%, explained by a reduction in the fuel sector (oil and gas). The growth in operating income by segment was driven by distributors and installers, with an increase of 23.8%, reflecting the growth of LAN cables, particularly in the USA and China, whereas sales of construction cables fell, mostly in Europe and North America, offset in part by increases in South America, the Middle East, Russia and Africa. The transmission, distribution and operators segment also contributed an increase of 13.0%, based on higher submarine and land transmission sales and operator sales, while the distribution market was affected by lower demand for energy, which was offset by restructuring in Europe and Asia Pacific. The industrial segment recorded an increase of 3.5% in its operating income, reflecting good performance in the wind energy and aeronautic sectors, together with stabilization of sales of automotive harnesses, which compensated for a sharp drop in the fuel segment (oil and gas).

Non-operating income at Nexans was affected by lower asset impairment compared to the previous year (€8 million in 2016 versus €129 million in 2015), lower restructuring costs (€33 million in 2016 versus €100 million in 2015) and, to a lesser extent, lower costs associated with changes in the price of raw materials on unhedged inventory (€6 million in 2016 versus €52 million in 2015). Invexans adjusted its proportional share to reflect the fair value estimated for Nexans. Together with its share of net income, this resulted in a gain for Invexans on its investment in the French company of Ch$10,436 million in 2016 compared to a loss of Ch$38,013 million in 2015.

Income tax expense for Invexans was Ch$142 million in 2016, which compares negatively with the credit of Ch$45 million in 2015.

Techpack

Techpack	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	15	-
Operating loss	(4,517)	(3,402)
Net income from discontinued operations	13,878	5,461
Net income attributable to owners of the controller	**4,286**	**1,546**

Techpack earned net income of Ch$4,286 million[12] in 2016, significantly higher than the Ch$1,546 million recorded in the previous year, mainly due to the gain on the sale of the flexible packaging business to Amcor.

Techpack sold its flexible packaging business as of May 31, 2016. Therefore, five months of operations of this packaging business and the result of the sale are included in discontinued operations in the consolidated financial statements.

The operating loss at Techpack amounted to Ch$4,517 million in 2016, up 32.8% from the loss of Ch$3,402 million in 2015, due to higher

8 Quiñenco's share of net income at Invexans.
9 Quiñenco's share of net income at Techpack.
10 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.
11 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.
12 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.

administrative expenses as a result of severance payments for part of the staff following the sale of the flexible packaging business.

Techpack recorded non-operating income of Ch$767 million during 2016, which compares favorably with the loss of Ch$298 million in the previous year, due to a positive change in exchange differences and higher finance income.

The net income from discontinued operations at Techpack amounted to Ch$13,878 million in 2016, significantly higher than the Ch$5,461 million recorded in the previous year, due to the gain net of taxes of Ch$14,218 million on the sale of the flexible packaging business to the Australian firm Amcor on May 31, 2016. This transaction generated revenue of approximately Ch$142,000 million subject to final adjustments, from which the book value of Techpack's investment in Alusa and Inversiones Alusa was deducted, as well as other deductions related to transaction costs and estimated taxes. Costs also included the translation exchange differences reserve, which must be recognized in net income. Thus, the total effect of the transaction as of December 31, 2016, was a gain of Ch$14,218 million. Net income from discontinued operations (loss of Ch$341 million in 2016 and income of Ch$5,461 million in 2015), arises mostly from the net income achieved at Alusa and subsidiaries (until May 31, 2016) and, to a lesser extent, Decker, Indalum and Madeco Mills.

Finally, the income tax expense was Ch$4,231 million for 2016, which contrasts negatively with the income tax credit of Ch$4,630 million in 2015, due to the reversal of deferred tax assets associated with the packaging business.

Financial Services Segments

	Figures in MCh$	
	12/31/2016	12/31/2015
LQIF holding[13]	(7,908)	(8,663)
Banking sector[14]	119,745	120,963
Net income for the financial segment	**111,837**	**112,300**

The financial segment contributed Ch$111,837 million to Quiñenco's net income for 2016, a slight reduction of 0.4% with respect to the previous year.

The banking sector includes Banco de Chile and SM-Chile, whose most important component in terms of results is the subordinated debt with Banco Central de Chile.

13 Quiñenco's share of net income from the non-banking services at LQIF.
14 Quiñenco's share of net income at Banco de Chile and SM-Chile.

LQIF holding

LQIF holding	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	-	-
Operating loss	(4,115)	(3,780)
Net loss from non-banking services	**(15,815)**	**(17,326)**

LQIF holding recorded a loss of Ch$15,815 million in 2016, a reduction of 8.7% compared to the loss of Ch$17,326 million for the previous year, due to a positive change in indexation as the UF increased less in 2016 (2.8% as of December 31, 2016 versus 4.1% as of December 31, 2015) and its effect on liabilities expressed in UF, partially offset by higher administrative expenses and finance costs.

Banco de Chile

Banco de Chile	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	1,734,794	1,646,355
Loan loss allowances	(309,735)	(303,062)
Operating expenses	(788,283)	(726,238)
Net income attributable to owners of the controller	**552,249**	**558,995**

Banco de Chile reported net income of Ch$552,249 million in 2016, 1.2% less than the previous year. This change is mainly due to higher income tax. Higher operating expenses and a moderate increase in loan loss allowances were more than offset by growth in operating income.

Operating income increased by 5.4% in 2016 due to: (i) better performance on the sale of instruments held for sale of approximately Ch$56,300 million; (ii) an increase of approximately Ch$49,700 million from greater margins on loans, due to an expansion of 7.9% in the average volume of loans mainly in the retail segment; (iii) higher revenue of close to Ch$17,000 million associated with maturity gaps and the retention and capitalization of profits, as these factors resulted in lower funding costs; (iv) higher revenue due to the revaluation of credit risk on derivatives of approximately Ch$16,400 million; (v) an increase of 5.0%, close to Ch$15,300 million in net fee income, attributable to higher fees for transactional services (checking accounts, credit cards and ATMs), insurance brokerage services and mutual fund management revenue; (vi) higher returns on sales and adjustments to market value of traded financial instruments of around Ch$11,500 million; (vii) greater contributions from demand deposits of approximately Ch$7,100 million, given the growth in the average balance on sight accounts of 8.7%. These positive changes were partially offset by a reduced contribution from the Bank's net asset position in UF in 2016, due to a smaller variation in the UF (2.8% in December 2016 compared 4.1% in December 2015), which resulted in lower revenue of close to Ch$49,000 million, and a negative exchange rate effect which reached nearly Ch$39,500 million, associated with its effect on the asset position in US dollars as a foreign currency hedge for provisions denominated in that currency.

Loan loss allowances at Banco de Chile totaled Ch$309,735 million, an increase of 2.2% compared to Ch$303,062 million in 2015. This change was mainly due to: (i) higher provisions of about Ch$31,000 million due to annual growth in the average volume of loans (7.9%), concentrated in the retail segment; (ii) greater additional anti-cyclical provisions of approximately Ch$21,000 million in 2016. These were partially offset by a positive exchange rate effect of about Ch$28,100 million for credit risk on loans denominated in foreign currencies, due to an appreciation in the Chilean peso in December 2016 of 5.3% compared to its depreciation in December 2015 of 16.9%; (ii) lower provisions of approximately Ch$12,000 million, due to an improvement in the risk profile of the portfolio within the wholesale segment; and (iii) a non-recurring effect of regulatory changes, which resulted in lower provision expenses of about Ch$5,600 million.

Therefore, the portfolio expense indicator was 1.25% as of December 2016, which compares favorably with 1.32% as of December 2015. The Bank had an overdue portfolio indicator of 1.15% as of December 2016, slightly below its value as of December 2015 of 1.22%.

Operating expenses increased by 8.5% to Ch$788,283 million in 2016, compared to Ch$726,238 million in 2015. This change is due to: (i) an increase of approximately Ch$ 36,500 million or 9.6% in payroll and personnel expenses, due to the impact of inflation on salaries, the payment of termination benefits for organizational restructuring, and an increase in bonuses; (ii) higher administrative expenses of about Ch$16,400 million or 5.6%, due to an increase in expenditure on information technology, an increase in rents for offices and ATMs, and an increase in the costs associated with the maintenance, repair and acquisition of property, plant and equipment; (iii) to a lesser extent, higher other operating expenses of approximately Ch$5,400 million, due to higher provisions on assets received in lieu of payment; and (iv) an increase in depreciation and amortization of approximately Ch$3,800 million, attributable to ATMs and implementing technology.

The income tax expense increased by 44.2% to Ch$89,040 million in 2016, due to an increase in the corporate income tax rate from 22.5% in 2015 to 24.0% in 2016.

Subordinated Debt with Banco Central de Chile

As of December 31, 2016, interest and indexation for the year on the subordinated debt with Banco Central de Chile was 3.0% lower than the previous year, mainly due to lower inflation during 2016.

Energy Segment

	Figures in MCh$	
	12/31/2016	12/31/2015
Enex[15]	20,227	19,773
Net income from the energy segment	**20,227**	**19,773**

The energy segment contributed Ch$20,227 million to Quiñenco's net income for 2016, up 2.3% from the previous year.

Enex

Enex	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	1,691,434	1,697,629
Operating income	27,110	24,551
Net income attributable to owners of the controller	**20,227**	**19,773**

Enex reported net income of Ch$20,227 million for 2016, which was 2.3% higher than the previous year.

Revenue came to Ch$1,691,434 million in 2016, slightly lower by 0.4%, due to lower fuel prices, which more than offset the growth in fuel volumes at service stations and through industrial channels, along with lower sales volumes of asphalts. Total volumes dispatched in 2016 were 3,665 thousand cubic meters, 12.2% higher than the previous year, of which 97.7% were fuels. Gross income was Ch$191,794 million, which was 16.6% higher than the previous year, due to higher fuel volumes sold at service stations and through industrial channels, together with greater volumes and margins of lubricants, driven by the favorable impact of inventory cycles while international reference prices were increasing.

Operating income at Enex was Ch$ 27,110 million in 2016, up 10.4% compared to 2015, due to the increase in gross income of 16.6% explained above, which was partially offset by higher operating expenses at service stations and convenience stores, higher logistics costs associated with the increase in volumes traded, and higher trademark costs following the conversion of Terpel fuel stations during 2015. Additionally, in 2016 a provision for legal contingencies was established. Meanwhile, EBITDA reached Ch$49,726 million as of December 31, 2016, an increase of 38.1% over 2015.

The non-operating loss was Ch$5,914 million, which was 85.5% higher than the loss of Ch$3,189 million in 2015, due to higher net finance costs, and, to a lesser extent, lower income from associates.

Income tax expense at Enex was Ch$969 million for 2016, a reduction of 39.0% from the expense of Ch$1,589 million for the previous year.

Transport Segment

	Figures in MCh$	
	12/31/2016	12/31/2015
CSAV[16]	(10,014)	(9,991)
Net loss for the transport segment	**(10,014)**	**(9,991)**

The transport segment contributed a loss of Ch$10,014 million to Quiñenco's net income in 2016, which was slightly higher by 0.2% than the loss for the previous year.

15 Quiñenco's share of net income at Enex.
16 Quiñenco's share of net income at CSAV, adjusted for the estimated fair value of this investment.

The net result for CSAV is adjusted by the fair value estimation at Quiñenco of this investment. In December 2016, this adjustment was a lower result of Ch$684 million (a lower result of Ch$116 million in 2015).

CSAV

CSAV	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	85,831	118,519
Operating income (loss)	4,614	(9,172)
Non-operating loss	(7,943)	(12,151)
Net loss attributable to owners of the controller	**(16,669)**	**(17,055)**

CSAV recorded a net loss of Ch$16,669 million[17] in 2016, which was 2.3% less than the previous year's loss, due to an improvement in operating income, and, to a lesser extent, lower non-operating losses, which was partially offset by higher income tax expense.

Revenue at CSAV fell by 27.6% to Ch$85,831 million in 2016, due to discontinuing the refrigerated bulk cargo business using reefer vessels for seasonal fruit transportation after completing the first quarter of 2015, reduced freight rates in the car carrier business, and, to a lesser extent, due to the discontinuation of the solid bulk cargo business during the third quarter of 2015. The fall in freight rates for car carrier services is due to lower demand for these services within the markets along the west coast of South America. The fall in fuel prices also affected rates with fuel indexation clauses.

CSAV achieved a gross income of Ch$4,554 million in 2016, significantly higher than the Ch$1,739 million reported in 2015. This increase reflects a greater decrease in cost of sales in comparison to sales. This reduction in cost of sales is associated with discontinuing the refrigerated bulk cargo business using reefer vessels and the solid bulk cargo business, and a more efficient operational structure for car carrier services consistent with the reduction in demand. The lower cost of sales was also affected by lower average fuel prices, which fell by about 33%. However, as mentioned earlier, since a proportion of sales have fuel price indexation clauses, some of this positive effect on costs was partially offset by reduced revenue.

Operating income was Ch$4,614 million in 2016, which compares favorably with a loss of Ch$9,172 million for the previous year, reflecting the reversal of a provision for Ch$8,934 million associated with the NYSA-ILA case, and recognized in Other gains (losses). This lawsuit was filed against CSAV by the "NYSA-ILA" Pension Fund covering longshoremen working in the ports of the states of New York and New Jersey for an alleged withdrawal from their fund associated with the merger of CSAV's container ship business with Hapag-Lloyd. The case was resolved in CSAV's favor during 2016. Furthermore, operating income was positively affected by improved performance from the car carrier business during the second half of 2016, and lower administrative expenses as a result of reducing CSAV's administrative structure to match its current business scale.

The non-operating loss was Ch$7,943 million in 2016, a reduction of 34.6% from the loss of Ch$12,151 million in 2015, due to CSAV's interest in the net loss reported by the German shipping company in 2016, adjusted for the fair value estimated at CSAV for this investment. Hapag-Lloyd recorded a net loss of US$107 million in 2016, which compares negatively with the net income of US$124 million for the previous year, due to weak global economic growth, and a highly competitive market in the shipping industry that once again held rates down. This result reflects the sharp fall in average rates, partially offset by the positive effects of synergies and cost savings, as well as falling bunker prices in comparison to the previous year. Sales decreased by 12.9%, reflecting lower average rates of 15.4% pressured by difficult market conditions and lower fuel prices (bunker). Operating income for the German shipping company was US$115 million in 2016, 66.6% less than the US$344 million it achieved in 2015. However, its EBITDA reached US$671 million with a margin of 7.9%, although this was still lower than the US$922 million it achieved in 2015. CSAV adjusted its 31.35% interest in the loss at Hapag-Lloyd to fair value, which implied a positive adjustment in both years, resulting in a net loss of Ch$5,335 million in 2016 compared to a net loss of Ch$11,152 million in 2015, which also included the loss caused by the dilution of CSAV's interest when Hapag-Lloyd completed its IPO.

CSAV's income tax expense was Ch$14,044 million in 2016, which compares negatively with its credit for income tax of Ch$4,013 million in 2015. The expense in 2016 was a result of a reduction in tax loss carryforwards in the second quarter of 2016, and taxes caused by interest on the financing structure to support the investment in Hapag-Lloyd.

CSAV recorded net income from discontinued operations of Ch$1,397 million in 2016 on the bulk liquid transportation business, which was sold in October 2016.

Port Services Segment

The result for SM SAAM is adjusted by the fair value estimated at Quiñenco for this investment. As of December 2016 the fair value adjustment was a lower result of Ch$1,840 million.

	Figures in MCh$	
	12/31/2016	12/31/2015
SM SAAM[18]	17,039	-
Net income from the port services segment	**17,039**	**-**

17 The analysis of CSAV is based on its financial statements prepared in Quiñenco's functional currency. CSAV and Quiñenco have different functional currencies.
18 Quiñenco's share of net income at SM SAAM, adjusted for the estimated fair value of this investment.

The port services segment contributed a gain of Ch$17,039 million to Quiñenco's net income for 2016. The contribution of SM SAAM as an associate in 2015 was recorded in the Other segment, amounting to Ch$17,785 million as of December 2015. This decreased contribution reflects lower net income at SM SAAM, which was mitigated by the increase in Quiñenco's interest from 42.4% in December 2015 to 52.2% in December 2016.

The functional currency of SM SAAM is the US dollar. The financial statements for SM SAAM were converted into Chilean pesos in 2016, to consolidate them with Quiñenco. The following analysis is based on the financial statements of SM SAAM reported to the SVS in US dollars, for purposes of comparative analysis.

SM SAAM[19]

SM SAAM	Figures in MUS$	
	12/31/2016	12/31/2015
Revenue	394	426
Operating income	40	60
Net income attributable to owners of the controller	**55**	**69**

SM SAAM recorded net income of US$55 million in 2016, 20.9% lower than the previous year, due to the recognition of non-recurring income in 2015, following the restructuring of Tramarsa in Peru.

Revenue for SM SAAM reached US$394 million in 2016, declining by 7.6%, due to lower revenue from logistics, port terminals, and, to a lesser extent, tug boats. Logistics revenue fell by 16.0%, due to lower activity in Chile, the closure of some vessel services in Chile, and the closure of Brazil. Revenue from the port terminals segment fell by 8.5%, due to lower volumes in Guayaquil, partially offset by good performances in Florida and Mazatlan. Revenue from the tug boats segment fell by 1.9%, mainly due to lower revenue in Mexico, affected by lower demand from the off-shore industry. SM SAAM's revenue comprises tug boats (47.0%), port terminals (29.1%), and logistics (23.9%) in 2016.

SM SAAM recorded gross income of US$103 million in 2016, 8.4% lower than the previous year, due to lower margins in port terminals, tug boats, and, to a lesser extent, logistics. Operating income was US$40 million in 2016, 33.7% lower than the previous year, due to the restructuring of Tramarsa in 2015, which generated a gain of US$32 million, partially offset by costs associated with the closure of the logistics business in Brazil and some operations in Chile, also in 2015. However, improved performance of logistics in Chile during 2016 compensated lower contributions from the tug boat and port terminals divisions.

Non-operating income was US$35 million in 2016, 7.1% lower than the previous year, due to lower finance income, and, to a lesser extent, to lower income from exchange rate differences in 2016. These negative changes were partially offset by greater contributions from associates and joint ventures, attributable to a greater contribution from its businesses in Peru, despite the reduction in ownership of Tramarsa (from 49% to 35%), as the port of TISUR was added to the business portfolio in November 2015, and better performance from the tug boat business in Brazil. The contribution from the port of San Antonio fell, as it was affected by a strike that lasted 16 days.

Income tax expense fell by 32.9% to US$12 million, mainly due to lower income achieved by the port of Guayaquil and SAAM SMIT Towage Norte.

Other Segment

	Figures in MCh$	
	12/31/2016	12/31/2015
IRSA[20]	33,010	32,980
SM SAAM[21]	-	17,785
Quiñenco and others	(7,074)	(35,006)
Net income from the other segment	**25,936**	**15,759**

The Other segment contributed net income of Ch$25,936 million to Quiñenco's net income in 2016, an increase of 64.6% over the net income of Ch$15,759 million in 2015, due to the smaller loss at Quiñenco and others, partially offset by the absence in 2016 of proportional income from SM SAAM, which was consolidated as of the first quarter of 2016 and included in the Port Services segment with effect from March 31, 2016.

IRSA

The contribution of IRSA, parent company of CCU, increased by a slight 0.1% in 2016, due to the positive variation in indexation adjustments at IRSA, an income tax credit, and lower net finance costs recorded by IRSA in 2016, partially offset by the reduction in net income at CCU for the year.

CCU

CCU	Figures in MCh$	
	12/31/2016	12/31/2015
Revenue	1,558,898	1,498,372
Operating income	192,306	213,449
Net income attributable to owners of the controller	**118,457**	**120,808**

CCU reports its consolidated financial statements in accordance with its operating segments. These are defined as the geographical areas of its commercial business: Chile, International Businesses, Wine, and Others[22].

19 The financial statements for SM SAAM in US dollars, as reported to the SVS, have been used for this comparative analysis.
20 Quiñenco's share of net income at IRSA.
21 Quiñenco's share of net income at SM SAAM, adjusted for the estimated fair value of this investment.
22 Chile: includes the sale of beer, non-alcoholic drinks and spirits in Chile. International Businesses: includes the sale of beer, cider, non-alcoholic drinks and spirits in Argentina, Uruguay and Paraguay. Wine: includes the sale of Chilean wine, mainly to export markets. Other: includes corporate income and expenditures, and elimination of transactions between segments.

CCU reported net income of Ch$118,457 million in 2016, slightly lower by 1.9% than the previous year, due to lower operating income, partially offset by lower income taxes, and, to a lesser extent, a smaller non-operating loss.

Revenue for CCU reached Ch$1,559,898 million in 2016, 4.0% higher than in 2015, as a result of 3.6% growth in consolidated volumes, and 0.4% growth in average prices. The operating segments contributed to this sales growth as follows: Chile contributed with a 9.7% increase in sales, given a 4.9% increase in average prices together with a 4.5% increase in volumes. Wine contributed with a 6.3% increase in sales, given a 3.2% increase in average prices and a 3.0% increase in volumes. This was partially offset by International Businesses, which reported a decrease of 8.8% in sales, given a 9.6% decrease in average prices together with an increase of 1.0% in volumes, reflecting the negative effect of the depreciation of the Argentine peso.

Operating income decreased by 9.9%, due to a loss on derivative contracts in 2016 compared to a gain in 2015 included in Other gains (losses). To a lesser extent, operating income excluding Other gains (losses) decreased by 1.6%, as gross income only increased by 0.5%. This was caused by the impact of the depreciation of the Argentine peso and the Chilean peso against the US dollar on dollar denominated costs, along with a moderate increase in marketing, distribution and selling costs, although in fact they decreased as a percentage of sales in response to initiatives launched by the CCU ExCCelencia Plan, and a favorable effect when converting this expenditure to Chilean pesos in the International Businesses segment.

The non-operating loss decreased by 3.6%, due to lower finance costs and lower losses from indexation adjustments, partially offset by lower finance income.

The income tax expense fell by 39.6% to Ch$30,246 million, due to lower net income before taxes, and the positive effect of fluctuations in exchange rates on taxes.

SM SAAM

The contribution from SM SAAM to Quiñenco was net income of Ch$17,785 million in 2015, due to net income at SM SAAM during the year, exchange rates prevailing during 2015, and the fair value estimated at Quiñenco for this investment. The adjustment as of December 2015 was Ch$1,798 million (negative). SM SAAM was formed when CSAV divided in February 2012. The principal asset of SM SAAM is its 99.9995% interest in SAAM. Quiñenco acquired an additional 8.3% interest in SM SAAM in the first quarter of 2016, increasing its direct and indirect stake in the company to 50.8%. Therefore, Quiñenco consolidated SM SAAM with effect from its financial statements as of March 31, 2016, and these results are presented in the Port Services segment. The comparative analysis of SM SAAM's results are presented in the Port Services segment.

Quiñenco and Others

Quiñenco and others recorded a net loss of Ch$7,074 million in 2016, 79.8% less than the loss of Ch$35,006 million for 2015. This variation is mainly explained at the corporate level 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, lower losses due to the effect of lower inflation on indexed liabilities, and a 12.6% increase in the contribution from Banchile Vida for the year, due to higher operating income and a positive impact from exchange differences, offset by higher income tax, also contributed to improved results.

III. ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

Assets

The consolidated assets of Quiñenco as of December 31, 2016, amount to Ch$36,801,508 million, an increase of 2.2% over the Ch$35,999,723 million recorded as of December 31, 2015, 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$	
	12/31/2016	**12/31/2015**
Manufacturing		
Invexans	313,476	298,848
Techpack	169,344	349,811
Subtotal manufacturing	482,821	648,659
Financial		
LQIF holding	850,676	854,596
Energy		
Enex	777,630	774,737
Transport		
CSAV	1,451,517	1,580,616
Port Services		
SM SAAM	848,539	-
Other		
Quiñenco and others	832,577	853,251
Total assets non-banking businesses	**5,243,760**	**4,711,860**
Banking services assets	31,557,748	31,287,863
Total consolidated assets	**36,801,508**	**35,999,723**

	Figures in MCh$	
	12/31/2016	**12/31/2015**
Current assets non-banking businesses	995,455	652,059
Non-current assets non-banking businesses	4,248,305	4,059,801
Total assets non-banking businesses		**4,711,860**
Banking services assets	31,557,748	31,287,863
Total consolidated assets	**36,801,508**	**35,999,723**

Current assets non-banking businesses

Current assets at non-banking businesses were Ch$995,455 million, which represents an increase of 52.7% over December 31, 2015. This increase is mainly due to consolidating the assets of SM SAAM as of December 31, 2016. The most significant accounts are cash and cash equivalents, and trade and other receivables. The increment is also due to an increase in cash and cash equivalent attributable to other subsidiaries and at the corporate level. This cash increase is due to the proceeds from the bonds issued by Quiñenco for a total of UF10,000,000, the cash received by Techpack when it sold the flexible packaging business to Amcor, the dividend received by LQIF from Banco de Chile, and, to a lesser extent, proceeds from loans by banks mostly to CSAV. These cash inflows were partially offset by dividends paid by LQIF to third parties and by Quiñenco, by investments in property, plant and equipment at Enex, by Quiñenco investing Ch$49,657 million in SM SAAM shares, and by Quiñenco's payment related to the tender offer for Techpack shares. On the other hand, trade receivables and inventory decreased primarily as Techpack sold its flexible packaging business, and trade receivables at Enex also fell.

Non-current assets non-banking businesses

Non-current assets at non-banking businesses were Ch$4,248,305 million, which represents an increase of 4.6% over December 31, 2015. This increase is due to incorporating the property, plant and equipment, intangible assets other than goodwill and goodwill of SM SAAM with its consolidation as of 2016, which was partially offset by the decrease in investments accounted for using the equity method, and the sale of the flexible packaging business in May 2016 by Techpack. The main changes in investments accounted for using the equity method were the elimination of SM SAAM in 2016 as a result of changing the accounting treatment for this investment from the equity method to consolidation, and, to a lesser extent, the lower book value of Hapag-Lloyd (after translation adjustments and the loss for the year). These were partially offset by incorporating associates provided by SM SAAM into the consolidation.

Banking services assets

Banking services assets as of December 31, 2016 were Ch$31,557,748 million, representing a slight increase of 0.9% over December 31, 2015.

Liabilities

The consolidated liabilities of Quiñenco at the end of each year were as follows:

	Figures in MCh$	
	12/31/2016	**12/31/2015**
Manufacturing		
Invexans	20,781	19,536
Techpack	14,471	153,074
Subtotal manufacturing	35,252	172,610
Financial		
LQIF holding	237,297	232,653
Energy		
Enex	217,129	243,723
Transport		
CSAV	108,250	124,121
Port Services		
SM SAAM	269,762	-
Other		
Quiñenco and others	876,046	543,302
Total liabilities non-banking businesses	**1,743,736**	**1,316,408**
Banking services liabilities	28,665,391	28,598,415
Total consolidated liabilities	**30,409,127**	**29,914,823**

	Figures in MCh$	
	12/31/2016	**12/31/2015**
Non-banking businesses current liabilities	410,712	389,936
Non-banking businesses non-current liabilities	1,333,024	926,473
Total liabilities non-banking businesses	**1,743,736**	**1,316,408**
Banking services liabilities	28,665,391	28,598,415
Total consolidated liabilities	**30,409,127**	**29,914,823**
Total equity	6,392,381	6,084,900
Total equity and liabilities	**36,801,508**	**35,999,723**

Current liabilities non-banking businesses

Current liabilities at non-banking businesses reached Ch$410,712 million, an increase of 5.3% over December 31, 2015. This increase is primarily attributed to the consolidation of current liabilities at SM SAAM, a higher provision for dividends payable to the shareholders of Quiñenco, higher income taxes payable by Techpack, and an increase in provisions at Enex and CSAV. These were partially offset by lower trade payables and bank obligations following the sale of the flexible packaging business by Techpack, and, to a lesser extent, a decrease in accounts payable at Enex.

Non-current liabilities non-banking businesses

Non-current liabilities at non-banking businesses reached Ch$1,333,024 million, an increase of 43.9% over December 31, 2015. This increase is due to new bond obligations for Quiñenco that totaled UF10,000,000, and consolidating the liabilities of the port services segment of Ch$172,959 million, which are bank obligations, concessions, and, to a lesser extent, deferred tax liabilities. Furthermore, this increase is attributed to higher bond obligations for CSAV. These increases were partially offset by the sale of the flexible packaging business by Techpack in May 2016.

Total liabilities at non-banking businesses totaled Ch$1,743,736 million as of December 31, 2016, an increase of 32.5% over December 31, 2015, due to an increase in non-current liabilities, and, to a lesser extent, an increase in current liabilities.

Equity[23]

Quiñenco's equity was Ch$2,998,628 million as of December 31, 2016, 0.8% lower than as of December 31, 2015. 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 attributed to translation differences mostly at CSAV, and, to a lesser extent, at Invexans, SM SAAM and CCU.

IV. TRENDS IN INDICATORS

Key Financial Indicators		12/31/2016	12/31/2015
LIQUIDITY*			
Current Liquidity		2.4	1.7
(Current assets/Current liabilities)			
Acid ratio		1.1	0.3
(Cash & cash equivalents/Current liabilities**)			
DEBT*			
Leverage ratio	times	0.58	0.44
(Total liabilities/Equity attributable to owners of the controller)			
Current debt/Total debt	%	23.55%	29.62%
(Current liabilities/Total liabilities)			
Non-current debt/Total debt	%	76.45%	70.38%
(Non-current liabilities/Total liabilities)			
Financial expenses coverage	times	3.23	-0.02
((Non-banking net income + Income tax expense + Financial costs)/Financial costs)			
ACTIVITY*			
Inventory turnover	times	16.71	14.03
(Cost of sales/Average inventories)			
PROFITABILITY			
Return on equity	%	5.9%	3.3%
(Net income of controller/Average equity attributable to owners of the controller)			
Return on assets of non-financial segments	%	1.6%	-0.4%
(Net income of controller - non-financial segments/Average assets - non-financial segments)			
Return on assets of financial segment	%	0.3%	0.4%
(Net income of controller - financial segment/Average assets - financial segment)			
Earnings per Share	$	106.39	58.11
(Net income of controller/Weighted average number of shares)			
Dividend yield	%	1.5%	5.8%
(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.

Liquidity

The non-banking businesses current liquidity ratio increased from 1.7 as of December 31, 2015 to 2.4 as of December 31, 2016. This increase is due to an increment of 52.7% in current assets, far greater than the increase in current liabilities of 5.3%, explained above.

Leverage

The non-banking businesses leverage ratio increased from 0.44 as of December 31, 2015, to 0.58 as of December 31, 2016. This is due to an increase of 32.5% in total liabilities, and a decrease in the equity of the controller of 0.8%, as explained above. The current liabilities of the non-banking businesses as of December 31, 2016, represent 23.6% of the total liabilities of the non-banking businesses, compared to 29.6% as of December 31, 2015.

The financial expenses coverage ratio increased from -0.02 as of December 31, 2015, to 3.23 as of December 31, 2016. This change is due to the positive variation in net income from the non-banking businesses, which was offset by an increase in finance costs of 23.0%, reflecting the increase in total liabilities explained above.

Activity

Inventory turnover increased from 14.03 as of December 31, 2015, to 16.71 as of December 31, 2016. This increase is due to lower average inventory of 9.4%, and an increase in the cost of sales of 7.9% in 2016. The reduction in average inventory is attributable to Techpack selling its flexible packaging business, partially offset by the addition of inventory at SM SAAM during 2016, which also explains the increase in cost of sales.

Profitability

Return on equity increased from 3.3% as of December 31, 2015 to 5.9% as of December 31, 2016. This increase is due to 83.1% higher net income attributable to the controller in 2016, which easily offsets the increase in average equity of 2.8%.

Return on assets for the non-banking businesses increased from -0.4% as of December 31, 2015, to 1.6% as of December 31, 2016. This change is due to increased net income attributable to the controller from the non-banking businesses in 2016, offset by an increase in the segment's average assets of 9.2%.

Earnings per share increased from Ch$58.11 as of December 31, 2015, to Ch$106.39 as of December 31, 2016. This increase is due to the higher net income attributable to the controller in 2016 of 83.1%.

The dividend yield declined from 5.8% as of December 31, 2015, to 1.5% as of December 31, 2016. This decrease is due to reductions in dividends paid over the last twelve months of 68.1%.

23 Equity is Equity attributable to owners of the controller.

V. SUMMARIZED STATEMENT OF CASH FLOWS

Cash flows of non-banking businesses	Figures in MCh$	
	12/31/2016	12/31/2015
Net cash flows provided by (used in) operating activities	120,064	(20,453)
Net cash flows provided by (used in) financing activities	150,258	(264,828)
Net cash flow provided by (used in) investing activities	(18,821)	107,168
Total net cash flows for the year	**251,502**	**(178,113)**

As of December 31, 2016, Quiñenco reported a total positive net cash flow of Ch$251,502 million from the non-banking businesses, explained by positive cash flow provided by financing activities of Ch$150,258 million and positive cash flow provided by operating activities of Ch$120,064 million, partially offset by negative cash flow used in investing activities of Ch$18,821 million.

The positive cash flow provided by operating activities is due to collections from customers of Ch$2,568,053 million mainly by Enex, and, to a lesser extent, SM SAAM, Techpack, Banchile Vida and CSAV, partially offset by payments to suppliers of Ch$2,196,292 million, incurred by Enex and by SM SAAM, Techpack, CSAV and Banchile Vida, and by payments to employees of Ch$146,730 million corresponding to SM SAAM, Enex, Techpack, and, to a lesser extent, Quiñenco and CSAV, and other payments for net operating activities of Ch$84,407 million incurred by Enex, and, to a lesser extent, SM SAAM.

The positive cash flow provided by financing activities is explained by increased net obligations of Ch$301,547 million, due to new bond issues by Quiñenco, and, to a lesser extent, loans received to finance CSAV, SM SAAM and Techpack (for Alusa), which were partially offset by dividends paid of Ch$105,750 million by LQIF to third parties, Quiñenco, and, to a lesser extent, SM SAAM, to third parties.

The negative cash flow used in investing activities is explained by the acquisition of property, plant and equipment of Ch$105,103 million by Enex and SM SAAM, by net investments in time deposits and others at over 90 days of Ch$63,868 million at the corporate level, by Quiñenco investing Ch$45,221 million in the tender offer for the remaining Techpack shares, by Quiñenco investing Ch$42,096 million in the acquisition of SM SAAM shares, and, to a lesser extent, acquisitions of shares of Nexans for Ch$11,591 million by Techpack and Invexans. This was partially offset by the proceeds from the sale of the flexible packaging business by Techpack to Amcor for Ch$141,940 million, by other cash receipts of Ch$62,103 million that are mostly the initial balance of SM SAAM, partially offset by a reduction in the flexible packaging subsidiaries' cash balances when the transaction with Amcor was materialized, and, to a lesser extent, by dividends received from associates of Ch$42,604 million by SM SAAM, IRSA and Enex, and receipts from the sale of property, plant and equipment by Techpack and Enex.

Banking services cash flows	Figures in MCh$	
	12/31/2016	12/31/2015
Net cash flows provided by (used in) operating activities	(236,912)	(918,038)
Net cash flows provided by (used in) financing activities	(128,370)	904,480
Net cash flow provided by (used in) investing activities	495,148	295,675
Total net cash flows for the year	**129,867**	**282,116**

As of December 31, 2016, Quiñenco reported total positive net cash flow of Ch$129,867 million for the banking services, explained by positive cash flow provided by investing activities of Ch$495,148 million, partially offset by negative cash flow used in operating activities of Ch$236,912 million and negative cash flow used in financing activities of Ch$128,370 million.

VI. SUMMARIZED STATEMENT OF COMPREHENSIVE RESULTS

	Figures in MCh$		Change
	12/31/2016	12/31/2015	
Non-banking businesses results			
Revenue	**2,158,855**	**1,917,121**	**12.6%**
Manufacturing	57	242	-76.3%
Financial	-	-	-
Energy	**1,691,434**	**1,697,629**	**-0.4%**
Transport	85,831	118,519	-27.6%
Port Services	266,522	-	n.a.
Other	115,011	100,731	14.2%
Cost of sales	**(1,815,695)**	**(1,683,034)**	**7.9%**
Manufacturing	(3)	(95)	-96.9%
Financial	-	-	-
Energy	(1,499,640)	(1,533,118)	-2.2%
Transport	(81,277)	(116,781)	-30.4%
Port Services	(197,068)	-	n.a.
Other	(37,708)	(33,041)	14.1%
Operating income	**66,124**	**3,183**	**1977.1%**
Manufacturing	(5,479)	(8,382)	-34.6%
Financial	(4,115)	(3,780)	8.9%
Energy	27,110	24,551	10.4%
Transport	4,614	(9,172)	n.a.
Port Services	26,830	-	n.a.
Other	17,162	(34)	n.a.
Non-operating income (loss)	**17,409**	**(45,260)**	**n.a.**
Finance income	9,546	10,543	-9.5%
Finance costs	(44,323)	(36,027)	23.0%
Share of income (loss) of associates & joint ventures	67,373	1,805	3632.3%
Exchange differences	2,195	2,145	2.3%
Loss from indexation adjustments	(17,382)	(23,727)	-26.7%
Income tax benefit (expense)	(29,240)	3,838	n.a.
Net income from discontinued operations	15,275	5,461	179.7%
Consolidated net income (loss) from non-banking businesses	**69,568**	**(32,777)**	**n.a.**
Banking services results			
Revenue	1,735,946	1,647,561	5.4%
Loan loss allowances	(309,733)	(303,062)	2.2%
Operating expenses	(788,787)	(726,519)	8.6%
Operating income	637,425	617,980	3.1%
Non-operating loss	(68,936)	(72,069)	-4.3%
Income tax expense	(89,147)	(61,818)	44.2%
Consolidated net income from banking services	**479,342**	**484,093**	**-1.0%**
Consolidated net income	**548,910**	**451,316**	**21.6%**
Net income attributable to non-controlling interests	372,008	354,696	4.9%
Net income attributable to owners of the controller	**176,902**	**96,620**	**83.1%**

VII. RISK ANALYSIS

Quiñenco and its subsidiaries and associates face risks inherent to their markets and economies in Chile and abroad. These risks are reflected in the prices, costs and sales volumes of the products and services manufactured and commercialized.

Economic Environment

The Company's businesses are mainly in Chile. Therefore, its operating results and financial position are largely dependent on the general state of the domestic economy. While it is estimated that the Chilean economy grew by 1.6% in 2016, 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, often 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 mainly bought from Enap under annual supply contracts that regulate the formulas or conditions 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 estimated 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 in the commercial terms.

Fuel is an important cost component at CSAV. In the shipping services operated by CSAV, the majority of the maritime freight sales are under 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, its effectiveness may be affected by price movements during the period between its calculation and application. CSAV also has fixed-price sales and contracts without a BAF, and sales with a BAF clause that limits its coverage. Therefore, in order to reduce the impact of possible volatility, CSAV contracts fuel hedges with terms that match the volumes covered, so as to ensure that fuel costs (bunker) are matched to the corresponding maritime freight contracts' terms.

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 or extensions 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 in some of the markets where it operates.

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, taking into account the current and forecasted economic environment and the risk/

return ratio of all products at the Bank and its subsidiaries. The spectrum of risk management covers financial, such as credit and market risks, and non-financial, such as cybersecurity, services provided by suppliers, internal and external regulatory risks, among others. The Bank's credit policies and processes acknowledge the particularities of each market and segment, thus affording specialized treatment. Credit risk is managed through a global and unified strategy that is focused on the future whilst recognizing the current and projected economic environment of industries and segments and providing each segment with the pertinent credit treatment. The Bank uses an automated model for individuals, a parametric model for small and medium-sized businesses, a pre-approved model for mass retail offers, and a case-by-case model for large companies and corporations. 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

At the corporate level surplus 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.

At Techpack, risks associated with financial assets or liabilities are managed according to its policies. Cash surpluses are invested according to 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 credit subjects and their investment limits are regularly reviewed to assess potential changes in their solvency that could affect the company.

At Invexans, risks associated with financial assets or liabilities are managed according to its policies. Cash surpluses are invested in accordance with the criteria established by the policy, in low-risk instruments (mainly 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.

Enex manages customer 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 accounts receivable 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, the industry and the customer's market, as well as its payment history with the company. Credit lines are reviewed at least annually and payment behavior and percentage utilization are monitored constantly. 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 leases vessels to third parties and slots to other shipping companies, always taking into consideration the counterparty's creditworthiness. It is also worth noting that CSAV often leases slots from the same shipping companies to which it leases its own slots on other voyages and services, thus significantly reducing the risk of non-payment.

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, a subsidiary of SM SAAM, has credit insurance for specific customers.

Cash surpluses at SM SAAM can be invested in low-risk financial instruments.

See the Note 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/or 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, including cash to be received (rents, dividends, 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.

LQIF distributes dividends based on free cash flow taking into account the company's necessary expenses and requirements, 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.

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 ship 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.

SM SAAM estimates its projected liquidity needs for each year, covering cash inflows (customer receivables, dividends, etc.), the respective payments (commercial, financial, etc.) and available cash, in order to avoid short-term external financing, if possible.

See Note on Other current and non-current financial liabilities for details of the balances and maturities of the financial debt.

Market Risk [24]

Exchange Rate Risk

There is no exposure to exchange rate risk at the corporate level as of December 2016, as it has no significant foreign currency financial assets or liabilities. Financial derivatives (mainly cross currency swaps) can 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 (mainly cross-currency swaps) in order to mitigate these potential risks. As of December 31, 2016, the net exposure to exchange rate risk at Invexans is an asset equivalent to Ch$441 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before tax of Ch$22 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 (mainly cross-currency swaps) in order to mitigate these potential risks.

As of December 31, 2016, Techpack's net exposure to exchange rate risk is an asset equivalent to Ch$468 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before tax of Ch$23 million.

LQIF has no exposure to exchange rate risk as it has no foreign currency assets or liabilities as of December 31, 2016 and 2015.

Enex is exposed to exchange risk due to specific agreements with suppliers and customers agreed in a currency other than its 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. To mitigate this risk, Enex has a policy to minimize the net exposure (assets-liabilities) in foreign currencies using a regular currency purchase mechanism on the spot market. As of December 31, 2016, the net exposure to exchange rate risk of Enex is a liability equivalent to Ch$1,372 million. A 5% change in the exchange rate of currencies other than the functional currency would have an estimated effect on comprehensive income before tax of Ch$69 million.

24 The exposure of financial assets and liabilities to market risk is measured on a consolidated basis, where any balances between subsidiaries have been eliminated in consolidation.

CSAV has assets and liabilities mainly 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, 2016, the net exposure to exchange rate risk of CSAV is a liability equivalent to Ch$145 million. A 5% change in the exchange rate of the US dollar against other currencies would have an estimated effect on comprehensive income before tax of Ch$7 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, 2016, the net exposure to exchange rate risk at SM SAAM is an asset equivalent to Ch$10,711 million. A 5% change in the exchange rate of the US dollar against other currencies would have an estimated effect on comprehensive income before tax of Ch$536 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 taken off the balance sheet and recognized in net income.

Interest Rate Risk

As of December 31, 2016, at the corporate level Quiñenco has financial assets at fair value with effect on results of Ch$285,470 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$50 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, 2016, Techpack has no financial obligations that cause interest rate risks.

LQIF has all its financial obligations at fixed interest rates, which implies a low exposure to interest rate risk.

Enex has 48.9% of its financial obligations at fixed interest rates and 51.1% at variable interest rates.

CSAV has 52.3% of its obligations at fixed rates and 47.7% at variable rates.

SM SAAM has 62.9% of its obligations at fixed rates, 4.3% at protected rates and 32.8% at variable rates.

The consolidated interest-rate structure is as follows. As can be seen, the consolidated interest-rate risk is low, as 89.1% of debt is structured with fixed or protected interest rates.

Consolidated Financial Liabilities by Type of Interest Rate	12/31/2016	12/31/2015
Fixed interest rate	88.5%	87.6%
Protected interest rate	0.6%	0.0%
Variable interest rate	10.9%	12.4%
Total	**100.0%**	**100.0%**

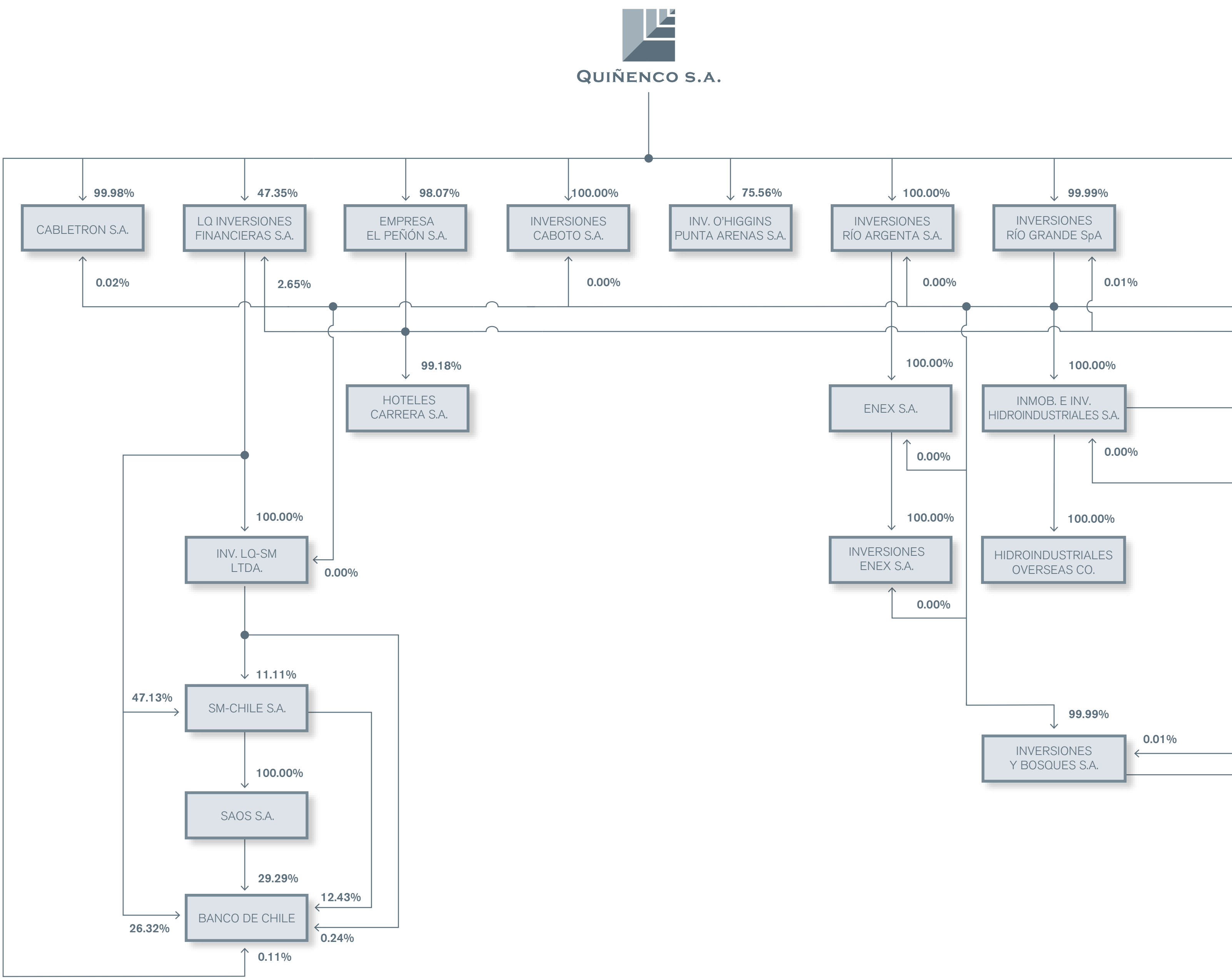
As of December 31, 2016, the consolidated exposure to variable interest rates was a liability of Ch$125,564 million. A 100 basis point change in the interest rate would generate an effect on finance costs for the 12-month period of Ch$1,256 million.

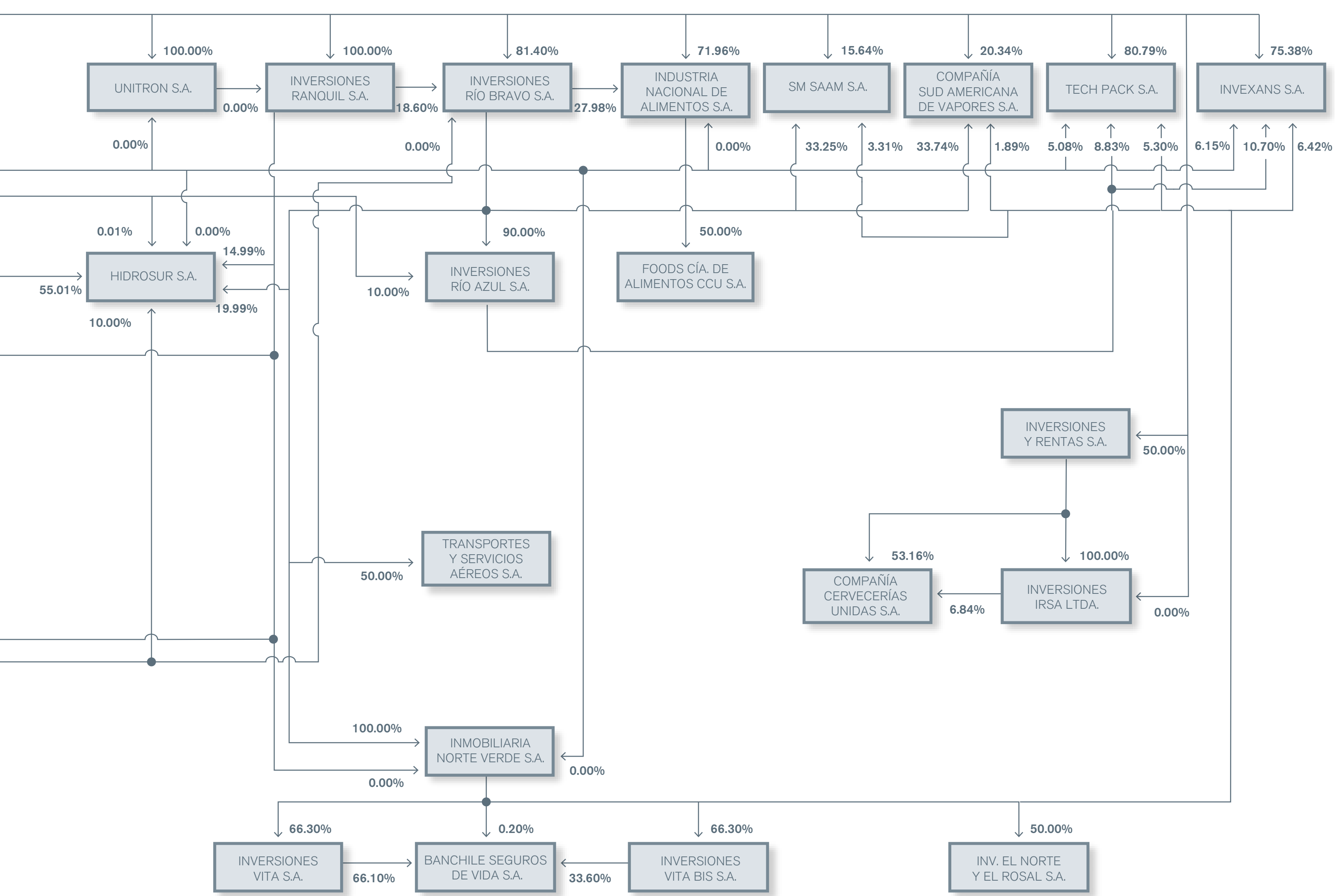
Corporate Structure

Subsidiaries and Affiliate Companies as of December 31, 2016

Quiñenco S.A.

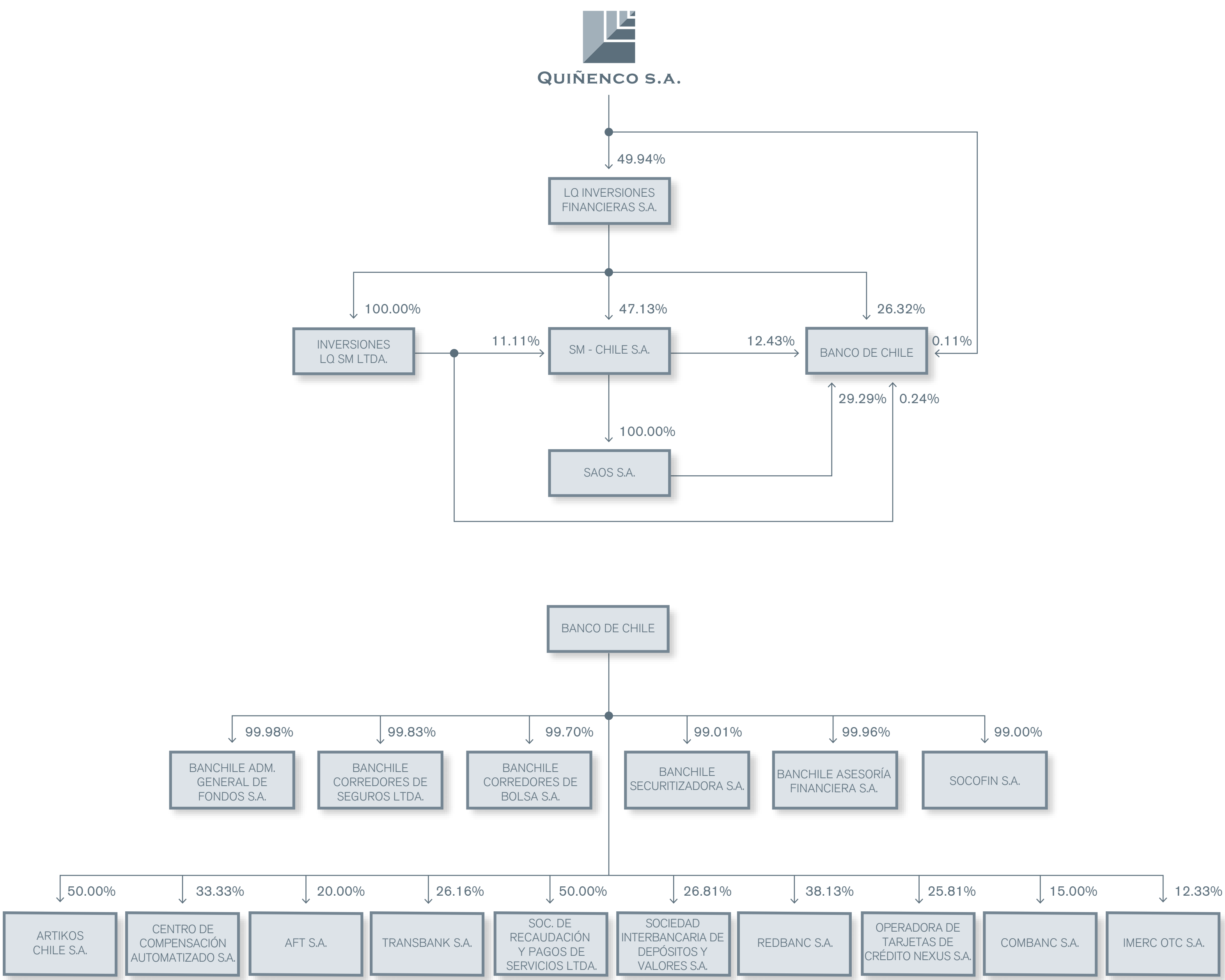
Subsidiaries and Affiliates




UNITRON S.A.
100.00%
INVERSIONES RANQUIL S.A.
100.00%
INVERSIONES RÍO BRAVO S.A.
81.40%
INDUSTRIA NACIONAL DE ALIMENTOS S.A.
71.96%
SM SAAM S.A.
15.64%
COMPAÑÍA SUD AMERICANA DE VAPORES S.A.
20.34%
TECH PACK S.A.
80.79%
INVEXANS S.A.
75.38%
0.00%
18.60%
27.98%
0.00%
0.00%
0.00%
33.25%
3.31%
33.74%
1.89%
5.08%
8.83%
5.30%
6.15%
10.70%
6.42%
0.01%
0.00%
14.99%
HIDROSUR S.A.
55.01%
19.99%
10.00%
90.00%
INVERSIONES RÍO AZUL S.A.
10.00%
50.00%
FOODS CÍA. DE ALIMENTOS CCU S.A.
INVERSIONES Y RENTAS S.A.
50.00%
TRANSPORTES Y SERVICIOS AÉREOS S.A.
50.00%
53.16%
100.00%
COMPAÑÍA CERVECERÍAS UNIDAS S.A.
6.84%
INVERSIONES IRSA LTDA.
0.00%
100.00%
INMOBILIARIA NORTE VERDE S.A.
0.00%
0.00%
66.30%
0.20%
66.30%
50.00%
INVERSIONES VITA S.A.
66.10%
BANCHILE SEGUROS DE VIDA S.A.
33.60%
INVERSIONES VITA BIS S.A.
INV. EL NORTE Y EL ROSAL S.A.

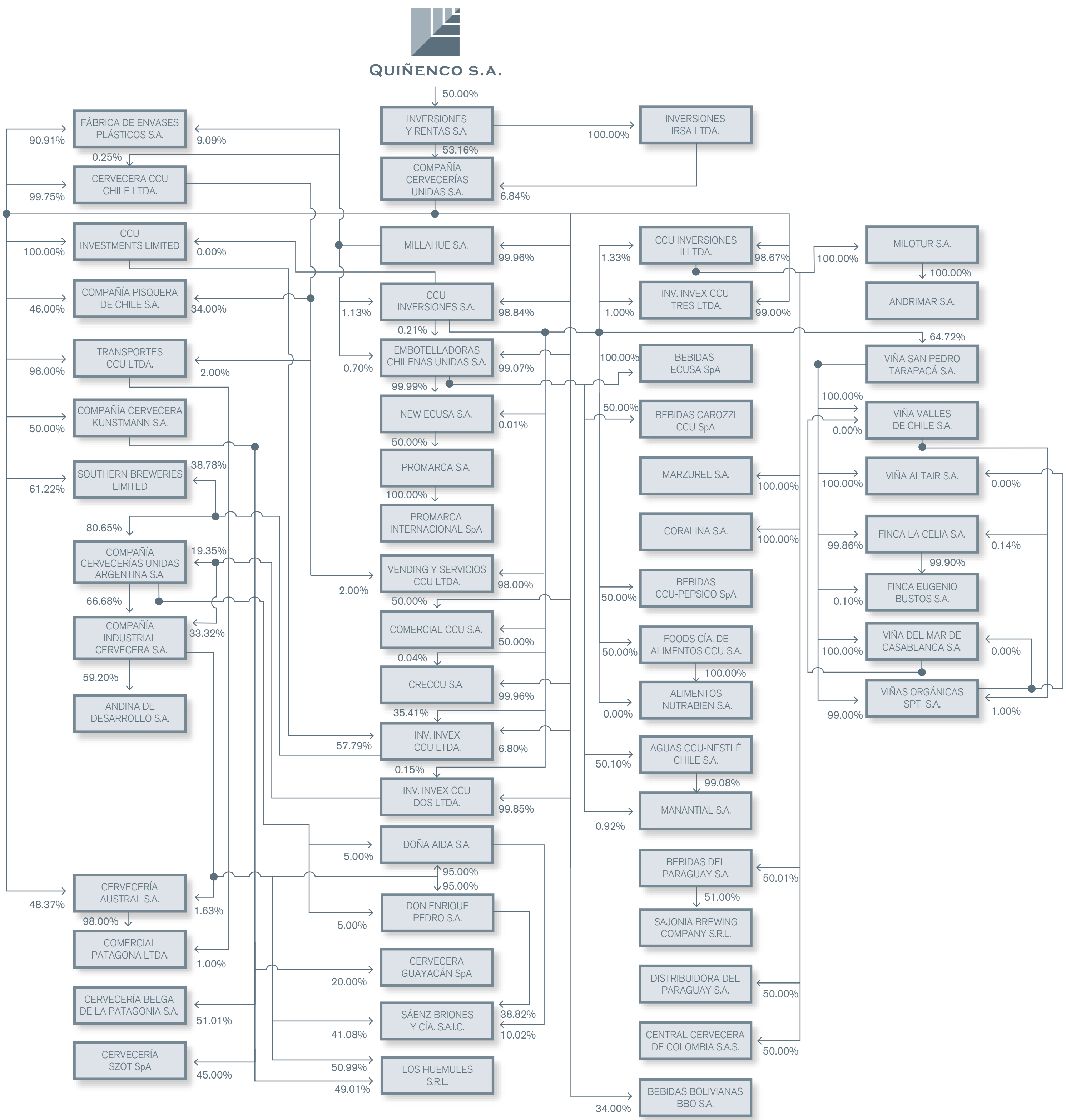
LQ Inversiones Financieras S.A.

Subsidiaries and Affiliates

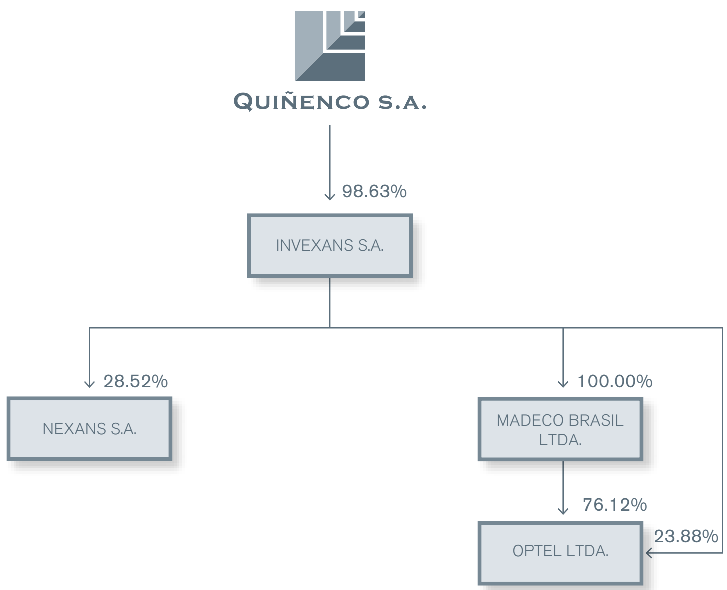


Compañía Cervecerías Unidas S.A.

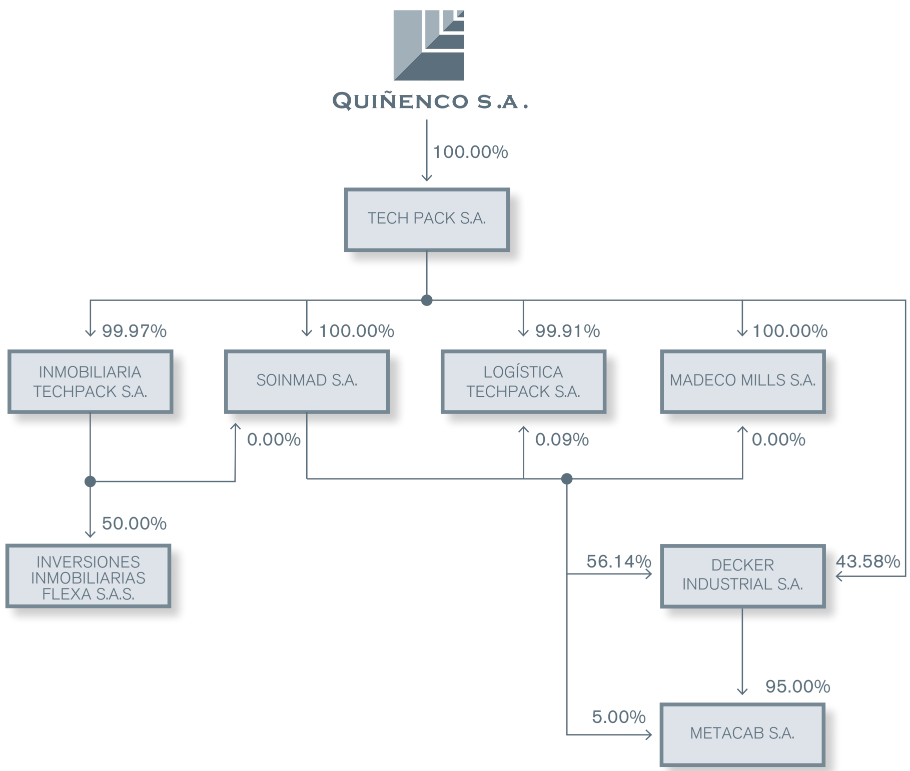
Subsidiaries and Affiliates



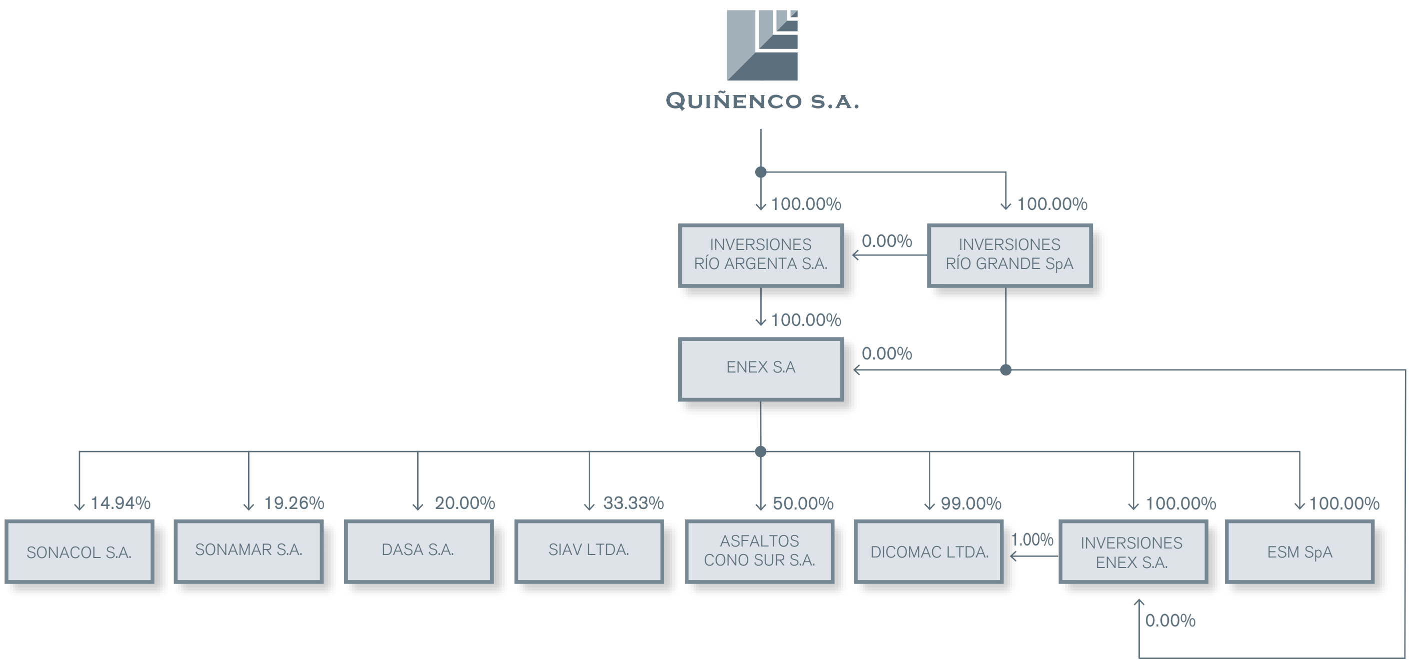
Invexans S.A.
Subsidiaries and Affiliate



Tech Pack S.A.
Subsidiaries and Affiliate

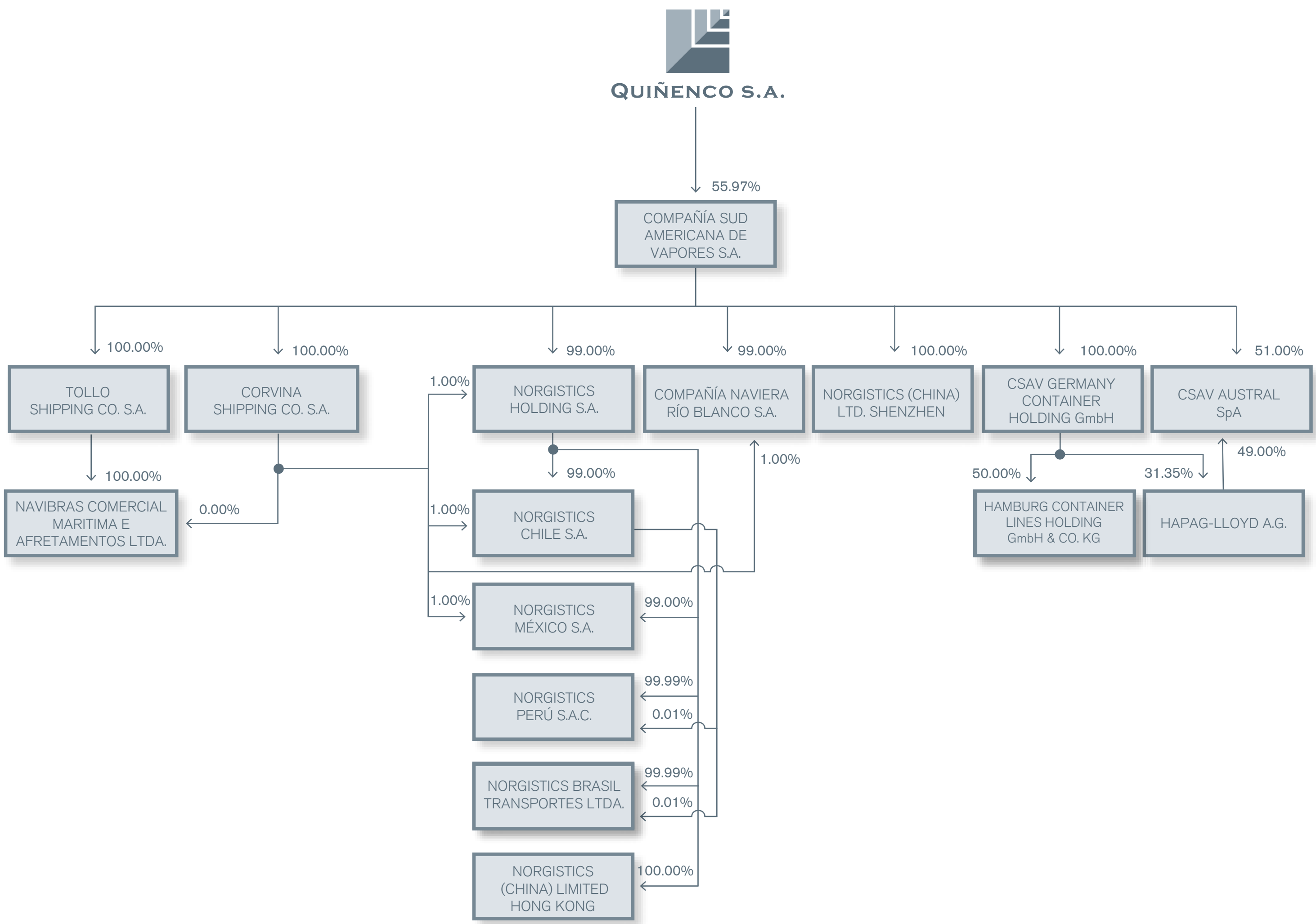


Empresa Nacional de Energía Enex S.A.
Subsidiaries and Affiliates



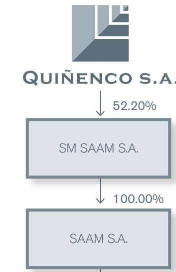
Compañía Sud Americana de Vapores S.A.

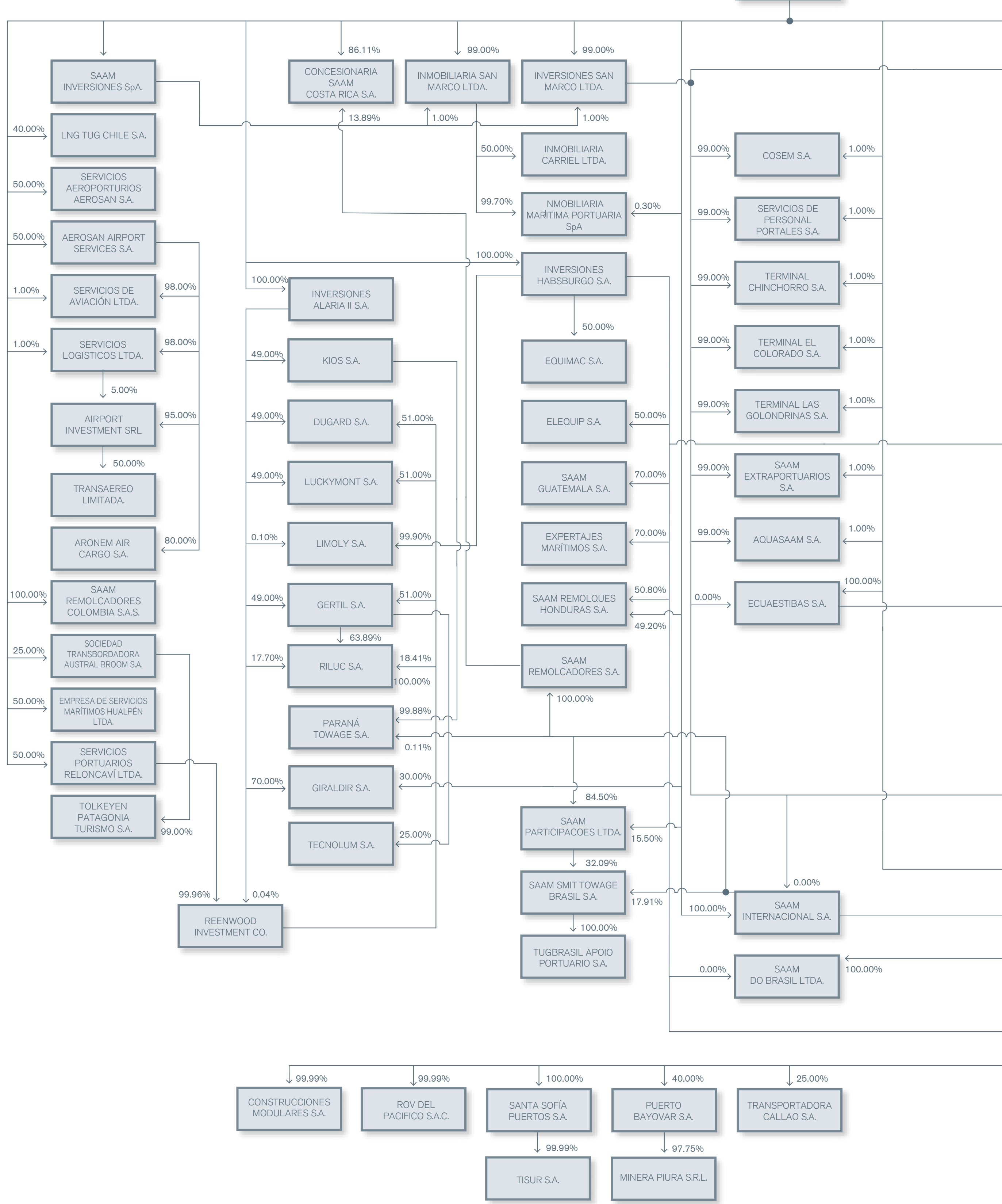
Subsidiaries and Affiliates

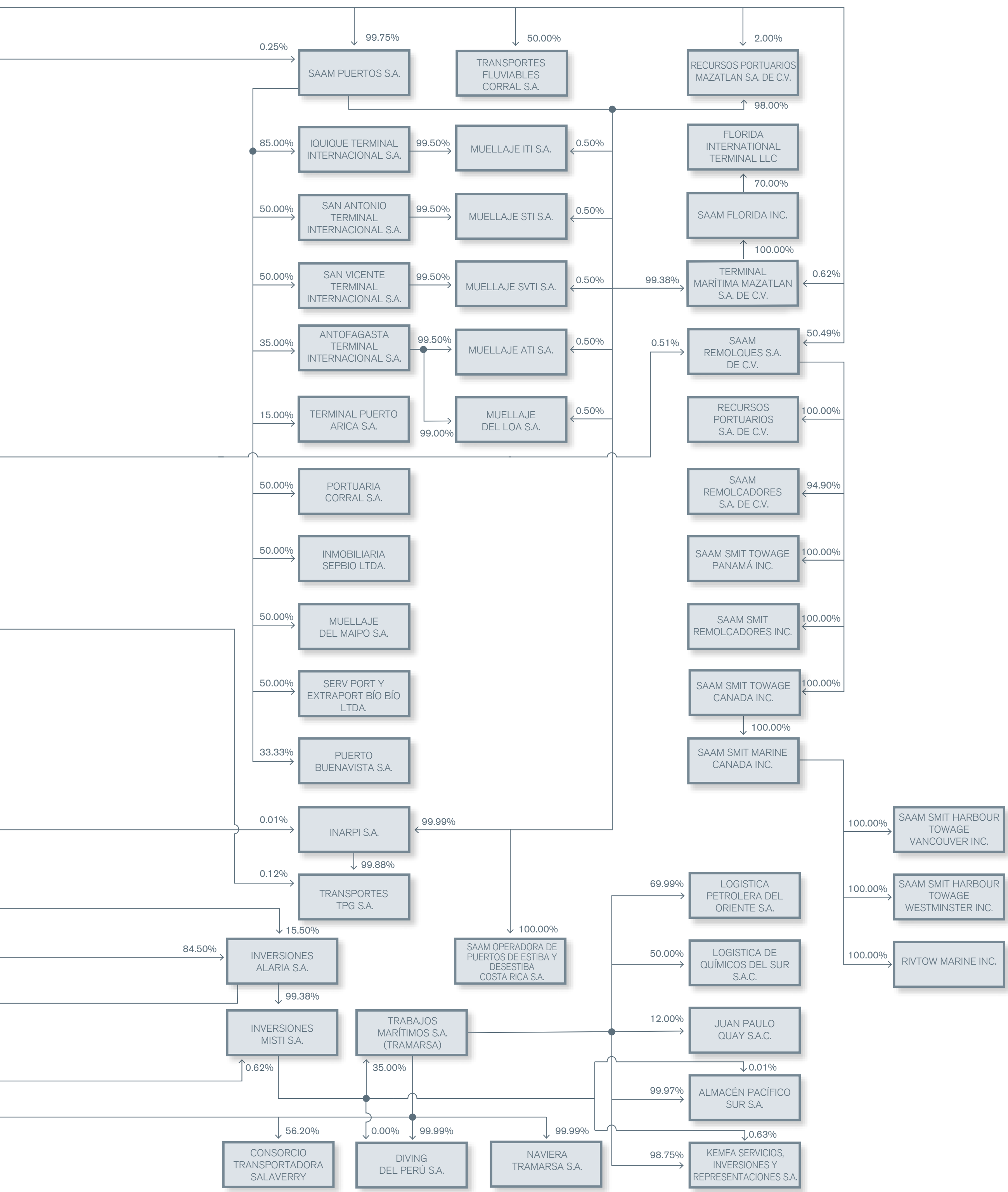


Sociedad Matriz SAAM S.A.

Subsidiaries and Affiliates







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