

**2016**

ANNUAL REPORT



**LEGAL NAME**

Inversiones La Construcción S.A.

**DOING BUSINESS AS**

ILC or ILC Inversiones

**TAXPAYER ID NUMBER**

94.139.000-5

**TYPE OF COMPANY**

Publicly held corporation registered in the Securities Registry of the Chilean Superintendency of Securities and Insurance (SVS).

**LEGAL ADDRESS**

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**WEBSITE**

[www.ilcinversiones.cl](http://www.ilcinversiones.cl)

"Inversiones La Construcción S.A." was formed as a privately held corporation under the name "Sociedad de Inversiones y Rentas La Construcción S.A." from the spin-off of the company "Compañía de Seguros La Construcción S.A.", as agreed by its shareholders at an extraordinary shareholders' meeting held on April 29, 1980. The minutes from this meeting were recorded in a public instrument on October 22, 1980, signed before Santiago Notary Enrique Morgan Torres. This transaction was approved by the Chilean Superintendency of Insurance Companies, Corporations and Stock Exchanges in ruling No. 642-S dated December 2, 1980. That ruling was recorded in the Commerce Registry of the Santiago Real Estate Registrar in 1980 on page 18,638, number 9,551 and published in the Official Gazette on December 17, 1980. ILC registered its shares with the Chilean Superintendency of Securities and Insurance (SVS) on June 19, 2012.

The financial statements of Inversiones La Construcción S.A. are available to the public at its offices and at the Superintendency of Securities and Insurance.



**ILC CONTROLS COMPANIES THAT  
PROVIDE KEY SERVICES  
FOR THE DEVELOPMENT OF THE COUNTRY,  
ACTIVELY PARTICIPATING  
IN THE FINANCIAL AND HEALTH  
INDUSTRIES**

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\* THE PRINTED VERSION OF THIS ANNUAL REPORT DOES NOT INCLUDE THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OR THE RESPECTIVE MANAGEMENT ANALYSIS, WHICH ARE AN INTEGRAL PART OF THE ANNUAL REPORT. THE FULL VERSION IS AVAILABLE ON OUR WEBSITE ([WWW.ILCINVERSIONES.CL](http://WWW.ILCINVERSIONES.CL)), IN THE "INVESTORS" SECTION.





**01/**

**MESSAGES FROM THE CHAIRMAN  
AND CHIEF EXECUTIVE OFFICER**



## MESSAGES FROM THE CHAIRMAN

I HOPE THIS LETTER PROVIDES YOU WITH A VISION OF SEVERAL FUTURE SCENARIOS THAT CONVEY BOTH POSITIVE GROWTH OPPORTUNITIES AND CONCERN ABOUT REGULATORY UNCERTAINTY, WHICH CONTINUES TO HOLD BACK THE PENSION AND HEALTH SECTORS.

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Inversiones La Construcción S.A., it gives me great pleasure to introduce our 2016 Annual Report, which details our principal corporate achievements and results for last year. I hope this letter provides you with a vision of several future scenarios that convey both positive growth opportunities and concern about regulatory uncertainty, which continues to hold back the pension and health sectors.

The reasons for our optimism have solid foundations in all the important corporate issues for the group: corporate governance, first-class management, clear objectives and targets, a culture of excellence in all our subsidiaries, and a long-term vision. Six years ago, 90% of ILC's bottom line came from the pension (AFP) and health insurance (ISAPRE) sectors, whereas today it is around 50%. The remaining percentage comes from the insurance, health care and banking sectors, which has provided concrete proof that a business plan and careful positioning can generate results that far exceed initial expectations, transforming ILC into a group known for successfully managing its subsidiaries.

I want to emphasize two features that are the hallmark of ILC: the first is our unwavering dedication to managing our investments, and the second is our long-term focus. Therefore, we have participated in the AFP and ISAPRE sectors since they started at the beginning of the 1980s. Beyond the current debate regarding the regulatory framework for the pension and health insurance sectors, our subsidiaries AFP Habitat and ISAPRE Consalud have demonstrated their leadership by presenting their respective regulators with modernization measures that, if adopted, would help improve the future wellbeing of our members, policyholders and the country.

I would particularly like to touch on the initiatives promoted by AFP Habitat, as it clearly understands that its mission is not limited to carefully managing retirement savings, but also to building closer relationships with its customers by providing them with retirement advice. This has involved challenges such as modernizing its technological customer service platforms, expanding coverage to remote locations using Habitat Movil and leading retirement education

by being the first AFP to publish a Public Account for its members, among other measures.

The year 2017 will be critical for pensions, because the government has announced that it is negotiating a national agreement to reform the system and increase the contribution rate. AFP Habitat has been categorical in pointing out that the proposed five percent increase must be transferred in full to individual savings accounts. We support the view that the resources to improve pensions must come from greater individual contributions, in addition to strengthening the government's contribution, which is currently around 0.6% of GDP, while in developed countries the figure is around 6%. If part of the increase in individual contributions goes to a common fund, this could be seen as an employment tax that mainly affects the middle class, as this contribution would not be reflected in their future pension.

Our private health insurance business, ISAPRE Consalud, has also significantly contributed to the debate on the regulatory changes required



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by this industry, publicly emphasizing the effects that increasing claims and litigation have on the sector's sustainability. It is clear that this industry is facing a regulatory crossroads that parliamentary and political figures have not been able to appropriately address. The crux of the problem has been how can ISAPREs be expected to absorb technical costs when they have no control over them. We hope that any reform focuses on a pricing mechanism that is viable in the long term.

Executives from ILC as well as our subsidiaries will actively participate in this debate. We will identify opportunities to introduce the measures that we believe are right for Chile with respect to pensions and health, just as we have been doing throughout our 35 year history.

We will advocate measures that contribute to improving the wellbeing and quality of life of the millions of families that we represent, because we owe it to them. This is not simply a business objective, but a social commitment that we have assumed on behalf of the individual interests of each customer who has chosen us,

because we understand that both sectors must be modernized in order to strengthen their social legitimacy and secure their long-term viability.

I would like to take this opportunity to welcome Banco Internacional, which joined the group at the end of 2015, with the aim of strengthening small and medium-sized enterprises in Chile. We are proud of what we have achieved in 2016, which is the result of hard work from our entire organization.

I wish to close by thanking all of ILC's employees, customers, suppliers and investors, as they have enabled us to achieve historical results in 2016.



Sincerely,  
SERGIO TORRETTI COSTA  
Chairman of the Board of ILC



## MESSAGES FROM THE CHIEF EXECUTIVE OFFICER

ILC ACHIEVED PROFIT OF CH\$294,738 MILLION IN 2016, OF WHICH CH\$222,834 MILLION CAME FROM OUR PARTNERSHIP WITH PRUDENTIAL IN AFP HABITAT. OUR ORDINARY PROFIT WAS CH\$ 71,905 MILLION, AND REMAINED STABLE COMPARED TO 2015. THIS IS A REMARKABLE ACHIEVEMENT, GIVEN THAT OUR PARTNERSHIP WITH PRUDENTIAL REDUCED OUR INTEREST IN AFP HABITAT FROM 67% TO 40% WITH EFFECT FROM MARCH 2016. HOWEVER, THIS WAS OFFSET BY IMPROVED OPERATIONAL PERFORMANCES AT INVERSIONES CONFUTURO AND RED SALUD, IN ADDITION TO THE INCORPORATION OF BANCO INTERNACIONAL AT THE END OF 2015.

## DEAR SHAREHOLDERS,

I am pleased to recap the performance of ILC and its subsidiaries during 2016, a very significant period in our history.

The year **2016 was a very important time**, as we **strategically positioned ourselves for the future** as an important player in the pension, financial services and health care markets in Chile. These are the sectors where we wish to contribute and create value, just as we have done throughout our 35 year history.

ILC achieved **profit** of Ch\$294,738 million in 2016, of which Ch\$222,834 million came from our partnership with Prudential in AFP Habitat. Our ordinary profit was Ch\$71,905 million, and remained stable compared to 2015. This partnership reduced our share of profits at AFP Habitat from 67% to 40% with effect from March 2016. However, this was offset by improved operational performances at Inversiones Confuturo and Red Salud, in addition to the incorporation of Banco Internacional at the end of 2015.

We sealed our partnership with Prudential Financial Inc. to share our stake in **AFP Habitat**, in March 2016. This achievement strengthens Habitat in the Latin American pension industry, which began operating in Chile in 1981 and Peru in 2013. Prudential is a leading global financial services company with 140 years in business and operations in over 40 countries. A partnership with a multinational operator will enable us to adopt the best global financial practices, while we can contribute our knowledge of the sector

in Chile and Peru. We are confident that this alliance will enable us to not only grow, but also improve the products and services provided to our members.

AFP Habitat achieved an increase of 4.9% in profit for 2016, driven by higher revenue in Chile and Peru. Habitat became the leading AFP by assets under management in Chile in November 2016, both in mandatory and voluntary savings. This is an important responsibility for which we feel prepared, as we are the leaders in long-term profitability for all the funds we manage. We have an extensive network of branches and channels, which enabled us to attend over 21 million customer consultations during 2016.

**Inversiones Confuturo** achieved several important targets during the year. After acquiring a share of this company in 2013 and participating in three consecutive capital increases, we finally acquired the remaining shares of this subsidiary in June 2016. This required an investment of approximately US\$370 million, which gave us full control of Confuturo and Corpseguros, thereby consolidating our presence in the pension sector in Chile. Inversiones Confuturo was the second largest company in the annuity industry in terms of premiums as of December 31, 2016, with a market share of 16.6%. It was also the second largest life insurance company in terms of assets under management with US\$8.4 billion.

Even though ILC acquired a share of Inversiones Confuturo just three years ago, during this period we have achieved a significant strategic

shift, aligned with practices at big international companies within this sector.

In fact Confuturo and Corpseguros recently signed an agreement with Walmart to acquire 10 shopping centers under the Espacio Urbano brand for a total of US\$650 million. This transaction took place within a global investment environment marked by lower returns, in particular, in fixed income instruments. Given that reinvestment is a major risk for insurance companies, finding alternative investments with an attractive, long-term return is essential for generating higher returns and matching assets with liabilities. This is a significant change for our companies and the industry in general, since this type of investment only represents 15.4% of total assets under management in Chile at the end of 2016.

Inversiones Confuturo achieved a 46.5% increase in profit for 2016 with respect to 2015, as a result of increased sales and investment income. Annuity premiums increased by 14.5% across the industry, reaching a historical figure of UF105 million. This was driven by a high preference for annuities over scheduled withdrawals, which was 69% versus the 50% - 60% range seen during the past five years.

**Banco Internacional** joined the Group in 2016. While entering the Chilean banking industry was challenging in terms of resources and equipment, we were capable of generating value in the short term. By the end of 2016, Banco Internacional had increased its return on equity from 0.1% at the end



ONLY FOUR YEARS AFTER OUR IPO, OUR MANAGEMENT EFFORTS HAVE CREATED VALUE FOR OUR INVESTORS THROUGH: REDUCING OUR DEPENDENCE ON AFP HABITAT AND ISAPRE CONSALUD IN OUR RESULTS FROM 93% IN 2010 TO 55% IN 2016; BUILDING SHAREHOLDER VALUE THROUGH ANNUAL DIVIDENDS THAT HAVE FLUCTUATED BETWEEN 5% AND 9% WITH RESPECT TO OUR INITIAL LISTING PRICE; SELF-FINANCING AN INVESTMENT PLAN OF APPROXIMATELY US\$450 MILLION; AND MAINTAINING OUR CREDIT RATING. THIS IS THE RESULT OF HARD WORK THAT IS ALWAYS FOCUSED ON THE LONG TERM.

of 2015, to 9.75% for 2016. Banco Internacional ranked third among Chilean banks in commercial loan growth (+11.4%) and had the third highest Basel I solvency ratio of 13.93%.

This was the result of a profound change in strategy, which led the bank to refocus on the small and medium-sized enterprise segment. We opened two new business centers in Rancagua and La Serena in 2016, in order to provide our customers in these locations with financial solutions.

We achieved profit of Ch\$9,449 million in 2016, driven by an improvement of 47% in provision expenses, which substantially decreased the gap with respect to the industry.

The year 2016 was an important time for **Red Salud**. First, since May 2016 ILC has fully owned the company, as result of acquiring 10% of Red Salud from CChC Mutual de Seguridad.

Management implemented an operational excellence plan, with the aim of improving returns on the investment plan for the five-year period 2010-2015 of approximately US\$300 million. Tabancura Clinic opened a new 35,000 m<sup>2</sup> building in 2016, which added 80 beds to our network.

We achieved a significant improvement in the EBITDA margin from 9.7% in 2015 to 11.0% in 2016. This is largely the result of efficiency

gains in virtually all network units, especially in the Bicentenario and Megasalud hospitals, which increased their margins by 500 and 320 basis points, respectively. We hope to continue implementing these operational improvements by strengthening a comprehensive network of health care providers throughout Chile.

The regulatory landscape for **Consalud** remains uncertain. Increasing litigation and the rise in medical care costs have impacted our results every year. The reimbursement of medical care costs has increased on average by 10% per year since 2012, while payments to policyholders on medical leave have increased by 17% per year. Appellate injunctions (motions to reverse unilateral changes to plans) against Consalud have increased by 55% compared to 2015, reaching a total of 29,415 cases. Urgent measures are needed to ensure a fair regulatory framework, which will allow millions of people to effectively meet their health care needs.

**Vida Camara** also passed through a significant strategic change, focusing on the complementary health insurance segment. The number of beneficiaries for this product increased by 7.5%, to reach 269,462 people at the end of 2016. During the period various commercial improvements were implemented, including new products in an alliance with Consalud, together with a new mobile application and web service, which resulted in high quality customer service according to beneficiaries (score of 6.4 on a scale of 1 to 7).

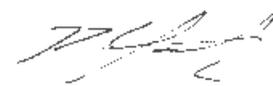
In the **Other subsidiaries** segment, we sold our investments in iConstruye and Desarrollos Educacionales in 2016. These decisions were based on focus and resources, given that both companies belonged to neither the financial nor health sectors. We are confident that the Cognita Group with Desarrollos Educacionales and the groups that invested in iConstruye will continue to manage both companies with the same hallmark that has characterized them over past few years.

Finally, I would like to emphasize the liabilities **refinancing plan** completed during the second half of the year. This involved issuing three corporate bonds for approximately UF4 million, which benefited from strong demand, despite the volatility that affected markets during the last few months of the year. This support was corroborated by our risk rating agencies, which maintained their rating at AA+ and improved our prospects from negative to stable.

**Only four years after our IPO**, our management efforts have created value for our investors through: reducing our dependence on AFP Habitat and ISAPRE Consalud in our results from 93% in 2010 to 55% in 2016; building shareholder value through annual dividends that have fluctuated between 5% and 9% with respect to our initial listing price; self-financing an investment plan of approximately US\$450 million; and maintaining our credit rating. This is the result of hard work that is always focused on the long term.

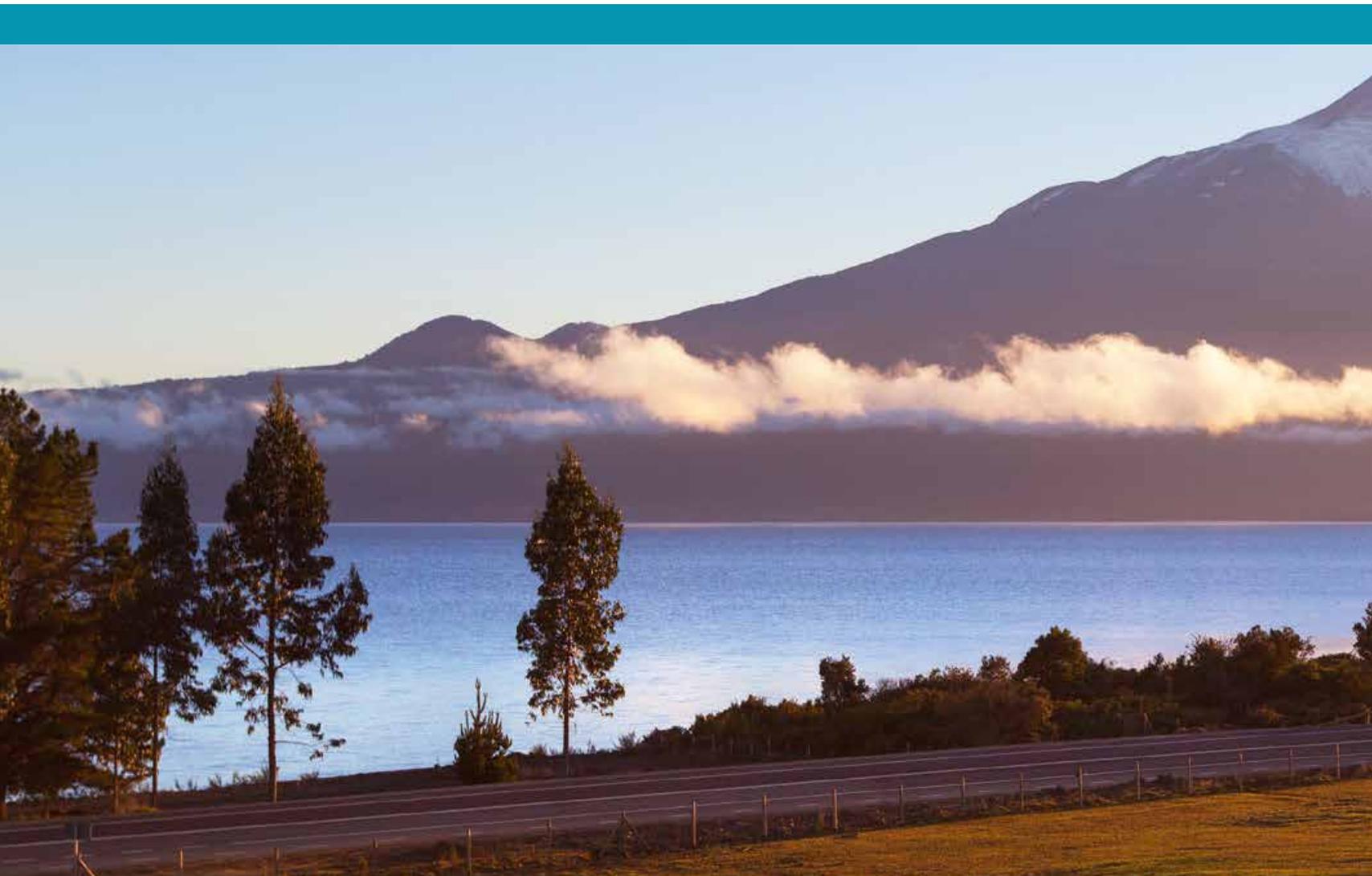
As stated in the Chairman's letter, at ILC we are committed to every customer and member. Therefore, we are concerned about the country's progresses and legislation to adapt the current pension and health insurance systems to our situation, to a country that has changed demographically and where people have a longer life expectancy. Our subsidiaries at ILC have made several contributions to improve the respective systems, in addition to preparing the company to deal with alternative scenarios.

To conclude, I would like to thank all of our employees, customers, suppliers and investors. This historical 2016 would not have been possible without them, making us deeply proud of our management efforts. I want to encourage us to continue building ILC into a group of leading companies with a fundamental role and unwavering commitment to the wellbeing of the country.



Sincerely,

PABLO GONZÁLEZ FIGARI  
Chief Executive Officer of ILC





## **02/** BOARD, MANAGEMENT, ORGANIZATIONAL STRUCTURE AND DIVERSITY

# BOARD OF DIRECTORS



## CHAIRMAN

### **SERGIO TORRETTI COSTA (1)**

Chilean ID Number: 6.551.451-6  
Date of Birth: January 17, 1956  
Nationality: Chilean  
Businessman  
Appointment: August 2016  
Member of the Board since April 2010

## VICE CHAIRMAN

### **JORGE MAS FIGUEROA (2)**

Chilean ID Number: 5.347.240-0  
Date of Birth: December 18, 1948  
Nationality: Chilean  
Mining Engineer, Universidad de Chile  
Appointment: August 2016  
Member of the Board since September 2014

## DIRECTORS

### **LORENZO CONSTANS GORRI (3)**

Chilean ID Number: 5.816.225-6  
Date of Birth: July 10, 1950  
Nationality: Chilean  
Civil Constructor, Universidad de Santiago  
Appointment: September 2008

### **GASTÓN ESCALA AGUIRRE (4)**

Chilean ID Number: 6.539.200-3  
Date of Birth: December 22, 1955  
Nationality: Chilean  
Civil Engineer, Pontificia Universidad Católica de Chile  
Appointment: August 2012

### **ALBERTO ETCHEGARAY AUBRY (5)**

Chilean ID Number: 5.163.821-2  
Date of Birth: May 5, 1945  
Nationality: Chilean  
Civil Engineer, Pontificia Universidad Católica de Chile  
Appointment: April 2010

### **DANIEL HURTADO PAROT (6)**

Chilean ID Number: 7.010.350-8  
Date of Birth: September 20, 1962  
Nationality: Chilean  
Civil Constructor, Pontificia Universidad Católica de Chile  
Appointment: August 2012

### **RENÉ CORTÁZAR SANZ (7)**

Chilean ID Number: 5.894.548-K  
Date of Birth: February 29, 1952  
Nationality: Chilean  
Business Administrator, Pontificia Universidad Católica de Chile  
PhD in Economics, Massachusetts Institute of Technology  
Appointment: April 2014  
Independent Director



5.



6.



7.

#### FEATURES AND MAIN FUNCTIONS:

- ILC is directed by a Board of seven members elected annually at the annual general shareholders' meeting, in accordance with its bylaws.
- Directors are appointed for a period of one year, and may be re-elected for further periods. The Chairman of the Board is appointed for one year, which can be renewed for a second year.
- The main functions of the Board are to set objectives, policies and strategy, which must be implemented by management. This is achieved at monthly meetings to analyze the company's performance, its risks, strategies and medium and long-term plans.

ILC BOARD MEMBERS	ILC BOARD	ILC DIRECTORS' COMMITTEE	ILC INVESTMENT COMMITTEE	SUBSIDIARY BOARDS*
Sergio Torretti C.	Chairman			
Jorge Mas F.	Vice Chairman			
Lorenzo Constans G.	X	X	X	Red Salud
René Cortázar S.	X	Chairman		
Gastón Escala A.	X	X		
Alberto Etchegaray A.	X			Chairman Red Salud
Daniel Hurtado P.	X		Chairman	

\* ILC Board members can participate as guests at the Board meetings of subsidiaries, with the aim of acquiring a detailed understanding of the strategy and the issues faced by each business within the Company.

# MANAGEMENT



**CHIEF EXECUTIVE OFFICER**  
**PABLO GONZÁLEZ FIGARI (1)**

Chilean ID Number: 9.611.943-7  
Nationality: Chilean  
Date of Birth: July 7, 1975  
Business Administrator, Pontificia Universidad Católica de Chile  
MBA, University of Notre Dame (US)  
Joined ILC on December 1, 2008

**CHIEF DEVELOPMENT OFFICER**  
**DAVID GALLAGHER BLAMBERG (2)**

Chilean ID Number: 15.548.765-8  
Nationality: Chilean  
Date of Birth: November 8, 1983  
Business Administrator, Pontificia Universidad Católica de Chile  
MBA, The Wharton School (US)  
Joined ILC on April 15, 2015

**CHIEF FINANCIAL OFFICER**  
**IGNACIO GONZÁLEZ RECABARREN (3)**

Chilean ID Number: 13.235.095-7  
Nationality: Chilean  
Date of Birth: December 5, 1977  
Business Administrator, Universidad de Chile  
MBA, IE Business School, Spain  
Joined ILC on May 1, 2012



**CHIEF PERFORMANCE MANAGEMENT OFFICER**

**JUAN PABLO UNDURRAGA COSTA (4)**

Chilean ID Number: 13.241.472-6  
Nationality: Chilean  
Date of Birth: April 9, 1977  
Civil Engineer, Pontificia Universidad Católica de Chile  
MBA, University of Michigan, USA  
Joined ILC on May 30, 2016



**CHIEF ACCOUNTING AND ADMINISTRATION OFFICER**

**ROBINSON PEÑA GAETE (5)**

Chilean ID Number: 9.184.681-0  
Nationality: Chilean  
Date of Birth: December 4, 1958  
Public Accountant, Universidad Católica del Norte  
Diploma in Business Administration, Universidad Adolfo Ibáñez  
Joined ILC on September 1, 2010

**CONTROLLER**

**ANDRÉS GALLO POBLETE (6)**

Chilean ID Number: 9.047.302-6  
Nationality: Chilean  
Date of Birth: October 31, 1975  
Business Administrator, Pontificia Universidad Católica de Chile  
Joined ILC on May 12, 2014



**ADVISOR TO THE BOARD**  
**LUIS LARRAÍN ARROYO**

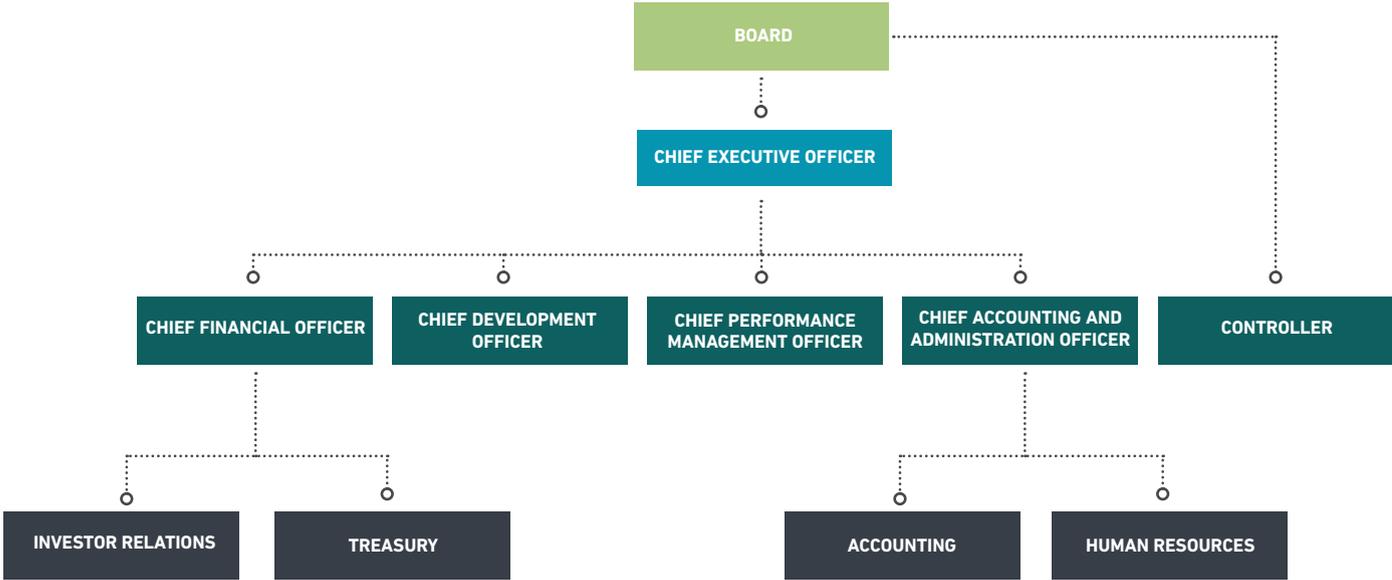
**LEGAL COUNSEL**  
**PRIETO Y CÍA. ABOGADOS**

**INDEPENDENT AUDITORS**  
**DELOITTE AUDITORES Y CONSULTORES LTDA.**

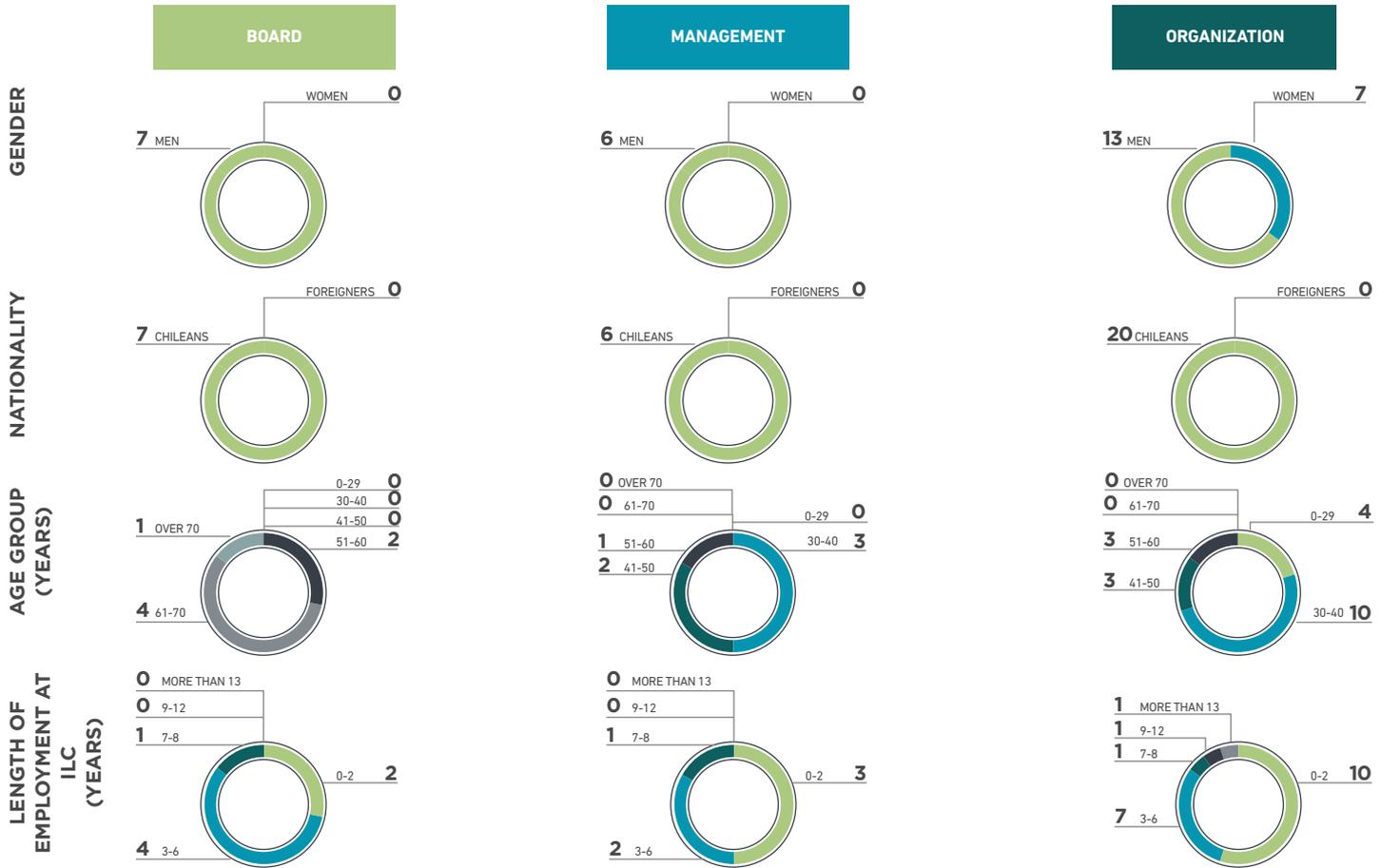
- Management at ILC and its subsidiaries is appointed by their respective Boards.
- Its main function is to implement the strategy, objectives and policies established by the Board in a responsible manner, while always focused on the long-term.

ILC MANAGEMENT	ILC BOARD	ILC DIRECTORS' COMMITTEE	ILC INVESTMENT COMMITTEE	SUBSIDIARY BOARDS
Pablo González F.	Regularly attends	Regularly attends	Regularly attends	Confuturo
David Gallagher B.				Factoring Baninter
Ignacio González R.		Occasionally attends	Regularly attends	Vida Cámara
Juan Pablo Undurraga C.		Occasionally attends		
Robinson Peña G.		Occasionally attends		
Andrés Gallo P.		Regularly attends		

# ILC ORGANIZATIONAL STRUCTURE



# DIVERSITY IN THE ORGANIZATION



## SALARY GAP

LEVEL WITHIN THE COMPANY	GENDER	SALARY GAP
Senior Executives	6 Men	Not applicable, because there are no women working at this level
Deputy Managers and Supervisors	1 woman and 4 men	The average gross salary of men is 6% higher than for women
Professional and Administrative Staff	6 women and 3 men	The average gross salary of men is 10% higher than for women

This measure does not consider the specific position within the level, the period that the person has held that position, or the length of the working day, among other variables that affect the analysis.

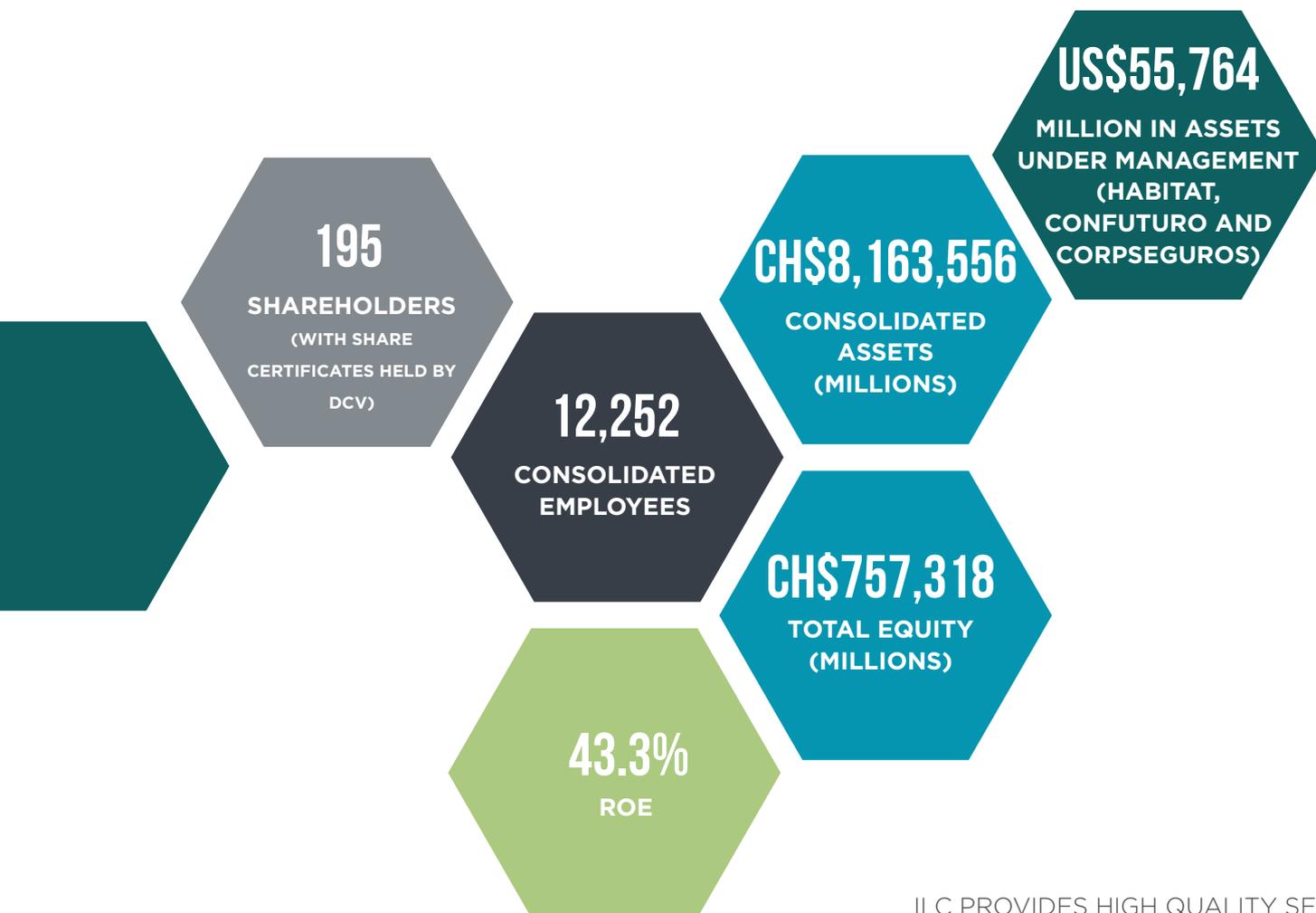




# 03/ ILC AT A GLANCE

# SIGNIFICANT CONSOLIDATED ILC FIGURES FOR 2016





ILC PROVIDES HIGH QUALITY SERVICES TO IMPROVE QUALITY OF LIFE FOR PEOPLE IN THE COUNTRIES WHERE WE OPERATE

ILC IS A PUBLICLY HELD CORPORATION REGISTERED ON THE SECURITIES REGISTRY OF THE CHILEAN SUPERINTENDENCY OF SECURITIES AND INSURANCE. THE COMPANY IS CONTROLLED BY THE CHILEAN CONSTRUCTION CHAMBER, WHICH OWNS 67%.

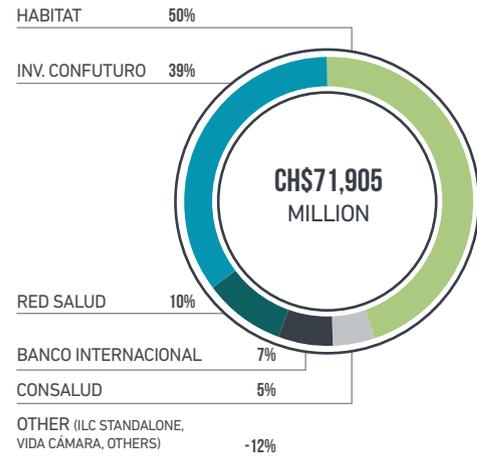
## MISSION

WE AIM TO IMPROVE QUALITY OF LIFE FOR EVERYONE, BY PROVIDING EFFICIENT AND ACCESSIBLE SERVICES IN THE FINANCIAL AND HEALTH SECTORS, THEREBY CREATING VALUE, EFFICIENCY AND SUSTAINABILITY.

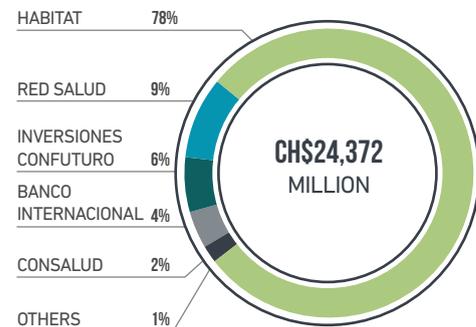
## VISION

WE WANT OUR SUBSIDIARIES TO BECOME LEADING COMPANIES THAT CAN SUSTAINABLY MEET PENSION AND HEALTHCARE NEEDS, WHILE CONTINUALLY INCREASING SHAREHOLDER VALUE, WITHIN THE FRAMEWORK, VALUES AND PRINCIPLES ESTABLISHED BY THE CHILEAN CONSTRUCTION CHAMBER.

### ILC ORDINARY PROFIT 2016



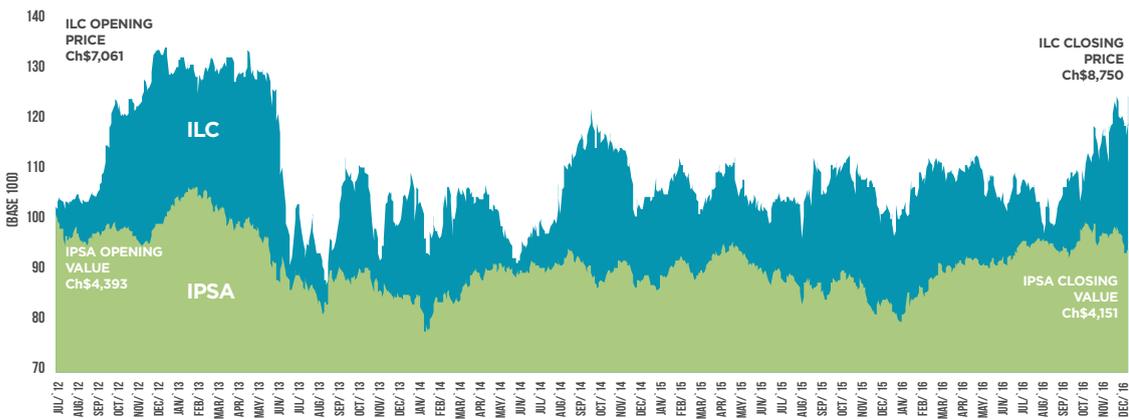
### DIVIDENDS RECEIVED BY ILC IN 2016



ILC formed a partnership with Prudential in March 2016, under which Prudential acquired an interest in AFP Habitat. As a result, ILC's shareholding in this subsidiary reduced from 67% to 40%.

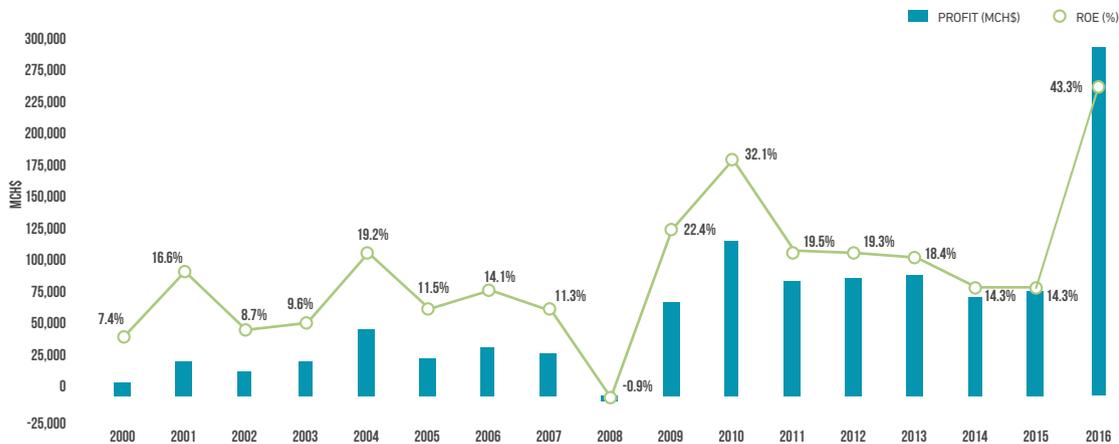
Corpseguros distributed Ch\$13,592 million in dividends, which were used by Inversiones Confuturo to make principal and interest payments on its financial obligations.

RETURN OF ILC STOCK V/S IPSA SINCE IPO (JULY 2012)

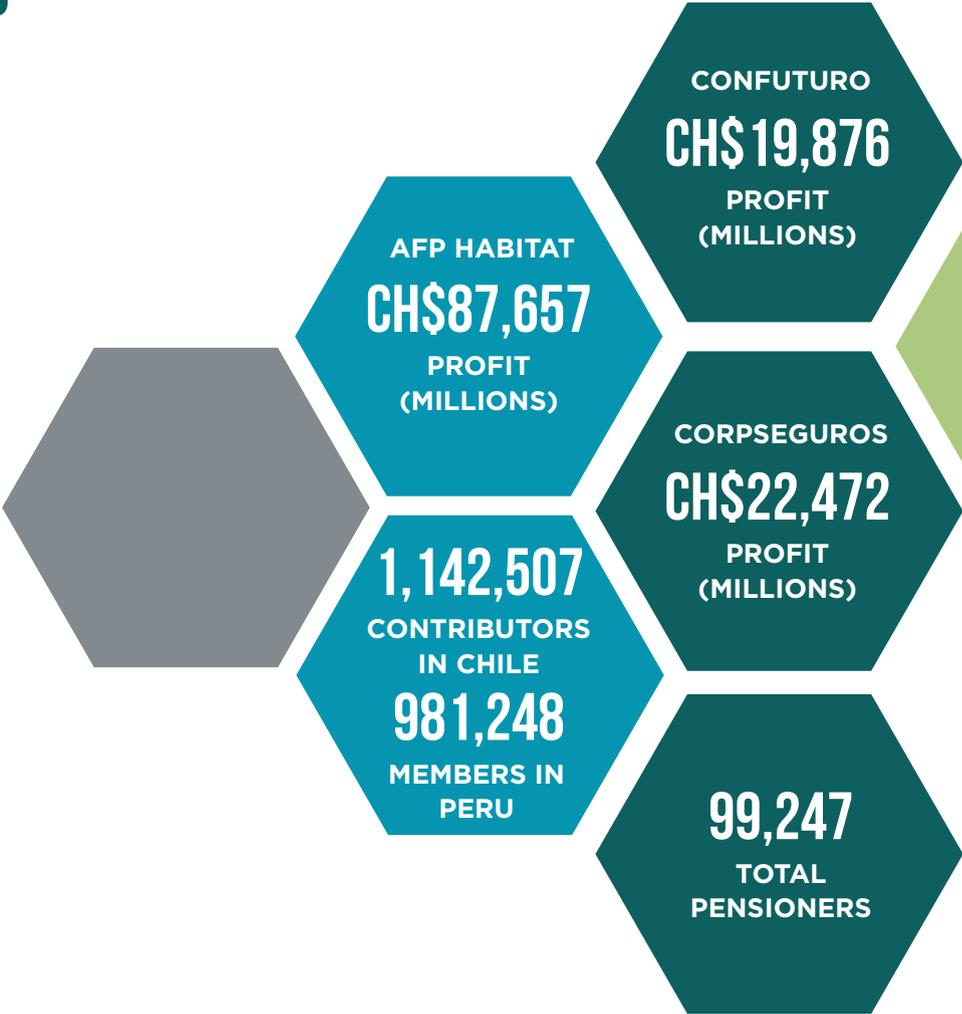


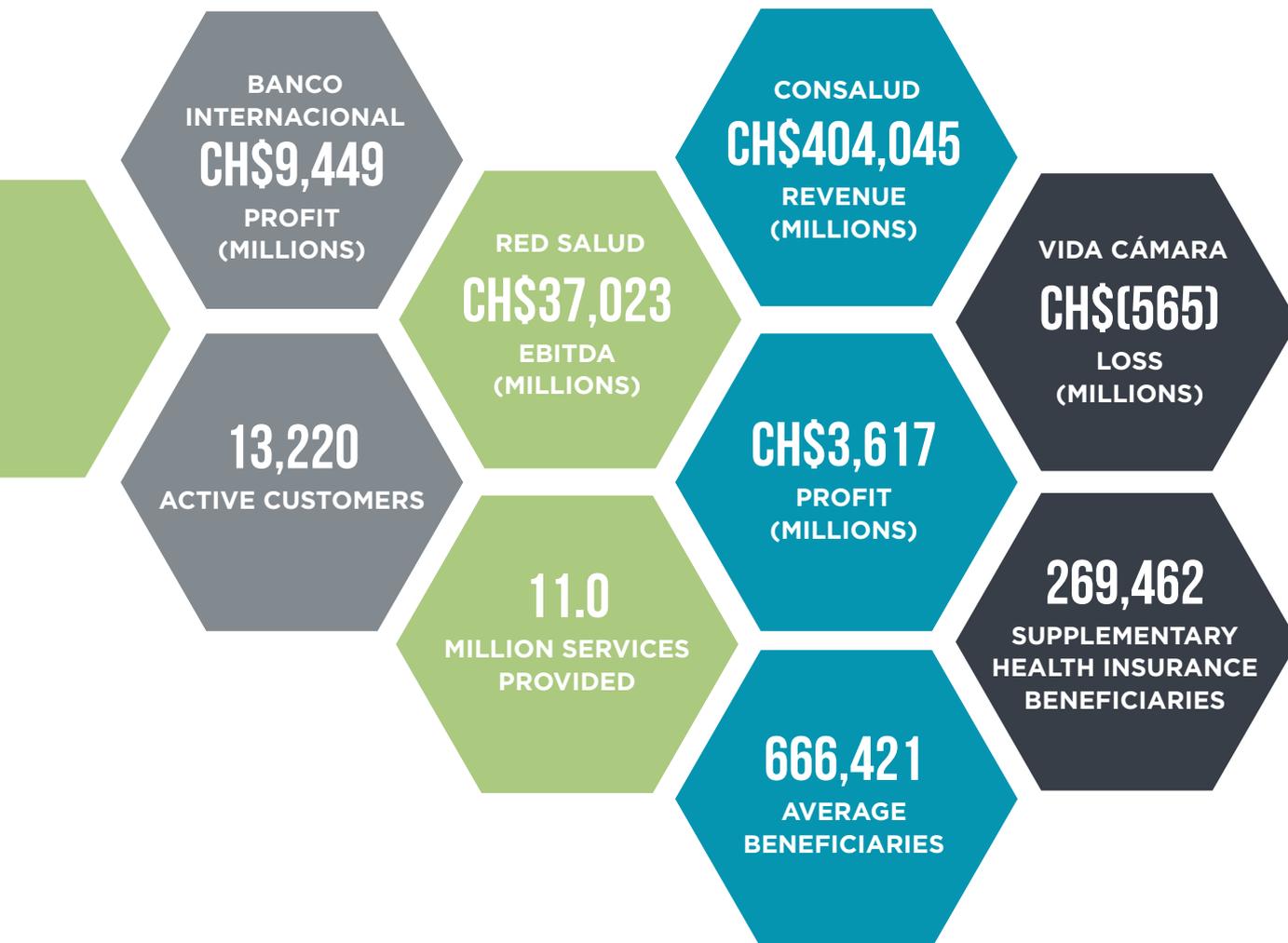
Source: Bloomberg

PROFIT V/S ROE



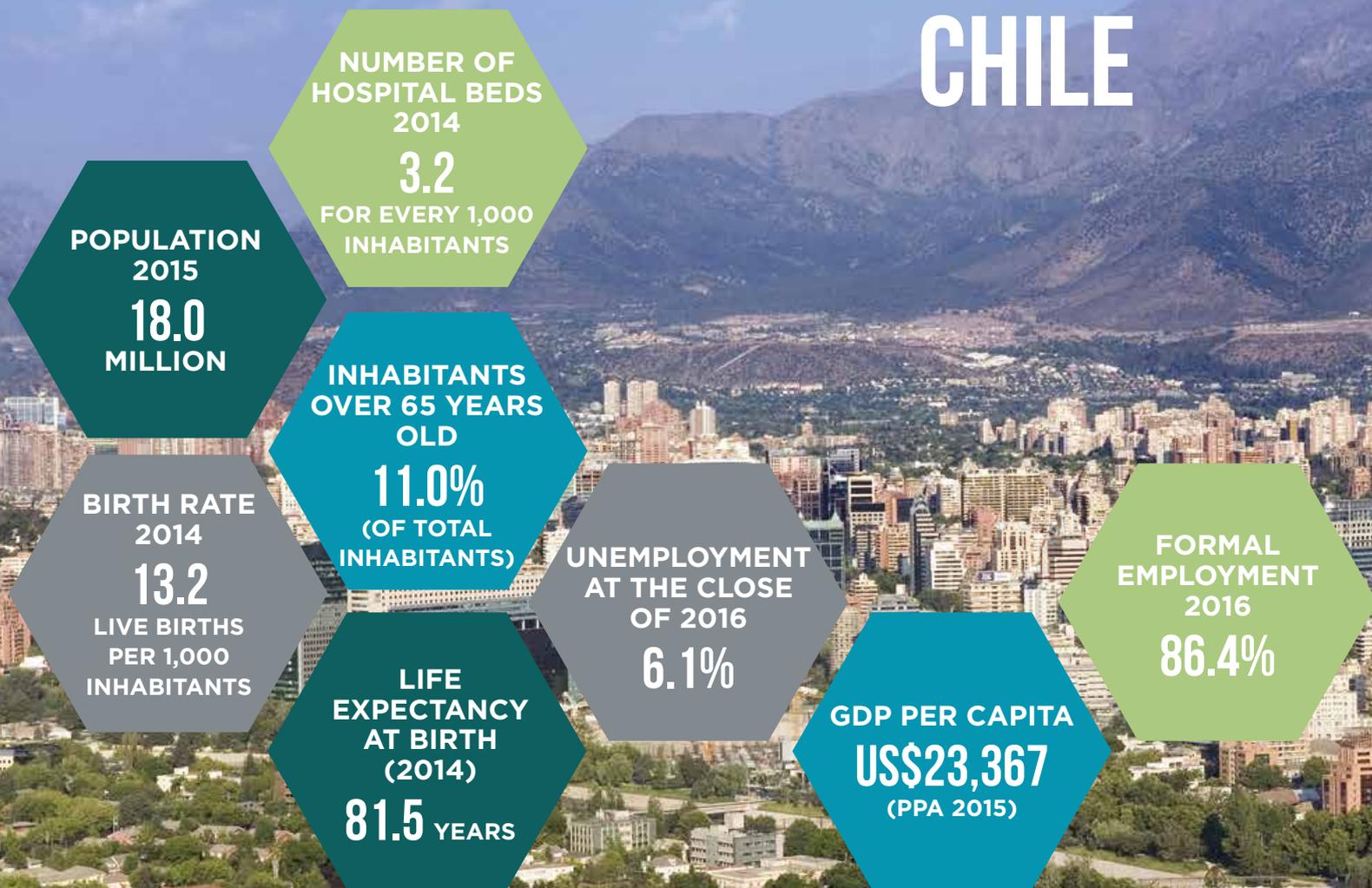
# IMPORTANT FIGURES FOR ILC SUBSIDIARIES IN 2016





# COUNTRIES WHERE WE OPERATE

## CHILE



SOURCE: World Bank, National Institute of Statistics (INE), Health at a glance 2015, Bloomberg.

# PERU

POPULATION  
2015  
**31.4**  
MILLION

INHABITANTS  
OVER 65 YEARS  
OLD  
**6.8%**  
(OF TOTAL  
INHABITANTS)

BIRTH RATE  
2014  
**19.9**  
LIVE BIRTHS  
PER 1,000  
INHABITANTS

LIFE  
EXPECTANCY  
AT BIRTH  
(2014)  
**74.5** YEARS

UNEMPLOYMENT  
2016  
**6.2%**

GDP PER CAPITA  
**US\$ 12,529**  
(PPA 2015)

FORMAL  
EMPLOYMENT  
2015  
**26.9%**

SOURCE: World Bank, National Institute of Statistics and Information (INEI), Bloomberg.





# 04/ SUSTAINABILITY AT ILC

A close-up photograph of a person's hand inserting several coins into the top of a white ceramic piggy bank. The piggy bank has simple black dots for eyes and a snout. The background is blurred, showing a white shirt and some red objects. A green geometric shape is overlaid on the left side of the image.

## SUSTAINABILITY AT ILC

At ILC we occupy a prominent place in industries providing key long-term services. Therefore, we are unwaveringly committed to sustainably generating value over the long-term.

Sustainability poses many challenges for us. However, the most important relate to **retirement education** and promoting a **healthier life style**.

ILC seeks to raise awareness among people about the importance of saving for retirement. The market research company Cadem reported in 2016 that 48% of people are unaware that savings deposited in AFPs belong to them. Under this scenario, it is essential to educate the country regarding retirement. This will enable us to improve pensions, and consequently, quality of life for retired people.

So AFP Habitat redoubled its commitment to explaining how the pensions system functions, together with the future benefits of increasing savings. Specific initiatives carried out by Habitat in 2016 included:

- **"Hablemos de tu Futuro (Let's Talk About Your Future)" Campaign:** At the beginning of September, AFP Habitat launched a

pension education campaign, which is described in detail on the website [www.hablemosdetufuturo.cl](http://www.hablemosdetufuturo.cl), in response to the demand for more information. It explains and answers the principal questions about the role of AFPs. The web site contains Habitat's proposals to improve pensions and to modernize the system, in accordance with Chile's employment and demographic situation. The web site had received over 440,000 visits by the end of 2016, which generated almost 800 questions related to pensions issues and advice.

- **First Public Account by AFP Habitat:** The first annual open account was carried out by an AFP in Chile in March 2017. The presentation was transmitted via streaming and led by the Chairman and Chief Executive Officer of AFP Habitat, who reviewed how the AFP was managed during 2016, touching on customer services, funds collection, account management, investments, commissions, and a diagnosis of the current system. The event concluded with responses to the ten most frequently asked questions by those in attendance.



### Lo que se dice

¿Son temas que has leído o te han comentado?  
¿Has creído?  
Escríbete así:



## 04 / SUSTAINABILITY AT ILC

- **Educational Videos:** Habitat launched several educational videos in 2016, with the objective of providing more information on the pension system, which were seen 2.7 million times. Topics covered include: the current pension system vs. a distribution system, profitability of assets under management, keys to understanding fees charged by AFPs, and how to choose a fund.



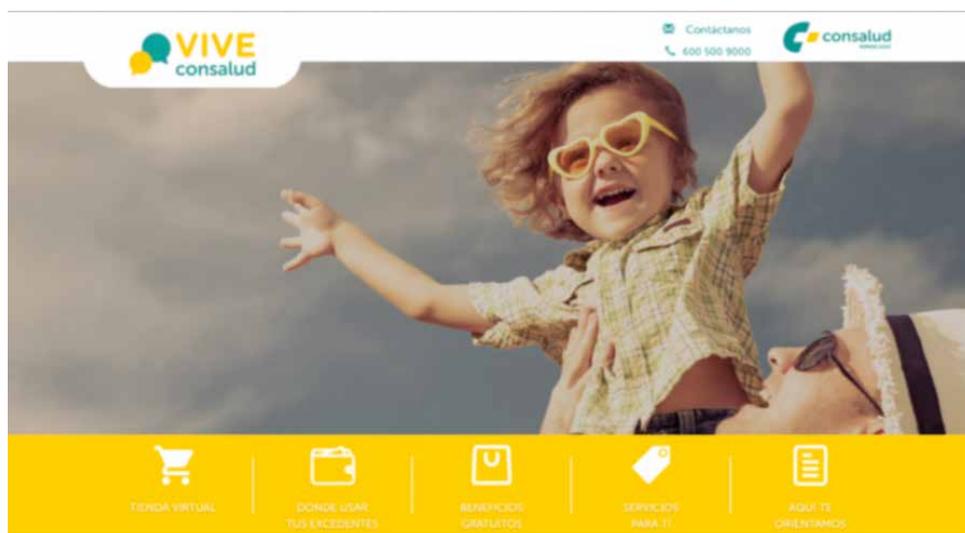
- **Letters from the Chief Executive Officer to Members and Employees:** The Chief Executive Officer at Habitat sent letters to members and employees, with the aim of improving the general understanding of the pension debate, and in particular, explaining the proposals announced by the government in August 2016 and their impact on pension contributions, followed by a summary of Habitat's main proposals to improve the system in general.

- **Interviews** with the Chairman and Chief Executive Officer in various print media and on radio and television.

Currently Chile ranks as a high-risk country in global health comparisons. According to the document "Health at a Glance 2015", our country is ranked fourth across the OECD in tobacco consumption, ninth in obesity, and fifth in hospital admissions for diabetes, among other risk factors.

Therefore, Consalud launched a number of initiatives that promote healthier lifestyles, in order to improve quality of life for our policyholders and the country. Specific initiatives carried out by Consalud in 2016 included:

- **Vive Consalud Program** ([www.viveconsalud.cl](http://www.viveconsalud.cl)): The program encourages a healthy lifestyle through several initiatives and benefits, with the goal of improving the health and wellbeing of its policyholders. The program includes benefits that may be purchased directly or using surplus premiums, such as agreements with gyms, medical packs, weight control plans, and even products such as clinical beds, wheelchairs, etc.
- **Consalud Race** ([www.santiagocorreconsalud.cl](http://www.santiagocorreconsalud.cl)): The "Santiago Consalud Race" took place on November 20, 2016, which attracted more than 12,000 people. The event was free and open to everyone.





## CORPORATE GOVERNANCE

### COMMITTED TO BETTER STANDARDS OF CORPORATE GOVERNANCE

Directors' Committee, Corporate Governance General Policy and Procedure Manual, Code of Ethics and Conduct, Manual for Managing Market Sensitive Information, Crime Prevention Model, General Policy on Routine Transactions between Related Parties, Internal Procedures and Health and Safety Manual, Grievance Mechanisms, Internal Audit, Investor Relations Department, and other initiatives.



## INVESTORS

### COOPERATION WITH OUR INVESTORS

Open door policy in the Investor Relations Department; constant flow of information through public reporting; participation in national and international conferences.



## EMPLOYEES

### TEAMWORK

12,252 employees in Chile and Peru  
Approx. 55% women / 45% men

### CONCERN FOR WORKPLACE CLIMATE

Employee Satisfaction Surveys in Habitat, Confuturo, Banco Internacional, Consalud, Tabancura Hospital, Valparaíso Hospital, Megasalud and Vida Cámara.

### EMPLOYEE DEVELOPMENT

- Average of 44 training hours per year per employee in Habitat
- Average of 245 training hours per year per employee in Confuturo and Corpseguros
- Average of 20 training hours per year per employee in Banco Internacional
- Average of 8 training hours per year per employee in Red Salud
- Average of 25 training hours per year per employee in Consalud



# SOCIAL IMPACT 2016

## CUSTOMERS

### RESPONSIBILITY TO OUR CUSTOMERS

- 2.0 million members in Habitat
- 147,000 pensioners in Habitat
- 94,000 pensioners in Confuturo and Corpseguros
- 13,220 active customers in Banco Internacional
- 666,000 policyholders in Consalud
- 269,000 beneficiaries of supplementary health insurance in Vida Cámara

### PASSION FOR SERVICE EXCELLENCE

Customer Service Department in Habitat, Customer Service Department in Consalud, Customer Service Committee in Confuturo, Customer Service Unit in the Red Salud Clinics.

### COMMITTED TO OUR MEMBERS AND POLICYHOLDERS

AFP Habitat (Chile) is ranked top in profitability for all its funds over a five-year period, and second place for all its funds over a 12 month period. AFP Habitat (Peru) is ranked top in profitability for all its funds over a 12 month period.

### CONCERN FOR THE WELLBEING OF OUR MEMBERS AND POLICYHOLDERS

"Let's Talk About Your Future" Program at AFP Habitat. "Vive Consalud" Program, "Walking With You" at Consalud, "Santiago Consalud Race".

### BROAD COVERAGE FOR OUR MEMBERS AND POLICYHOLDERS

- 26 Habitat branches, 22 mobile branches, 5 service centers and 3 mall stands in Chile.
- 6 Habitat branches in Peru
- 19 Confuturo and Corpseguros branches
- 11 branches and 2 business centers International Bank
- 67 Consalud branches
- 17 Vida Cámara branches
- 9 hospitals in Chile
- 30 outpatient medical and dental centers

### IN COMMUNICATION WITH OUR MEMBERS AND POLICYHOLDERS

Habitat, Confuturo, Banco Internacional, Consalud and Red Salud have social network pages, such as Facebook and Twitter, to bring them closer to their members, policyholders and customers. Habitat, Banco Internacional, Consalud and Vida Camara have mobile applications to facilitate and improve interaction with their customers.





**05/**

**ILC FROM THE BEGINNING**



# ILC FROM THE BEGINNING

1980

- Sociedad de Inversiones y Rentas La Construcción S.A. becomes the investment vehicle for the Chilean Construction Chamber (CChC). The purpose of the Company is to invest in all kinds of real estate, shares, rights, bonds and other securities, particularly in those issued by social welfare entities, insurers, clinics or hospitals, educational establishments and electronic services.

1981

- ILC is a founding shareholder of AFP Habitat under the new individual social security system established by Decree Law 3,500.

1984

- A new legal regime for healthcare services enables CChC to form a private corporation called "Instituto de Salud Previsional de la Construcción", better known as Isapre Consalud.

1985

- Compañía de Seguros de Vida La Construcción is created.

1989

- CChC inaugurates a new corporate building in Providencia, in order to manage its growth and to unite under one roof the CChC, AFP Habitat, Isapre Consalud and Compañía de Seguros de Vida la Construcción.

1996

- ILC forms a partnership with Citigroup to jointly control AFP Habitat.

1997

- Desarrollos Educativos is founded, which creates and operates educational establishments.

2000

- Megasalud is created as a result of the spin-off and amended bylaws of Isapre Consalud. The company provides outpatient medical and dental care.

2001

- ILC enters the e-business by creating iConstruye. This company is a platform that manages the purchase and payment of construction materials.

2004

- The Company divests its insurance business by selling all its shares in Seguros de Vida La Construcción S.A. to Bicecorp.

2008

- Red Salud is created as a parent company for the healthcare companies related to ILC.

2009

- ILC re-enters the insurance sector to participate in the tender for Disability and Survivor Insurance (SIS) by acquiring the company RBS Chile Seguros de Vida S.A.
- Compañía de Seguros Vida Cámara is created, which is awarded 28% of the SIS contract for the period July 2009 to June 2010.

2010

- ILC terminates its joint control agreement with Citigroup regarding AFP Habitat.
- Compañía de Seguros Vida Cámara is awarded 36% of the SIS contract for the period July 2010 to June 2012.
- Red Salud inaugurates the expansion of the Avansalud Hospital, following an investment of US\$30 million.

## 2011

- ILC is registered with the SVS and successfully completes its first bond issuance in the market.
- Compañía de Seguros Vida Cámara enters the health and life insurance market.
- Red Salud inaugurates the Bicentenario Hospital with floor area of 62,000 m2, following an investment of US\$100 million.

## 2012

- ILC successfully completes an initial public offering, raising US\$438 million. This is the largest IPO in the history of the Chilean stock market.

## 2013

- ILC sells 51% of Desarrollos Educativos to the British group Cognita.
- AFP Habitat opens in Peru, after winning the first tender for new members in the private pension system for two years.
- Vida Cámara bids on Disability Survivor and Burial Costs Insurance in Peru and is awarded two of the seven segments.
- ILC acquires 67% of Inversiones Confuturo (formerly Corp Group Vida Chile), indirectly consolidating Compañía de Seguros Corpvida (formerly Corpvida) and Compañía de Seguros Corpseguros.

## 2014

- The capital of Inversiones Confuturo is increased to finance the purchase of the remaining shares of Confuturo from Mass Mutual Chile Ltda.
- Vida Cámara Chile continues to provide coverage under the Disability and Survivor Insurance tender, covering 22% of the male portfolio in Chile.

## 2015

- ILC acquires 50.9% of Banco Internacional and 50.1% of Factoring Baninter S.A. and Baninter Corredora de Seguros, thus entering the Chilean banking market.
- Habitat Peru begins its second tender for a two-year period to service individual accounts for new members to the private pension system.
- Red Salud reorganizes ownership of its regional hospitals, and acquires control of the Elqui Hospital in La Serena, Valparaiso Hospital, Integral Hospital in Rancagua, Mayor Hospital in Temuco and Magallanes Hospital in Punta Arenas.
- ILC increases the capital of Inversiones Confuturo by UF1 million.

## 2016

- ILC forms a partnership with Prudential Financial Inc. which takes a stake in AFP Habitat with the purpose of consolidating its presence in the Latin American pension industry.
- ILC increases the capital of Inversiones Confuturo by UF1 million, in response to the growth experienced by their life insurance companies. It acquires the minority interest in this subsidiary for approximately US\$75 million.
- ILC invests US\$20 million in Red Salud to acquire its minority interest, and increase its capital.
- Vida Cámara Peru begins its third SISCO tender in that country, and is awarded one of seven segments for two years.
- ILC sells its interest in iConstruye and Desarrollos Educativos, in order to focus on the financial and health sectors.





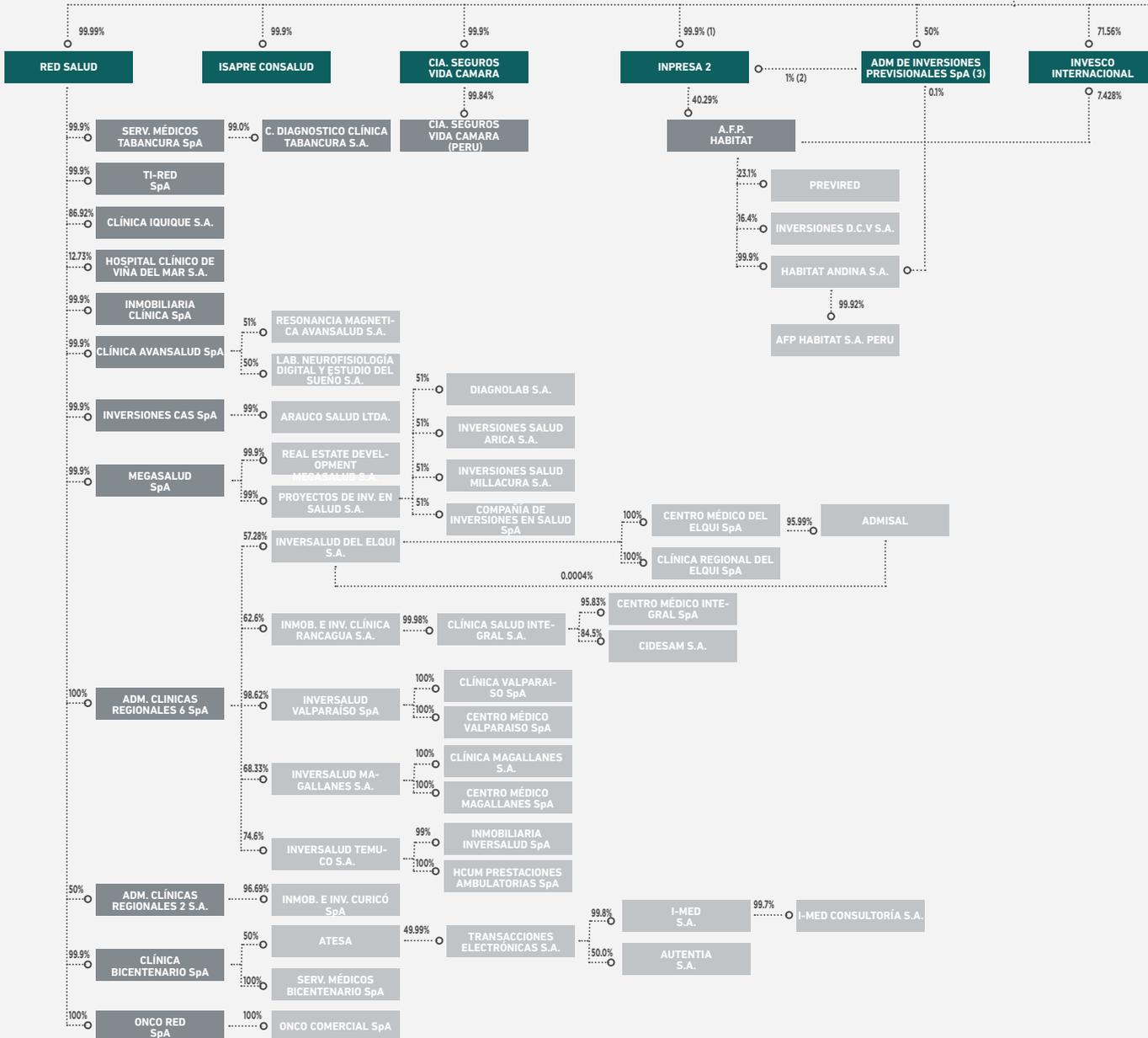
# 06/ CORPORATE STRUCTURE

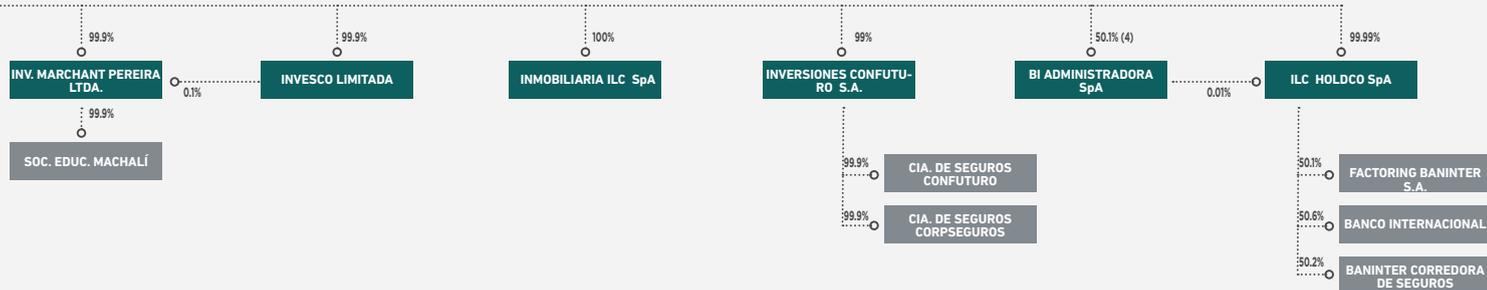


# CORPORATE STRUCTURE



67%



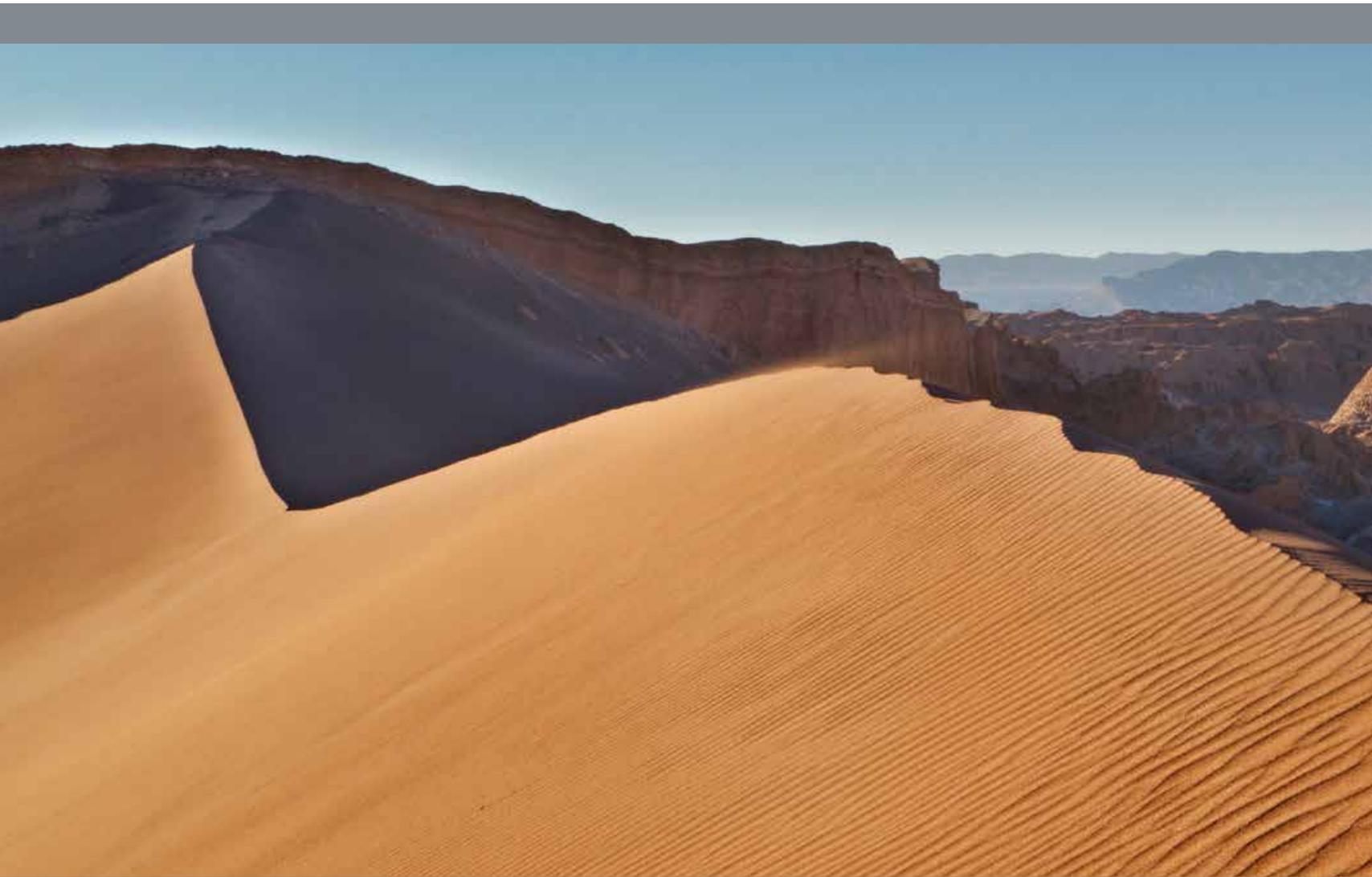


(1) 99% OF THE FINANCIAL RIGHTS AND 10% OF THE VOTING RIGHTS.

(2) ADM DE INVERSIONES PREVISIONALES SPA CONTROLS INPRESA 2 THROUGH "INVERSIONES PREVISIONALES CHILE SPA", WHICH OWNS 1% OF THE FINANCIAL RIGHTS AND 90% OF THE VOTING RIGHTS OF INPRESA 2.

(3) ADM. DE INVERSIONES PREVISIONALES SPA CONTROLS AFP HABITAT. 50% OF ITS SHARES ARE OWNED BY ILC AND THE REMAINING 50% ARE OWNED BY PRUDENTIAL

(4) BI ADMINISTRADORA SPA MANAGES ILC HOLDO SPA





**07/**

**SECTORS WHERE ILC OPERATES  
- PERFORMANCE IN 2016**



## NON-INSURANCE BUSINESS

### AFP SECTOR

#### AFP HABITAT

ILC has participated in the Chilean pension industry since its origins in 1981, through AFP Habitat. This industry manages pension funds related to mandatory and voluntary savings, and pays pensions under scheduled and temporary withdrawal programs.

ILC formed a partnership with Prudential Financial Inc. in March 2016, leaving each with a 40.29% stake in AFP Habitat. The partnership aims to strengthen the presence of Habitat in the Latin American pension industry, which operates in Chile and Peru (since 2013). As a result of this partnership, ILC no longer consolidates AFP Habitat in its financial statements.

### ISAPRE SECTOR

#### CONSALUD

ILC has participated in the private health insurance industry in Chile since the beginning in 1984, through ISAPRE Consalud. Consalud currently has group and individual health plans and offers a wide range of complementary services to improve coverage for its policyholders.

ILC currently controls ISAPRE Consalud with a 99.9% interest.



### HEALTHCARE SECTOR

#### RED SALUD

ILC is currently the second largest healthcare provider in Chile in terms of beds, due to an extensive network of 30 medical centers and 9 hospitals, and also operates a nationwide cancer network.

ILC currently controls Red Salud and has owned 99.9% of it since May 2016, after acquiring the 10% interest owned by CChC Mutual de Seguridad.



### OTHER SECTORS

#### BANINTER FACTORING, BANINTER INSURANCE BROKERAGE, NAHUELCURA SCHOOL

ILC strengthened its involvement in this sector by acquiring 50.1% of Factoring Baninter and Baninter Corredora de Seguros in October 2015.

ILC has had an interest in Nahuelcura School in Machalí since 2011, which is part of the CChC Social Network.

Additionally, the Company has a financial investment portfolio of approximately Ch\$57,530 million and rental property valued at approximately Ch\$4,060 million, comprising land and office buildings.

ILC sold its interests in iConstruye and Desarrollos Educativos in 2016, which were consolidated subsidiaries in this sector.





## INSURANCE BUSINESS

### INSURANCE SECTOR

#### CONFUTURO / CORPSEGUROS / VIDA CÁMARA

ILC entered the annuity and life insurance industry in Chile in November 2013, following the acquisition of 67% of Inversiones Confuturo, which owns the Confuturo and Corpseguros insurance companies that sell annuities and life insurance.

ILC controls Inversiones Confuturo and has owned 99.9% of it since June 2016, after acquiring the 22% interest in this subsidiary owned by CorpGroup.

ILC owns 99.9% of Vida Camara. This company participates in the disability, survival and funeral expenses insurance industry in Peru, and had participated in this industry in Chile. However, over the past few years Vida Camara has focused on developing and marketing supplementary health and life insurance in Chile.

**confuturo**

**CORPSEGUROS** 

**Vida Cámara**  
Construyendo juntos tu tranquilidad  
SOMOS CCHC



## BANKING BUSINESS

### BANKING SECTOR

#### BANCO INTERNACIONAL

ILC acquired control of 50.9% of Banco Internacional in October 2015. This company is focused on financing small and medium-sized enterprises in Chile.

 **Banco  
Internacional**

# 07 / SECTORS WHERE ILC OPERATES

## MAJOR MILESTONES IN 2016

### AFP HABITAT

In November 2015, the Superintendency of Pensions approved the proposed partnership structure that enables Prudential and ILC to own equal shares of AFP Habitat S.A. This transaction was successfully completed in March 2016. The deal included launching a voluntary takeover bid, which concluded successfully in February 2016.

The history of Prudential Financial Inc. goes back about 140 years. It has now become a global leader in financial services and manages over US\$1,300 billion. It has 49,000 employees in over 40 countries including the United States, Germany, India, China, the United Kingdom, Mexico and Brazil.

Through this partnership, the Company aims to strengthen its presence in the Latin American pension market, and AFP Habitat will continue to provide its members with the best service and access to the latest global investment management practices.

### INVERSIONES CONFUTURO

ILC completed two consecutive capital increases to raise UF2 million in 2015 and 2016, in response to expansion in the annuity industry and growth at Confuturo and Corpseguros. These transactions were completed in December 2015 and March 2016, with the aim of supporting growth, reducing leverage and improving its financial position. As a result, ILC has increased its interest in Inversiones Confuturo from 72% to 78%.

ILC acquired the minority interests owned by Corp Group Banking S.A., Private Investment Fund Corp Life and Corp Group Interhold SpA in Inversiones Confuturo in June 2016. The transaction involved a disbursement of Ch\$49,267 million, and gave ILC full control over the life insurance companies Confuturo and Corpseguros.

Confuturo and Corpseguros acquired the Espacio Urbano shopping centers for UF17.2 million, from the US chain Walmart. These consist of 10 shopping centers covering 246,000 m<sup>2</sup>, located in Antofagasta, Viña del Mar, Los Andes, Puente Alto, Gran Avenida, La Dehesa, Las Rejas, Maipú, Linares and Punta Arenas. Thus Confuturo and Corpseguros completed one of the largest real

estate transactions in the history of the country, investing in a long-term asset with an attractive return and limited risk. This investment is aligned with a strategy to reduce reinvestment risk within a global environment of lower returns.

### RED SALUD

ILC acquired the minority interest owned by CChC Mutual de Seguridad in Red Salud in May 2016. This transaction involved a disbursement of Ch\$10,520 million, which increased ILC's interest from 89.9% to 99.9%. Consequently, ILC completed a capital increase at Red Salud of Ch\$5,000 million.

The new Tabancura Hospital building was inaugurated in July 2016. The expansion entailed an investment of US\$50 million to provide 80 beds.

### VIDA CÁMARA

Vida Cámara Peru was awarded the third tender for disability, survivor and funeral expenses insurance, with an offer of 1.36% over the insurable compensation for one of seven segments for two years.

## OTHER SECTORS

ILC sold its shares in iConstruye and Desarrollos Educacionales in order to focus on the financial and health sectors. The disinvestment in iConstruye occurred during July 2016 and resulted in a receipt of Ch\$2,000 million. The sale of the remaining 49% of Desarrollos Educacionales to the British group Cognita was completed in September 2016 and resulted in a receipt of Ch\$6,600 million.

## CONSOLIDATED RESULTS

During 2016, ILC earned profits of Ch\$294,738 million, which represents growth of 306.6% compared to 2015. This profit comprises its subsidiaries' profits of Ch\$71,905 million, and the accounting profit on the transaction with Prudential of Ch\$222,834 million.

The profit of Ch\$71,905 million earned by ILC's subsidiaries in the year was similar to the profits of Ch\$72,482 million earned in 2015. However, this direct comparison between years does not reflect that 2015 profit includes a 67.49% interest in the profits of AFP Habitat, which was reduced to 40.29% with effect from March 2016, due to the partnership with Prudential.

An appropriate comparison would be for ILC to only include 40.29% of profits at Habitat from March to December 2015, in which case ILC's profits for 2015 would have been only Ch\$55,435 million. Taking this figure for 2015 would imply that profits in 2016 have grown by 30.8%.

This improvement is attributable to better performances from the insurance companies and Red Salud and consolidation of Banco Internacional as an ILC subsidiary with effect from November 2015. This was offset by a negative variation in performance from Consalud and ILC (standalone).

In addition to profit at its subsidiaries, the Company earned an extraordinary gain of Ch\$222,834 million from the partnership with Prudential which includes two components: (a) a gain of Ch\$134,828 million on the sale of the 27.26% stake in AFP Habitat to Prudential, and (b) a gain of Ch\$88,005 million on revaluing ILC's 40.29% stake in Habitat at fair value.

The Company reported a Material Event on March 2, 2016, the date of the transaction with Prudential, that the valuations mentioned above were validated by Deloitte, in their capacity as

external auditors, during their limited review required by the SVS for ILC's financial statements as of June 30, 2016.

The consolidated financial statements for 2016 disclose that ILC earned profit attributable to owners of the parent of Ch\$294,738 million, composed of a profit from the banking business of Ch\$8,698 million, a profit from the insurance business of Ch\$39,563 million and a profit from the non-banking and non-insurance business of Ch\$258,664 million. The latter includes Ch\$29,499 million from continuing operations and Ch\$229,164 million from discontinued operations, which includes profits on discontinued operations at Habitat of Ch\$227,777 million, and profits on discontinued operations at iConstruye of Ch\$1,388 million. The profit attributable to non-controlling interests was Ch\$12,187 million in 2016.

Profit from discontinued operations at AFP Habitat of Ch\$227,777 million includes gains on the transaction with Prudential of Ch\$222,834 million and a profit of Ch\$4,943 million, representing ILC's proportion of profits at Habitat for January and February 2016. With effect from March 2016, ILC's share of profits at Habitat is accounted for in ILC's consolidated financial statements within Share of profit (loss) of associates and joint ventures.

# 07 / SECTORS WHERE ILC OPERATES

Therefore, ILC's share of profits at Habitatat for the period March to December 2016, corresponding to its 40.29% stake and accounted for using the equity method, was Ch\$30,321 million.

An analysis follows of changes to ILC's profit from 2015 to 2016.

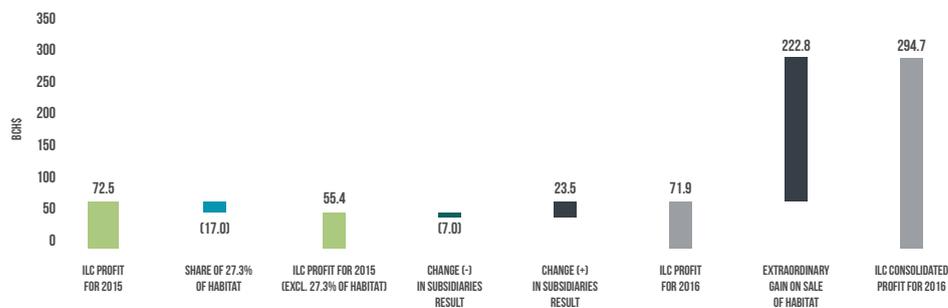
## PROFIT BY BUSINESS LINE ACCORDING TO FINANCIAL STATEMENTS

FIGURES IN BCH\$



## ANALYSIS OF CHANGE IN PROFIT FOR 2016

FIGURES IN BCH\$



Change (-) Subsidiaries Result: Primarily the results at Consalud and ILC (standalone).

Change (+) Subsidiaries Result: Primarily the results at Inversiones Confuturo, Red Salud, Vida Cámara, Banco Internacional and AFP Habitatat.

The non-banking and non-insurance business earned profits on continuing operations of Ch\$29,499 million, Ch\$30,800 million higher than the loss of Ch\$1,301 million in 2015. This increase is due to higher profits at Red Salud reaching Ch\$5,336 million and at AFP Habitatat reaching Ch\$30,321 million, the latter for the period from March to December of 2016, which is accounted for under Share of profit (loss) of associates and joint ventures, within non-operating income. Also improved finance income was obtained on investments using the funds received from the transaction with Prudential. This was partially offset by a weaker performance from ISAPRE Consalud resulting in a loss of Ch\$2,104 million, and higher finance costs on the transaction with Prudential and bridge financing associated with the purchase of Banco Internacional and capital increases at Inversiones Confuturo. Nevertheless, by December 2016 this bridge financing had been repaid in full. Income under Other gains (losses) is lower in 2016, as income in 2015 included a non-recurring gain on the sale of land on Avenida General Velásquez.

The insurance business reported profit of Ch\$39,563 million, higher than the Ch\$27,276

million achieved in 2015. This variation is due to improved investment returns and the release of impairment on financial instruments sold. This was partially offset by lower portfolio returns as a result of cash requirements to acquire the Espacio Urbano shopping centers, and higher reserves to match growth in annuity sales.

Finally, the banking business recorded a profit of Ch\$8,698 million, which consists of interest and indexation income, net fee income, other operating income, operating and credit risk expenses, and business combinations that affect the amortization of intangible assets.

#### COMPOSITION OF PROFIT FOR THE YEAR

FIGURES IN CH\$ MILLIONS	2016	2015
Non-banking and non-insurance business	23,858	23,353
Insurance business	53,019	23,689
Banking business	9,554	(2,599)
<b>Net operating income (2)</b>	<b>86,431</b>	<b>44,444</b>
Non-banking and non-insurance business	9,163	(21,875)
Insurance business	(12,902)	6,444
Banking business	172	3
<b>Non-operating loss (3)</b>	<b>(3,567)</b>	<b>(15,428)</b>
<b>Taxes (5)</b>	<b>(5,104)</b>	<b>(5,075)</b>
<b>Other (Extraordinary profit from discontinued operations) (4)</b>	<b>229,164</b>	<b>82,105</b>
<b>Profit attributable to non-controlling interests (6)</b>	<b>(12,187)</b>	<b>(33,564)</b>
<b>Profit for the year (1)</b>	<b>294,738</b>	<b>72,482</b>

(1) Profit for the year: Profit attributable to owners of the parent.

(2) Net operating income by business includes:

Non-banking and non-insurance business: Revenue, cost of sales, other income by function, distribution costs, administrative expenses, marketing expenses, research and development expenses, other expenses by function, and other gains (losses).

Insurance business: Net interest and indexation income, insurance operating income, insurance underwriting costs, and operating expenses.

Banking business: Net interest and indexation income, net fee income, other operating income, operating expenses and credit risk provisions.

(3) Non-operating loss by business includes:

Non-banking and non-insurance business: Finance income, finance costs, share of profit (loss) of associates and joint ventures, exchange differences, gain (loss) from indexed assets and liabilities, gain (loss) arising from the difference between the book value and fair value of financial assets reclassified at fair value.

Insurance business: Other income and other non-operating costs.

Banking business: Income (loss) attributable to investments in other companies.

(4) Other (Extraordinary profit from discontinued operations): The identifiable sections of a business that have been sold or will be sold.

(5) Income tax (non-insurance, insurance and banking).

(6) Profit attributable to non-controlling interests.

# 07 / SECTORS WHERE ILC OPERATES

## ANALYSIS OF OPERATING INCOME AND NON-OPERATING INCOME BY SEGMENT

### OPERATING INCOME AND NON-OPERATING INCOME BY SEGMENT

FIGURES IN CH\$ MILLIONS 2016	AFP*	ISAPRE	INSURANCE	HEALTHCARE	BANK	OTHER BUSINESSES
Net operating income (loss)	(29)	1,564	52,495	22,842	9,554	5
Non-operating income (loss)	30,340	1,837	(20,045)	(11,182)	172	(4,688)
<b>Profit (loss) before tax</b>	<b>30,311</b>	<b>3,401</b>	<b>32,450</b>	<b>11,660</b>	<b>9,726</b>	<b>(4,683)</b>

FIGURES IN CH\$ MILLIONS 2015	AFP*	ISAPRE	INSURANCE	HEALTHCARE	BANK	OTHER BUSINESSES
Net operating income (loss)	(59)	6,090	23,161	15,657	(2,599)	2,193
Non-operating income (loss)	2	1,648	(2,273)	(11,040)	3	(3,769)
<b>Profit (loss) before tax</b>	<b>(57)</b>	<b>7,739</b>	<b>20,888</b>	<b>4,618</b>	<b>(2,595)</b>	<b>(1,576)</b>

(\*) The AFP segment contains the holding companies of Habitat. As a result of the partnership with Prudential, the result from AFP Habitat for 2015 and for January and February 2016, together with the extraordinary after-tax gain on the sale of 27.3% of Habitat to Prudential are classified in "Profit from discontinued operations".

### AFP SECTOR

The net operating loss for 2016 is not relevant, as AFP Habitat is no longer consolidated with effect from March. The same is true for the same period in 2015, where AFP Habitat is fully disclosed in profit from discontinued operations.

Non-operating income for 2016 was Ch\$30,340 million, mostly due to Ch\$30,321 million from ILC's share of the profit of Habitat during the period March to December. This figure is reflected in Share of profit (loss) of equity-method associates. The share of profits at Habitat for January and February 2016, is recognized within Profit from discontinued operations. The share of profit at Habitat for 2015, is recognized within Profit from discontinued operations.

With effect from March 2016, the profits at AFP Habitat in Chile and Peru for 2015 and 2016 are not consolidated into ILC, and are included in non-operating income, within Share of profit of equity-method associates.

AFP Habitat earned profits in 2016 of Ch\$87,657 million, an increase of 4.9% over its profits of Ch\$83,564 million in 2015. This increase is due to an 8.9% increase in revenue equivalent to Ch\$13,686 million, because of an increase in average fees from members and higher contributions. This was offset by a lower return on legal reserves of Ch\$2,895 million, due to lower investment returns on pension funds, an increase in personnel and operating expenses of Ch\$2,381 million, and lower other gains of Ch\$986 million.

### ISAPRE SECTOR

Isapre Consalud earned net operating income of Ch\$1,564 million, which represents a decline over the net operating income of Ch\$4,526 million earned in 2015. This decline is due to a decrease in the gross margin from 13.1% in 2015 to 12.4% in 2016, explained by an increase of 7.1% in the cost of outpatient and hospital medical care and an increase of 12.8% in the cost of subsidies

for medical leave from work. This was partially offset by an increase of 9.8% in revenue, due to an increase in contributions to the portfolio, following an increase of 6.7% in the GES rate per beneficiary from UF0.325 to UF0.44, with effect from June, and increases in CPI, which affects collections from most policyholders. Administrative expenses increased by 11.8% over the previous year, associated with increased personnel expenses.

Non-operating income increased by Ch\$189 million compared to the previous year, due to higher net finance income.

### INSURANCE SECTOR

This sector includes Inversiones Confuturo S.A., Compañía de Seguros de Vida Confuturo S.A., Compañía de Seguros de Vida Corpseguros S.A and Compañía de Seguros Vida Cámara S.A. (Chile and Peru), providing individual, group and pension insurance. Its variations are largely explained by the annuities business in the Confuturo and Corpseguros insurance companies.

Inversiones Confuturo and subsidiaries together with Compañía de Seguros Vida Cámara recorded net operating income of Ch\$52,495 million for the year ended December 31, 2016. This is Ch\$29,334 million higher than the Ch\$23,161 million recorded in the previous year. This increase in net operating income is due to improved investment returns and the release of impairment on financial instruments sold. This was partially offset by lower portfolio returns as a result of cash requirements to acquire the Espacio Urbano shopping centers, and higher reserves to match growth in annuity sales.

The non-operating loss for 2016 was Ch\$20,045 million, an increase over the loss of Ch\$2,273 million in 2015. This negative variation of Ch\$17,772 million is due to a lower gain on exchange differences on the Single Investment Account (CUI) investment portfolio, and forward currency transactions at the Corpseguros and Confuturo insurance companies.

### HEALTHCARE SECTOR

Net operating income at Red Salud reached Ch\$22,842 million, which represents an increase of Ch\$7,185 million compared to the previous year. This improved performance was due to an increase in the gross margin from 21.8% in 2015 to 23.2% in 2016. Gross margin increased as a result of improvements in management, and higher volumes in the Megasalud, Bicentenario, Avansalud and Regional hospitals. It was also affected by consolidating the ACR6 Group for a full year, since it was consolidated in 2015 only from May.

Non-operating income at Red Salud reflected a negative variation of Ch\$143 million, when comparing 2016 to 2015. This is due to lower finance income and the effect of consolidating ACR6. During the period January to April 2015, income from ACR6 was recorded as non-operating income under the classification "Share of profit (loss) of associates and joint ventures". These negative variations in 2016 are largely offset by increased indexation income and lower finance costs compared to the previous year.

## 07 / SECTORS WHERE ILC OPERATES

### BANKING SECTOR

This sector includes net operating income for Banco Internacional, which was consolidated with effect from November 2015. Its net operating income for the year ended December 31, 2016, was Ch\$9,554 million, explained by net interest and indexation income of Ch\$28,334 million from customer loans, where average volumes have increased, mainly in commercial loans. Net fee income was Ch\$3,369 million, due to management fees on checking accounts and prepayments, and fees for non-recurring financial advisory services. Other operating income was Ch\$17,099 million, from the Treasury Department on its trading, balance and distribution services, in addition to lease income. Operating expenses were Ch\$32,283 million, of which 57% represented personnel expenses and other costs. Finally, credit risk provisions totaled Ch\$6,965 million.

### OTHER SECTORS

This includes Sociedad Educacional Machalí S.A., the parent company's operating expenses, and investment portfolio returns and real estate income at ILC. Net operating income for Factoring Baninter S.A. and Baninter Corredores de Seguros Ltda. were included with effect from November 2015. Finally, it includes the profits at iConstruye S.A. and Desarrollos Educativos prior to their sale in 2016.

This segment recorded net operating income of Ch\$5 million in 2016, a reduction of Ch\$2,188 million compared to the previous year, due to the sale of land belonging to the parent company in Estación Central during September 2015. Non-operating income decreased by Ch\$919 million, due to higher finance costs at the parent company, partially offset by higher income from financial investments in mutual funds, both of which were associated with the sale of 27.26% of AFP Habitat to Prudential.

## ASSETS BY SEGMENT (7)

FIGURES IN CH\$ MILLIONS AS OF DECEMBER 31, 2016	CURRENT	NON-CURRENT	INSURANCE	BANKING
AFP (7.1)	6,958	273,678		
Isapre	39,321	61,693		
Healthcare	89,906	301,878		
Insurance			5,852,845	
Bank				1,382,371
Other businesses	116,064	38,843		
<b>Total assets</b>	<b>252,249</b>	<b>676,092</b>	<b>5,852,845</b>	<b>1,382,371</b>

FIGURES IN CH\$ MILLIONS AS OF DECEMBER 31, 2015	CURRENT	NON-CURRENT	INSURANCE	BANKING
AFP (7.1)	48,953	458,614		
Isapre	39,137	62,224		
Healthcare	84,730	300,875		
Insurance			5,395,171	
Bank				1,212,439
Other businesses	82,712	50,298		
<b>Total assets</b>	<b>255,532</b>	<b>872,009</b>	<b>5,395,171</b>	<b>1,212,439</b>

(7) Consolidation adjustments are included within Other businesses. Only assets consolidated by ILC on the respective dates.

(7.1) Does not include Habitat as it was deconsolidated in March 2016. The figures in the AFP segment correspond to the controllers of Habitat.

## LIABILITIES BY SEGMENT (8)

FIGURES IN CH\$ MILLIONS AS OF DECEMBER 31, 2016	CURRENT	NON-CURRENT	INSURANCE	BANKING
AFP (8.1)	7,822			
Isapre	83,133	5,962		
Healthcare	96,974	163,499		
Insurance			5,561,914	
Bank				1,257,664
Other businesses	84,907	144,363		
<b>Total liabilities</b>	<b>272,837</b>	<b>313,824</b>	<b>5,561,914</b>	<b>1,257,664</b>

FIGURES IN CH\$ MILLIONS AS OF DECEMBER 31, 2015	CURRENT	NON-CURRENT	INSURANCE	BANKING
AFP (8.1)	25,934	57,601		
Isapre	83,787	4,677		
Healthcare	132,246	130,411		
Insurance			5,139,275	
Bank				1,090,658
Other businesses	200,257	84,472		
<b>Total liabilities</b>	<b>442,225</b>	<b>277,161</b>	<b>5,139,275</b>	<b>1,090,658</b>

(8) Consolidation adjustments are included within Other businesses. Only liabilities consolidated by ILC on the respective dates.

(8.1) Does not include Habitat as it was deconsolidated in March 2016. The figures in the AFP segment correspond to the controllers of Habitat.

## LIABILITIES AND EQUITY

FIGURES IN CH\$ MILLIONS	12/31/2016	12/31/2015
Total Liabilities	7,406,239	6,949,320
Non-Controlling Interests	76,402	278,569
Equity Attributable to Owners of the Parent	680,915	507,250
<b>Total Liabilities and Equity</b>	<b>8,163,556</b>	<b>7,735,139</b>



- 8.1 AFP SECTOR
- 8.2 ISAPRE SECTOR
- 8.3 HEALTHCARE SECTOR
- 8.4 INSURANCE SECTOR
- 8.5 BANKING SECTOR



# 08/ SUBSIDIARIES

# 8.1/ AFP SECTOR

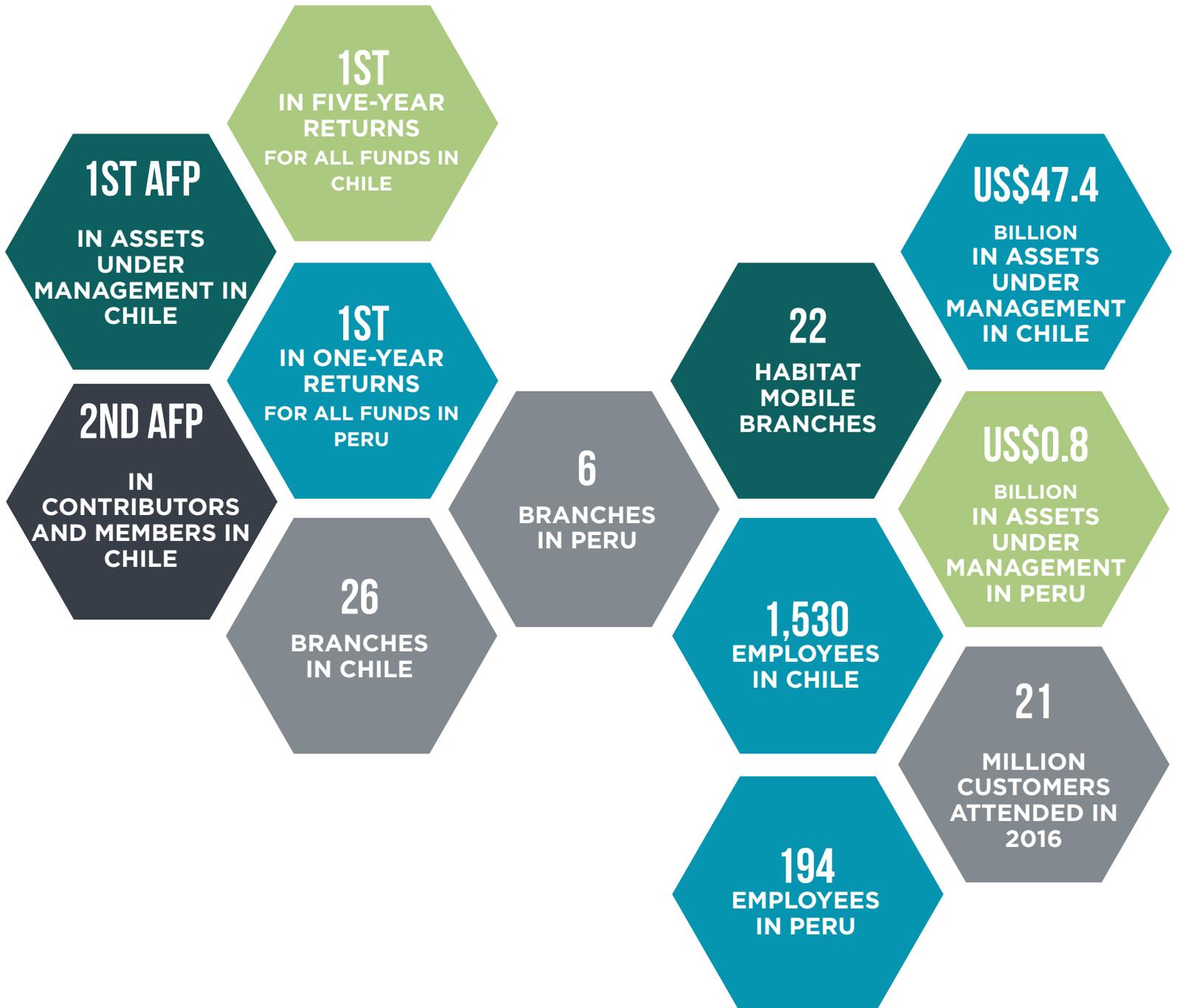
## MISSION

WE WANT TO IMPROVE THE QUALITY OF LIFE OF OUR CUSTOMERS, BY PROVIDING AN EXCELLENT PENSION SERVICE

## VISION

WE WANT PEOPLE IN CHILE TO BE OPTIMISTIC ABOUT THEIR RETIREMENT, AND APPRECIATE THE IMPORTANCE OF SAVING

## IMPORTANT FIGURES 2016



### HISTORY / MILESTONES 2016

AFP Habitat is a publicly held corporation that was formed in 1981 when the new individual pension system was introduced. The Chilean Construction Chamber was a founding shareholder.

Following the Pension Reform in 2008, the company began to examine new horizons that would allow it to continue growing. In June 2013, AFP Habitat launched operations in Peru by incorporating all new workers who chose the new private pension system, after winning the first two tenders by offering the lowest mixed commission. The number of active members had reached 981,248 as of the end of December 2016, which represents a market share of 15.7% and assets under management of US\$898 million.

ILC formed a partnership with Prudential Financial Inc. in March 2016, to share ownership of AFP Habitat, and to strengthen its presence in the Latin American pension industry. Prudential is a leading global financial services company with 140 years in business and operations in over 40 countries. This partnership should combine the best multinational practice at Prudential with the experience of Habitat in Chile and Peru.

Another important milestone in 2016 was when AFP Habitat joined the Dow Jones Sustainability Index (DJSI) Chile, demonstrating its commitment to sustainable, long-term management. The DJSI is an international index that evaluates over 100 sustainability issues covering financial, social and environmental aspects. AFP Habitat was awarded First Place by Capital magazine with Santander Corporate Banking in the "Greater Overall Value Creation" and the "Best Value Creation in the Pension and Health Sector" categories. This award recognizes AFP Habitat's achievements in pension fund management.

In April 2014, President Michelle Bachelet created the Presidential Advisory Committee on the Pension System, also known as the "Bravo Commission." Its purpose was to study and perform a diagnostic of the pension system, and prepare proposals to resolve any identified shortcomings. The report was submitted in September 2015, with a total of 58 proposals, which was reviewed by a special ministerial committee.

In August 2016, the President announced several proposals to improve the pension system, including an increase of 5% in mandatory contributions. These proposals responded to constant questioning by society during 2016. However, none of these proposals had been submitted to Congress by the end of 2016, in order to reform the system or its main parameters.

AFP Habitat has actively engaged in discussions regarding improvements to the system. It has submitted and promoted various specific measures to increase the rate of mandatory contributions, to strengthen the government's contribution, and delay the age of retirement, among other proposals.

Finally, AFP Habitat led several educational programs during 2016, which encouraged people to save and improve their future pensions. Habitat presented the first annual public account by an AFP in Chile in March 2017, designed to inform members about its performance in terms of funds management.

## PRODUCTS

AFP Habitat participates in the pension industry, which is regulated by Decree Law 3,500 in Chile. It manages retirement savings funds, which include:

- Management of mandatory retirement savings
- Management of voluntary retirement savings
- Management of voluntary savings
- Pension payments under scheduled and temporary withdrawal programs

## WHAT DEFINES AFP HABITAT?

### 1. FOCUS ON PROFITABILITY

Profitability is a key variable in determining pension funds. For example, if a person joined AFP Habitat 20 years ago, then approximately 47% of their mandatory funds should be returns on those funds.

Therefore, Habitat has a first-class investment team, which has enabled it to achieve market leading profitability in 2016 in Chile and Peru: top over five years and second place over a year in all funds in Chile, and top in the three funds over a year in Peru.

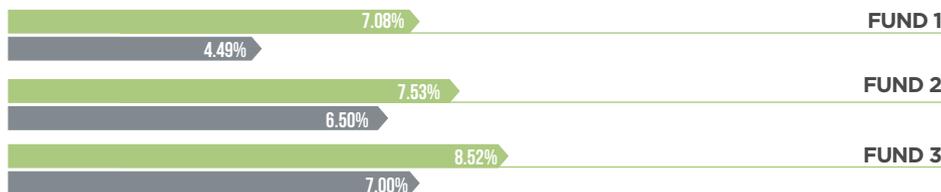
### REAL ANNUAL RETURNS ON FUNDS MANAGED IN CHILE



# 8.1/ AFP SECTOR



## REAL ANNUAL RETURNS ON FUNDS MANAGED IN PERU



## 2. BROAD COVERAGE AND SCALE

AFP Habitat can be found in 186 localities in Chile, due to its network of 26 branches, 22 mobile branches, 5 service centers and 3 mall stands in Chile. The company developed a new web site, a mobile application and an educational site during 2016. All these channels have enabled it to attend over 21 million customer consultations, as 75% of its customers can now receive personal service near their home or workplace.

This extensive network is in line with our responsibility as the top AFP in assets under management, and the second largest by number of contributors and members in Chile.

## 3. BRAND VALUE

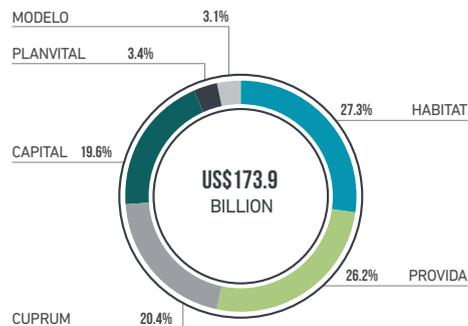
AFP Habitat has successfully positioned itself in the minds of Chileans. This was reflected in Adimark's study in 2015, which found that AFP Habitat was perceived as "the best AFP". It also achieved first place in attributes such as member care, appropriate information and quality of service.

The company was also awarded the 2016 Consumer Loyalty Award from Estrategia newspaper and Alco Consultants. This accolade promotes good business practices that cultivate customer loyalty and improve their quality of life.

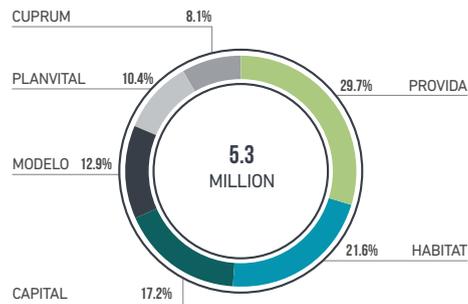
## 4. ENCOURAGING SAVINGS

AFP Habitat is aware of the importance of educating people across the country, and introduced various initiatives in 2016 to promote a savings culture. Habitat led various programs, which included the campaign "Talking About Your Future" ([www.hablemosdetufuturo.cl](http://www.hablemosdetufuturo.cl)), which aims to clarify the principal questions about the role of AFPs, and promote the benefits of saving. It posted several educational videos on Youtube, which had close to 3 million visits. It also gave talks at companies and various interviews in the media that contributed to retirement education.

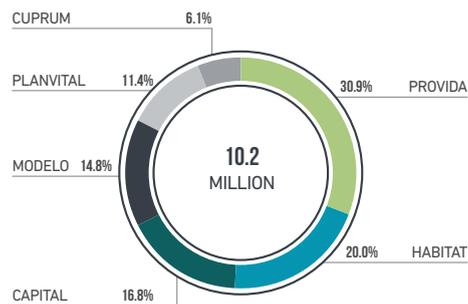
## PENSION FUND ASSETS IN CHILE (DEC 2016)



## CONTRIBUTORS TO THE CHILEAN PENSION FUND SYSTEM (DEC 2016)



## MEMBERS OF THE CHILEAN PENSION FUND SYSTEM (DEC 2016)



## FINANCIAL RESULTS FOR AFP HABITAT IN 2016

The year 2016 ended with positive returns in almost all international equity markets, following a year of considerable volatility. However, these good results were partially offset by declines in the exchange rate.

The year started with growing fears of a slowdown in the Chinese economy, which were eventually dispelled, generating a significant recovery in emerging markets. During the first quarter, the main raw material prices hit the bottom of a downward cycle and subsequently enjoyed substantial recoveries. Both factors have been crucial in breaking a run of several years of negative returns for emerging markets.

Another factor that emerged this year was the separation of the results of political polls and the final outcome of elections, as demonstrated in the UK, US and Italy. While financial markets were expected to suffer considerably, they actually absorbed the bad news and shortly thereafter good fundamental trends reappeared.

The IPSA in Chile increased by almost 13% in 2016. Nevertheless, this was a poor performance in comparison to the rest of Latin America.

Inflation remained below the Central Bank's target, and local interest rates continued to fall. However, the outcome of the US presidential elections provoked an increase in interest rates on US Treasury bonds, which helped lift rates in emerging countries. Thus, the rates on bonds in Chilean pesos and UF finished up similar to where they were at the end of 2015.

Despite these global and national circumstances, AFP Habitat achieved profit before legal reserves of Ch\$72,895 million, which represents growth of 10.6% in comparison to 2015.

Revenue increased by 8.9% compared to 2015. This increase of Ch\$13,686 million is due to a rise in commission income in Chile and Peru. The average mandatory contribution increased by 1% in Chile, as a result of sales campaigns by Habitat in higher income segments. Habitat Peru reported commission income of Ch\$10,555 million, an increase of 56% over 2015. It had attracted 981,248 members as of December 31, 2016, equivalent to a market share of 15.7% and AuM of Ch\$898 million.

Administrative and sales expenses during the year were Ch\$73,643 million, an increase of 4.9% compared to the previous year. This was due to an increase of 4.9% in personnel expenses, together with increased operating expenses for items like marketing, systems and administration.

The company's non-operating income declined by 16.5% compared to the previous year, due to a decrease of 16.4% in the return on legal reserves, in response to lower returns on assets under management.

# 8.2/ ISAPRE SECTOR

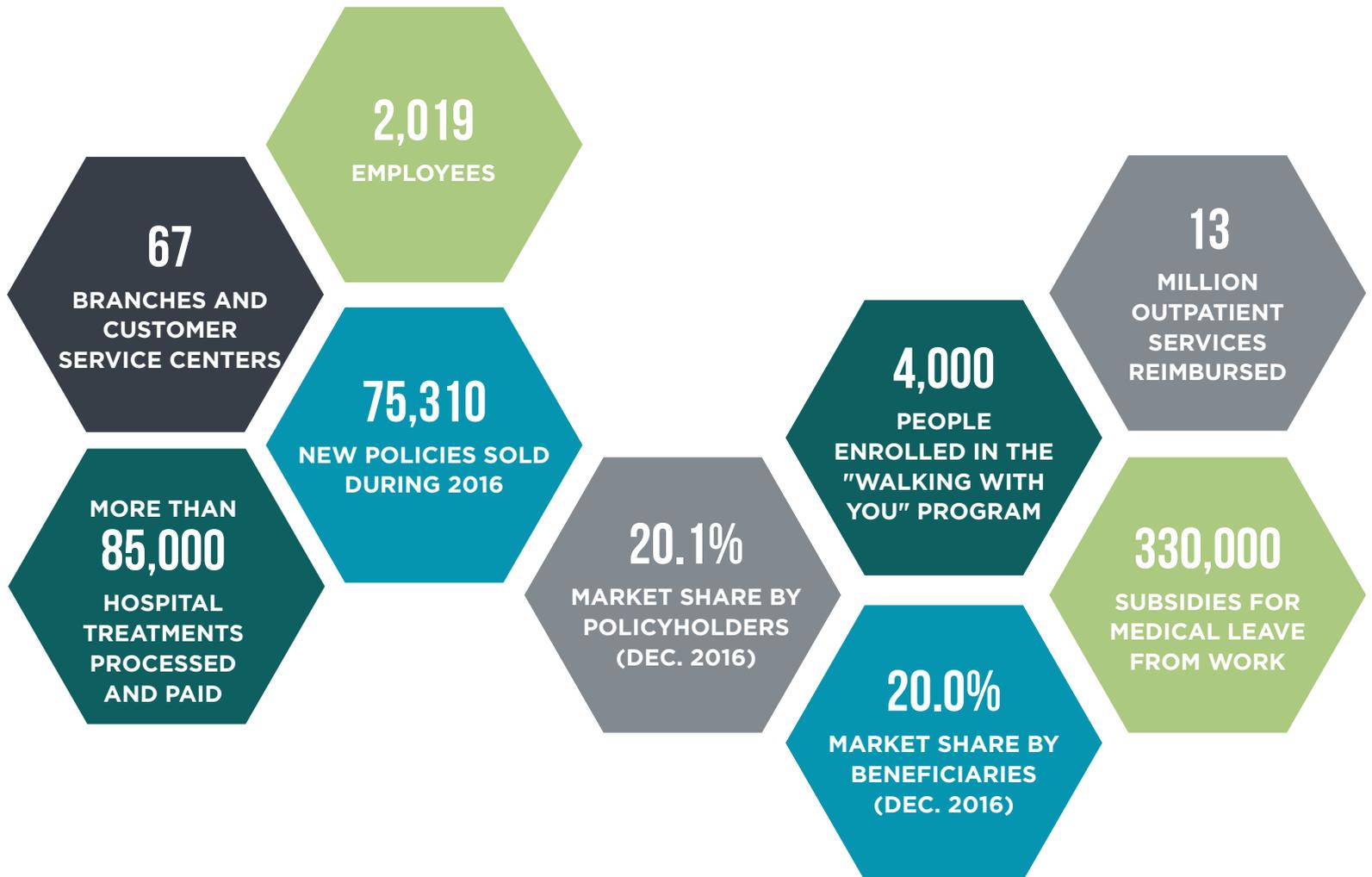
## PROMISE

ALWAYS CONCERNED FOR YOU,  
TO PROVIDE YOU WITH BETTER  
HEALTHCARE BENEFITS AND SECURE  
FOR YOU THE HEALTH YOU NEED AND  
THE LIFESTYLE YOU DESIRE.

## VISION

CONTRIBUTE TO THE SOCIAL  
WELFARE OF THE COUNTRY BY  
PROVIDING PEOPLE WITH ACCESS TO  
HIGH QUALITY, PROMPT HEALTHCARE  
SOLUTIONS.

## IMPORTANT FIGURES 2016



### HISTORY / MILESTONES 2016

Consalud began in 1983 as a private health corporation that provided medical care. Between 1984 and 1998, Isapre Consalud became a first-class private health network, and installed the latest infrastructure at 33 medical and dental centers throughout Chile.

In 2000, Isapre Consalud was divided into three areas: health insurance, hospital and outpatient healthcare, and support and investment. Consequently, Consalud became a health insurance provider, dedicated exclusively to providing private health plans. Megasalud S.A. was created to provide hospital and outpatient healthcare, and it continues to this day as part of Red Salud. The support and investment area was grouped by business in other companies.

The change in strategy initiated in 2015, focused on attributes such as closeness, modernity, simplicity and transparency, continued throughout 2016. Consalud has continued to actively manage its products during this change process in order to provide plans and supplementary policies tailored to members' needs.

This has included the creation of 39 group and 56 individual plans, of which 59 are designed for women, 17 for families, 9 for couples and 10 exclusively for men. Also, 12 supplementary plans were developed, which include Click Doctor, child protection, healthcare coverage when unemployed, and extra plan, etc.

The mandatory health insurance market faced major market challenges in 2016, due to steadily increasing costs, a rise in claims and a poorly defined regulatory framework. Increasing litigation and medical care costs have impacted our results at Consalud year after year. The reimbursement of medical care costs has increased on average by 10% per year since 2012, while payments to policyholders on medical leave have increased by 17% per year. Appellate injunctions (motions to reverse unilateral changes to plans) against Consalud have increased by 55% compared to 2015, reaching a total of 29,415 cases.

The company has contributed proposals to improve this situation, both for the market and for its policyholders, using various channels. Consalud hopes that regulatory definitions will be clarified in 2017, given the increases in costs and appellate injunctions that it has faced in recent years.

### PRODUCTS

Consalud sells health insurance solutions, providing plans and supplementary policies that improve protection for its policyholders.

- **Plans:** free choice, preferred hospital, and controlled health.
- **Supplementary:** obtaining stem cells, sports protection, surgery in Santiago, dental coverage, healthcare coverage when unemployed, protected child, free choice catastrophic coverage, telephone doctor, protected family, Click Doctor, prescription drug coverage, travel assistance.

## WHAT DEFINES ISAPRE CONSALUD?

### 1. FOCUSED ON POLICYHOLDERS, PROVIDING THEM WITH PERSONALIZED, STRAIGHTFORWARD AND ATTENTIVE CARE

Consalud understands that each person has different needs and resources, so it offers products that meet these requirements in a personalized way.

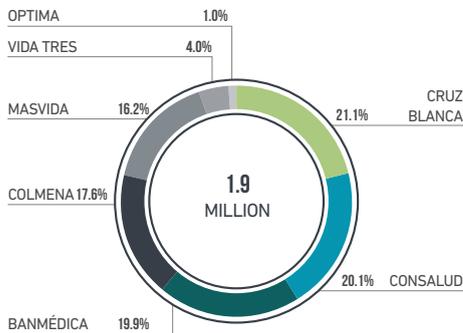
This concern gave birth to the Consalud "Hospital Guidance" service, which helps policyholders find the best alternative for elective surgery in terms of quality and price. Consalud also offers the "Walking with You" program, which supports and advises policyholders with complex diseases, such as heart disease or cancer. These programs are unique in the industry and differentiate the service provided by Consalud, making its care more personalized, straightforward and attentive.



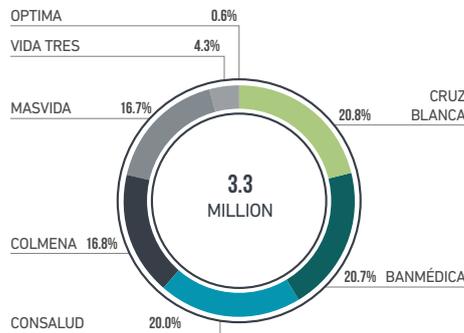
## 2. MAJOR INDUSTRY PLAYER

Consalud is the second largest Isapre by policyholder market share at 20.1% with respect to open Isapres. It is the third largest Isapre by beneficiary market share at 20.0%. This size, combined with its 33 year history, has enabled it to actively participate in the private health insurance industry in Chile.

### POLICYHOLDERS IN THE OPEN PRIVATE HEALTH INSURANCE SYSTEM (DEC 2016)



### BENEFICIARIES IN THE OPEN PRIVATE HEALTH INSURANCE SYSTEM (DEC 2016)



## 3. FOCUSED ON INNOVATION

Consalud is constantly improving the health solutions and benefits it provides for its policyholders. It developed a mobile reimbursement application, which can request reimbursement in only four steps and will be processed in three days. Consalud has supplementary plans that are unique in this market, such as "Protected Child", "Protected Sport" and "Surgery in Santiago", to improve healthcare coverage. Another initiative developed by Consalud is the "Prepaid Program", which enables elective surgery to be prepaid at a fixed final value, without requiring additional guarantees.





#### 4. PROMOTING HEALTHY LIFESTYLES

Consalud has a program called "Vive Consalud", which consists of several agreements and benefits that improve the health and wellbeing of its policyholders. In November 2016 Consalud organized the third annual "Santiago Consalud Race", attracting over 12,000 people free of cost. Consalud offers sports-related benefits to its policyholders, such as reimbursements for running and mountain biking. It also operates the "Muévete Consalud" corporate program, which has promoted healthy life styles for its employees since 2012.

#### FINANCIAL RESULTS FOR ISAPRE CONSALUD IN 2016

During 2016, revenue according to IFRS rose by 9.8% in comparison to 2015. This is largely due to inflation, an increase of 2.8% in the average number of policyholders, and an increase in the mandatory contribution limit.

Cost of sales increased by 10.7% year-on-year, due to an increase in the frequency of medical care and policyholders taking medical leave with respect to 2015, together with an increase of 11.6% in the average subsidy for medical leave.

Administrative and sales expenses rose by 13.1% in comparison to 2015. As of December 2016, 29,415 appellate injunctions were filed against Consalud concerning adjustments in the base price and GES rates, compared with 18,977 as of December 2015.

As the increase in revenue was insufficient to offset the rise in medical care costs, Isapre Consalud recorded profit of Ch\$3,617 million, which was 36.8% less than in 2015.

# 8.3/ HEALTHCARE SECTOR



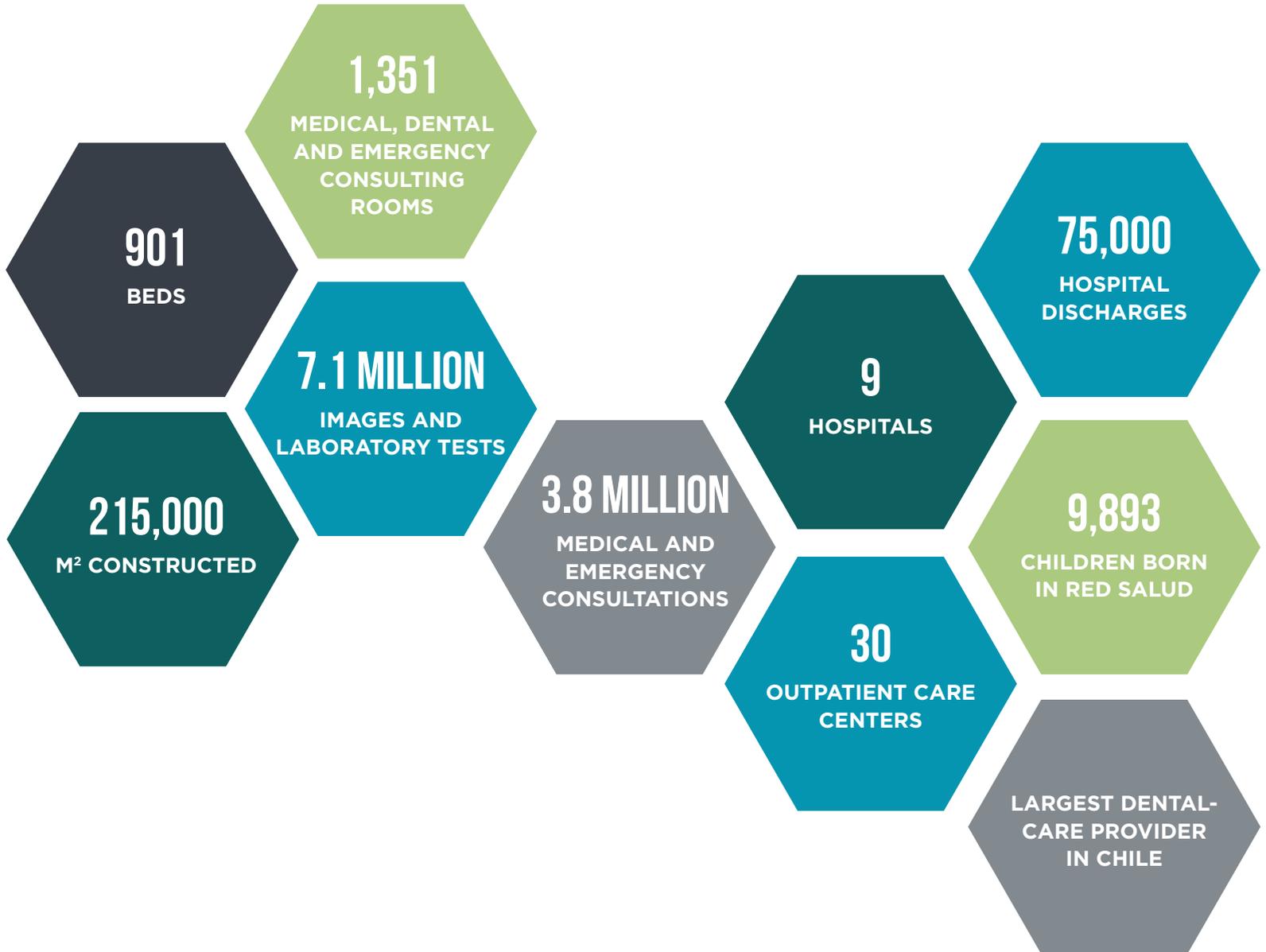
## MISSION

HELP PEOPLE LIVE LONGER AND BETTER WITH COMPREHENSIVE MEDICAL AND DENTAL CARE FOCUSED ON THE PATIENT AND THEIR FAMILY. OUR COMMITMENT IS TO PROVIDE A WIDE RANGE OF SERVICES, TO HIGH QUALITY STANDARDS, IN ACCORDANCE WITH THE PRINCIPLES AND VALUES OF THE CHILEAN CONSTRUCTION CHAMBER

## VISION

A NATIONAL BENCHMARK FOR PRIVATE MEDICAL AND DENTAL HEALTHCARE, RECOGNIZED FOR ITS WIDE RANGE OF SERVICES, ITS PRESTIGE, ITS EXCELLENT WORKING ENVIRONMENT, AND ITS CAPACITY TO RESPOND TO THE HEALTHCARE NEEDS OF THE POPULATION

IMPORTANT FIGURES 2016



## 8.3/ HEALTHCARE SECTOR



### HISTORY / MILESTONES 2016

Red Salud was incorporated in April 2008, with the objective of developing a national network of healthcare providers. In March 2010 it formed a partnership with Inmobiliaria Clínicas Regionales in order to develop a regional network of healthcare providers.

In May 2011 CChC Mutual de Seguridad became a shareholder, strengthening the company's financial strategy and complementing each other in infrastructure and healthcare services. In that year, the company inaugurated Bicentenario Hospital, one of the largest private healthcare providers in the country. This hospital is located in the Estación Central district, and has approximately 240 beds following an investment of US\$100 million.

Between 2008 and early 2015, management at Red Salud was focused entirely on implementing and commissioning the investment plan initiated in 2008.

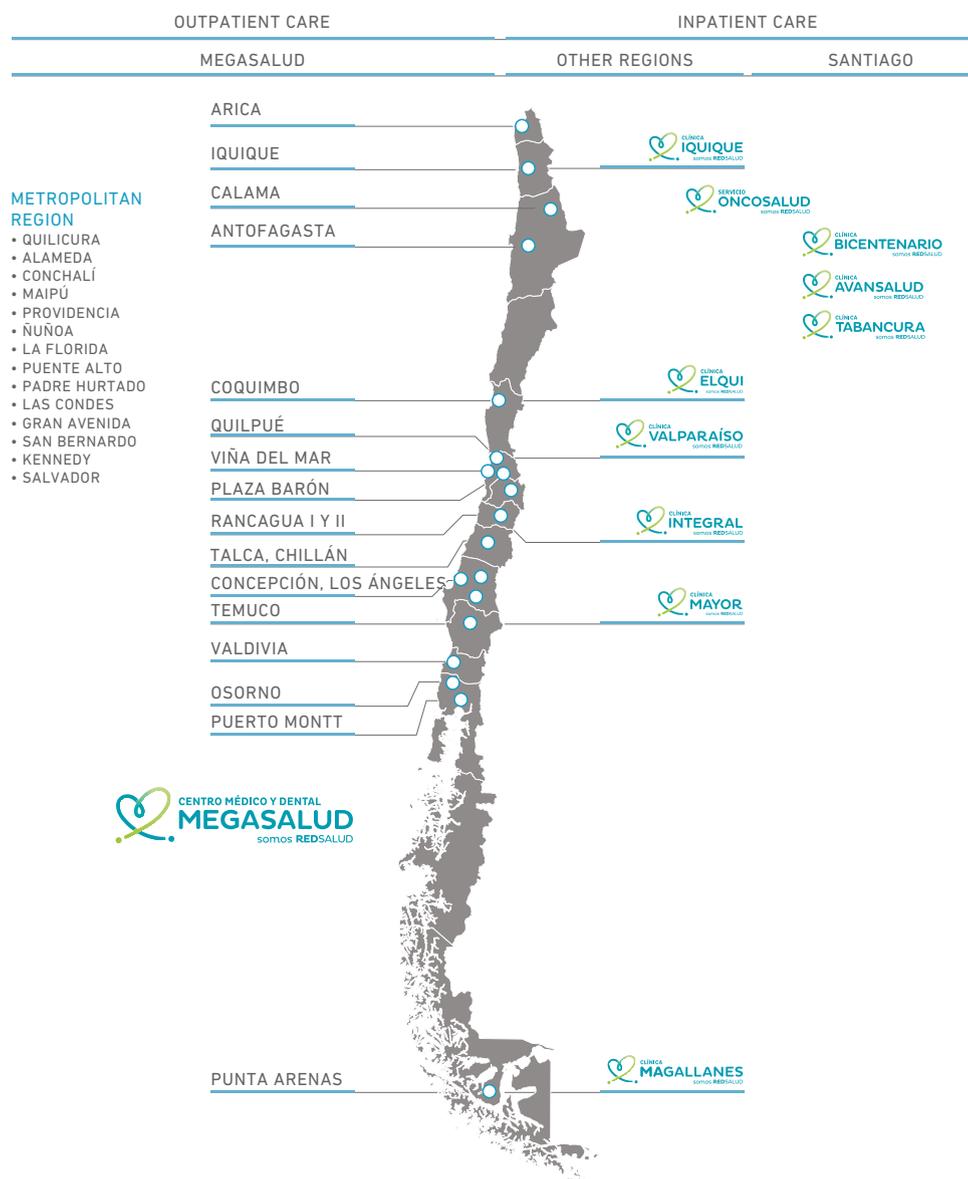
However, 2015 brought changes to Red Salud's focus, which until then had been strongly oriented towards expanding the network. This change in strategy was complemented by changes in management, which drove a demanding plan focused on operational profitability, and resulted in strong cost control and corporate restructuring.

In particular, the partnership between Red Salud and the Chilean Safety Association (Asociación Chilena de Seguridad) and Mutual de Seguridad to manage the regional hospitals was brought to a close during May 2015. As a result of this separation, Red Salud became owner of the Elqui Valley, Valparaíso, Integral, Mayor and Magallanes hospitals.

These changes continued into 2016, which included acquiring 35% of Iquique Hospital from CChC Mutual de Seguridad. After disbursing Ch\$1,755 million in May 2016, this transaction left Red Salud owning

87% of this hospital. During the same month, ILC acquired the minority shareholding held by CChC Mutual de Seguridad in Red Salud. This transaction involved a disbursement of Ch\$10,520 million, which increased ILC's interest from 89.9% to 99.9%. Consequently, ILC completed a capital increase at Red Salud of Ch\$5,000 million.

The 2016 investment program was aimed at evaluating and strengthening the previous year's investments. The new Tabancura Hospital building was inaugurated in July 2016, which involved an investment of US\$50 million to provide 85 beds. Minor investments were made at Avansalud Hospital, which included remodeling its seventh floor to accommodate a future expansion of 25 beds. A new five-story building was added to Magallanes Hospital, with four floors for outpatient care and one floor housing technical support.



## RED SALUD

Red Salud has an extensive network of outpatient centers and hospitals throughout Chile.

- **Outpatient Care Centers:** Operated by Megasalud, with 30 care centers throughout Chile
- **Private Hospitals in the Metropolitan Region:** Tabancura, Avansalud and Bicentenario
- **Private Hospitals in other regions:** Iquique, Elqui in La Serena, Integral in Rancagua, Valparaiso, Mayor in Temuco and Magallanes in Punta Arenas.
- **Oncosalud:** Oncological network with 11 care centers throughout Chile

## 8.3/ HEALTHCARE SECTOR

### WHAT DEFINES RED SALUD?

#### 1. SUBSTANTIAL PRIVATE HEALTHCARE PROVIDER IN CHILE

At the close of 2016, Red Salud had 9 private hospitals, 30 medical centers, 901 beds, 1,215 medical and dental consulting rooms, and 136 emergency consulting rooms throughout Chile in a network that extends from Arica in the extreme north of Chile to Punta Arenas in the extreme south.

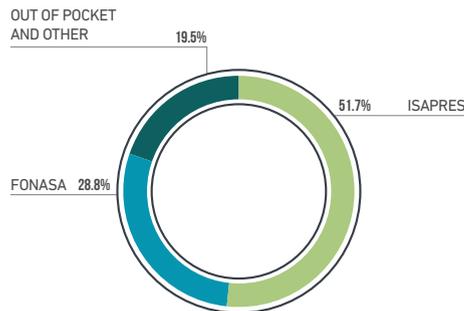
Red Salud is the largest dental care provider in Chile. Red Salud provided 1.9 million dental consultations in 2016.



#### 2. SERVING ALL SOCIO-ECONOMIC SEGMENTS

An objective at Red Salud is to provide quality medical care to all socio-economic segments, and expand healthcare options for all Chileans.

##### RED SALUD REVENUE BY INSURER

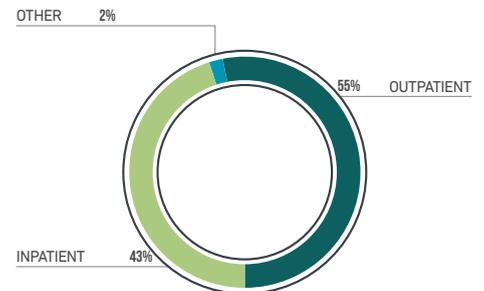


#### 3. MEDICAL SOLUTIONS, REGARDLESS OF COMPLEXITY

Red Salud can resolve even the most complex medical issues, using its state-of-the-art facilities and equipment and its experienced medical teams. Red Salud is a comprehensive provider, and strives to improve the health and quality of life of everyone in Chile, by providing every possible medical service.

Highly complex interventions were completed in 2016, such as cardiac surgeries, surgical interventions, oncological treatments and intensive care medicine.

##### RED SALUD REVENUE BY SERVICE



## FINANCIAL RESULTS FOR RED SALUD IN 2016

The year 2016 was an important time for Red Salud, which began to see the benefits of investments carried out since 2008, of strengthened medical teams, and of the institutional management plan implemented in 2015.

Our results for the year have substantially improved, leaving the company in a much stronger financial position, with less exposure to debt and better profitability and cash flow indicators. As a result, total sales rose to Ch\$335,858 million, representing annual growth of 19%. EBITDA was Ch\$37,023 million, and the EBITDA margin rose from 9.7% in 2015 to 11.0% in 2016. Profits were Ch\$7,390 million, an increase of Ch\$5,023 million over 2015.

As of December 31, 2016, all units had increased their revenue, in particular Bicentenario with 11.9%, Avansalud with 11.2% and Tabancura with 12.7%. Taking control of the five regional hospitals in the ACR6 Group in May 2015 led to an increase in operating revenue of Ch\$32,281 million.

Operating revenue has significantly increased in the hospital segment over the last few years, following the uptrend towards these services. They increased by Ch\$4,933 million with respect to 2015, in particular, increases in surgical fees, use of intensive care units, and consumables and pharmaceutical income, in addition to the effect from consolidating the ACR6 Group.

Ch\$37,435 million in additional revenue came from the outpatient segment, of which Ch\$15,317 million came from consolidating the ACR6 Group, and the remainder from increases in medical consultations, imaging, dental care and laboratory tests, which represents approximately 75% of the increase for this segment.

Cost of sales increased by 17.1%, which was directly related to increased volumes of hospital and outpatient care in the company's units, in addition to the effect of consolidating the ACR6 Group.

Red Salud reduced its consolidated costs (as a percentage of revenue) from 78.2% in 2015 to 76.8% in 2016. This was driven by reductions of 550, 330 and 120 basis points in the cost/revenue ratio at the Bicentenario, Megasalud and Avansalud hospitals, respectively.

Administrative and sales expenses increased by 20.9% due to consolidating the ACR6 Group, which contributed an increase of Ch\$4,605 million in 2016.

Other items that explain this annual increase include administrative personnel, computing and overhead expenses such as utilities, outsourced services and consultancy.

The non-operating loss was Ch\$11,182 million, an increase of 1.3% compared to 2015. This was due to a reduction in the Share of profit (loss) of associates and joint ventures following the consolidation of the ACR6 Group, a fall in interest income due to lower reinvestment cash flows and the negative effect of inflation on debt in UF.

# 8.4/ INSURANCE SECTOR

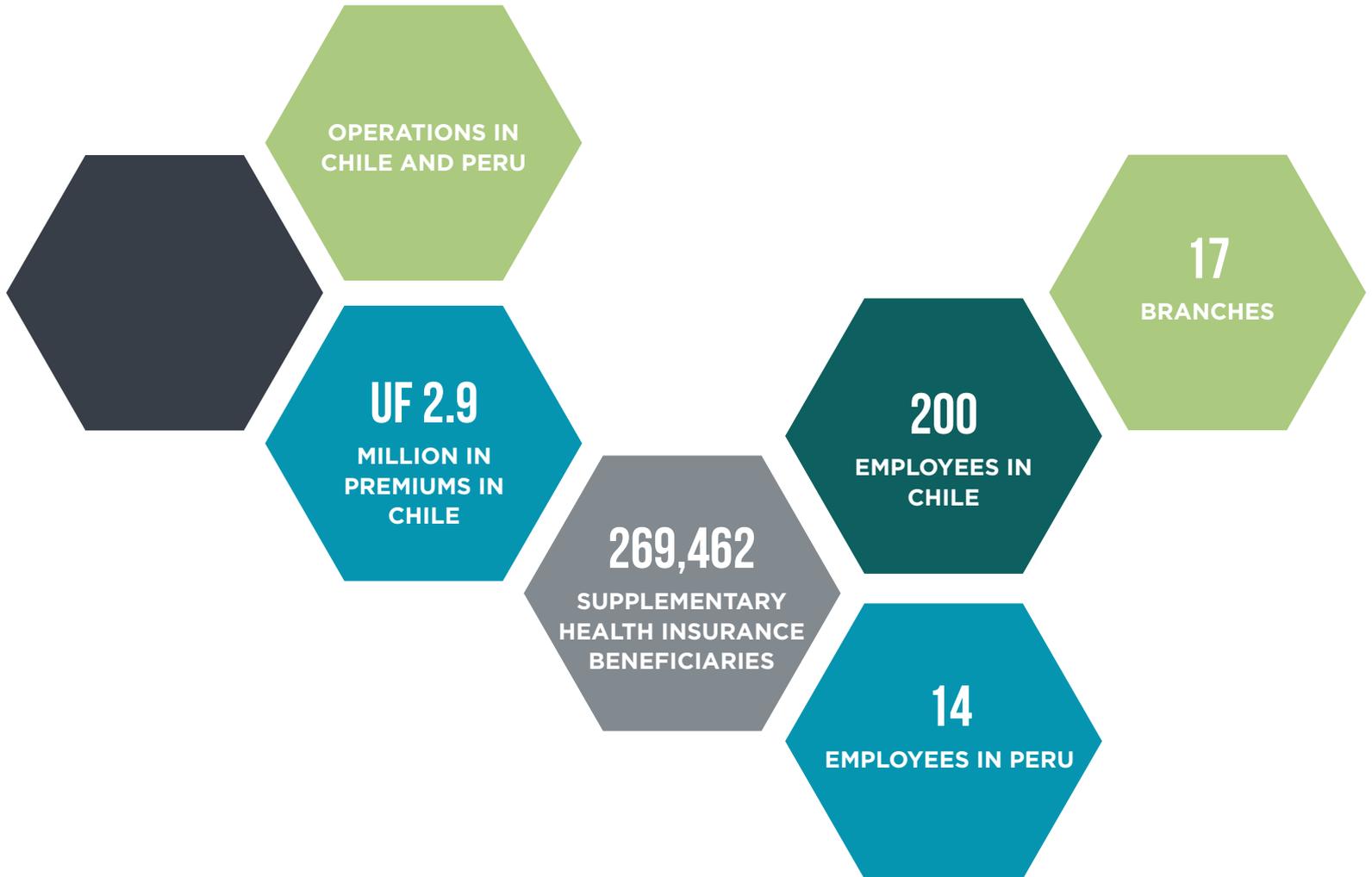
## MISSION

BE RECOGNIZED FOR EXCELLENT SERVICE QUALITY WITHIN THE INSURANCE INDUSTRY, ASSURING THAT CUSTOMERS FEEL THE DIFFERENCE FROM BEING WITH VIDA CÁMARA

## VISION

CONTRIBUTE TO PEOPLE'S WELLBEING THROUGH GROUP HEALTH AND LIFE INSURANCE, BY PROVIDING TRANSPARENT SOLUTIONS WITH HIGH SERVICE STANDARDS, RESULTING IN LASTING AND DEPENDABLE RELATIONSHIPS.

## IMPORTANT FIGURES 2016



## 8.4/ INSURANCE SECTOR



### HISTORY / MILESTONES 2016

Compañía de Seguros de Vida Cámara began in 2009 following the acquisition of 99.9% of the shares in RBS (Chile) Seguros de Vida S.A. This transaction enabled ILC to enter the insurance sector, with the aim of participating in tenders for disability and survivor insurance (SIS), after the 2008 pension reform, which required AFPs to tender such insurance. Later that year, Vida Cámara participated in the first SIS tender, and was awarded 27% of the total member portfolio in the system. This percentage increased to 36% after the second tender.

In 2011 Vida Cámara moved forward by entering the group insurance market, focusing on life and health insurance coverage.

During 2013 Vida Cámara entered the credit life insurance market, when tenders were invited for credit life insurance for mortgage and consumer loans in Chile.

Vida Camara began to operate in Peru in 2014, when it was awarded the first tender for disability, survivor and funeral expenses insurance (SISCO), winning one of seven segments for 2015 and 2016. It was awarded the third SISCO tender, again with one of seven segments for 2017 and 2018.

The year 2016 was very important for Vida Camara's strategy, as it defined its principal focus to be supplementary health and life insurance. This was in response to the growth prospects in this industry, and its knowledge of this segment. This involved modifying the company's structure to become more commercial and customer-focused.

### PRODUCTS

Vida Cámara participates in the life and health insurance market, providing its customers with the following products:

- Disability and survivor insurance Chile, until June 2016
- Disability, survivor and funeral expenses insurance (SISCO) in Peru
- Group health insurance
- Life insurance
- Credit life insurance for mortgage and consumer loans

### WHAT DEFINES VIDA CÁMARA?

#### 1. CUSTOMER FOCUS

Vida Camara aims to make life easier for its beneficiaries, by delivering excellent services. The company achieves this through:

- 17 branches throughout Chile
- 54 mailboxes throughout Chile
- 24/7 call center service
- New web page
- New mobile application

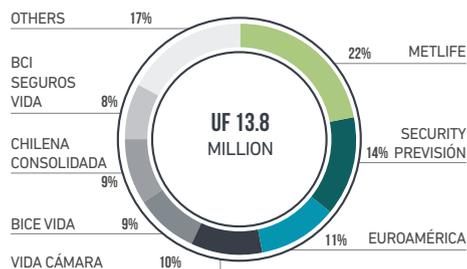
Vida Cámara has made significant changes in order to make the reimbursement process for policyholders more agile, ensuring that 44% of total reimbursements are paid immediately via i-med, i-med dental and pharmacies in 2016. The number of transactions reimbursed in this manner is 77% of all transactions.

These achievements are appreciated by the market, which was evidenced in a general service satisfaction survey, where Vida Cámara scored 6.4 (on a scale of 1 to 7) in 2016.

The company increased its number of beneficiaries in the supplementary health insurance segment by 7.5% in 2016, reaching 269,462 people. This

represents a market share of 9.7% compared to 8.8% in 2015.

### MARKET SHARE BY DIRECT PREMIUMS FOR GROUP HEALTH INSURANCE



## 2. FOCUSED ON INNOVATION

The company aims to provide unique products and services through innovation. In this spirit, Vida Cámara launched a new web page, where policyholders can process reimbursements, submit health and life insurance applications, and submit information required by policies, among other benefits.

As of December 2016, Vida Cámara also has a new mobile application. This allows policyholders to request reimbursements from Isapres and Fonasa (State Health Insurance) online, and provides information of interest to the beneficiary.

## FINANCIAL RESULTS FOR VIDA CÁMARA IN 2016

Vida Cámara posted a loss of Ch\$565 million in 2016. This is mainly due to losing the SIS4 contract in Chile, partially offset by good results from life and health insurance, together with a better performance from Vida Cámara Peru.

Technical insurance margins in Chile resulted in a loss of Ch\$3,761 million in 2016, which was 44% less than the previous year. This is due to the SIS4 result, which was a loss of Ch\$6,714 million, associated with a lower discount rate, a higher number of requests and a higher rate of approval for disabilities claimed.

The result in Peru was Ch\$1,607 million, an improvement of 110% over 2015, due to improved investment returns.

The technical margin on life and health insurance was Ch\$5,716 million, of which 70% was the technical margin on health, 10% on life, 5% on credit life and 15% on other products.

Total premiums for 2016 were Ch\$74,111 million, of which 50% came from SIS and 50% from health

and life insurance. The SIS4 contract terminated in June 2016. Vida Cámara was not awarded any segment of the new SIS tender in Chile.

Administrative expenses in 2016 were Ch\$5,532 million, which represents 15% of the premiums received on health and life insurance, up 2% over the previous year.

Liquidation expenses in 2016 were Ch\$1,197 million, representing 4% of claims for the year, which represented an improvement of 16% with respect to 2015.

Consequently, Vida Cámara reported a consolidated loss of Ch\$565 million, a reduction of 88% in comparison to the previous year.

8.4/  
INSURANCE  
SECTOR



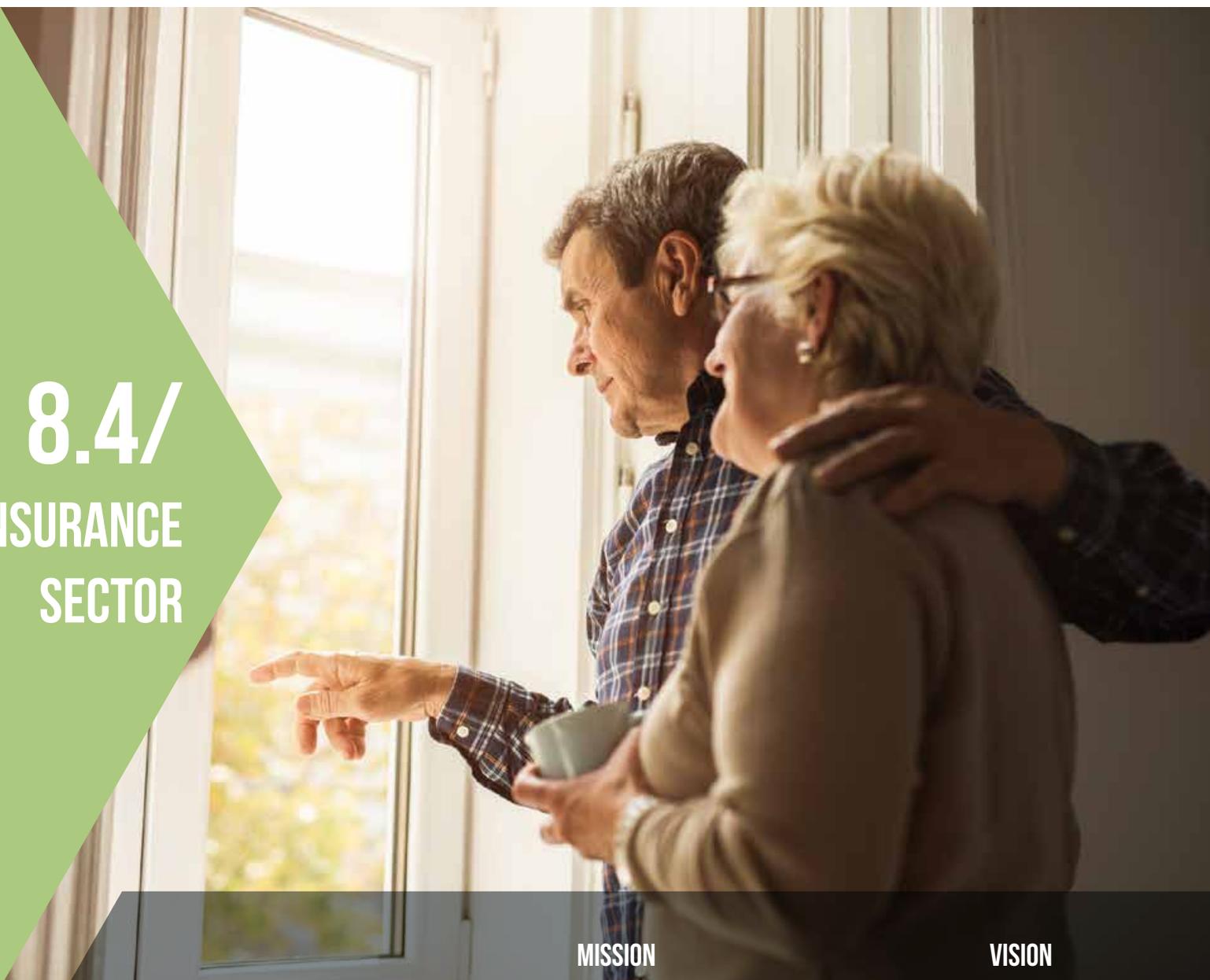
## HISTORY / MILESTONES 2016

Inversiones Confuturo, formerly Corp Group Vida Chile S.A., is the holding company that consolidates the two life insurance companies Corpseguros and Confuturo. It became part of ILC in November 2013, when ILC acquired a 67% interest from CorpGroup, which at that time consolidated 72% of Confuturo (formerly Corpvida) and 100% of Corpseguros.

In July 2014, ILC raised additional capital to finance the purchase of shares in Confuturo owned by Mass Mutual. Consequently, ILC increased its interest in Inversiones Confuturo from 67% to 72%, and indirectly controlled all of Confuturo.

ILC increased its capital in December 2015 and again in March 2016 by UF2 million in total, in order to support the Company's growth, reduce its leverage and improve its financial situation. As a result, ILC has increased its interest in Inversiones Confuturo to 78%. Subsequently, ILC acquired the minority interest owned by CorpGroup in June 2016, to bring its interest up to 99.9%. Therefore, ILC has full control over the life insurance companies Confuturo and Corpseguros.

# 8.4/ INSURANCE SECTOR



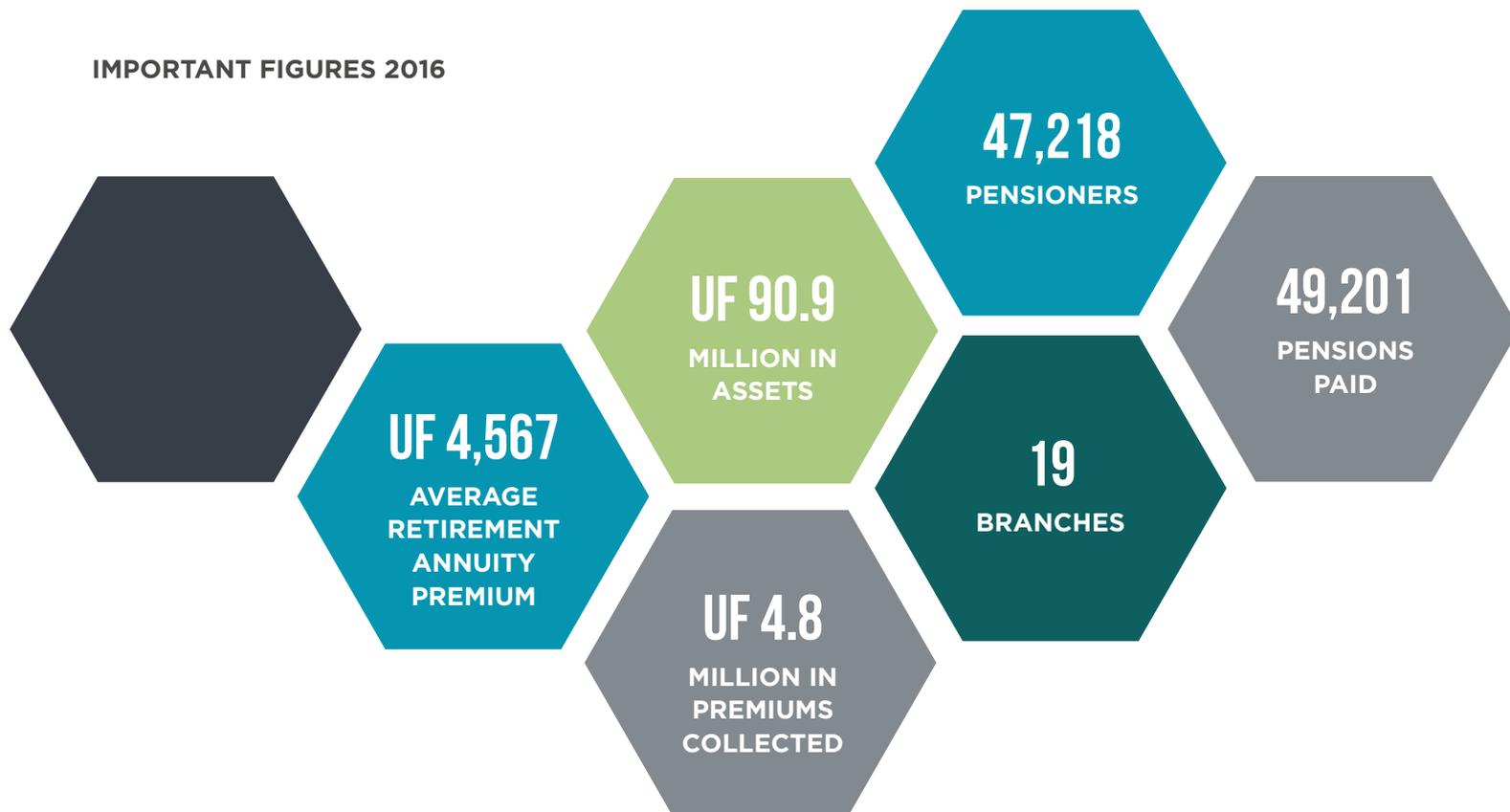
## MISSION

SAFEGUARD FINANCIAL SECURITY FOR OUR CUSTOMERS THROUGHOUT THEIR LIFE, THROUGH EXCELLENT SERVICES, PROVIDED BY A HIGHLY COMPETENT AND MOTIVATED TEAM, WHO ALWAYS BEHAVE RESPONSIBLY AND ETHICALLY, WHILE SECURING EXPECTED PROFITABILITY FOR SHAREHOLDERS.

## VISION

TO BE A BENCHMARK IN THE INSURANCE MARKET

## IMPORTANT FIGURES 2016



## HISTORY / MILESTONES 2016

Corpseguros dates back to 2001, when ING Seguros de Vida acquired Aetna, transforming it into one of the leaders of the national insurance industry with a market share of 15%.

The SVS approved the bylaw reform and spin-off of ING Seguros de Vida S.A. on September 29, 2009, which produced ING Seguros de Rentas Vitalicias S.A. CorpGroup Interhold S.A. bought 100% of ING Seguros de Rentas Vitalicias S.A. on November 10, 2009, and changed its name to Corpseguros S.A. later that month.

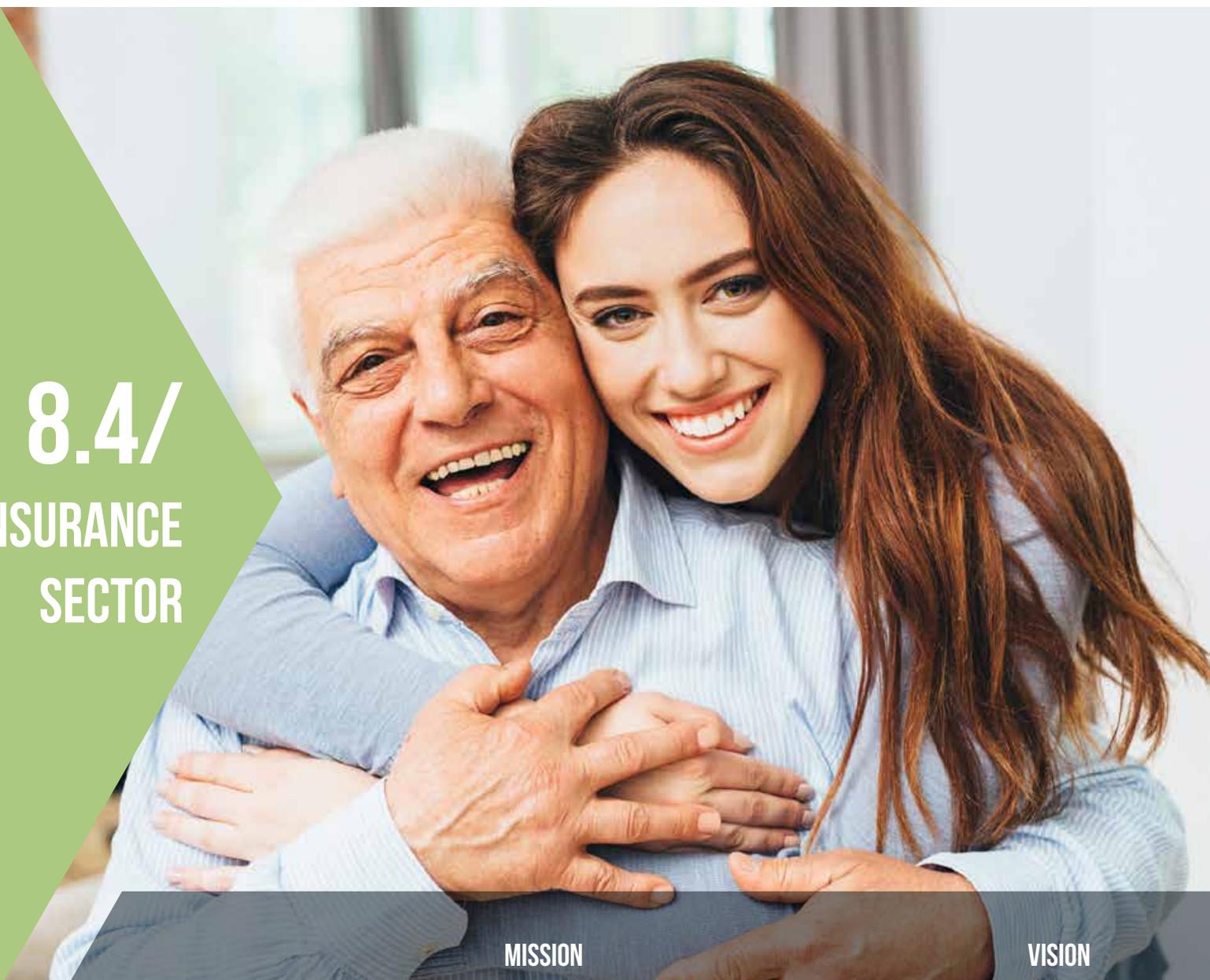
ILC became its owner and controller in November 2013, when it acquired its parent company CorpGroup Vida Chile S.A., which later became Inversiones Confuturo.

In September 2016, Corpseguros and Confuturo acquired the "Espacio Urbano" shopping centers belonging to the US chain Walmart for UF17.2 million. This transaction marks an important milestone in Corpseguros' investment strategy, which aims to reduce reinvestment risk using long-term assets, and secure an attractive return with limited risk.

## PRODUCTS

- Life annuities
- Consumer loans for pensioners

# 8.4/ INSURANCE SECTOR



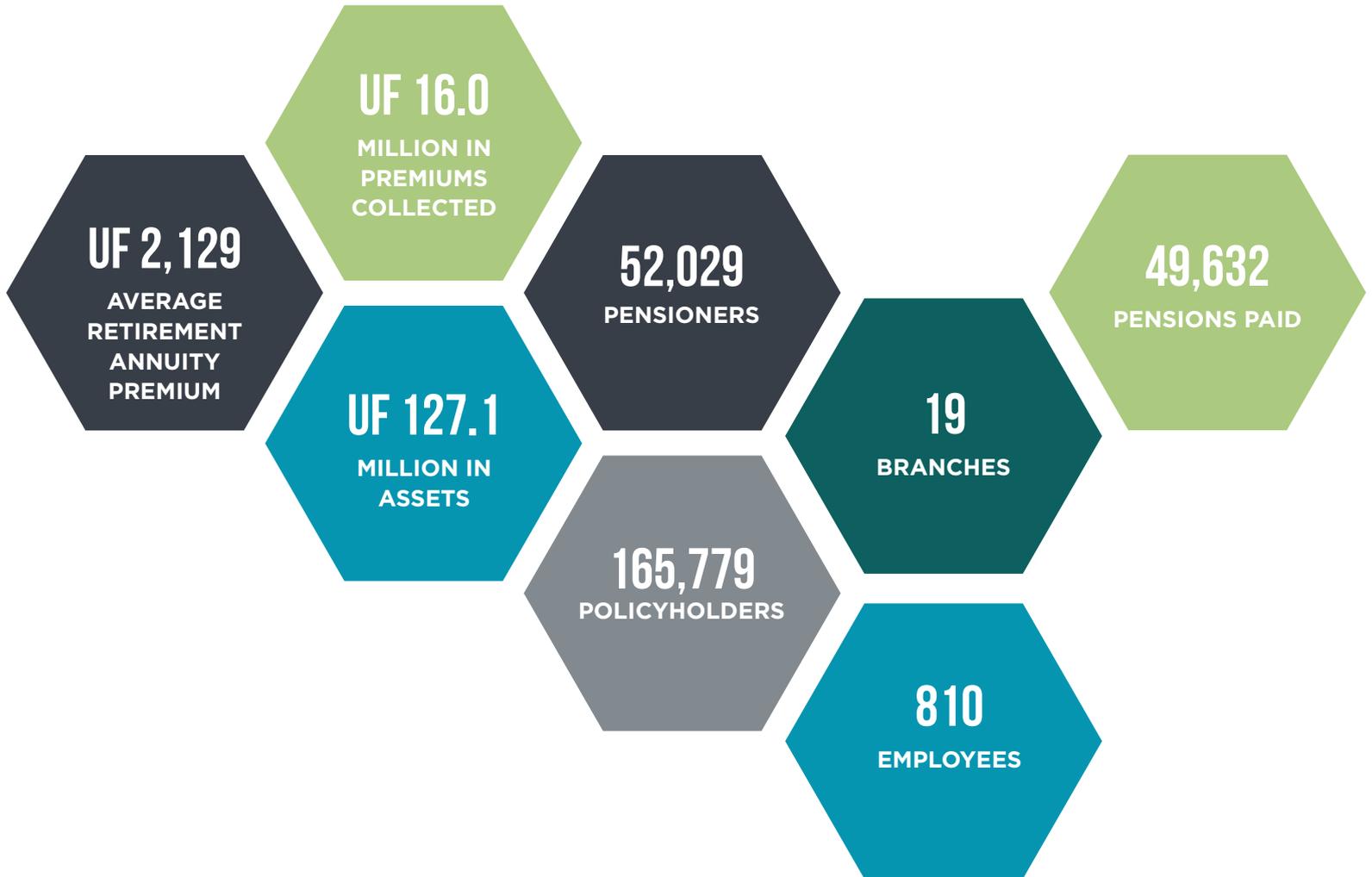
## MISSION

SAFEGUARD FINANCIAL SECURITY FOR OUR CUSTOMERS THROUGHOUT THEIR LIFE, THROUGH EXCELLENT SERVICES, PROVIDED BY A HIGHLY COMPETENT AND MOTIVATED TEAM, WHO ALWAYS BEHAVE RESPONSIBLY AND ETHICALLY, WHILE SECURING EXPECTED PROFITABILITY FOR SHAREHOLDERS.

## VISION

TO BE A BENCHMARK IN THE INSURANCE MARKET

IMPORTANT FIGURES 2016



## 8.4/ INSURANCE SECTOR **confuturo**

### HISTORY / MILESTONES 2016

The history of Confuturo (formerly Corpvida) began in 1989 when Compensa Compañía de Seguros de Vida S.A. was created. In 1996, this insurance company was acquired by Corp Group and a US company Mass Mutual International, which changed its name to VidaCorp. Four years later it merged with another company within the same group Mass Seguros de Vida, which made VidaCorp one of the largest life insurance companies in the market. In 2006 it was renamed Compañía de Seguros CorpVida S.A.

Since November 2013, the company has been controlled by ILC, which adopted the strategy of sustainable growth in annuities, insurance and savings. In July 2014, ILC increased the capital of Inversiones Confuturo (formerly Corp Group Vida Chile), thereby increasing its interest in this company from 67% to 72%. This capital increase was intended to finance the acquisition of Confuturo shares owned by Mass Mutual, giving Inversiones Confuturo control of 100% of the shares of this insurance company.

ILC increased the capital of Inversiones Confuturo at the end of 2015 and again in March 2016, which in turn increased Confuturo's capital by UF2 million, in order to support the significant growth in premiums, reduce its leverage and improve its financial situation.

Another important milestone that occurred in 2016 was the acquisition, together with Corpseguros, of the Espacio Urbano shopping centers from Walmart for UF17.2 million. This marks a change in the company's investment strategy, by increasing its participation in the real estate sector, increasing its investment horizon, and securing an attractive return with limited risk.

### PRODUCTS

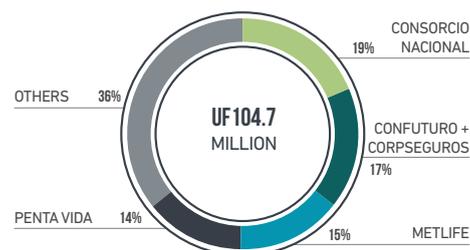
- Life annuities
- Consumer loans for pensioners
- Voluntary retirement savings
- Individual life insurance
- Mass insurance

### WHAT DEFINES CONFUTURO?

#### 1. MARKET LEADERSHIP

Confuturo has an important share of the national life insurance market, especially in the annuities segment, where it is ranked fourth by direct premiums (and second in aggregate with Corpseguros). This helps it to better understand its customers' needs, which is essential for improving the quality of life for its pensioners and insured individuals.

#### MARKET SHARE BY DIRECT PREMIUMS FOR ANNUITIES 2016

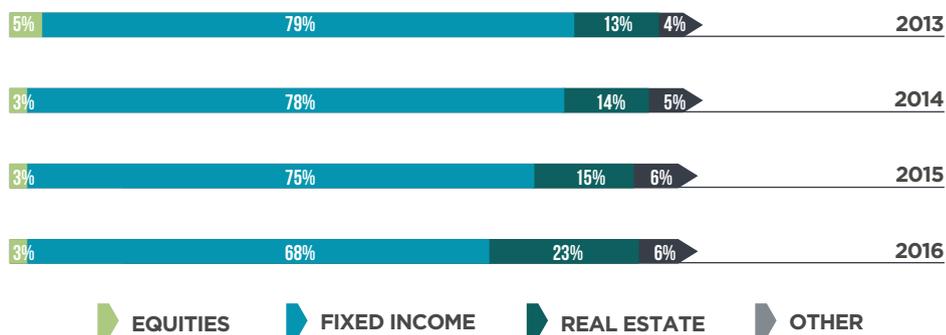


## 2. CONSTANT ATTENTION TO MAXIMIZING RETURNS ON ASSETS UNDER MANAGEMENT

At the end of 2016, Confuturo managed an investment portfolio of approximately UF124 million (US\$4.9 billion), while Corpseguros managed UF89 million (US\$3.5 billion). Therefore, maximizing profitability is vital to achieving the highest returns for its policyholders and shareholders. Confuturo achieves this by employing a team with proven investment experience, who constantly analyze the best investment alternatives, resulting in a portfolio with a conservative, long-term profile. An example of this is the recent acquisition of Espacio Urbano, thus increasing the portfolio's exposure to real estate assets, which represented 23% of the portfolio as of September 2016.

The ratio of investment income to investment value was 4.8% at Confuturo and 5.2% at Corpseguros in 2016.

### CONFUTURO AND CORPSEGUROS INVESTMENT PORTFOLIO BY TYPE OF INSTRUMENT



## 3. FOCUSED ON TECHNOLOGY AND EFFICIENCY

Confuturo is constantly innovating and modernizing the insurance market, which is reflected in the improvements and technology it has incorporated into customer services, to respond more efficiently to their needs. Anyone can purchase products fully online, without being previously registered as a customer.

In 2016 the maintenance support system for annuity customers was improved to make the process more efficient and secure. A single customer database was created containing information on private income, which allows the customer service team to provide better service. Several improvements were introduced to the digital systems to increase operational efficiency.

## 4. CUSTOMER FOCUSED

Confuturo differentiates its products from those traditionally offered by the market, in order to match the best possible solution to each customer's needs, while continually strengthening the advisory role of its sales channels. The company has a Customer Care Committee, and constantly monitors the quality of its service using surveys. It trains and certifies its sales supervisors and individual life insurance and investment executives, in order to provide better financial advice.

## 8.4/ INSURANCE SECTOR **confuturo**

### FINANCIAL RESULTS FOR CONFUTURO AND CORPSEGUROS IN 2016

The year 2016 saw significant growth in the annuity industry, with a market that exceeded UF105 million in premiums, an increase of 15% over 2015. 40,039 pensioners chose annuities, reflecting an increase of 11.7% compared to 2015, with an average premium of UF2,616, resulting in a preference for annuities of 69%.

Confuturo secured an important share of this market, and was ranked third by premiums. Corpseguros achieved its highest revenue over the last six years, with an average premium of UF4,858, the highest in the market.

Despite the Chilean economy growing by just 1.5% in 2016, the individual life insurance market

registered growth in direct premiums. Confuturo achieved growth of 27%, and secured 7% of this segment. Confuturo's insurance policies on additional voluntary retirement savings (APV) were ranked second in the market.

During 2016 Confuturo granted 8,554 consumer loans to pensioners, again reaching historic volumes. This represented net loans of UF245,890, which represents growth of 23% over 2015. Confuturo achieved growth of 40% in the mass insurance segment.

During 2016 net insurance revenue at Inversiones Confuturo grew by 25.2%, due to higher volumes and premium values associated with the annuities segment.

Investment income increased by 11.2%. This was due to a larger real estate and leasing portfolio, and good performance from investments in equities.

Cost of sales rose 20.6%, as a result of increased technical reserves due to the increase in annuities.

The non-insurance loss was Ch\$6,959 million, which was Ch\$2,279 million lower than in 2015. This is due to an improvement of 18.1% in non-operating results, as a result of better performance of indexed assets and liabilities.

Consequently, consolidated profit at Inversiones Confuturo was Ch\$33,164 million, an increase of 46.5% over 2015.

**8.5/  
BANKING  
SECTOR**



**PURPOSE**

WE CREATE GROWTH  
OPPORTUNITIES

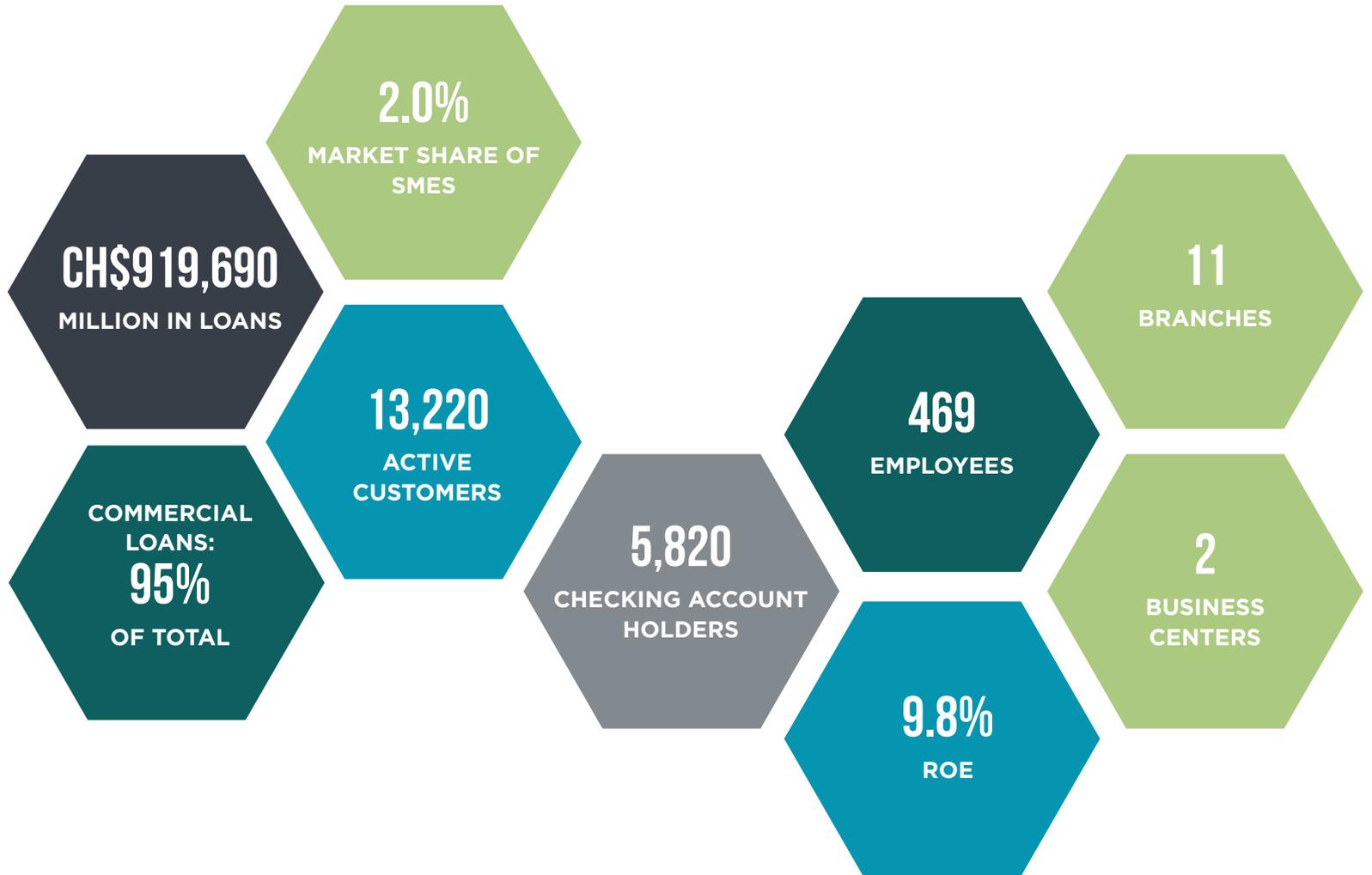
**VISION**

TO BE THE BEST BANK  
FOR COMPANIES IN CHILE

**VALUES**

COLLABORATION,  
TRANSPARENCY,  
INNOVATION, EXCELLENCE,  
PASSION AND MERIT

IMPORTANT FIGURES 2016



## HISTORY / MILESTONES 2016

Banco Internacional was formed on February 1, 1944, when the Superintendency of Banks licensed Banco Israelita, which opened its doors to the public on July 17, 1944. The bylaws of the institution were reformed in 1981 and it was renamed Banco Internacional.

Years later, in 1989, the Bank launched a strategy focusing on the corporate segment, which remains its main focus to this day. In 2007 new business areas were developed: leasing, factoring, large corporations segment, real estate finance, private banking and retail banking.

In September 2015, the Superintendency of Banks and Financial Institutions approved ILC's acquisition of shares of Banco Internacional. After a takeover bid and a subsequent capital increase of Ch\$20,000 million, on October 30 the Company became the owner of 50.9% of the Bank. This transaction significantly improved its solvency and capitalization.

The arrival of ILC also meant a change in the composition of the Board of Directors and management. Therefore, James Callahan and Mario Chamorro took over as Chairman and CEO, respectively. They immediately embarked on a restructuring process, to align the Bank with its new identity and strategic focus.

The year 2016 saw various achievements. Banco Internacional was ranked as the third largest bank in terms of commercial loan growth. Banco Internacional was ranked as the third largest bank in Chile in terms of capitalization by the end of 2016. Two new customer service business centers were inaugurated in Santiago and La Serena, in order to improve the advisory services provided to customers in these locations. Finally, ICR upgraded its risk rating from A to A+.

## PRODUCTS

- **Corporate Banking:** checking accounts, lines of credit, insurance, financing, state guarantees, foreign trade, leasing, factoring, investments, cash management, treasury, among others.
- **Retail Banking:** checking accounts, lines of credit, insurance, mortgages, investments, online time deposits, among others.

# 8.5/ BANKING SECTOR

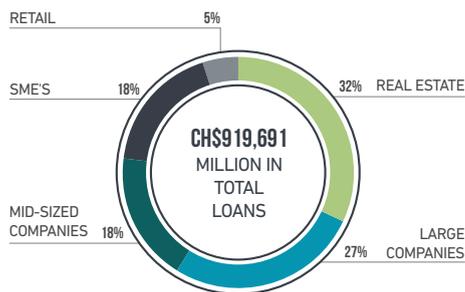


## WHAT DEFINES BANCO INTERNACIONAL?

### 1. FOCUS ON SMES

Banco Internacional wants to provide financial solutions to companies, focusing on small and medium-sized enterprises. Its executives with extensive experience provide the best possible service via a network of 11 branches and 2 business centers in major cities across the country. Banco Internacional aims to provide attributes that are valued by these customers, such as transparency, agility and financial advice.

### LOANS BY SEGMENT



### 2. SOLVENCY

Banco Internacional was ranked the third largest bank in Chile in terms of capitalization by the end of 2016, with a Basel I index of 13.93%. This is the result of the Ch\$20,000 million capital increase invested by ILC when it acquired the Bank in 2015, which sought to improve its solidity and solvency, and enabled it to establish long-term relationships with its customers.

### 3. HIGH STANDARDS OF CORPORATE GOVERNANCE

The Bank's Board of Directors has approved the creation of various committees where senior executives will participate. The aim is to examine certain issues in depth, and extract refined information for decision-making. These committees and the frequency of their meetings are:

- Anti-Money Laundering and Terrorism Finance Committee (monthly, and extraordinary meetings when required)
- Audit Committee (monthly)
- Business Committee (monthly)
- Risk and Credit Monitoring Committee (monthly)
- Operational Risk, Business Continuity and Information Security Committee (monthly)
- Asset and Liability Committee (monthly)
- Executive Committee (weekly)
- IT Committee (monthly)

## CHALLENGES FOR 2017

Banco Internacional aims to consolidate its position in the small and medium-sized enterprises segment, which should increase its commercial loans in 2017. The Bank also aims to bring its efficiency and risk ratios in line with the Chilean banking industry, in order to create value for its shareholders. Finally, Banco Internacional is firmly dedicated to becoming the best bank for companies in Chile, and realizes that strengthening its corporate culture will be essential to accomplishing this. Therefore, at the end of 2016 Banco Internacional defined a new vision, purpose and corporate values, which will guide its employees over the next few years.

## FINANCIAL RESULTS FOR BANCO INTERNACIONAL IN 2016

As ILC acquired Banco Internacional at the end of 2015, this report does not include a comparative analysis of its results.

The profit at Banco Internacional was Ch\$9,449 million, which was mainly the result of Ch\$28,334 million in interest and indexation income on its loans, where average volumes have increased. Net fee income was Ch\$3,369 million, due to management fees for checking accounts and prepayments, and fees for non-recurring financial advisory services. Other operating income was Ch\$17,099 million, from the Treasury Department on its trading, balance and distribution services, in addition to lease income. Operating expenses were Ch\$33,254 million, of which 57% were payroll and personnel expenses. Finally, credit risk provisions totaled Ch\$6,965 million.

# 8.6/ LIQUID FINANCIAL INVESTMENTS, REAL ESTATE ASSETS AND LIQUID FINANCIAL ASSETS

## LIQUID FINANCIAL ASSETS

ILC has its own financial investments that are designed to meet its liquidity needs. They are managed in accordance with a policy approved by the Board. These financial investments were valued at approximately Ch\$57,530 million as of December 31, 2016. The Company had a total of Ch\$33,794 million in cash and cash equivalents as of the same date.

## REAL ESTATE ASSETS

ILC had 23,744 m<sup>2</sup> in real estate for rent as of December 31, 2016, comprising a portfolio of land and office buildings. These assets were valued at Ch\$4,060 million at the end of 2016, which is broken down into:

- Property, plant and equipment valued at Ch\$18 million.
- Investment property valued at Ch\$4,042 million.

## PROPERTIES

ILC's principal properties are as follows:

- Building at Avenida Italia 1056, Providencia. This property has been rented as a Clinical Laboratory. It is registered with the Santiago Property Registrar on page 6636 No. 6750

dated 1997 and page 19642 No. 21548 dated 1997.

- Land and vacant lots, located on Avenida Tabancura, to be leased. They are registered with the Santiago Property Registrar on page 56338 and No. 87783 dated 2008 and page 56339 No. 87784 dated 2008.

All ILC's property is owned.

ILC also owns other real estate assets through its subsidiaries:

## OTHER SECTORS:

- ILC's subsidiary Inmobiliaria ILC owns 10 floors, 300 parking spaces and 26 storage units in the new corporate building of the Chilean Construction Chamber, located at the intersection of Las Condes and Apoquindo avenues. Once it has been built and furnished, this property will house the Company's offices. The property was acquired by public instrument in 2016 and registered with the Santiago Property Registrar in 2017.

## AFP SECTOR:

- Real estate assets to be used as branches:
  - Los Carrera 330-360, La Serena
  - Morandé 330, Santiago
  - Urmeneta 310, Puerto Montt
  - Eusebio Lillo 20, Coyhaique

- Real estate assets to be used as corporate offices, together with the parent company:
  - Building at Avenida Providencia 1909, Providencia, Santiago, specifically the basement and floors 1, and 5 to 20 with storage units and parking spaces.

## ISAPRE SECTOR:

- Real estate assets to be used as branches:
  - Huérfanos 812, Santiago
  - Nueva Providencia 1910, Providencia
  - Urmeneta 304, Puerto Montt
- Real estate assets to be used as corporate offices:
  - Building at Pedro Fontova 6650, Huechuraba, Santiago

## HEALTHCARE SECTOR:

- Megasalud Medical Centers, used to provide outpatient health services:
  - Santiago: in the Santiago, Conchalí, Maipú, San Bernardo, San Miguel, La Florida, Puente Alto, Providencia, Ñuñoa and Las Condes districts.
  - Regions: Arica, Iquique, Antofagasta, Calama, La Serena, Viña del Mar, Quilpué, Rancagua, Talca, Chillán, Concepción, Los Ángeles, Temuco, Valdivia, Osorno, Puerto Montt, Punta Arenas.

- 155 m<sup>2</sup> of offices located at Calle General Barri 135, Providencia, Santiago.
- North Building, Tabancura Hospital, at Avenida Tabancura N°1233, Vitacura, used by the hospital.
- South Building, Tabancura Hospital, at Avenida Tabancura N°1185, Vitacura, used by the hospital.
- Building at Iquique Hospital, at Avenida Libertador Bernardo O'Higgins 103, Iquique, used by the hospital.
- Building at Elqui Valley Hospital, at Avenida El Salto 1475, La Serena, used by the hospital.
- Elqui Valley Medical Center, at Huanhualí 186, La Serena, used to provide outpatient health services.
- Building at Valparaíso Hospital, at Avenida Brasil 2350, Valparaíso, used by the hospital.
- Medical Center at Integral Hospital, at Avenida Bernardo O'Higgins 634, Rancagua, used to provide outpatient health services.

- Building at Integral Hospital, at Cáceres 645, Rancagua, used by the hospital.
- 1,400 m<sup>2</sup> of parking spaces located at Avenida Bernardo O'Higgins 664, Rancagua.
- Building at Mayor Hospital, at Avenida Gabriela Mistral 01955, Temuco, used by the hospital.
- Building at Magallanes Hospital, at Avenida Bulnes 01448, Punta Arenas, used by the hospital.
- Radiology Center at Magallanes Hospital, at Avenida Bulnes 01448, Punta Arenas.
- Medical Center at Magallanes Hospital, at Avenida Bulnes 01448, Punta Arenas, used to provide outpatient health services.

Buildings at the Bicentenario Hospital, at Avenida Libertador Bernardo O'Higgins 4850, Estación Central, and at Avansalud Hospital, at Avenida Salvador 100, Providencia, are under a financial lease contract, and are used by the respective hospitals.

## **INSURANCE SECTOR:**

### **Confuturo and Corpseguros:**

- Real estate assets to be used as branches:
  - Confuturo has a property located at Anibal Pinto 440, Store 5, Iquique.
- Real estate assets to be used as corporate offices:
  - Corpseguros acquired three floors, parking spaces and storage units in the new CChC building at the intersection of Las Condes and Apoquindo avenues, with effect from January 2017.

Finally, both Confuturo and Corpseguros own investment property.

**Vida Camara** does not own any real estate assets.

## **BANKING SECTOR:**

- Real estate assets to be used as branches:
  - Simón Bolívar 202, Iquique
  - Bernardo O'Higgins 324, Concepción
- Real estate assets to be used as corporate offices, together with the Bank's parent company:
  - Moneda 818, Santiago

## 8.6/ LIQUID FINANCIAL INVESTMENTS, REAL ESTATE ASSETS AND LIQUID FINANCIAL ASSETS

All of these real estate assets belong to each subsidiary.

### EQUIPMENT AND FACILITIES

The Company has equipment, furnishings and fittings valued at Ch\$18 million at the close of 2016, which comprise movable assets and computer equipment used in administration.

It also owns the following assets through its subsidiaries:

NON-INSURANCE BUSINESS	12-31-2016 (CH\$ MILLIONS)
IT equipment	1,827
Fixtures and accessories	4,382
Furniture, machines, equipment and office fittings	7,947
Medical equipment and facilities	32,323
Other equipment and facilities	14,531
INSURANCE BUSINESS	12-31- 2016 (CH\$ MILLIONS)
Furniture, machines and facilities	1,562
Other property, plant and equipment	190
BANKING BUSINESS	12-31- 2016 (CH\$ MILLIONS)
Furniture, machines and facilities	1,655
Other property, plant and equipment	1,462

### INVESTMENT PLAN

ILC and its subsidiaries do not have an investment plan that significantly increases their future cash flows in the short or medium term.

Currently, Red Salud has an investment plan for the coming years. However, this plan only aims to consolidate and improve the investments already completed between 2008 and 2015.

- Megasalud: continue to strengthen and expand the network of outpatient services, investing over Ch\$16,000 million within the next three years in imaging services, sample collection, and laboratory and dental services.
- Elqui hospital: constructing a new four-floor building which will include about 120 new parking spaces and 30 additional beds. The project involves an investment of Ch\$7,500 million and it is scheduled for completion in first half of 2019.

- Tabancura hospital: an integration project for the old and new buildings, which will involve an investment of approximately Ch\$7,000 million in clinical support and outpatient services.

### SUPPLIERS AND CUSTOMERS

ILC, its subsidiaries and its associates do not have any suppliers that individually represent at least 10% of total purchases of goods and services for the year.

ILC, its subsidiaries and its associates do not have any final customers that individually represent at least 10% of total ILC revenue.







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ILC provides long-term services, such as pensions. Therefore, continuity and sustainably generating value are not only a challenge, but a commitment to each of its members and policyholders. It also has an important responsibility for healthcare, since its beneficiaries and their families have placed their trust in ILC and its subsidiaries to meet their healthcare needs. Faced with these challenges, the Company is committed to operating responsibly and sustainably.

Therefore, it must have a corporate governance structure that implements the guidelines and objectives established by the Board at each of its subsidiaries. This enables ILC to add value and contribute to the sustainable development and welfare of each customer, of society and of the country.

Corporate governance at ILC is determined by its bylaws, by Law 18,046 on Corporations, by the Corporate regulations in Supreme Decree 702 dated 2011, and by Law 18,045 on the Securities Market. The Company is supervised by the Securities Inspectorate, which reports to the Superintendency of Securities and Insurance.

### **CONTROL AND OWNERSHIP STRUCTURE:**

Inversiones La Construcción S.A. is a publicly held corporation, formed in Chile and registered with the Securities Registry of the Superintendency of Securities and Insurance.

The Company is controlled by the Chilean Construction Chamber (CChC), which is a private association composed of approximately 2,700 partners, linked to the construction industry. It was founded in 1951 with the aim of promoting construction in Chile. It is a trade association governed by Decree Law 2,757 dated 1979 and its subsequent amendments. There are no individuals behind this legal entity. For the same reasons, CChC does not have a parent company under Article 97 of Law 18,045.

With regard to the control of ILC, neither the members of the parent company nor the other major shareholders have a shareholder agreement. There are no individuals or legal entities other than the parent company that alone or with other shareholders through a shareholder's agreement may appoint at least one member of the Company's management or own 10% or more of the capital or the voting capital in the case of a simplified corporation.

ILC completed an IPO in July 2012, which increased its capital through selling shares in CChC. Approximately 33% of the Company's shares were placed with Chilean and foreign investors.

During 2016 there were no significant changes in the ownership of ILC. As of December 2016, CChC controlled 67% of ILC, while 16.1% was held by foreign investors and 16.9% was held on behalf of local investors.

As of December 31, 2016, subscribed and paid capital was divided into 100,000,000 shares, owned by 195 shareholders, which were held on their behalf by Depósito Central de Valores. The 12 largest shareholders at the close of 2016 were as follows:

NAME	TAXPAYER ID NUMBER	NUMBER OF SHARES	OWNERSHIP INTEREST
Chilean Construction Chamber	81.458.500-K	67,000,000	67.00%
Banco de Chile on behalf of non-resident third parties	97.004.000-5	6,885,840	6.89%
Banco Itaú Corpbanca on behalf of foreign investors	97.023.000-9	5,261,175	5.26%
Banco Santander on behalf of foreign investors	97.036.000-K	3,976,353	3.98%
Bice Inversiones Corredores de Bolsa S.A.	79.532.990-0	3,032,849	3.03%
Banchile Corredores de Bolsa S.A.	96.571.220-8	1,887,924	1.89%
BCI Corredores de Bolsa S.A.	96.519.800-8	1,761,107	1.76%
Moneda S.A. AFI for Pionero Investment Fund	96.684.990-8	1,652,000	1.65%
Larrain Vial S.A. Corredora de Bolsa	80.537.000-9	1,188,211	1.19%
Valores Security S.A. Corredores de Bolsa	96.515.580-5	1,127,873	1.13%
BTG Pactual Chile S.A. Corredores de Bolsa	84.177.300-4	1,107,107	1.11%
Credicorp Capital S.A. Corredores de Bolsa	96.489.000-5	936,180	0.94%
Others	-	4,183,381	4.18%
TOTAL		100,000,000	100%

#### BOARD, DIRECTORS' COMMITTEE AND MANAGEMENT: FUNDAMENTAL COMPONENTS OF CORPORATE GOVERNANCE AT ILC

ILC has a mission, vision and objectives, which form the basis for its financial and business performance. These have been established by the ILC Board, which transmits responsibilities, skills and corporate culture to subsidiaries and their employees via management. The mission is to improve the quality of life of all Chileans, offering efficient and accessible services mainly in the areas of pensions and healthcare, thereby creating value, efficiency and sustainability.

Each subsidiary independently identifies and manages its risks and opportunities relating to sustainability. This is due to differences in the nature of each business and the particular challenges each faces. The ILC Board members can participate as guests at the Board meetings of subsidiaries, with the aim of acquiring a detailed understanding of the strategy and the issues faced by each business within the Company. The technical profile of the Board is shaped by the experience of renowned entrepreneurs and professionals from various sectors, each bringing complementary knowledge and skills.

The Board represents and is committed to protecting the interests of all investors. Its functions include establishing objectives, policies and strategies for the Company, which are then implemented by management. This is achieved at monthly meetings with the objective of analyzing Company performance, its risks, strategies and medium and long-term plans.

ILC is directed by a Board of seven members elected at the annual general shareholders' meeting for one year, in accordance with its bylaws. The members of the Board elect a chairman for the same period, who may be re-elected for a second year.

The seven members of the current Board were elected at the annual general shareholders' meeting held on April 28, 2016, and will hold office for one year. Mr. René Cortázar was re-elected as an "independent director" at that meeting, in order to comply with Article 50 bis of Law 18,046.

Mr. René Cortázar is the only director with the authority to select the members of the Directors' Committee, in accordance with Article 50 bis of Corporations Law. Therefore, at the Board meeting held on May 3, 2016, he appointed Mr. Lorenzo Constans G. and Mr. Sergio Torretti C. as members of this committee.

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The Board of Directors met on August 29, 2016, where Mr. Sergio Torretti C. was appointed Chairman of ILC and was replaced on the Directors' Committee by Mr. Gaston Escala A. Therefore, the Directors' Committee was formed by Mr. René Cortázar S. as chairman, together with Mr. Lorenzo Constans G. and Mr. Gaston Escala A. as members.

The Board of Directors met on August 29, 2016, where Mr. Jorge Mas F. and Mr. Daniel Hurtado P. submitted their resignations from the post of chairman and vice chairman, respectively. At the same meeting, the Board unanimously appointed Mr. Sergio Torretti C. as the new chairman and Mr. Jorge Mas F. as vice chairman.

During 2016 the ILC Board spent UF2,300 on consultancy.

### DIRECTOR AND SENIOR EXECUTIVE COMPENSATION

As of December 31, 2016 and 2015, gross compensation and bonuses paid to senior management at ILC during those years was ThCh\$865,742 and ThCh\$695,492, respectively. Senior management covers the CEO of ILC and his direct reports. There are no long-term benefits, nor post-employment benefits for Group senior management. The compensation policy

for Company executives is based on market parameters, which include objective metrics, together with personal performance and the Company's financial results.

At the annual general shareholders' meeting of ILC held on April 28, 2016, shareholders approved the following with respect to the directors compensation policy:

- Board Members: UF20 per meeting attended + 0.05% of annual profits
- Vice Chairman: UF30 per meeting attended + 0.075% of annual profits
- Chairman: UF40 per meeting attended + 0.1% of annual profits

Compensation is only paid for one Board meeting each calendar month, regardless of the number of meetings held or attended during that period. Nevertheless, if a regular monthly Board meeting is postponed to the following month, it will be compensated, together with the regular meeting for that respective month. This compensation will be paid in proportion to the length of time that the director has been in office.

For 2016, it was agreed that the profit percentages should not change, but that on an exceptional basis these percentages would apply to ordinary

profit less two thirds of the extraordinary profit arising from the partnership with Prudential in AFP Habitat.

As of December 31, 2016 and 2015, the compensation paid to the ILC Board was ThCh\$74,847 and ThCh\$76,026 respectively. They were also paid ThCh\$380,530 and ThCh\$363,395 in 2016 and 2015, respectively, under a profit sharing program.

At the annual general shareholders' meeting held on April 28, 2016, shareholders approved compensation for each member of the Directors' Committee of:

- UF26 per meeting attended

Compensation is only paid for one Board meeting each calendar month, regardless of the number of meetings held or attended during that period. Nevertheless, if a regular monthly Board meeting is postponed to the following month, it will be compensated, together with the regular meeting for that respective month. This compensation will be paid in proportion to the length of time that the director has been in office.

DIRECTOR	2016				2015			
	ILC BOARD COMPENSATION	DIRECTORS' COMMITTEE COMPENSATION	COMPENSATION AND PARTICIPATION BY ILC DIRECTORS 2016 IN SUBSIDIARIES	PROFIT SHARING 2015	ILC BOARD COMPENSATION	DIRECTORS' COMMITTEE COMPENSATION	COMPENSATION AND PARTICIPATION BY ILC DIRECTORS 2015 IN SUBSIDIARIES	PROFIT SHARING 2014
	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$	THCH\$
Sergio Torretti C.	8,353	4,718		36,241	5,508	7,159		34,609
Jorge Mas F.	9,877			72,482	11,040			20,189
Daniel Hurtado P.	7,540			54,361	7,516			64,892
Gastón Escala A.	6,252	2,048		36,241	5,011			47,587
Alberto Etcheagaray A.	5,216		52,910	36,241	5,514		45,171	34,609
Lorenzo Constans G.(1)	6,252	6,765	9,832	36,241	4,498	3,930	13,437	34,609
René Cortazar S.	6,252	7,450		36,241	6,012	7,814		25,957
Juan Benavides F. (2)								8,652
Paulo Bezanilla S. (3)								34,609
Patricio Bustamante P. (4)	2,062			36,241	6,012			
Ítalo Ozzano C. (5)								23,073
Francisco Vial B. (6)	2,062			36,241	6,012		7,684	34,609
<b>TOTAL</b>	<b>53,866</b>	<b>20,981</b>	<b>72,742</b>	<b>380,530</b>	<b>57,123</b>	<b>18,903</b>	<b>66,292</b>	<b>363,395</b>

(1) Mr. Lorenzo Constans G. served as director of Red Salud until May 2016

(2) Mr. Juan Benavides F. served as director of ILC until April 2014

(3) Mr. Paulo Bezanilla S. served as director of ILC until December 2014

(4) Mr. Patricio Bustamante P. served as director of ILC until April 2016

(5) Mr. Ítalo Ozzano C. served as director of ILC until September 2014

(6) Mr. Francisco Vial B. served as director of ILC until April 2016

#### ADDITIONAL COMPENSATION FOR ILC BOARD MEMBERS AND MANAGEMENT IN SUBSIDIARIES

		2016 THCH\$	2015 THCH\$
Alberto Etcheagaray A.	ILC Director / Chairman Red Salud	62,910	45,171
Lorenzo Constans G. (1)	ILC Director / Red Salud Director	9,832	13,437
Pablo Gonzalez F.	ILC Chief Executive Officer / Confuturo and Corpseguros Director	64,817	58,474
David Gallagher B.	ILC Chief Development Officer / Factoring Baninter Director	15,627	2,561
Ignacio González R.	ILC Chief Financial Officer / Vida Cámara Director	8,879	-

(1) Mr. Lorenzo Constans G. served as director of Red Salud until May 2016

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## DIRECTORS' COMMITTEE

The purpose of this Committee is to ensure that the Company adopts the best corporate governance practices. The ILC Directors' Committee is chaired by an independent director, in order to protect the interests and opinions of minority shareholders.

The main functions of this Committee are to:

- Examine external and internal audit reports, and prepare a proposal for the shareholders for their approval.
- Propose external auditors and risk rating agencies to the Board.
- Examine the background information regarding related party transactions referred to in Chapter XVI, and submit its opinion to the Board.
- Examine the compensation systems and plans for Company managers, senior executives and employees.
- Prepare an annual management report with the main recommendations for shareholders.

The Directors' Committee was formed in April 2013, and met on eight occasions in 2013, on ten occasions in 2014, on twelve occasions in 2015 and on eleven occasions in 2016.

Committee expenses were UF700 for 2016, for audit services and special tasks commissioned by the Directors' Committee. These comprised "Preventive Audits of Internal Procedures at Subsidiaries", which were undertaken by PWC.

## MAIN RECOMMENDATIONS OF THE DIRECTORS' COMMITTEE TO SHAREHOLDERS DURING 2016

- (i) Approve the annual report for the year ended December 31, 2016, the corresponding financial statements and the external auditor's report.
- (ii) Appoint "Deloitte Auditores y Consultores Limitada" as the Company's external auditors for 2017, and as an alternative, "KPMG Auditores Consultores Limitada".
- (iii) Appoint "Feller Rate Clasificadora de Riesgo Ltda." and "ICR Compañía Clasificadora de Riesgo Ltda." as the Company's risk rating agencies for 2017.

## MAIN ACTIVITIES OF THE DIRECTORS' COMMITTEE IN 2016

- The meeting held on January 25, 2016, discussed the following topics:
  - 1- Reviewed and approved the 2016 Controller's Plan, whose scope may vary in accordance with new regulatory

requirements or at the request of the Directors' Committee.

- 2- Risk Matrix: It analyzed in detail the risks defined in the matrix as of December 2015 for ILC and its subsidiaries, and its main changes with respect to the previous period. Two new risk indicators were introduced: Labor Lawsuits (Operational Risk) and Number of Workplace Accidents (Personnel Recruitment and Retention Risks).
  - 3- It reviewed the document "Summary of Subsidiaries' Audit Committees" for December 2015.
  - 4- It analyzed in detail the results of the Selective Subsidiary Audits: (i) It reviewed the conclusions regarding Conflicts of Interest and Recurrent Suppliers carried out at five subsidiaries by KPMG. (ii) It reviewed the work commissioned to PWC at Factoring Baninter. The members of the Directors' Committee agreed that the cases reviewed in greater detail should be submitted to the Audit Committee of each subsidiary.
- The meeting held on March 21, 2016, discussed the following topics:
    1. The Chairman invited the External Auditors, Deloitte, to present their review

of the financial statements for 2015 and the audit process for ILC and its subsidiaries. The Deloitte team found no material or important issues that could be considered major weaknesses in the Company's internal controls and operations. Subsequently, and as presented in their audit report, they believed that "these consolidated financial statements present fairly in all material aspects the financial position of Inversiones La Construcción S.A. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and cash flows for the years then ended, in accordance with instructions and standards for the preparation and presentation of financial information issued by the Chilean Superintendency of Securities and Insurance, as described in Note 3."

2. It reviewed the Management Analysis of the Financial Statements as of December 31, 2015, separated into the insurance and non-insurance businesses. It analyzed the detailed comprehensive income, assets, liabilities and equity at the subsidiaries and the parent company. It reviewed a table detailing operating results by operating segment for each subsidiary, where the most important change was the inclusion of Banco Internacional within the "Non-

insurance segment". Finally, the directors unanimously agreed to recommend that the Board approve the consolidated financial statements for 2015.

3. It reviewed the final version of the "Annual Report of the Directors' Committee", including its main recommendations to shareholders. As the scope and suggestions previously made by directors had already been incorporated into this report, it was approved.
4. It reviewed the document that responds to General Regulation 385, which was previously sent to the directors for review. After the directors had raised a few more inquiries, in the absence of further comments, the directors agreed to submit the document to the Board, as it had already been validated by BH Compliance.
5. It reviewed the evaluation by BH Compliance with respect to the "ILC Crime Prevention Model" to comply with Law 20,393. This evaluation states that "the ILC Crime Prevention Model complies in all material respects with the requirements established in paragraphs 1, 2 and 3 of Article 4 of Law 20,393, and the certificate of compliance issued by BH Compliance was renewed". It also reviewed the Annual Report on Subsidiaries' Audit Committees, the Internal Audit Report on Rental Contracts, and the FUT Replacement Tax Report.

6. Risk Matrix: It analyzed in detail the risks defined in the matrix as of January 2016 for ILC and its subsidiaries, and its main changes with respect to the previous period.
7. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for January 2016.

- The meeting held on March 28, 2016, discussed the following topics:
  1. It reviewed the selection of the Company's external auditors for 2016. Management considered various parameters in this selection, such as: the position of the auditing company within the industry, their experience in auditing publicly traded companies, the experience and the quality of their staff, the Company's previous experiences working with these firms, contingent situations within the market in recent years, and their proposed fees. The Directors' Committee evaluated this information and unanimously agreed to recommend to the Board that "Deloitte Auditores Consultores Limitada" remain as external auditors for 2016.
  2. It reviewed the selection of the Company's Risk Rating Agencies for 2016. After reviewing the proposals, it proposed to keep ICR and Feller Rate, given that the

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first is one of the market leaders, while the second has broad experience with insurance companies.

3. It reviewed the proposal from Deloitte to review the English translation of the financial statements in the 2015 Annual Report. After analyzing the important issues, the Committee recommended that Deloitte Auditores Consultores Limitada review this translation.
4. It reviewed once again the transaction to sell the floors of the Marchant Pereira building to AFP Habitat. This had already been reviewed and reported by the Directors' Committee to the Board, which had approved it on August 24, 2015. However, as the sale to AFP Habitat had not yet been concluded by the date of this meeting, this transaction should be resubmitted to the Board. This requirement arises from the provisions of Articles 147 and 44 of the Corporation Law. After analyzing the available information, and given that the sale terms had not changed, the report of the Directors' Committee was resubmitted without alterations to the Board in order to comply with Article 50 bis of the Corporations Law.
5. It reviewed the possibility that Inmobiliaria ILC SpA (managed by ILC) partially assigns to three related legal parties the Sale Commitment Contract dated July

10, 2013 with Inmobiliaria y Constructora Apoquindo Las Condes S.A., with respect to floors, parking spaces and storage units at the new corporate building of the Chilean Construction Chamber A.G., located at 6,780 Apoquindo, Las Condes, Santiago. After analyzing in detail the possibility of "assigning floors", and given that the amount proposed for assigning the eight floors in the Sale Commitment Contract was the market price (as ratified by an independent valuator), the Directors' Committee produced a report that was forwarded to the Board with the recommendation of the Committee, in accordance with number 3 of subparagraph 7 of Article 50 bis of Law 18,046.

- The meeting held on April 25, 2016, discussed the following topics:
  1. It reviewed additional information on the transaction with related parties, where Inmobiliaria ILC SpA partially assigns to three persons related to ILC (CChC, Compañía de Seguros Confuturo y Corporación de Desarrollo Tecnológico (CDT)), the Sale Commitment Contract dated July 10, 2013 with Inmobiliaria y Constructora Apoquindo Las Condes S.A., with respect to floors, parking spaces and storage units at the new corporate building

of the Chilean Construction Chamber A.G., located at 6,780 Apoquindo, Las Condes, Santiago. After analyzing additional information, such as market conditions presented by Colliers and information provided by management, the Committee agreed that the review of the final valuation commissioned to Transsa and the selection of assignment or sale remains pending. This information was used to establish the prices and the Committee will prepare a new report for submission to the Board with its final recommendation.

2. It invited Messrs. Cristian Sotelo and Pedro Trevisan, PWC executives who were responsible for two selective audits, to present their main conclusions from their reports on Banco Internacional and Baninter Corredores de Seguros. After commenting on the principal observations arising from the report, management mentioned to the directors that after taking control of the Bank, there had already been changes in some of the processes reviewed by PWC.
3. It reviewed the results of the "Annual Report on Subsidiaries' Audit Committees". After analyzing the principal issues in this report, the Committee requested that new information be included.
4. Risk Matrix: It analyzed in detail the risks defined in the matrix as of March 2016 for

ILC and its subsidiaries. The most important changes in the indicators were due to incorporating occupational accident rates and the trend within the category "Staff Recruitment and Retention", which were compared with benchmarks at the CChC Mutual de Seguridad and the ACHS.

5. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for March 2016.
- The meeting held on May 26, 2016, discussed the following topics:
    1. It analyzed in detail the Consolidated Financial Statements of ILC and subsidiaries as of March 31, 2016, and reviewed the corresponding Management Analysis, which detailed Comprehensive Income, Assets, Liabilities, Equity and Cash Flow. After thoroughly analyzing the important issues, it was unanimously agreed to recommend to the Board the adoption of the Consolidated Financial Statements as of March 31, 2016.
  - The meeting held on June 6, 2016, discussed the following topics:
    1. It reviewed additional information regarding the transaction with related parties where Inmobiliaria ILC SpA partially assigns floors, parking spaces and storage

units at the new corporate building of the Chilean Construction Chamber A.G., located at 6,750 Apoquindo, Las Condes, Santiago. After analyzing in detail each of the potential contracts and discussing the context for these proposed transactions with related parties, and the impact on the Company, the Directors' Committee believed that for the reasons stated, "Signing contracts to partially assign the Sale Commitment Contract to the CChC, the Compañía de Seguros Confuturo S.A. and the CDT under the terms indicated, would contribute to the Company's objectives, and that the price, terms and conditions are in line with those prevailing in the market." Therefore, it prepared a report for submission to the Board with its recommendation, in accordance with Number 3 of subparagraph 7 of Article 50 bis of Law 18,046.

2. It reviewed the report on General Regulation 385 which compares compliance by the market to compliance by ILC. It analyzed information relating to Board operations, the Company's relationship with the public, risk management and control, and evaluation by a third party. It noted that ILC achieved 62% compliance whereas the market achieved only 31% compliance.
3. It analyzed the services that cannot be contracted with the auditors, according

to Article 242 of Law 18,045, in order to avoid losing the independent nature of these services. It also mentioned the Committee's authorization required for those services that can be contracted with the auditors.

4. Risk Matrix: It analyzed in detail the risks defined in the matrix as of April 2016 for ILC and subsidiaries, which had no significant changes during the period. It noted that new indicators are being prepared and incorporated into the matrix.
  5. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for April 2016. Greater detail regarding some of the observations in the document were explained, based on questions from members of the Committee.
- The meeting held on July 25, 2016, discussed the following topics:
    1. The external auditors Deloitte presented their Annual External Audit Plan for 2016 for ILC and its subsidiaries. It reviewed the team assigned to ILC and its subsidiaries, and continued with a review of the plan for 2016, the proposed specialists, the schedule, the deliverables and the independence of the team. The Committee Chairman asked to meet with the Deloitte partner without ILC

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management being present, which is best corporate governance practice.

2. It reviewed the important documents comprising the Crime Prevention Model, which are the "Code of Conduct and Ethics", the "Internal Procedures and Health and Safety Manual" and the "Crime Prevention Manual". The principal changes relate to incorporating the crime of receiving stolen goods based on Law 20,393. The directors agreed with its annual approval. However, as the Crime Prevention Manual was amended, this was submitted to the Board for their comments and final approval.
3. It analyzed the points in the "Management Letter for 2015" issued by Deloitte. Management subsequently analyzed and discussed each of these comments and reviewed the state of progress for each of the associated action plans.
4. It reviewed the report on Law 20,393 and its compliance. The issues reviewed relate to orientation for new employees, annual training for all employees, suppliers under Law 20,393, suppliers that are related to public officials or politically exposed people, and reviewing and updating the documentation relating to the Crime Prevention Manual, the Code of Conduct and Ethics, and the Internal Procedures and Health and Safety Manual.

5. Risk Matrix: It analyzed in detail the risks defined in the matrix as of June 2016 for ILC and subsidiaries, which indicated that the matrix had no significant changes. It reviewed the new information incorporated into the matrix.
  6. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for June 2016.
- The meeting held on August 29, 2016, discussed the following topics:
    1. It invited the External Auditors Deloitte to report on their progress with their review of the interim financial reporting for ILC and its subsidiaries as of June 30, 2016. The Deloitte partner gave a detailed presentation and commented on some subjects of interest. He concluded that based on their review he was not aware of any significant change to the interim consolidated financial statements for ILC as of June 30, 2016, for these to comply with the instructions and standards for the preparation and presentation of financial information issued by the Superintendency of Securities and Insurance, as described in Note 3(a) to these interim consolidated financial statements.
    2. It analyzed in detail the Company's consolidated financial statements as of

June 2016: A review was conducted of the total assets, total liabilities and cash flow. It analyzed the equity and its changes during the first half of 2016, together with the consolidated results and individual results for each subsidiary, and finally examined the Management Analysis of the financial statements. After completing the presentation and review, the Committee considered the financial information to be fairly presented, and recommended that the Board approve these financial statements.

3. It reviewed the proposal from BH Compliance relating to the review and certification of Inversiones La Construcción's compliance with General Regulation 385, which must be submitted in March 2017 with respect to 2016. This review is described in point 4 of General Regulation 385, which is optional, but enables companies to have greater certainty about the responses submitted to the regulatory authority. It commented on the important issues, and the Committee agreed to certify this process.
4. Risk Matrix: It analyzed in detail the risks defined in the matrix as of July 2016 for ILC and its subsidiaries, and its main changes with respect to the previous period.
5. It analyzed and commented on the main themes arising from the "Summary of

Subsidiaries' Audit Committees" for July 2016. Some of these comments were explained in greater detail following questions from members of the Committee.

- The meeting held on September 26, 2016, discussed the following topics:
  1. It reviewed the report prepared by the Controller's Department at ILC with respect to the accounts reconciliation process, which is being implemented in Confuturo. It was noted that the purpose of this process is to make account analysis more visible using a documented procedure. After explaining some comments on the document in greater detail and considering that no material or significant situations were found, the Committee stated that the process that had been implemented in the subsidiaries appeared to be appropriate. New results would be presented to the Committee as the process advanced, or amendments are made at other subsidiaries.
  2. It reviewed in detail the main points of the "ILC Contingency Procedure". The creation and review of this procedure was focused on business continuity, and damage limitation (for example: information loss). Some of these comments were explained in greater detail following questions from members of the Committee.

3. Risk Matrix: It analyzed in detail the risks defined in the matrix as of August 2016, and it analyzed in detail the risks defined in the matrix for ILC and its subsidiaries, and its main changes with respect to the previous period.
4. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for August 2016. Some of these comments were explained in greater detail following questions from members of the Committee.

- The meeting held on October 24, 2016, discussed the following topics:
  1. It invited Ms. Susana Sierra and Mr. Ramon Montero of BH Compliance, to explain progress with the re-certification process of the Crime Prevention Model at ILC. The executives of BH Compliance presented the main points, the methodology employed, some contingent issues relating to Law 20,393, and responded to concerns raised by members of the Committee. The Committee then expressed its gratitude for their presentation.
  2. It reviewed the main points regarding the purchase of Vida Camara Peru by Vida Camara Chile. After analyzing the context of this proposed transaction with related parties and the details of the proposed contract, the Committee considered that

signing a share purchase agreement between Vida Cámara Peru and Vida Cámara Chile on the agreed terms would contribute to the Company's business, and that the price, terms and conditions, are in line with those prevailing in the market. Accordingly, the Directors' Committee produced a report that was submitted to the Board with its recommendation.

3. Risk Matrix: It analyzed in detail the risks defined in the matrix as of September 2016 for ILC and its subsidiaries, and its main changes with respect to the previous period. It noted the incorporation of standard indicators for Equity and Liquidity in the financial risk exposure at Consalud, which were presented retrospectively on a monthly basis since 2014.
  4. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for September 2016. Some of these comments were explained in greater detail following questions from members of the Committee.
- The meeting held on November 28, 2016, discussed the following topics:
    1. It reviewed in detail the Company's Consolidated Financial Statements as of September 30, 2016. It also reviewed the Management Analysis that forms an

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integral part of the Consolidated Financial Statements. It commented on the important issues, and agreed to submit them to the Board for approval.

2. It reviewed the loan application from Factoring Baninter. The Committee discussed the main themes and determined that this transaction between related parties falls within ILC's Routine Transactions Policy, and that the terms and conditions are in line with those prevailing in the market, and that the transaction would contribute to the Company's business. Therefore, the Committee issued a report with a favorable opinion.
3. Management presented a report regarding "Transactions with Related Parties, Article 147 Law 18,046 and Chapter XVI of Law 18,045" which reviewed the main contracts with subsidiaries. The Committee also reviewed the Board minutes that approved transactions that fell outside the Routine Transactions Policy. This report was approved by the Committee.
4. Risk Matrix: It analyzed in detail the risks defined in the matrix as of October 2016 for ILC and its subsidiaries, and its main changes with respect to the previous period.
5. It analyzed and commented on the main themes arising from the "Summary of Subsidiaries' Audit Committees" for

October 2016. Some of these comments were explained in greater detail following questions from members of the Committee.

6. It reviewed the results of the tender process for the directors and Officers Civil Liability Insurance, which expires on December 31 2016. It analyzed the proposals, conditions and values. The Committee then agreed to renew the insurance for 2017 with the same coverage conditions as in 2016.
7. It reviewed the "Annual Review of Compensation Systems and Plans" for the Company's managers, senior executives and employees. After raising inquiries, the Committee approved this information.

### INVESTMENT COMMITTEE

ILC has an Investment Committee, due to the importance of the investments that the Company manages. The Committee is composed of Mr. Daniel Hurtado P. (chairman), and Mr. Lorenzo Constans G., along with other Company executives. Its purpose is to monitor correct compliance with ILC's investment policy, while securing sufficient agility when making investment decisions. This Committee meets regularly and reports its main decisions to the Board.

The Company has its own financial investments, in addition to those of its subsidiaries, which are

managed in accordance with the investment policy approved by its Board. This policy has established that investments in local fixed income instruments must be classified equal to or greater than A+, except for existing investments prior to the policy coming into effect, which represent approximately 3% of ILC's investment portfolio.

### FINANCING POLICY

The Company does not have a borrowing policy formally agreed by the Board. However, ILC has always adopted a conservative financial policy, with limited borrowing and high liquidity.

Finally, the Company has commitments to its bondholders with respect to borrowing limits. These require the ratio of net financial debt / equity to be less than 1.0 (ILC Series C Bond) and less than 1.2 (ILC Series D,F & H Bonds).

### DIVIDEND POLICY

Article 24 of the Company's bylaws establishes that the distribution of dividends must be approved at an annual general shareholders' meeting, when it approves the financial statements each year. The ILC general shareholders' meeting held on April 28, 2016, unanimously agreed to approve a dividend proposal submitted by the Board. This proposal was to distribute a dividend that is the higher of (1) the Company's current dividend

policy, i.e. distributing between 60% and 80% of "Distributable Profit" for the year, less the gain on the sale of ILC's share of AFP Habitat to Prudential, and (2) the dividend according to ILC's bylaws.

The definition of "Distributable Profit" in number (1) is profit for the year, less ILC's proportional share of the change in legal reserves at the subsidiary AFP Habitat. Where a positive change in legal reserves results from an increase in the value of legal reserves as a result of a net investment in legal reserve units or purchases less sales, and an increase in the value of such legal reserve units. If either of these values is negative, it will be excluded from this calculation.

The manner and timing of payment is established in the Corporations Law and its Regulations.

### RISK RATINGS

During 2016, the risk rating agencies Feller Rate and ICR renewed ILC's solvency risk rating of AA+.

At the end of 2016, Feller Rate maintained ILC's solvency rating at AA+ with "stable" prospects (from "negative" at the end of 2015), as the Company has a strong competitive position with a self-management approach supported at subsidiaries. It has interests in various companies in the health and insurance sector and contributes to generating synergies between them. It has a

solid investment portfolio, in particular, at AFP Habitat. Individually it has sufficient liquidity, with broad access to the financial markets.

At the end of 2016, ICR had a risk rating of AA+ for ILC, with "stable" prospects (from "under observation" at the end of 2015), where its broad access to liquidity was highlighted, due to significant dividends from subsidiaries and access to funding in the markets.

### INDEPENDENT AUDITORS

ILC has a contract with the audit firm Deloitte Auditores y Consultores Limitada to examine the Company's accounting and financial statements for 2016 and express its professional and independent opinion on them.

### COMMENTS AND PROPOSALS FROM SHAREHOLDERS

No comments or proposals have been raised at Ordinary Shareholders' Meetings.

### ILC TOOLS THAT SUPPORT GOOD CORPORATE GOVERNANCE

ILC and its subsidiaries have adopted the values of transparency and honesty, which have historically guided its controlling shareholder, the Chilean

Construction Chamber. Therefore, the Company strives to keep the general public informed as best it can, with special emphasis on its controlling interests and shareholders. It fulfills the demanding ethical standards referred to in the various regulations that govern it.

The Company has several formal tools to strengthen and promote its Corporate Governance functions. The most important are:

- **Code of Conduct and Ethics:** Their purpose is to publicize the principles that guide the behavior of its directors, executives and employees when carrying out their daily functions, under the concepts of professionalism, trust, integrity and responsibility. This code is given to every employee when they start working for ILC.
- **Manual for Managing Market Sensitive Information:** Its purpose is to protect the interests of investors when certain associated people are handling transactions involving ILC securities, and managing the disclosure of information to the market. It secures equal opportunities for anyone to access public corporate information, and thus preserve the confidence and transparency required by the market to invest in ILC securities. This manual is public and can be found on the ILC website.

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- **Crime Prevention Model:** Its purpose is to protect the Company from the crimes of money laundering, terrorism financing and bribery. ILC re-certified that its Crime Prevention Model complies with Law 20,393. This certified compliance was awarded in 2016 for a period of two years by BH Compliance, which is a leading company in the Crime Prevention Model compliance market.
  - **General Policy for Routine Transactions between Related Parties within ILC:** Its purpose is to ensure that transactions between persons or companies related to ILC contribute to the business, and that the price, and terms and conditions are equivalent to those prevailing in the market. This policy is public and can be found on the ILC website.
  - **Internal Procedures and Health and Safety Manual:** Its purpose is to establish the general regulations that cover ILC employee's obligations and prohibitions while at Company premises. It established selection procedures for recruiting employees, and by law established the procedure for investigating complaints, among other matters. This manual is given to every employee when they start working for ILC.
  - **Complaints Channel:** Its purpose is to receive complaints from staff, shareholders, suppliers, customers or any other person, regarding any irregularities or illegal acts committed by an ILC employee. It is available to the public and located on the Company's website. Every complaint is processed with utmost confidentiality.
- Initiatives that improve corporate governance at ILC include:
- **Good Corporate Governance Policies and General Procedure Manual:** This document was prepared and approved by the Board of Directors in 2016, and defines ILC's policies, standards and procedures as a component of its corporate governance structure. It formalizes the policies adopted by the Board under the "best practice" concept, and defines the role of the Board and management in relation to best practice. The manual includes sections covering: the orientation process for new Board members, the procurement of specialists by the Board, risk management, access to information by the Board, information for investors and the market, corporate social responsibility and sustainable development, salary structures, and corporate governance policies at subsidiaries.
  - **Internal Audits:** ILC performs internal audits on its subsidiaries. These are performed by third parties and their purpose is to understand, manage and monitor the processes carried out by each subsidiary. Generally, these audits are submitted to the Directors' Committee for subsequent submission to the ILC Board.
  - **Corporate Governance Surveys at Subsidiaries:** Every year ILC sends a corporate governance survey to the chairman of each subsidiary. Its purpose is to diagnose their practices, strengthen any weaknesses detected, and standardize evaluation criteria.
  - **Office of the Controller:** ILC has an Office of the Controller to ensure that management processes function correctly. The ILC Controller reports to the Board and participates on the Directors' Committee for ILC and each subsidiary, always ensuring that every process functions correctly. Furthermore, the office has a fundamental role in monitoring the risk matrix indicators, and it prepares policies and performs internal audits in order to reduce potential threats.
  - **Performance Management Department:** This department is part of general management, and monitors the Company's business. Its

purpose is to measure financial indicators, and ascertain the impact of strategic plans and decisions implemented by the Board and management.

- **Investor Relations Department:** Its main task is to communicate with the market and report business progress, risks, and any financial and legal issues at the Company, while ensuring that information is consistent. Therefore, the Company publishes various reports, and operates an open-door policy for anyone requiring information about ILC, both in Chile and abroad.

## REGULATORY FRAMEWORK

ILC has always subjected itself to self-regulation. It was registered in 2011 and listed on the stock market in 2012, which required it to comply with the regulations and best practices imposed by domestic and international markets, in particular the Chilean Superintendency of Securities and Insurance. ILC operates most of its businesses through subsidiaries that are regulated by various entities, such as: the Superintendencies of Securities and Insurance, Pensions, Health, Banks and Financial Institutions, who apply their own standards to ensure transparent and timely market regulation, while focusing on risk management.

## RISK ANALYSIS

ILC operates its businesses in various markets, each with its economic, commercial and legal environments. Consequently, they are subject to several different risks and returns in each market. The similarity between the commercial, economic and political conditions, and the affinity between these businesses have resulted in six segments being identified: AFP, Isapres, Insurance, Healthcare, Banking and Others. Business decisions at each company are analyzed and implemented by its senior management and Board of Directors, while taking into consideration the risks and any mitigation measures.

The values adopted by ILC and its subsidiaries are transparency and honesty, which have been historically promoted by its controlling shareholder, the Chilean Construction Chamber A.G., which for over 65 years has been a major stakeholder in various aspects of business and trade union life in Chile.

The business is exposed to the following principal risks: regulatory, market, technical insurance, operational, liquidity and credit.

### a. Regulatory Risk

Regulations, standards and stable criteria enable projects to be properly evaluated and reduce

investment risk. Therefore, appropriate monitoring of the evolution of standards is vital. Most of ILC's businesses are regulated by the Superintendencies of Securities, Insurance, Pensions, Health, Banks and Financial Institutions, who apply their own standards to ensure transparent and timely market regulation, while focusing on risk management.

### a.1. AFP Sector Risk

During 2014, the government established a commission comprised of national and international experts, whose purpose was to generate proposals to improve the current pension system. During September 2015, this commission submitted a report to the President of Chile, which contained a diagnosis of the current pension system, three pension system structural proposals and 58 specific measures to improve the current pension system. These included proposals to raise the age of retirement for women from 60 to 65 years, to increase the mandatory contribution from 10% to 14%, and to create a State AFP.

During 2014 the legal framework for the pension system in Peru was amended, eliminating the obligation for independent workers to contribute, and creating the obligation to refund the contributions paid during the period when that requirement was in force.

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On August 9, 2016, the President of Chile announced her intention to implement a package of pension system reforms. The proposed changes are currently being studied and discussed by experts and legislators in order to develop a more detailed approach that can be submitted to parliament.

### a.2. Isapre Sector Risk

During October 2014, the Presidential Advisory Committee completed a study on a new legal regime for the private health system. It submitted its report to the President of Chile, which contained two proposals: a single national health insurance, supported by 10 commission members, or a multiple competitive insurance system with freedom of choice, supported by 7 commission members.

During 2016, Isapre Consalud received 29,415 appellate injunctions associated with price increases for base plans. However, as a result of a ruling by the Supreme Court in December 2013 confirming the legality of increases in health plans associated with the increase in pathologies covered by GES, the appellate injunctions were dismissed for that reason.

On June 16, 2014, the Chilean National Consumers and Users Corporation

"CONADECUS", filed 5 civil claims against the Isapres Banmedica, Colmena, Consalud, Cruz Blanca and Vida Tres, requesting that these Isapres be declared in breach of their contracts due to increases in their plan prices. In addition, it requested compensation for the excess amounts paid by policyholders and that this sum be returned to them as compensation for consequential damages.

During March 2015, CONADECUS received a court order to inform those consumers that might be affected by the conduct of the defendants that they should become a party to the case or protect their rights. They were informed through the publication of a notice in the Santiago edition of the newspaper "El Mercurio" and on the Chilean National Consumers and Users Corporation's website. On September 14, a hearing was held to reconcile this dispute. However, no agreement was reached, so the trial will advance to the preliminary proceedings stage.

On June 29, 2016, as part of processes to check income tax returns for 2015, the IRS requested that all Isapres verify the tax treatment of personal legal fees that the courts had ordered them to pay on appellate injunctions for 2013, 2014 and 2015. As a result of this process, the IRS considered that the personal legal fees incurred by policyholders

when filing claims against Isapres for unilaterally increasing the premiums on their health plans, are rejected tax expenses, as these personal legal fees are not necessary to produce the Isapre's revenue, in accordance with Article 31 of Income Tax Law. As a result of this process, the IRS levied the special tax of 35% provided in Article 21 of Income Tax Law, on the expenses incurred by Isapres which include such costs. Each Isapre is currently analyzing this resolution, in order to decide how to proceed.

Although Consalud has been and is exposed to regulatory changes, its capacity to adapt and its thirty years' experience in the market, should enable it to easily overcome any changes and challenges imposed by the market regulator.

### b. Operational Risk

This is the risk of direct or indirect loss arising from causes associated with processes, personnel, technology and infrastructure. ILC and its subsidiaries have policies and internal control procedures that minimize operational risks associated with managing their resources, which include: Business continuity plans in regulated companies, operational incident monitoring, and IT systems stability monitoring. It has a Crime Prevention Model to prevent the crimes of stolen

goods and money laundering, terrorism financing and bribery. All these risks are monitored on a regular basis using the Risk Matrix for ILC and its subsidiaries.

#### **b.1. Directors' Committee**

This Committee complies with the objectives established in Article 50 of Law 18,046, and is composed of three ILC directors and is chaired by the independent director. Furthermore, the CEO and Controller attend. It meets regularly and reports to the Board on a regular basis.

#### **b.2. Certified Compliance with Law 20,393**

The Board and senior management are committed to continuously improving corporate governance, and in 2014 ILC decided to certify its Crime Prevention Model in accordance with the requirements of Law 20,393. BH Compliance (a market-leading company in Crime Prevention Model evaluation) was requested to undertake this evaluation, and after an exhaustive review process, the Crime Prevention Model's compliance was certified on December 2, 2014 for a two-year period. On December 1, 2016, BH Compliance re-certified ILC's Crime Prevention Model for a further two-year period. This reinforces ILC's commitment to continuously apply the best corporate governance standards.

### **c. Market Risk**

#### **c.1. Investment Committee**

The ILC Investment Committee is composed of two directors and several Company executives. Its purpose is to monitor correct compliance with ILC's investment policy, while securing sufficient agility when making investment decisions. This Committee meets regularly and reports its main decisions to the Board.

#### **c.2. Interest Rate Risk**

Interest rate risk is the sensitivity of financial asset and liability values to fluctuations in market interest rates.

Financial liabilities at ILC and its subsidiaries are loans from financial institutions, finance leases and obligations to the public, such as bonds. The proportion of these obligations at fixed interest rates was 90.9%, as of December 31, 2016.

These liabilities are mainly exposed to changes in the value of the UF, which is mitigated by a large proportion of ILC's revenue also being indexed to the UF.

#### **c.3. Financial Investment Performance Risk**

This is the risk of changes to the market value of ILC's investment instruments, which are particularly exposed to volatility in local and international financial markets, and to exchange rate and interest rate movements. The diversification built into investment policy partially mitigates the effect of violent changes in market conditions.

The parent company has an investment policy that has been approved by its Board. This policy has established that investments in local fixed income instruments must be classified equal to or greater than A+, provided they are highly liquid and have a good credit risk.

The investment portfolio of the subsidiary Compañía de Seguros de Vida Cámara S.A. is based on the policy approved by its Board. This policy restricts investments to financial instruments that have similar maturities to its liabilities denominated in UF, and are classified equal to or greater than A+. Moreover, the Company's investment policy requires that at least 35% of the portfolio is invested in instruments issued by the Central Bank of Chile or the Chilean State Treasury.

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The investment portfolio for the subsidiaries Compañía de Seguros Confuturo S.A. and Compañía de Seguros Corpseguros S.A. is based on an investment policy that aims to optimize the balance between risks and returns on the portfolio. It requires that the portfolio remains within risk limits defined by the Board, while securing an adequate return on the capital invested by shareholders, and assuring policyholders that the Company can fulfill its commitments to them. The majority of the investments held by these companies are at amortized cost, which substantially reduces market risk. Additionally, the Investment Committee meets every two weeks, in order to review investment proposals and analyze the associated credit risk. It also reviews the credit situation for every financial investment in Chile and abroad, the lines of credit approved by banks, mutual funds, brokers, covenants and counterparties in derivative transactions. The Committee is comprised of representatives from the Company's Board, its Chief Executive Officer, Investment Manager, Chief Financial Officer, Deputy Risk Manager and other executives.

The purpose of the derivatives policy is to cover financial risks and to invest, to enable

insurance companies to optimize and diversify their investment portfolio. The financial risk policy aims to limit associated risks, such as market, liquidity, reinvestment, credit and operational risks, to previously defined levels.

Interest rate risk at Banco Internacional is calculated and monitored using the standard method established in the Compendium of Financial Regulations issued by the Central Bank of Chile and the Updated Compilation of Standards issued by the SBIF. This requires that interest rate exposure for the trading book and banking book is measured every day.

The trading book includes financial instruments that have been classified as trading instruments and derivatives that have not been classified as hedging instruments, according to accounting standards.

The banking book includes the remaining assets and liabilities that do not form part of the trading book. The standard banking book model provides a short-term sensitivity measurement associated with the interest margin, and the economic value for the long-term sensitivity measurement.

### **c.4. Legal Reserves Performance Risk**

Pension fund investments are particularly exposed to volatility in local and international financial markets, and to exchange rate and interest rate movements. These risks directly affect pension fund performance and consequently legal reserves performance, which is directly reflected in profit for the year at the managing company.

### **c.5. Exchange Rate Risk**

ILC is exposed to exchange rate risk on its investments in Peru, its subsidiaries Vida Cámara Peru and Habitat Peru, excluding exchange rate effects on financial investments and legal reserves.

Insurance companies have cross currency swap and forward contracts with financial institutions to protect their investment portfolio from changes in exchange rates, which fully comply with General Standard 200 issued by the Superintendency of Securities and Insurance. This standard also defines how they are valued.

Banco Internacional is exposed to losses caused by adverse changes in the value of

national currencies compared to foreign currencies and the UF, as these are used to value instruments, contracts and other transactions. Banco Internacional mitigates this exposure using monitoring models that raise warnings regarding exchange rate and indexation risks in the trading and banking books. These models fully comply with the regulations issued by the Central Bank of Chile and the Superintendency of Banks and Financial Institutions.

#### d. Technical Insurance Risk

##### d.1. Pension and Private Annuity Insurance, Traditional Insurance

The subsidiaries Compañía de Seguros Confuturo S.A. and Compañía de Seguros Corpseguros S.A. aim to manage insurance risk by securing sufficient resources to guarantee their ability to meet the commitments detailed in their insurance contracts.

Therefore, they are organized as follows:

- Technical Management Department: It calculates reserves, calculates prices, defines enrollment guidelines, determines retention limits and reinsurance agreements, performs analysis and actuarial projections.

- Operational Management Department: It implements enrollment processes, issues policies, collects premiums, maintains contracts, pays claims and benefits.
- Product Development Department: It identifies market needs and coordinates the product development process. It is guided by the following policies, which define the processes associated with managing insurance risk:
  - Reserves Policy
  - Pricing Policy
  - Enrollment Policy
  - Reinsurance Policy
  - Investment Policy

The reserves policy establishes the criteria and responsibilities for calculating technical reserves. It complies with the regulations issued by the Superintendency of Securities and Insurance, and provides the information required by the Company's Corporate Governance.

The pricing policy is based on the principles of equivalence and equality, bearing in mind the competitive nature of the insurance market. These principles are used to calculate insurance premiums and ensure that they are sufficient to finance claims, operating costs and the required return, which reflects the risk assumed by the Company.

The enrollment policy is designed to ensure that risks are carefully classified according to medical and non-medical factors, taking into account the capital employed. Enrollment guidelines are adapted to each business according to its characteristics and the way each is marketed. The principles of objectivity and non-discrimination are always applied.

The reinsurance policy imposes risk and diversification requirements for reinsurance companies, in order to minimize the liquidity risk associated with any failure to meet their commitments. However, the Company does not have any reinsurance on its life annuity portfolio at the closing date of these financial statements.

Furthermore, the Company is constantly improving technical training for its distribution channels, according to their characteristics, the product and the target market.

Technical risks associated with the business:

- Longevity: Risk of loss when life expectancy exceeds expectations.
- Investments: Risk of loss when performance is lower than expected.
- Expenses: Risk of loss when expenses exceed expectations.
- Mortality: Risk of loss when deaths follow an unexpected pattern.

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- Persistence: Risk of loss when redemptions and policy cancellations exceed expectations.

These risks have been mitigated by adopting the following:

- Product Design
- Enrollment
- Claims Analysis
- Reinsurance

## **d.2. Disability and Survivor Insurance (SIS), Health and Life Insurance**

The disability and survivor insurance business is affected by five main risk components: the number of disability claims and deaths in the period; changes in the rate at which life annuities are sold; changes in pension fund performance; the rate at which disability claims are approved; and changes in the taxable income of AFP contributors.

The Company carried out a thorough financial and statistical analysis and forecasted all the variables in order to arrive at SIS pricing. In addition, Compañía de Seguros de Vida Cámara S.A. has financial matching policies to ensure that its investment portfolio matures with the same average maturity as its liabilities, which mitigates the effect of

interest rate reductions. It has a full team dedicated to managing the supplementary insurance settlement process for the disability and survivor department, which centralizes back office services for SIS and reports to the Chilean Insurers Association.

Compañía de Seguros de Vida Cámara S.A. provides health and life insurance and is exposed to the risk of claims and errors in pricing health and life policies.

## **d.3. Health Insurance**

The main risks to which the Isapre business is exposed are errors in pricing health policies, as they may not adequately cover the corresponding costs and rates agreed with healthcare providers, or the intensity and frequency of their use by policyholders. This is a major risk in the industry due to its low net margins. Isapre Consalud S.A. mitigates this risk using pricing models and a team of experts in these issues.

## **e. Liquidity Risk**

Liquidity risk is the possibility that ILC and its subsidiaries fail to meet their working capital and fixed asset investment commitments or financial obligations.

ILC finances its business and its investments using the dividends and income distributions it receives from the companies in which it has invested. It also sells assets and issues bonds and shares.

ILC and its subsidiaries have sufficient liquid financial resources to meet their short and long-term obligations, and can also rely on these subsidiaries as important sources of cash. Furthermore, ILC has broad access to funding from the banking sector and capital markets in order to meet its obligations, as its solvency rating is AA+ according to the risk rating companies ICR and Feller-Rate.

The nature of the life annuity industry is for liabilities in general to have an average term longer than assets. Therefore, the risk of exposing the subsidiaries Compañía de Seguros Confuturo S.A. and Compañía de Seguros Corpseguros S.A. to a liquidity crisis is low. Furthermore, these liabilities are concentrated in highly diversified life annuities, which cannot be enforced in advance, which further reduces their exposure to a liquidity crisis.

Liabilities at the subsidiary Compañía de Seguros Confuturo S.A. are associated with CUI accounts (single investment accounts), so are supported by investments in indexes or liquid assets, which support the products offered by the Company, thus reducing liquidity risks. Additionally, these

liabilities represent a low proportion of its portfolio, and even in a stress scenario the market depth for those assets that support these liabilities is far greater than the Company's potential liquidity requirements.

Banco Internacional has a financial risk department that is responsible for identifying, measuring and controlling the bank's exposure to liquidity risk, arising from mismatches in its own business and investments made by the finance department. It operates in accordance with the bank's strategic objectives, its internal policies, current regulations and best liquidity risk management practice. Banco Internacional has a liquidity management policy, which aims to stabilize funds, minimize their cost and proactively prevent liquidity risks. It has defined liquidity ratios and limits, early warning indicators, contingency plans and liquidity stress tests, which together ensure that liquidity is correctly monitored and anticipates any avoidable risks.

ILC and its subsidiaries constantly analyze their financial situation, by forecasting cash flows and their financial environment in order to negotiate new financial borrowing or restructure the terms of current loans to bring them into alignment with current cash generation, if necessary. It also has pre-approved lines of short-term credit to cover any liquidity risk.

#### **f. Credit Risk**

Credit risk is the risk of a financial loss to the Group when a counterparty fails to fulfill its contractual obligations.

The credit risk associated with amounts due from banks, financial instruments and trading securities, which form most of the Group's financial investments such as legal reserves, insurance reserves and the parent company's investment portfolio, are all subject to strict standards imposed by market regulators and their own investment policies. They define minimum risk ratings, maximum concentrations in industries or companies, minimum investment in instruments issued by the Central Bank or Treasury. Therefore, credit risk is reduced to practically the same as that facing the largest institutional investor in the country.

Insurance companies prepare and submit their risk analysis on an annual basis, in accordance with instructions issued by the Superintendency of Securities and Insurance.

The insurance companies, Corpseguros, Confuturo and Vida Camara have financial investments that cover their insurance reserves, and they carefully monitor their risk ratings. Moreover, the real estate

investments in their portfolio are supported with guarantees such as: land, buildings, performance guarantees, and other safeguards.

The risk exposure associated with recovering trade receivables and other accounts receivable is managed by each ILC subsidiary. The greatest credit risk exposure is in the Isapres, as they are the principal payers of the healthcare provided in hospitals and medical centers, which experience low delinquency rates, due to the regulations that apply to this sector to ensure the financial solidity of these institutions. Fonasa has low credit risk, as it is a healthcare insurer funded directly by the State. The remaining debtors comprise many customers owing small amounts, which minimizes the impact of this risk.

Credit risk at Banco Internacional arises from the likelihood that a counterparty fails to comply with its contractual obligations, due to insolvency or other reasons caused by the Bank granting loans. The Bank may also incur financial losses if customers choose or request to repay their loans in advance. Apart from loans, credit risk arises on other financial instruments, where the possibility of default by the external issuer is measured by its independent risk rating. Banco Internacional has a credit risk division that detects and controls potential portfolio impairment, and is responsible

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for admission and control, in order to monitor industry concentration, economic conditions, market conditions, regulatory and behavioral changes, changes to key economic variables such as exchange rates, inflation and interest rates, and changes and trends in asset valuation criteria. It is responsible for evaluating guarantees submitted by debtors, and monitors the behavior of overdue loans, with the aim of mitigating the risks. Banco Internacional has a Credit Policy and Procedures Manual, which guides the executive team in the traditional loan business, subject to assessment, approval and management.

### EARNINGS DISTRIBUTION

The Company's paid capital totals Ch\$239,852 million and is represented by 100,000,000 common registered shares with no par value. Equity has increased by the appropriate proportion of capital growth, which is understood to be a legal right, once the financial statements are approved at the annual general shareholders' meeting, in accordance with Article 10 of Law 18,046.

### EFFECTS ON EQUITY

EQUITY ACCOUNTS	AMOUNT 12-31-2016 MCH\$	PROPOSAL TO THE BOARD MCH\$
Paid capital	239,852	239,852
Share premium	471	471
Other reserves	79,584	79,584
Retained earnings	66,270	361,008
Profit for the year	294,738	
Interim dividend (January 2017)		(25,000)
Final dividend*		(40,000)
<b>TOTAL EQUITY</b>	<b>680,915</b>	<b>615,915</b>

### DISTRIBUTABLE PROFIT

EQUITY ACCOUNTS	PROPOSAL TO THE BOARD MCH\$
(+) Total ILC Profit	294,738
(-) Change in Legal Reserves at AFP Habitat of 40.29%	(5,948)
ILC distributable profit	288,790
Interim dividend	50,000
Final dividend*	40,000
Total dividend paid from 2016 profit	90,000
Percentage distributed of distributable profit	31.2%

\* Subject to approval at the annual general shareholders' meeting in 2017

### DIVIDENDS PAID SINCE IPO

PAYMENT MONTH	DIVIDEND NUMBER	DIVIDEND PER SHARE (CH\$)	PARTICIPATING SHARES	TOTAL DISTRIBUTED (CH\$)	DIVIDEND	YEAR EARNED
October 2012	1	180	100,000,000	18,000,000,000	Interim	2012
January 2013	2	80	100,000,000	8,000,000,000	Interim	2012
May 2013	3	288	100,000,000	28,800,000,000	Additional	2012
October 2013	4	150	100,000,000	15,000,000,000	Interim	2013
January 2014	5	60	100,000,000	6,000,000,000	Interim	2013
May 2014	6	240	100,000,000	24,000,000,000	Final	2013
October 2014	7	70	100,000,000	7,000,000,000	Interim	2014
January 2015	8	60	100,000,000	6,000,000,000	Interim	2014
May 2015	9	319	100,000,000	31,900,000,000	Final	2014
October 2015	10	70	100,000,000	7,000,000,000	Interim	2015
January 2016	11	70	100,000,000	7,000,000,000	Interim	2015
May 2016	13	238.30087	100,000,000	23,830,087,000	Additional	2015
May 2016	12	41.69913	100,000,000	4,169,913,000	Final	2015
October 2016	14	250	100,000,000	25,000,000,000	Interim	2016
January 2017	15	250	100,000,000	25,000,000,000	Interim	2016

## ILC STOCK STATISTICS

### SANTIAGO STOCK EXCHANGE

QUARTER	NUMBER OF SHARES TRADED	AVERAGE PRICE (CH\$)	TOTAL VALUE TRADED (CH\$)	STOCK MARKET PRESENCE
1st Quarter 2013	7,099,671	9,139	64,883,270,006	94.44%
2nd Quarter 2013	6,782,229	8,849	60,012,714,657	100.00%
3rd Quarter 2013	5,014,085	6,910	34,647,709,178	100.00%
4th Quarter 2013	6,327,677	7,326	46,354,253,826	100.00%
1st Quarter 2014	3,202,820	7,156	22,804,281,689	99.44%
2nd Quarter 2014	4,511,334	7,038	32,145,240,795	99.26%
3rd Quarter 2014	5,486,735	7,388	27,896,701,454	98.52%
4th Quarter 2014	5,473,969	7,912	43,668,095,197	98.70%
1st Quarter 2015	2,403,628	7,453	17,905,201,350	98.89%
2nd Quarter 2015	3,483,526	7,485	26,194,133,877	98.89%
3rd Quarter 2015	2,789,632	7,362	20,579,477,374	98.33%
4th Quarter 2015	2,892,754	7,586	21,960,568,919	98.89%
1st Quarter 2016	2,870,561	7,450	21,386,318,816	97.22%
2nd Quarter 2016	2,480,003	7,606	18,863,029,314	98.33%
3rd Quarter 2016	3,765,236	7,335	27,617,253,039	98.33%
4th Quarter 2016	3,202,842	7,987	25,581,731,434	99.44%

### CHILEAN ELECTRONIC STOCK EXCHANGE

QUARTER	NUMBER OF SHARES TRADED	AVERAGE PRICE (CH\$)	TOTAL VALUE TRADED (CH\$)
1st Quarter 2013	777,479	9,150	17,120,504,901
2nd Quarter 2013	252,017	8,896	2,242,312,153
3rd Quarter 2013	379,054	6,803	2,578,485,229
4th Quarter 2013	290,569	7,337	2,132,671,650
1st Quarter 2014	77,295	7,139	559,425,644
2nd Quarter 2014	436,040	7,011	3,011,358,351
3rd Quarter 2014	324,296	7,452	2,524,930,478
4th Quarter 2014	189,795	7,873	1,482,033,367
1st Quarter 2015	170,232	7,429	1,262,557,993
2nd Quarter 2015	148,935	7,440	1,102,244,607
3rd Quarter 2015	169,832	7,359	1,250,633,954
4th Quarter 2015	90,873	7,599	694,561,778
1st Quarter 2016	189,228	7,491	1,417,561,630
2nd Quarter 2016	129,344	7,727	999,389,182
3rd Quarter 2016	41,911	7,283	305,241,530
4th Quarter 2016	411,209	8,088	3,326,054,836

# 09 / CORPORATE GOVERNANCE

## VALPARAÍSO STOCK EXCHANGE

QUARTER	NUMBER OF SHARES TRADED	AVERAGE PRICE (CH\$)	TOTAL VALUE TRADED (CH\$)
1st Quarter 2013	14,156	9,130	129,148,039
2nd Quarter 2013	10,933	9,035	98,784,908
3rd Quarter 2013	4,520	6,789	30,686,538
4th Quarter 2013	-	-	-
1st Quarter 2014	-	-	-
2nd Quarter 2014	-	-	-
3rd Quarter 2014	-	-	-
4th Quarter 2014	-	-	-
1st Quarter 2015	-	-	-
2nd Quarter 2015	-	-	-
3rd Quarter 2015	-	-	-
4th Quarter 2015	-	-	-
1st Quarter 2016	-	-	-
2nd Quarter 2016	-	-	-
3rd Quarter 2016	374	7,500	2,805,000
4th Quarter 2016	-	-	-

## ILC SHARE TRADING BY EXECUTIVES

2016

NAME	POSITION	INVESTMENT	NATURE	AVERAGE UNIT PRICE (CH\$)	TRANSACTION AMOUNT (CH\$)
Trinidad Valdés Monge	ILC Executive	Financial Investment	Bought	7,750	1,944,417
Trinidad Valdés Monge	ILC Executive	Financial Investment	Bought	7,480	1,981,770

## ILC DIRECTORS AND EXECUTIVES WITH OWNERSHIP INTERESTS

The directors and senior executives with ownership interests in ILC are listed below:

### 2016

NAME	POSITION	NUMBER OF SHARES	% INTEREST
Sergio Torretti Costa	Chairman	424	0.000424%
Jorge Mas Figueroa	Vice Chairman	0	0.000000%
Daniel Hurtado Parot	Director	48,108	0.048108%
Lorenzo Constans Gorri	Director	8,205	0.008205%
René Cortázar Sanz	Director	0	0.000000%
Gastón Escala Aguirre	Director	617,493	0.617493%
Alberto Etcheagaray Aubry	Director	2,038	0.002038%
Francisco Vial Bezanilla (1)	Director	13,899	0.013899%
Patricio Bustamante Pérez (2)	Director	0	0.000000%
Pablo González Figari	Chief Executive Officer	8,744	0.008744%
David Gallagher Blamberg	Chief Development Officer	1,132	0.001132%
Ignacio González Recabarren	Chief Financial Officer	4,720	0.004720%
Juan Pablo Undurraga Costa	Chief Performance Management Officer	1,616	0.001616%
Robinson Peña Gaete	Chief Accounting and Administration Officer	2,778	0.002778%
Andrés Gallo Poblete	Controller	137	0.000137%
Julio Galvez Pacheco	Deputy Development Manager	266	0.000266%
Andrea Isbej Morales (3)	Deputy Performance Management Manager	0	0.000000%
Trinidad Valdés Monge	Head of Investor Relations	514	0.000514%
Juan Olguín Tenorio	Chief Accountant	0	0.000000%
Hernando Farías Ulloa	Head of Internal Control	0	0.000000%
Fredy Arcila Vilches	Head of Accounting	0	0.000000%

(1) Mr. Francisco Vial Bezanilla was an ILC director from May 2010 until April 2016

(2) Mr. Patricio Bustamante Pérez was an ILC director from January 2015 until April 2016

(3) Andrea Isbej Morales worked at ILC from July 2014 until April 2016.

## ILC AND SUBSIDIARIES' TRADEMARKS DECEMBER 31, 2016

### A) ILC TRADEMARKS

The main trademarks registered in the name of ILC (formerly Sociedad de Inversiones y Servicios la Construcción S.A.) are the following:

- 1) The trademark ILC INVERSIONES under number 938523 for classes 35 and 36, and valid until 11/18/2021.
- 2) The trademark RED SALUD CCHC under numbers 793516 and 822222 for classes 36 and 44, and valid until 07/31/2017 and 07/18/2018, respectively.
- 3) The trademark REDSALUD RED SOCIAL CCHC under numbers 824762 and 824763 for classes 16, 36 and 44, and valid until 08/20/2018.
- 4) The trademark LA CONSTRUCCIÓN under number 871262 for class 36, and valid until 02/02/2019.
- 5) The trademark CLÍNICA PEÑALOLÉN under numbers 969455, 969457, 969459, 999428 and 1027650 for classes 44, 42, 39, 41 and 35, and valid until 10/26/2022 for classes 44, 42 and 39, 03/12/2023 for class 41 and 08/02/2023 for class 35.

# 09 / CORPORATE GOVERNANCE

6) The trademark CLÍNICA ÑUÑO A under number 1027652 for class 35, and valid until 08/02/2023.

7) The trademark CLÍNICA LA FLORIDA under numbers 992520, 969461, 969463, 969465 and 1033743 for classes 44, 42, 41, 39 and 35 and valid until 02/07/2023 for class 44, 10/26/2022 for classes 42, 41 and 39 and 08/23/2023 for class 35.

8) The trademark CONVIDA under number 1127511 for class 36, and valid until 09/25/2024.

9) The trademark CONSTRUVIDA under number 1145865 for class 36, and valid until 12/16/2024.

10) The trademark CONSTRUSALUD under number 1174476 for classes 36 and 44, and valid until 08/04/2025.

## B) TRADEMARKS OF ILC SUBSIDIARIES

The main trademarks registered in the name of ILC's subsidiaries are the following:

### ISAPRE CONSALUD S.A.

The trademark ISAPRE CONSALUD through Isapre Consalud S.A. under numbers 932317 and 933201 for classes 35, 36, 38, 44 and 16, and valid until 09/22/2021 and 09/29/2021 respectively.

The trademark CONSALUD through Isapre Consalud S.A. under numbers 757610, 757611, 757612 and 758105 for classes 16, 35, 36 and 44, and valid until 05/04/2016 and 05/10/2016 for class 44.

The trademark CONSALUD SEGUROS through Isapre Consalud S.A. under numbers 1145624, 1145625 and 1145626 for classes 35, 36 and 16, and valid until 12/15/2024.

### ADMINISTRADORA DE FONDOS DE PENSIONES HÁBITAT S.A.

The trademark HABITAT A.F.P. through Administradora de Fondos de Pensiones Hábitat S.A. under numbers 943597 and 943598 for classes 16, 36 and 38 and valid until 11/26/2021.

The trademark AFP HABITAT through Administradora de Fondos de Pensiones Hábitat S.A. under number 983178 for class 36, and valid until 01/03/2023.

### INVERSIONES CONFUTURO S.A.

The trademark CORPSEGUROS through Compañía de Seguros Corpvida S.A. under number 809983 for class 36, and valid until 11/27/2017.

The trademark CORPVIDA through Compañía de Seguros Corpvida S.A. under numbers 814604, 821812, 814605 and 814606 for classes 24, 36, 35 and 16, and valid until 04/22/2018 for classes 24, 35 and 16, and 07/11/2018 for class 36.

The trademark VIDA CORP through Compañía de Seguros Corpvida S.A. under numbers 830225, 826927, 826926, and 851338 for classes 35, 37, 42, 43, 44, 36 and valid until 05/06/2018 for class 35, 03/30/2018 for classes 16, 37, 42, 43 and 44, and 09/29/2019 for class 36.

The trademark CORP VIDA through Compañía de Seguros Corpvida S.A. under numbers 960835, 960838, 960836 and 960837 for classes 16, 37, 42, 43, 44 and 45, and valid until 01/24/2022.

The trademark Confuturo under number 1167385 for class 36, and valid until 05/27/2025.

### CLÍNICA BICENTENARIO S.A. (FORMERLY CLÍNICA LA CONSTRUCCIÓN S.A.)

The trademark CLINICA BICENTENARIO through Clínica La Construcción S.A. under number 856278 for classes 35, 39, 41, 42 and 44, and valid until 07/27/2019.

The trademark CLINICA METROPOLITANA through Clínica La Construcción S.A. under number 804625 for classes 35, 39, 41, 42 and 44, and valid until 12/28/17.

The trademark CLÍNICA SANTIAGO PONIENTE through Clínica La Construcción S.A. under number 798981 for classes 35, 39, 41 and 44, and valid until 10/17/2017.

#### **SERVICIOS MEDICOS TABANCURA S.A.**

The trademark CLÍNICA TABANCURA through Servicios Médicos Tabancura S.A. under number 1006266 for class 16, and valid until 10/30/2022.

The trademark TABANCURA through Servicios Médicos Tabancura S.A. under number 785198 for class 44, and valid until 01/02/2017.

The trademark MATERNIDAD TABANCURA through Servicios Médicos Tabancura S.A. under number 928825 for class 44, and valid until 06/08/2021.

#### **CLINICA AVANSALUD S.A.**

The trademark CLINICA AVANSALUD brand, through Clínica Avansalud S.A. under numbers 1087362, 1087358, and 1087360 for classes 16, 36 and 38, and valid until 09/07/2024.

The trademark AVANSALUD, through Clínica Avansalud S.A. under numbers 982282, 982284 and 1042249, for classes 36, 38 and 44, and valid until 09/10/2022 for classes 36 and 38, and 12/22/2023

for class 44. The same trademark through Clínica Avansalud S.A. under numbers 1087364 and 1120984 for classes 16 and 44, and valid until 03/18/2024 and 06/16/2024 respectively.

The trademark MEDIC II through Clínica Avansalud S.A. under numbers 858648, 858649 and 858650 for classes 9, 16 and 38 and valid until 08/26/2019.

#### **MEGASALUD S.A.**

The trademark MEGASALUD through Megasalud S.A. under numbers 1208603 and 927137 for classes 10 and 16, and valid until 04/18/2026 for class 10 and 08/01/2011 for class 16.

The trademark MEGASALUD.CL through EMPRESAS RED SALUD S.A., under numbers 886819 and 1223183 for classes 10, 35, 39 and 42, and valid until 06/15/2020 for class 10 and 04/18/2026 for classes 35, 39 and 42.

The trademark RED SALUD MEGASALUD CCHC through Megasalud S.A. under numbers 857897 and 800203 for classes 16 and 44, and valid until 08/18/2019 for class 16 and 11/02/2017 for class 44.

#### **COMPAÑÍA DE SEGUROS DE VIDA CÁMARA S.A.**

The trademark VIDA CAMARA through Compañía de Seguros de Vida Cámara S.A. under number 913784 for class 36, and valid until 03/23/2021.

#### **CLÍNICA IQUIQUE S.A.**

The trademark CI IQUIQUE through Clínica Iquique S.A. under number 923818 for class 44, and valid until 10/16/2020.

#### **RED SALUD S.A.**

The trademark RED SALUD CCHC, through EMPRESAS RED SALUD S.A., under numbers 793516, 1239947, and 822222 for classes 36 and 44, and valid until 07/31/2017.

The trademark REDSALUD RED SOCIAL CCHC, through EMPRESAS RED SALUD S.A., under number 824763 for classes 16, 36 and 44, and valid until 08/20/2018.

#### **ADMINISTRADORA CLÍNICAS REGIONALES SEIS S.A.**

This company has not registered any trademarks.

#### **ONCORED SPA**

This company has not registered any trademarks.

#### **INMOBILIARIA ILC SPA**

This company has not registered any trademarks.

#### **INMOBILIARIA CLÍNICA S.A.**

This company has not registered any trademarks.

# 09 / CORPORATE GOVERNANCE

## **SOCIEDAD EDUCACIONAL MACHALI S.A.**

This company has not registered any trademarks.

## **INVERSIONES LA CONSTRUCCIÓN LIMITADA**

This company has not registered any trademarks.

## **INVERSIONES PREVISIONALES-DOS S.A.**

This company has not registered any trademarks.

## **INVERSIONES INTERNACIONALES LA CONSTRUCCIÓN S.A.**

This company has not registered any trademarks.

## **COMPAÑÍA DE SEGUROS CORPSEGUROS S.A.**

This company has not registered any trademarks.

## **INSURANCE CONTRACTS**

The Group has taken out insurance policies to cover risks to property, plant and equipment and potential claims against directors and executives when performing their duties. These policies sufficiently cover the risks to which they are exposed.

### • **ILC:**

ILC has taken out civil liability insurance to protect the directors and management, whose decisions commit the company to third parties. This insurance primarily covers the legal costs to defend an investigation or administrative claim.

ILC has taken out insurance policies covering risks to physical assets:

- All risks insurance for the building located at Av. Italia 1056, Providencia.
- Insurance against fire, earthquake and theft of the contents at its corporate offices.

### • **AFP Habitat:**

AFP Habitat has taken out following insurance policies:

- Two personal accident policies
- Two all risks policies
- A civil liability policy
- A directors and officers civil liability policy

### • **Isapre Consalud:**

Consalud has taken out an insurance program that includes all types of risk to physical goods and electronic equipment, and policies that cover corporate civil liability.

### • **Red Salud:**

The company has taken out policies, which address two major risks:

- Damage to facilities and equipment:

these insurance policies cover fire, theft, earthquake, terrorism and other physical damage.

- Civil liability for the company and officials, and damage caused by strikes at its subsidiaries.

### • **Confuturo and Corpseguros:**

The companies have taken out policies that cover three main categories:

- Real Estate: These cover physical risks to investment in property for own use, for investment and for leasing, covering risks such as fire, earthquake, and theft
- Damages and loss of profits during strikes
- Civil liability

### • **Vida Cámara:**

The company has taken out insurance policies for all its offices throughout Chile, covering risks such as: fire, earthquake, theft and damage to equipment. Vida Camara also has civil liability insurance.

### • **Banco Internacional:**

The Bank has several insurance policies covering several risks. These can be grouped into two main categories:

- i. Insurance policies to protect the Bank's assets covering fire and damage to branches, and damage to and theft of ATMs.
- ii. Insurance policies to protect the Bank's business covering civil liability for the company, its directors, executives and staff.

## TRANSACTIONS WITH RELATED COMPANIES IN 2016

## TRANSACTIONS BETWEEN THE PARENT COMPANY AND ITS SUBSIDIARIES IN 2016

TAXPAYER ID NUMBER	PARENT COMPANY	TAXPAYER ID NUMBER	SUBSIDIARY	RELATIONSHIP	TRANSACTION	AMOUNT THCH\$	(CHARGE)/ CREDIT TO PROFIT
94.139.000-5	Inversiones La Construcción S.A.	76.020.458-7	Red Salud S.A.	Parent - Subsidiary	Interest and indexation on mercantile current account	19,415,489	560,219
94.139.000-6	Inversiones La Construcción S.A.	76.283.171-6	Inversiones Marchant Pereira Ltda.	Parent - Subsidiary	Interest and indexation on mercantile current account	-	1,463
76.438.032-0	Inversiones La Construcción S.A.	99.003.000-6	Administradora de Inversiones Previsionales SpA	Parent - Subsidiary	Capital contribution	3,621,731	-
94.139.000-5	Inversiones La Construcción S.A.	99.003.000-6	Compañía de Seguros Vida Cámara S.A.	Parent - Subsidiary	Capital contribution	14,000,000	-
94.139.000-5	Inversiones La Construcción S.A.	76.081.583-7	Sociedad Educacional Machali S.A.	Parent - Subsidiary	Interest and indexation on mercantile current account	-	194
94.139.000-5	Inversiones La Construcción S.A.	76.296.621-2	Inmobiliaria ILC SpA	Parent - Subsidiary	Current account loan	337,720	-
94.139.000-5	Inversiones La Construcción S.A.	76.296.621-2	Inmobiliaria ILC SpA	Parent - Subsidiary	Interest and indexation on mercantile current account	23,378,888	1,539,699
94.139.000-5	Inversiones La Construcción S.A.	99.003.000-6	Compañía de Seguros Vida Cámara S.A.	Parent - Subsidiary	Office leases	63,370	63,370
94.139.000-5	Inversiones La Construcción S.A.	98.000.100-8	AFP Habitat S.A.	Parent - Subsidiary	Storage unit lease	407	407
94.139.000-5	Inversiones La Construcción S.A.	76.123.853-1	Inmobiliaria Clínica S.A.	Parent - Subsidiary	Land lease	5,040	5,040
94.139.000-5	Inversiones La Construcción S.A.	96.608.510-K	Inversiones Internacionales La Construcción S.A.	Parent - Subsidiary	Administrative consultancy	18,000	18,000
94.139.000-5	Inversiones La Construcción S.A.	76.090.153-9	Inversiones La Construcción Limitada	Parent - Subsidiary	Administrative consultancy	19,000	19,000
81.458.500-K	Chilean Construction Chamber AG	94.139.000-5	Inversiones La Construcción S.A.	Parent - Subsidiary	Office leases	3,548	3,548
94.139.000-5	Inversiones La Construcción S.A.	96.751.830-1	Inversiones Confuturo S.A.	Parent - Subsidiary	Administrative consultancy	36,000	36,000
94.139.000-5	Inversiones La Construcción S.A.	96.856.780-2	Isapre Consalud S.A.	Parent - Subsidiary	Dividend paid	1,670,414	-
94.139.000-5	Inversiones La Construcción S.A.	76.020.458-7	Red Salud S.A.	Parent - Subsidiary	Dividend paid	2,242,614	-
94.139.000-5	Inversiones La Construcción S.A.	96.751.830-1	Inversiones Confuturo S.A.	Parent - Subsidiary	Capital contribution	25,757,240	-
94.139.000-5	Inversiones La Construcción S.A.	76.093.446-1	Inversiones Previsionales Dos SpA.	Parent - Subsidiary	Capital contribution	576,634	-
94.139.000-5	Inversiones La Construcción S.A.	96.885.930-7	Clínica Bicentenario SpA	Parent - Subsidiary	Receivables	77,815	-
76.438.032-0	Inversiones La Construcción S.A.	96.751.830-1	Inversiones Confuturo S.A.	Parent - Subsidiary	Dividend paid	10,001,284	-
94.139.000-5	Inversiones La Construcción S.A.	76.020.458-7	Red Salud S.A.	Parent - Subsidiary	Capital contribution	5,000,000	-
94.139.000-5	Inversiones La Construcción S.A.	76.283.171-6	Inversiones Marchant Pereira Ltda.	Parent - Subsidiary	Capital contribution	187,000	-
94.139.000-5	Inversiones La Construcción S.A.	98.000.100-8	AFP Habitat S.A.	Parent - Associate	Sale of floors and parking at CChC building	8,810,658	1,634,478
94.139.000-5	Inversiones La Construcción S.A.	76.090.153-9	Inversiones La Construcción Limitada	Parent - Subsidiary	Mercantile current account	97,673,538	(2,659,847)
94.139.000-5	Inversiones La Construcción S.A.	76.090.153-9	Inversiones La Construcción Limitada	Parent - Subsidiary	Mercantile current account	918,331	(24,488)
94.139.000-5	Inversiones La Construcción S.A.	76.093.446-1	Inversiones Previsionales Dos SpA.	Parent - Subsidiary	Dividend paid	6,501,995	-
94.139.000-5	Inversiones La Construcción S.A.	99.003.000-6	Compañía de Seguros Vida Cámara S.A.	Parent - Subsidiary	Mercantile current account	12,000,000	(203,193)
94.139.000-5	Inversiones La Construcción S.A.	76.296.621-2	Inmobiliaria ILC SpA	Parent - Subsidiary	Administrative consultancy	6,000	6,000
94.139.000-5	Inversiones La Construcción S.A.	76.283.171-6	Inversiones Marchant Pereira Ltda.	Parent - Subsidiary	Administrative consultancy	12,000	12,000
94.139.000-5	Inversiones La Construcción S.A.	76.499.521-K	BI Administradora SpA	Parent - Subsidiary	Administrative consultancy	6,000	6,000
94.139.000-5	Inversiones La Construcción S.A.	76.499.521-K	BI Administradora SpA	Parent - Subsidiary	Recovery of expenses	2,605	-
94.139.000-5	Inversiones La Construcción S.A.	76.093.446-1	Inversiones Previsionales Dos SpA.	Parent - Subsidiary	Administrative consultancy	18,000	18,000
94.139.000-5	Inversiones La Construcción S.A.	76.093.446-1	Inversiones Previsionales Dos SpA.	Parent - Subsidiary	Recovery of expenses	2,605	-
94.139.000-5	Inversiones La Construcción S.A.	76.499.524-4	ILC Holdco SpA	Parent - Subsidiary	Administrative consultancy	24,000	24,000
94.139.000-5	Inversiones La Construcción S.A.	76.499.524-4	ILC Holdco SpA	Parent - Subsidiary	Recovery of expenses	3,907	-
94.139.000-5	Inversiones La Construcción S.A.	98.000.100-8	AFP Habitat S.A.	Parent - Subsidiary	Office leases	84,231	(84,231)





# 10/ MATERIAL EVENTS

# 10 / MATERIAL EVENTS

- On January 8, 2016, it was reported that with regard to the partnership between ILC and Prudential Financial Inc. to own equal shares in AFP Habitat, on this date ILC received a loan from Prudential Chile SpA of Ch\$363,173,111,354, in order to capitalize the companies and implement the partnership.
- On January 25, 2016, it was reported that the Superintendency of Pensions authorized Prudential Chile SpA (a subsidiary of Prudential Financial Inc) to directly or indirectly acquire up to 40.29% of AFP Habitat's shares.
- On January 27, 2016, it was reported that with regard to the partnership between ILC and Prudential Financial Inc. to own equal shares in AFP Habitat, Inversiones Previsionales Chile SpA (a subsidiary of ILC) launched the Take Over Bid period for AFP Habitat shares. The offer is for up to 131,015,503 shares, at a price of Ch\$899.9 each.
- On February 29, 2016, it was reported that the Take Over Bid period for AFP Habitat shares launched by Inversiones Previsionales Chile SpA had successful concluded and it had acquired 131,015,503 shares during the process, which represented 80.58% of AFP Habitat's share capital. As agreed with Prudential, Inversiones Previsionales Chile SpA undertook to indirectly sell 50% of its shares in AFP Habitat, so that both entities could indirectly own the same number of shares in this AFP.
- On March 2, 2016, it was reported that with regard to the partnership between ILC and

Prudential Financial Inc. to own equal shares in AFP Habitat, this process had successfully concluded. As a result, both ILC and Prudential became owners of 40.29% of AFP Habitat's shares. They also signed a shareholder agreement containing specific commitments to appoint the same number of directors to the AFP, to prohibit the transfer of shares for a period of three years, rights of first refusal over sales of shares in Habitat, and a non-competition agreement in the Peruvian pension industry. Inversiones Previsionales Chile SpA repaid the loan of Ch\$363,173,111,354 received on January 8, 2016, from Prudential Chile SpA. ILC received Ch\$245,269 million from the sale of 272,551,058 shares in Habitat at Ch\$899.9 each, which generated a profit of approximately Ch\$130,525 million. This is added to the gain on the revaluation to fair value of the residual interest in AFP Habitat S.A. which ILC continues to own, of approximately Ch\$88,241 million. Both figures were subject to validation by the external auditors during the preparation of the financial statements as of June 30, 2016.

- On March 10, 2016, it was reported that ILC increased the capital of Inversiones Confuturo by UF1,000,000. This transaction required paying for 101,404,622 Series A shares and 120,017,528 of Series B shares. As a result, ILC has increased its interest in Inversiones Confuturo to 77.93%.
- On March 29, 2016, the ILC Board convened an extraordinary shareholders' meeting to be held on April 28 at 10:00am at 10, Marchant Pereira, Floor 2, Providencia, Santiago. The following matters were submitted for approval:

- Amend ILC's bylaws to decrease the number of directors from nine to seven.
- Approve the sale of ILC's floors in the building located at Marchant Pereira 10, Providencia, to AFP Habitat.
- Approve partial assignments of Sale Commitment Contract for the Apoquindo/Las Condes building to entities related to ILC, in compliance with Chapter XVI of Corporations Law.
- On March 29, 2016, the ILC Board convened an annual general shareholders' meeting to be held on April 28, immediately following the extraordinary meeting.

The following matters were submitted for approval:

- The Annual Report and Financial Statements for ILC as of December 31, 2015.
- The final dividend to shareholders paid from profits for 2015, in addition to interim dividends paid from profits for 2015, of Ch\$280 per share.
- The dividend policy for 2016.
- The choice of directors.
- The directors' compensation for 2016.
- The compensation for members of the committee referred to in Article 50 bis of Law 18,046 and approve its expense budget for 2016.
- The choice of External Auditors and Risk Rating Agencies.
- Receive a report on the Directors' Committee.

- Receive a report on transactions with related parties, in accordance with Chapter XVI of Law 18,046.
- The choice of newspaper to publish notices of calls to shareholders meetings.
- Other matters within the jurisdiction of an annual general shareholders' meeting, according to the law and the Company's bylaws.

• On April 11, 2016, it was communicated that a report had been received from the independent evaluator "Colliers Prosin S.A.", in respect of the conditions, effects and potential impact that could arise if ILC sold to AFP Habitat S.A. the property consisting of floors 13 to 20, 54 parking spaces and 7 storage units within the building belonging to the Chilean Construction Chamber located at Marchant Pereira 10, Providencia.

Furthermore, it was reported that ILC's extraordinary shareholders' meeting scheduled for April 28 will not address the partial assignments of the Sale Commitment Contract for the Apoquindo/Las Condes building to entities related to ILC, in compliance with Chapter XVI of the Corporations Law.

- On April 14, 2016, in connection with the sale of ILC's floors in the building at Marchant Pereira 10, to AFP Habitat, the views of ILC directors on the desirability of this transaction was made available to the shareholders, together with the conclusions from the report issued by the independent evaluator.
- On April 29, 2016, the matters agreed in the ILC annual general and extraordinary shareholders' meetings on the previous day were reported to the market.

The matters approved at the ILC extraordinary meeting were:

- Decrease the number of directors from nine to seven.
- Sell, assign and transfer to AFP Habitat floors 13, 14, 15, 16, 17, 18, 19 and 20, 7 storage units and 52 underground parking spaces, all at the Chilean Construction Chamber building, for UF340,000.

The matters approved at the ILC annual general meeting were:

- The distribution of a final dividend to shareholders paid from profits for 2015, in addition to interim dividends paid from profits for 2015, of Ch\$280 per share;
- The appointment as ILC directors of Messrs. Jorge Mas F., Daniel Hurtado P., Gastón Escala A., Lorenzo Constans G., Alberto Etchegaray A., Sergio Torretti C., and René Cortázar S., the latter as an independent director.
- The appointment of Deloitte Auditores y Consultores Limitada as external auditors.
- The appointment of Feller-Rate and ICR as risk rating companies.

• On May 6, 2016, it was reported that ILC has signed a Sale Commitment Contract and other agreements with Corp Group Banking S.A., Fondo de Inversión Privado Corp Life and Corp Group Interhold SpA (together "CorpGroup"), in which the latter undertakes to sell, assign and transfer to ILC the 488,491,123 shares it owns in Inversiones Confuturo. Thus, CorpGroup invoked the irrevocable sale option contained in the Shareholders Agreement for Inversiones Confuturo S.A. that was signed by both parties in November 2013.

The transaction price was Ch\$49,267 million, which will be disbursed once the transaction is completed. As a result, ILC will own all the shares of the insurance companies Confuturo S.A. and Corpseguros S.A.

• On May 6, 2016, it was also reported that ILC acquired 254,100,000 shares in Red Salud S.A., which were owned by CChC Mutual de Seguridad. As a result, the percentage of shares owned by ILC in that subsidiary increased from 89.99% to 99.99%. The purchase price was Ch\$10,520 million.

• On May 19, 2016, ILC informed the market about the real estate transaction agreed by its subsidiaries Confuturo and Corpseguros to acquire 10 "Espacio Urbano" shopping centers belonging to Walmart Chile S.A, together with signing lease contracts with that entity for the supermarkets in these shopping centers. The transaction value for Compañía de Seguros Confuturo S.A. is UF7,400,000, while for Compañía de Seguros Corpseguros it is UF9,800,000, and these amounts will be immediately disbursed when the transaction is completed.

• On June 6, 2016, it was reported that the transaction between ILC and CorpGroup regarding Inversiones Confuturo contained in the Sale Commitment Contract reported on May 6, 2016, had been completed. The transaction results in ILC owning 99.99% of Inversiones Confuturo's shares, after having paid Ch\$49,267,000,000.

# 10 / MATERIAL EVENTS

- On July 7, 2016, it was reported that ILC completed the sale of 659,147 shares in iConstruye, equivalent to a 32.96% interest. The price was Ch\$3,050 per share, generating a positive effect on profit of approximately Ch\$1,200 million.

- On July 12, 2016, it was reported that ILC made available to its shareholders a report issued by the independent evaluator "Transsa Consultores Inmobiliaria", with respect to the conditions, effects and potential impact on ILC and its subsidiary Inmobiliaria ILC SpA, of the partial assignments of the Sale Commitment Contract for floors, parking spaces, and storage units at the Apoquindo/Las Condes building, to entities related to ILC: The Chilean Construction Chamber A.G., Compañía de Seguros Confuturo S.A. and Corporación de Desarrollo Tecnológico de la CChC, in compliance with the procedure set out in Chapter XVI of the Corporations Law.

- On July 14, 2016, ILC published the first notice convening an extraordinary shareholders' meeting. As agreed by the Board, this will be held on August 1, 2016, at 9:00am at Marchant Pereira 10, Floor 17, Providencia, Santiago.

The following matters shall be submitted for approval:

- Signing the partial assignments of the Sale Commitment Contract for floors, parking spaces, and storage units at the Apoquindo/

Las Condes building, by the subsidiary Inmobiliaria ILC SpA to the entities related to ILC: The Chilean Construction Chamber A.G., Compañía de Seguros Confuturo S.A. and Corporación de Desarrollo Tecnológico de la CChC, in compliance with the procedure set out in Chapter XVI of the Corporations Law.

- Amend the bylaws in order to:
  - a. Establish that ILC may only use the acronym "ILC Inversiones S.A." and "ILC S.A." for marketing, advertising and banking purposes.
  - b. Amend the twenty-seventh article to comply with Article 111 of Law 18,046, establishing that the Liquidation Commission will have 3 members, unless the shareholders with the right to vote unanimously agree on a different number.

- On July 18, 2016, it was reported that ILC has made available to its shareholders the directors' views with regard to:

- The desirability for business of ILC and its subsidiary Inmobiliaria ILC SpA of partially assigning the Sale Commitment Contract for floors, parking spaces, and storage units at the Apoquindo/Las Condes building, by Inmobiliaria ILC SpA to the entities related to ILC: The Chilean Construction Chamber A.G., Compañía de Seguros Confuturo S.A. and Corporación de Desarrollo Tecnológico de la CChC.
- The conclusions of the report issued by the independent evaluator "Transsa Consultores Inmobiliaria" on the same issue, in compliance with the procedure set out in Chapter XVI of the Corporations Law.

- On July 29, 2016, it was reported that ILC had received a letter from Cognita Chile Limitada, indicating that it intended to exercise its option to purchase 49% of the shares held by ILC in Desarrollos Educativos S.A. As reported on June 18, 2013, on that date ILC and Cognita signed a partnership agreement where Cognita acquired 51% of the shares in Desarrollos Educativos S.A. This agreement included a shareholder agreement giving Cognita the right of first refusal to purchase the remaining 49% of the shares in Desarrollos Educativos S.A., among other things.

- On August 1, 2016, it was reported that in connection with the transaction between ILC and Cognita regarding Desarrollos Educativos SA, the final price shall be determined by the parties in accordance with the calculation and adjustments referred to in the shareholders agreement.

- On August 1, 2016, it was reported to the market the matters approved at the ILC extraordinary meeting held on this day.

The matters approved at this meeting were:

1. The partial assignment by Inmobiliaria ILC SpA of the rights and obligations under the Sale Commitment Contract for floors, parking spaces, and storage units at the Apoquindo/Las Condes building, to the following entities related to ILC, in respect of the properties and at the prices listed below:

- a. The Chilean Construction Chamber A.G, only with respect and in proportion to floors 4, 5 and 6, the parking spaces located on floors -2 to -4 and storage units located on floors -3 to -5. In consideration Inmobiliaria

ILC SpA will receive: (a) UF51,144; and (b) the partial assignment and transfer of the rights and obligations under the Sale Commitment Contract signed between the CChC and the construction company, only in respect to parking spaces located between floors -5 and -9, and the storage units located between floors -6 and -9.

- b. Compañía de Seguros Confuturo S.A., only with respect and in proportion to floors 17, 18 and 19, and parking spaces and storage units that according to the terms of the Sale Commitment Contract correspond to those floors. In consideration Inmobiliaria ILC SpA will receive UF23,680.
- c. Corporación de Desarrollo Tecnológico CChC, only with respect and in proportion to floors 21 and 22, and parking spaces and storage units that according to the terms of the Sale Commitment Contract correspond to those floors. In consideration Inmobiliaria ILC SpA will receive UF13,249.

It was noted that after assigning the rights to the floors, parking spaces and storage units approved in the extraordinary shareholders' meeting, ILC continues to own the rights under the Sale Commitment Contract with respect to floor 11 of the Apoquindo/Las Condes building, and the corresponding parking spaces and storage units.

2. Amend the bylaws as follows:
- a. Establish that ILC may only use the acronym "ILC Inversiones S.A." and "ILC S.A." for marketing, advertising and banking purposes.

- b. Amend the twenty-seventh article to comply with Article 111 of Law 18,046, establishing that the number of members of the Liquidation Commission will be reduced from 5 to 3, unless the shareholders with the right to vote unanimously agree on a different number.

- On August 11, 2016, it was reported that ILC placed bonds on the local market from line 797. The Series D bonds were issued for Ch\$26,000 million, and they mature on June 15, 2021. The issuance was at a placement rate of 4.79%, which was a spread of 78 basis points, and resulted in demand equivalent to 3.5 times the amount placed. The funds will be used to pay or prepay liabilities at ILC and its subsidiaries.
- On August 30, 2016, it was reported that at an ILC Board meeting held the previous day, Mr. Jorge Mas F. and Mr. Daniel Hurtado P. resigned from their positions of chairman and vice chairman, respectively. The Board unanimously appointed Mr. Sergio Torretti C. as chairman and Mr. Jorge Mas F. as vice chairman.
- On September 26, 2016, it was reported that the Board agreed to distribute to the shareholders an interim dividend of Ch\$250 per share; paid from the profits for 2016, and payable from October 20, 2016.
- On September 26, 2016, it was reported that in connection with the transaction between ILC and Cognita regarding Desarrollos Educativos S.A., ILC sold all its 49,899 shares in Desarrollos Educativos S.A. to Cognita at a price of Ch\$132,267.179703 per share, for a total of Ch\$6,600 million. This transaction arose from the partnership agreement between ILC and Cognita signed in June 2013, where Cognita acquired 51% of the shares in Desarrollos Educativos S.A.

SA, ILC sold all its 49,899 shares in Desarrollos Educativos S.A. to Cognita at a price of Ch\$132,267.179703 per share, for a total of Ch\$6,600 million. This transaction arose from the partnership agreement between ILC and Cognita signed in June 2013, where Cognita acquired 51% of the shares in Desarrollos Educativos S.A.

- On November 10, 2016, it was reported that ILC placed bonds on the local market from line 797. The Series F bonds were issued for Ch\$52,440 million, and they mature on June 15, 2023. The issuance was at a placement rate of 5.10%, which was a spread of 96 basis points. The funds will be used to pay or prepay liabilities at ILC and its subsidiaries.
- On November 24, 2016, it was reported that ILC placed bonds on the local market for the third time in 2016. The Series H bonds were issued for UF1,000,000, and they mature on June 15, 2041. The issuance was at a placement rate of 3.23%, which was a spread of 133 basis points. The demand was equivalent to 2.2 times the amount placed. The funds will be used to pay or prepay liabilities at ILC and its subsidiaries.
- On December 19, 2016, it was reported that the Board agreed to distribute to the shareholders an interim dividend of Ch\$250 per share; paid from profit for 2016, and payable from January 12, 2017.





**11/**

**MORE INFORMATION ON SUBSIDIARIES AND  
ASSOCIATES**

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Inversiones La Construcción S.A.	Publicly traded corporation	94.139.000-5	239,852,287	Not applicable	Not applicable	Invest in all kinds of real estate, shares, rights, bonds and other securities, particularly in those issued by social welfare entities, insurers, clinics or hospitals, educational and electronic services.	Sergio Torretti C.	Jorge Mas Alberto Etchegaray Lorenzo Constans René Cortázar Gastón Escala Daniel Hurtado	Pablo González F.	Not applicable
Red Salud S.A.	Privately held corporation	76.020.458-7	53,541,139	99.99%	16.24%	Invest in tangible and intangible assets, including rights in companies, shares, securities, credit instruments and commercial documents.	Alberto Etchegaray A. (also ILC Board member)	Victor Manuel Jarpa Andrés Sanfuentes Mario Kuflik Juan Pablo Aylwin Dr. Carlos Orfali Gustavo Vicuña	Sebastián Reyes G.	The company has a mercantile current account with the parent company.
Servicios Médicos Tabancura SpA.	Simplified corporation	78.053.560-1	8,180,305	99.98%	2.1%	Create, manage and operate in any way, for itself or on behalf of third parties, hospitals and any complementary or related activities.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Elizabeth Frese B.	There are no contracts with the parent company.
Centro de Diagnóstico Clínica Tabancura SpA	Simplified corporation	96.923.250-2	382,220	98.98%	0.18%	Provide on an outpatient basis, by itself or on behalf of or associated with third parties, all kinds of health services and medical procedures for the diagnosis and treatment of diseases.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Elizabeth Frese B.	There are no contracts with the parent company.
TI-Red SpA	Simplified corporation	76.411.758-1	4,625	99.98%	0.02%	Create, market, install, develop and maintain computer programs, and manage and process the appropriate licenses and permits to use and market them, and any business or company that relates directly or indirectly to the purpose of the company.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Luis Alberto Sánchez V. (Acting)	There are no contracts with the parent company.

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Clínica Iquique S.A.	Privately held corporation	96.598.850-5	3,097,425	86.91%	0.38%	Create, manage and operate in any way, for itself or on behalf of third parties, hospitals and any complementary related activities.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Eduardo Urrutia Jorge Widerström	Miguel Berrios M.	There are no contracts with the parent company.
Hospital Clínico Viña del Mar S.A.	Privately held corporation	96.963.660-3	4,336,975	12.73%	0.14%	Construct, manage and operate a hospital in Viña del Mar and in general, hospitals, clinics, health centers, medical centers and other establishments that provide medical care, either for itself or on behalf of third parties.	Dr. Jorge Bartolucci J.	Dr. Jorge Vega Manuel Serra Ricardo Silva Dr. Carlos Orfali Dr. Pedro Chadid Dr. Mauricio Aninat Dr. Gonzalo Matamala Dr. Eduardo Bastias	Dr. Carlos Orfali B.	There are no contracts with the parent company.
Inmobiliaria Clínica SpA	Simplified corporation	76.123.853-1	9,565,511	99.98%	1.36%	Acquire and dispose of any kind of real estate and rights in such property; build on them and exploit them in any way, for itself or on behalf of third parties, and invest in any kind of tangible and intangible assets.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Elizabeth Frese B.	Inmobiliaria Clínica has a contract to lease land from the parent company.
Clínica Avansalud SpA	Simplified corporation	78.040.520-1	12,069,415	99.98%	1.98%	The company's purpose is to: a) Create, develop and manage hospitals, clinics and general health centers and institutions that provide medical and surgical services, and provide advisory, administrative and management services to support the development, organization and administration of such facilities. b) Operate and assign temporary use, under any title, of all kinds of real estate.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Edith Venturelli L.	There are no contracts with the parent company.
Resonancia Magnética Clínica Avansalud S.A.	Privately held corporation	76.853.020-3	340,382	50.98%	0.02%	Provide all kinds of services, advice and reports, related to medical diagnosis and treatment using medical imaging in any of its forms.	Edith Venturelli L.	Fernando Durán Enrique Bosch Alejandro Abarca Maritza Suarez	Michelle Etchegaray G.	There are no contracts with the parent company.
Laboratorio de Neurofisiología Digital y Estudio del Sueño S.A.	Privately held corporation	96.793.370-8	19,294	49.99%	0.001%	Provide any kind of service related to medical diagnosis and treatment based on clinical neurophysiology and sleep disorders.		José Luis Castillo Pedro Menéndez Edith Venturelli	Edith Venturelli L.	There are no contracts with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Inversiones CAS SpA	Simplified corporation	1-9	6,467,311	99.89%	0.84%	Invest in any kind of rights in companies, associations, shares, real estate, loan documents, commercial documents and, in general, in any kind of tangible and intangible property, including any kind of real estate and rights in such property.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.		There are no contracts with the parent company.
Arauco Salud Limitada	Limited liability company	76.110.809-3	1,100	99.79%	-0.51%	Provide any kind of healthcare service and medical and dental procedures to diagnose and treat diseases, for itself, associated with third parties or on behalf of them. Acquire real estate income through the sale, lease, sublease, concession, rental or any other form of using real estate, whether owned or belonging to third parties, and operating them in any form.	Alberto Etcheagaray A. (also ILC Board member)	Victor Manuel Jarpa Lorenzo Constans (also ILC Board member)	Elizabeth Frese B.	There are no contracts with the parent company.
Megasalud SpA	Simplified corporation	96.942.400-2	47,324,910	99.98%	7.02%	Create, develop and manage hospitals, clinics and general health centers and institutions that provide medical and surgical services, and provide advisory, administrative and management services to support the development, organization and administration of such facilities. In addition, the use, assignment and temporary use, in any form, of property with or without buildings.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Rodrigo Medel S.	There are no contracts with the parent company.
Inmobiliaria Megasalud S.A.	Privately held corporation	76.009.708-K	45,286,676	99.97%	8.21%	Undertake any kind of real estate business, in particular, acquire, possess, use and temporarily assign the use and enjoyment of any kind of tangible or intangible property, with or without buildings. Also buy, sell, encumber, lease, manage and operate any legal agreement any kind of property, in particular rural and urban land, housing projects, apartments and offices; and, in general, undertake any other business or sign any other contract related to real estate in general.	Alberto Etcheagaray A. (also ILC Board member)	Victor Manuel Jarpa Lorenzo Constans (also ILC Board member)	Rodrigo Medel S.	There are no contracts with the parent company.

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCHS)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Proyecto de Inversión en Salud S.A.	Privately held corporation	96.910.520-9	45,286,676	99.97%	0.16%	Invest in any kind of legal rights in companies, associations, shares, securities, credit instruments, commercial documents and, in general, in any kind of tangible and intangible asset.	Juan Pablo Pascual B.			There are no contracts with the parent company.
Diagnolab S.A.	Privately held corporation	76.014.394-4	20,000	50.48%	0.004%	Diagnose and analyze any kind of laboratory sample. Undertake any kind of medical examination, and produce, process, purchase, sale, export and, in general, dispose of any kind of asset or chemical product. Provide any kind of laboratory service to private or public institutions.	Hugo Salazar L.	Jorge Aldunate Alvaro Tacchi	Alejandro Salazar R.	There are no contracts with the parent company.
Inversiones en Salud Millacura S.A.	Privately held corporation	76.025.069-4	142,083	50.48%	0.01%	Provide any kind of healthcare service, hospital and outpatient medical care and procedures, including consultations, diagnosis or treatment of diseases, for itself, associated with third parties or on behalf of them. Operate or manage, in any form, any kind of property. Provide services of any kind to hospitals, clinics, polyclinics, health centers and health services in general. Invest in any kind of legal rights in companies, associations, shares, real estate, credit instruments, commercial documents, and in general, in any kind of tangible and intangible property, including any kind of real estate and any rights attached to such property.	Juan Luis Santelices T.	Claudia Collins Rodrigo Medel	Maria Carolina Vera (Medical Director)	There are no contracts with the parent company.
Compañía de Inversiones en Salud SpA	Simplified corporation	In process	504,423	50.48%	0.03%	Invest in any kind of legal rights in companies, associations, shares, securities, credit instruments, commercial documents and in general in any kind of tangible assets and real estate.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Rodrigo Medel S.	There are no contracts with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Administradora Clínicas Regionales Seis SpA	Simplified corporation	76.434.619-K	21,340,604	99.99%	3.12%	Invest in establishments and clinical infrastructure and provide services of any nature, for itself or in partnership with third parties or at their request, to hospitals, clinics, polyclinics, medical centers and health services in general, and invest in such services, and perform anything directly or indirectly related to this purpose.	Sebastián Reyes G.	Mario Cortés-Monroy Matias Moral Juan Pablo Pascual	Mario Cortés-Monroy H.	There are no contracts with the parent company.
Inversalud del Elqui S.A.	Privately held corporation	76.160.932-7	5,605,887	55.61%	0.30%	Acquire, market and lease real estate, to invest in any kind of tangible and intangible asset, to invest in any kind of real estate investment, to provide advisory services, consultancy, technical assistance and training in healthcare, and the sale of services or indirectly healthcare in La Serena.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Omar Jatip Edward Rabah	Nilo Lucero A.	There are no contracts with the parent company.
Centro de Especialidades Médicas del Elqui SpA	Simplified corporation	96.680.980-9	154,685	99.99%	0.12%	Install, operate and manage a medical center and one or more diagnostic centers of any kind or nature, to execute surgical interventions and procedures, all of the above on an outpatient basis. The purpose includes those complementary activities required to fulfill the principal purpose that are agreed by the shareholders.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Omar Jatip Edward Rabah	Nilo Lucero A.	There are no contracts with the parent company.
Clinica Regional del Elqui SpA	Simplified corporation	99.533.790-8	595,737	55.61%	0.09%	Provide health services at its own facilities, or those belonging to third parties, in La Serena and any other city in the IV Region, and to execute all other activities, operations, documents, contracts and complementary services or services related directly or indirectly to this purpose that are agreed by the shareholders.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Omar Jatip Edward Rabah	Nilo Lucero A.	There are no contracts with the parent company.
Administradora de Inversiones en Salud S.A.	Privately held corporation	76.473.040-2	27,554	53.38%	0.001%	Operate and manage a medical center and clinical laboratory.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Omar Jatip Edward Rabah	Nilo Lucero A.	There are no contracts with the parent company.

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Inmobiliaria e Inversiones Clínicas Rancagua S.A.	Privately held corporation	76.086.007-7	6,197,181	62.59%	0.36%	Lease, acquire, sell, market, operate, subdivide, construct or develop any form real estate, and to invest in any kind of tangible and intangible property, including legal rights in companies, shares, real estate, and commercial documents, and to create and participate in companies, for itself, or in association with third parties or on behalf of them.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Juan Pablo Poblete Gabriel Poblete	Rodrigo Hermosilla O.	There are no contracts with the parent company.
Clínica de Salud Integral S.A.	Privately held corporation	78.918.290-6	15,665	62.58%	-0.05%	Install and operate a hospital, which will provide all the services associated with such an establishment, especially preventive and curative procedures for various medical specialties, in Rancagua.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Juan Pablo Poblete Gabriel Poblete	Rodrigo Hermosilla O.	There are no contracts with the parent company.
Centro de Especialidades Médicas Integral S.A.	Privately held corporation	76.906.480-K	28,409	59.97%	0.01%	Operate a medical center which provides the professional services of doctors, surgeons and health professionals, and to install, operate and manage one or more diagnostic centers of any nature, to provide outpatient surgical procedures, to manage and collect payments for surgical and medical fees and any other activity agreed upon by the shareholders related to outpatient medical services, for itself, or in association with third parties, or on behalf of them.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Juan Pablo Poblete Gabriel Poblete	Rodrigo Hermosilla O.	There are no contracts with the parent company.
CIDESAM S.A.	Privately held corporation	76.894.680-9	242,798	52.88%	0.002%	Provide medical, professional and clinical services relating to mental health and to construct, install and operate sanatoriums and medical clinics, in Rancagua, for itself or on behalf of third parties.	Jorge Plaza D.	Jorge Plaza Ramiro Andrade Catherine Fieldhouse Carmen Gajewsk	Ramiro Andrade B.	There are no contracts with the parent company.
Inversalud Valparaíso SpA	Simplified corporation	99.577.240-K	9,074,403	98.61%	0.89%	Provide health services in its own facilities or those belonging to third parties, and to execute any kind of service, operation, document, contract or complementary service that is directly or indirectly related to that purpose and is agreed by the shareholders.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Edith Venturrelli Dr. Jorge Ávila	Alejandro González S.	There are no contracts with the parent company.
Clínica Valparaíso SpA	Simplified corporation	99.568.720-8	25,744	98.61%	-0.02%	Provide health services, either directly or through contracting and subcontracting such services from third parties, in Valparaíso and in any other city in the 5th Region.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Edith Venturrelli Dr. Jorge Ávila	Alejandro González S.	There are no contracts with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Centro de Especialidades Médicas Valparaíso SpA	Simplified corporation	99.568.700-3	25,744	98.61%	0.21%	Provide its own outpatient care at a medical center, using its own equipment or that provided by third parties, in Valparaíso.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Edith Venturrelli Dr. Jorge Ávila	Alejandro González S.	There are no contracts with the parent company.
Inversalud Magallanes S.A.	Privately held corporation	76.296.601-8	1,733,179	68.32%	0.47%	Lease real estate and personal property from an establishment located in Punta Arenas at Avenida Bulnes 1448, which holds the physical infrastructure required to achieve this purpose.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Luis Álvarez Erwin Sariego	Carolina Saldivia L.I.	There are no contracts with the parent company.
Clínica Magallanes SpA	Simplified corporation	96.567.920-0	13,413	68.32%	0.01%	Provide outpatient and hospital services through caring for patients at institutions that provide mandatory health insurance services, as well as the Regional and Naval Hospital in the Magallanes Region and foreign patients.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Luis Álvarez Erwin Sariego	Carolina Saldivia L.I.	There are no contracts with the parent company.
Centro de Diagnóstico Clínica Magallanes SpA	Simplified corporation	76.542.910-2	10,075	68.32%	0.02%	Provide outpatient services through caring for patients at institutions that provide mandatory health insurance services, as well as the Regional and Naval Hospital in the Magallanes Region and foreign patients.	Mario Cortés-Monroy H.	Sebastián Reyes Juan Pablo Pascual Luis Álvarez Erwin Sariego	Carolina Saldivia L.I.	There are no contracts with the parent company.
Inversalud Temuco S.A.	Privately held corporation	76.137.682-9	5,926,651	74.64%	0.66%	Acquire, sell, market, lease, sublease or operate real estate in any other form, in Temuco and in any other city in the 9th Region, in Chile or abroad, for itself, in association with third parties or on behalf of them.	Mario Cortés-Monroy H.	Alberto Etchegaray (also ILC Board member) Sebastián Reyes Juan Pablo Pascual Cristián Cortés	Fernando Sánchez P.	There are no contracts with the parent company.
Inmobiliaria Inversalud SpA	Simplified corporation	96.774.580-4	1,492,936	74.64%	0.08%	Provide health services at its own facilities, or those belonging to third parties, in Temuco and any other city in the 9th Region, and to execute all other activities, operations, documents, contracts and complementary services or services related directly or indirectly to this purpose that are agreed by the shareholders.	Mario Cortés-Monroy H.	Alberto Etchegaray (also ILC Board member) Sebastián Reyes Juan Pablo Pascual Cristián Cortés	Fernando Sánchez P.	There are no contracts with the parent company.
Hospital Clínico Universidad Mayor Prestaciones Médicas SpA	Simplified corporation	76.046.416-3	10,000	74.64%	0.16%	Provide and manage any kind of healthcare service, either directly or by contracting or subcontracting services from third parties and, in general, to undertake any activity necessary or conducive to providing any kind of medical service, without restrictions of any kind.	Mario Cortés-Monroy H.	Alberto Etchegaray (also ILC Board member) Sebastián Reyes Juan Pablo Pascual Cristián Cortés	Fernando Sánchez P.	There are no contracts with the parent company.

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Administradora Clínicas Regionales Dos S.A.	Privately held corporation	76.093.416-K	5,769,215	50.00%	0.04%	Invest in clinical facilities and infrastructure and provide services of any nature to hospitals, clinics, polyclinics, health centers and health services in general.		Diego Ibañez Sebastián Reyes Pablo Burchard Ángel Vargas Matías Moral Mario Cortés-Monroy	Diego Ibañez	There are no contracts with the parent company.
Inmobiliaria e Inversiones Curicó SpA	Simplified corporation	76.109.539-0	131,647	48.34%	0.03%	Acquire, sell, market, lease, sublease or in any other way to operate, subdivide, construct and urbanize real estate. To invest in any kind of tangible and intangible property, including legal rights in companies, shares, securities, credit instruments and commercial documents.	Diego Ibañez	Pablo Burchard Mario Cortés-Monroy Ángel Vargas Matías Moral	Sacha Valero P.	There are no contracts with the parent company.
Clínica Bicentenario SpA	Simplified corporation	96.885.930-7	22,420,342	99.98%	0.97%	Create, develop and manage hospitals, clinics and general health centers and institutions that provide medical and surgical services, and provide advisory, administrative and management services to support the development, organization and administration of such facilities.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Juan Pablo Duclos C.	The company has an account receivable from the parent company.
Administradora de Transacciones Electrónicas S.A.	Privately held corporation	96.876.240-0	828,594	49.99%	0.36%	Investments, computational services to companies, advisory services and technical assistance.	Sebastián Reyes G.	Juan Pablo Duclos Alejandro Danús Eduardo Urrutia Javier Eguiguren	Javier Eguiguren T.	There are no contracts with the parent company.
Servicios Médicos Bicentenario SpA	Simplified corporation	76.124.062-5	10,000	99.98%	0.46%	Provide outpatient medical services.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Juan Pablo Duclos C.	There are no contracts with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Oncored SpA	Simplified corporation	76.181.326-9	100,000	99.99%	0.08%	Provide and finance any kind of healthcare service, or medical procedure or service to diagnose and treat diseases, for itself or on behalf of or associated with third parties.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Nora Graciela Terry	There are no contracts with the parent company.
Onco Comercial SpA	Simplified corporation	76.207.967-4	10,000	99.99%	0.05%	Sell pharmaceuticals, for itself, or associated with third parties or on their behalf.		"Empresas Red Salud S.A." manages and represents the company and uses its legal name. This is accomplished by its Board, which has the widest possible authority to manage and dispose of assets.	Nora Graciela Terry	There are no contracts with the parent company.
Isapre Consalud S.A.	Privately held corporation	96.856.780-2	15,295,045	99.99%	1.63%	Finance healthcare services, also any other activities that are similar or complementary to that purpose, although this will never involve providing such services, or participating in the management of service providers.	Pedro Grau B.	Guillermo Martínez Paulina Aguad Jaime Silva Cristóbal Jimeno	Marcelo Dutilh L.	There are no contracts with the parent company.
Compañía de Seguros Vida Cámara S.A.	Privately held corporation	99.003.000-6	43,953,269	99.99%	5.06%	Insure risks, based on insurance and reinsurance premiums, included within the second group referred to in Article 8 of the Decree with Force of Law 251 dated May 20, 1931, and the subsequent legal or regulatory provisions that may replace or amend it. Its legal address is in Las Condes, Metropolitan Region, and it may establish branches and agencies as it deems necessary to develop its business, both in Chile and abroad.	Pedro Grau B.	Jaime Silva Cristóbal Jimeno Ignacio González (also serves as ILC Chief Financial Officer) Paulina Aguad	Felipe Allendes S.	The company currently has a mercantile current account with its parent company and leases offices at 10, Marchant Pereira.

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Compañía de Seguros Vida Cámara Perú	Privately held corporation	20554477721	13,251,776	99.83%	1.61%	Insure, based on life insurance premiums allowed by Law 26,702 covering general financial systems, the insurance system and how the Superintendency of Banking and Insurance is organized and any regulations that amend or replace it, which applies to the insurance companies referred to in subparagraph D) of Article 16 of Law 26,702. It can also do anything that contributes to achieving its purpose, even if not expressly referred to in its bylaws, and anything that companies included in that paragraph and insurance companies are permitted to do.	Jorge Alfredo Guillermo Picasso S.	Dulio Aurelio Costa Jaime Silva Patrick Muzard Sergio Arroyo	José Ernesto Bazo F.	There are no contracts with the parent company.
Inversiones Previsionales Dos SpA	Simplified corporation	76.093.446-1	42,931,714	99.99%	37.43%	Invest in shares and securities issued or that may be issued by Administradora de Fondos de Pensiones Habitat S.A. and generally in any securities or investment bonds. Inversiones Previsionales Dos S.A. operates mainly in Chile and its business is focused on the pension sector, which includes AFPs, in addition to providing the services and benefits established by law.	Pablo González F. (also serves as ILC Chief Executive Officer)	Ignacio González (also serves as ILC Chief Financial Officer) Ralph J. Storti Rodrigo Ochagavía		The company has a management consultancy and cost reimbursement contract with the parent company.
AFP Habitat S.A.	Publicly traded corporation	98.000.100-8	1,763,918	40.25%	On March 2, 2016, it ceased to be a subsidiary of ILC, as a result of ILC's partnership with Prudential in the ownership of the AFP.	Manage "Habitat A, B, C, D and E" pension funds, to grant and manage the services and benefits established by Decree Law 3,500 and its subsequent amendments, and perform any other activities that the law expressly authorizes. In particular form subsidiary corporations that complement its business under the terms of Article 23 of Decree Law 3,500 and invest in corporations that are security depositories as defined in Law 18,876.	Juan Benavides F.	María Teresa Igarada Ernesto Spagnoli José Miguel García Diego F. Paredes Luis Rodríguez Sergio Urzúa Fernando Zavala	Cristián Rodríguez A.	It currently signed a contract to sell floors and parking spaces in the CChC corporate building at Marchant Pereira, and a storage unit and office rental contract.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
Habitat Andina S.A.	Privately held corporation	76.255.327-9	5,500,000	40.21%	On March 2, 2016, it ceased to be a subsidiary of ILC, as a result of ILC's partnership with Prudential in the ownership of the AFP.	Provide services to foreign individuals or legal entities, and to invest in AFPs or in pension companies incorporated in other countries.	Alejandro Bezanilla M.	Claudia Carrasco José Miguel Valdés	Patrick Muzard D.	There are no contracts with the parent company.
AFP Habitat Perú	Privately held corporation	20551464971	16,341,082	40.21%	On March 2, 2016, it ceased to be a subsidiary of ILC, as a result of ILC's partnership with Prudential in the ownership of the AFP.	Operate as a pension fund manager using individual funded accounts and to grant to individuals affiliated with the private pension fund system, retirement, disability, survival and funeral expense benefits, in accordance with Consolidated Private Pension System Law approved by Supreme Decree 054-97-EF (TUO). This purpose requires the company to collect the resources allocated to the Funds, and invest them on behalf of members under any of the modes allowed by this Law. As of December 31, 2016, the company manages four funds called Type 0 (formed in April 2016), Type 1, Type 2 and Type 3 (three funds called Type 1, Type 2 and Type 3 as of December 31, 2015), whose characteristics differ in accordance with the investment risk, their volatility and profitability. The Funds belong to members, they cannot be encumbered, and each Fund is independent of the company. The company does not have any ownership rights over them, and is solely responsible for managing them. The company is regulated and supervised by the Superintendency of Banking, Insurance and AFPs (SBS).	Rafael Picasso S.	Patrick Muzard Cecilia Blume Juan Toledo Cristián Rodríguez Joaquín Cortés	Mariano Alvarez D.	There are no contracts with the parent company.

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Administradora de Inversiones Previsionales SpA	Simplified corporation	76.438.032-0	4,165,062	50.00%	On March 2, 2016, it ceased to be a subsidiary of ILC, as a result of ILC's partnership with Prudential in the ownership of the AFP.	Directly or indirectly manage investments in pension funds or other legal entities dedicated to providing pensions; which includes, without limitation, participating in the ownership and management or control of any company that has direct or indirect investments in one or more companies conducting the aforementioned business. Furthermore, the company may acquire and dispose of any security, and in general, directly or through its subsidiaries enter into any agreement related to the aforementioned business that is necessary to fulfill the company's purpose or develop its business.	Pablo González F. (also serves as ILC Chief Executive Officer)	Ignacio González (also serves as ILC Chief Financial Officer) Ralph J. Storti Rodrigo Ochagavía		There are no contracts with the parent company.
Invesco Internacional S.A.	Privately held corporation	96.608.510-K	922,037	71.60%	0.13%	Provide services to foreign individuals or legal entities, and to invest in AFPs or in pension companies incorporated in other countries, in accordance with the law and supplementary regulations.	Alberto Etchegaray A. (also ILC Board member)	Alfredo Schmidt Gustavo Vicuña José Molina	Robinson Peña G. (also serves as ILC Chief Accounting and Administration Manager)	There are no contracts with the parent company.
Inversiones Marchant Pereira Limitada	Limited liability company	76.283.171-6	1,822,000	99.90%	0.17%	Permanently invest in assets and receive revenue and returns from them, and invest in other businesses as decided by its management.		Inversiones La Construcción solely and exclusively manages the company and uses its legal name. This is accomplished by its legal representatives, and its general or specially designated representatives.	Robinson Peña G. (also serves as ILC Chief Accounting and Administration Manager)	The company has a mercantile current account and a management consultancy contract with the parent company.
Sociedad Educacional Machali S.A.	Privately held corporation	76.081.583-7	1,818,557	99.80%	0.17%	Plan, organize, create and operate either directly or through subsidiaries or in partnership with third parties educational establishments for nursery, primary and secondary education, and to construct the associated infrastructure.	Robinson Peña G. (also serves as ILC Chief Accounting and Administration Manager)	Ignacio González (also serves as ILC Chief Financial Officer) David Gallagher (also serves as ILC Chief Development Officer)	Rosana Spovera M.	The company has a mercantile current account with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

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Invesco Limitada	Limited liability company	76.090.153-9	250,000	99.90%	0.01%	Invest in real estate and personal property, tangible and intangible, and in rights, shares or any transferable securities.		Inversiones La Construcción S.A. solely and exclusively manages the company and uses its legal name, and acting through its legal representatives, its general representatives or agents specially appointed for this purpose, shall have the broadest powers of administration and disposal.		The company has a mercantile current account and a management consultancy contract with the parent company.
Inmobiliaria ILC SpA	Simplified corporation	76.296.621-2	50,000	100.00%	0.15%	Buy, sell or exchange properties and any associated rights over them; use them in any manner, for its own account or on behalf of third parties; lease, lend and manage furnished and unfurnished property; use parking spaces; and perform anything associated with these purposes. At present the company has signed a purchase promise agreement with Inmobiliaria Apoquindo - Las Condes S.A. for 10 floors, parking spaces and storage units at the Chilean Construction Chamber building, currently under construction.		Inversiones La Construcción S.A. solely and exclusively manages the company and uses its legal name. This is accomplished by its legal representatives, and its general or specially designated representatives.		It currently has a current account loan contract, another for interest and indexation on mercantile accounts receivable, and another for management consultancy with the parent company.
Inversiones Confuturo S.A. (formerly Corp Group Vida Chile S.A.)	Privately held corporation	96.751.830-1	262,741,807	99.99%	36.42%	Invest in real estate or personal property, for itself or on behalf of third parties, in particular investing in insurance companies. It may also provide any kind of consultancy service.	Joaquín Cortés H.	Pablo González (also serves as ILC Chief Executive Officer) Patricio Mena Alejandro Ferreiro Fernando Siña Sergio Icaza Arturo Tagle	Robinson Peña G. (also serves as ILC Chief Accounting and Administration Manager)	The company has a management consultancy contract with the parent company.

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Compañía de Seguros Confuturo S.A.	Privately held corporation, subject to special rules (Art. 126 and SS of Law 18,046)	96.571.890-8	202,689,840	99.80%	28.33%	Contract any kind of current or future life insurance and reinsurance, retirement or income insurance and any other insurance that may be classified as belonging to the second group of the classification in Article 8 of Decree with Force of Law 251 dated 1931, or the laws or regulations that may replace or amend it. It may also undertake other activities that are similar or complementary to this purpose, which includes insurance against personal accident and health risks, and in general, to undertake any other activities, contracts or operations that the law allows second group insurance companies to perform.	Joaquín Cortez H.	Patricio Mena Sergio Icaza Alejandro Ferreiro Fernando Siña Arturo Tagle Pablo González (also serves as ILC Chief Executive Officer)	Christian Abello P.	There are no contracts with the parent company.
Compañía de Seguros Corpseguros S.A.	Privately held corporation, subject to special rules (Art. 126 and SS of Law 18,046)	76.072.304-5	141,048,381	99.80%	24.40%	Insure risks, based on insurance and reinsurance premiums, included within the second group referred to in Article 8 of the Decree with Force of Law 251,931, or in the subsequent legal or regulatory provisions that may replace or amend it. This purpose will include insurance which will cover any kind of current or future life risk, retirement or income insurance, personal accident or health insurance, or any other risk to the capital of the policyholder, during or at maturity, a settled policy or an income for himself or his beneficiary. It can also undertake other activities that are similar or complementary to this purpose and are authorized by the Superintendency.	Joaquín Cortez H.	Patricio Mena Sergio Icaza Alejandro Ferreiro Fernando Siña Arturo Tagle Pablo González (also serves as ILC Chief Executive Officer)	Christian Abello P.	There are no contracts with the parent company.
BI Administradora SpA	Simplified corporation	76.499.521-K	10,000	51.00%	0.0001%	Directly or indirectly manage investments in banking corporations, in insurance brokerage firms, factoring companies and other legal entities engaged in financial business, which includes, without limitation, participating in the ownership and management or control of any company that has direct or indirect investments in one or more companies conducting the aforementioned business. Furthermore, the company may acquire and dispose of any security, and in general, directly or through its subsidiaries enter into any agreement related to the aforementioned business that is necessary to fulfill the company's purpose or develop its business.	Pablo González F. (also serves as ILC Chief Executive Officer)	Jorge Mas Daniel Hurtado Andrés Navarro Alfonso Però	Robinson Peña G. (also serves as ILC Chief Accounting and Administration Manager)	The company has a management consultancy and cost reimbursement contract with the parent company.

# 11 / MORE INFORMATION ON SUBSIDIARIES AND ASSOCIATES

LEGAL NAME	TYPE OF ENTITY	TAXPAYER ID NUMBER	SUBSCRIBED AND PAID CAPITAL (THCH\$)	ILC OWNERSHIP INTEREST %	INVESTMENT AS A PERCENTAGE OF PARENT'S NET ASSETS	CORPORATE PURPOSE/ACTIVITIES	CHAIRMAN	DIRECTORS	CHIEF EXECUTIVE OFFICER	MAIN CONTRACTS WITH THE PARENT COMPANY
ILC HoldCo SpA	Simplified corporation	76.499.524-4	67,835,000	99.99%	9.81%	Directly or indirectly invest in banking corporations, in insurance brokerages, factoring companies and other legal entities engaged in financial business, manage and operate them, and receive returns on these investments.		The company is managed by BI Administradora SpA, through its legal representatives or through its general or specially designated representatives.		The company has a management consultancy and cost reimbursement contract with the parent company.
Banco Internacional S.A.	Private banking corporation	97.011.000-3	83,325,095	50.59%	6.70%	Operate all businesses permitted by the General Banking Law and its complementary regulations, now or in the future, without affecting its ability to extend or restrict its activities within such legislation, without the need to modify its bylaws.	James Callahan F.	Andrés Solari Juan Antonio Minassian Fernando Lefort Pablo Ihnen Francisco Vial Guillermo Larrain Andrés Navarro Carlos Brito	Mario Chamorro C.	There are no contracts with the parent company.

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Factoring Baninter S.A.	Privately held corporation	76.072.472-6	5,570,059	50.05%	0.44%	a) To undertake factoring, which includes managing loan repayments earning collection fees, or in its own name as the assignee of such loans, and advances on loans; b) to invest within Chile or abroad in income-producing activities, in businesses involving financial markets, and intangible personal property such as shares, pledged shares, debt securities, bonds or debentures, savings plans, shares or rights in civil or commercial companies, communities or associations, and in registered or bearer securities, commercial documents, privileges, investment patents, trademarks, industrial models, licenses and concessions; the purchase, sale and disposal of such property, rights or shares, and the administration, marketing and exploitation of these investments and receiving returns and revenue on them; c) to perform research, provide commercial, economic and financial advice and consulting services; d) to acquire and possess tangible and intangible personal property, debt securities, shares, bonds or other securities and real or personal rights, in order to sell or exploit them according to their nature and receive returns on them or dispose of such property and its benefits; e) to acquire and dispose of commercial documents and transferable securities; f) to provide services and advice, and to represent itself or third parties, especially in matters relating to the previous purposes; g) to form and hold interests in companies, communities and associations, whatever their nature; and any other business that the partners agree upon, and h) to generally do anything directly or indirectly related to any of these purposes.	Juan Antonio Minassian B.	Pablo Ihnen David Gallagher (also serves as ILC Chief Development Officer) Andrés Solari Andrés Navarro	Claudia Sepulveda C.	There are no contracts with the parent company.
Baninter Corredores de Seguros Limitada	Limited liability company	76.002.878-9	1,000	50.19%	-0.01%	Provide remunerated and independent insurance brokerage services for life and general insurance, with any domestic insurer, without affecting its involvement in any business agreed by its partners.		Not applicable as it is a limited liability company	Julio Carrera Z.	There are no contracts with the parent company.

# 13 / STATEMENT OF RESPONSIBILITY

## STATEMENT OF RESPONSIBILITY

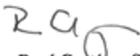
The undersigned are the Directors and Chief Executive Officer of Inversiones la Construcción S.A. respectively, and we declare under oath that we are responsible for the accuracy of all information provided in this Annual Report for Inversiones la Construcción S.A., and that it complies with General Rule 30 and its subsequent amendments, issued by the Superintendency of Securities and Insurance.



**Sergio Torretti Costa**  
R.U.T: 6.551.451-6  
Presidente del Directorio



**Lorenzo Constants Gorri**  
R.U.T: 5.816.225-6  
Director



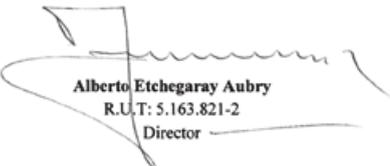
**René Cortázar Sanz**  
R.U.T: 5.894.548-K  
Director



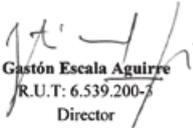
**Daniel Hurtado Parot**  
R.U.T: 7.010.350-8  
Director



**Jorge Más Figueroa**  
R.U.T: 5.347.240-0  
Vicepresidente del Directorio



**Alberto Etchegaray Aubry**  
R.U.T: 5.163.821-2  
Director



**Gastón Escala Aguirre**  
R.U.T: 6.539.200-7  
Director



**Pablo González Figari**  
R.U.T: 9.611.943-7  
Gerente General

Santiago, Marzo 2017



DESIGN AND PRODUCTION  
**Interfaz Diseño**

