Tanner
Servicios Financieros

Quarterly Earnings Report

Tanner Servicios Financieros

September 2016

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Tanner Servicios Financieros

I. Executive Summary

Tanner Servicios Financieros

- **ROAE[*]:**

  3Q16: 8.6% / 3Q15: 8.2%

- **ROAA[**]:**

  3Q16: 2.2% / 3Q15: 2.2%

- **Equity:**

  Sep-16: MM$ 249,935 / Δ⁺: 5.3% YTD

- **Gross margin:**

  3Q16: MM$ 44,521 / 3Q15: MM$ 40,402
  Δ⁺: 10.2% YoY

- **Net profit:**

  3Q16: MM$ 15,694 / 3Q15: MM$ 14,089
  Δ⁺: 11.4% YoY

- **Net portfolio:**

  Sep-16: MM$754,495 / Δ⁻: 4.8% YTD

- **NPLs over 90 days:**

  3Q16: 4.5% / 3Q15: 5.0%

[*] ROAE: Return on average equity.
[**] ROAA: Return on average assets.

Profit after taxes for the year comprised between January 1 and September 30, 2016 totaled $ 15,694 million, representing an increase of 11.4%, equivalent to $ 1,605 million, from $ 14,089 million in 3Q15. This improvement is mostly attributable to the change in the composition of the portfolio – more profitable for the Company – and lower risk charges.

Total net loan portfolio at closing of September 2016 amounted to $ 754,495 million, dropping 4.8% (↓$ 37,862 million) with respect to December 2015 and 6.0% (↓$ 48.576 million) in relation to 3Q15. This drop is mostly attributable to the Company's interest in downsizing in terms of corporate lending and to concentrate on the strategic products; which is reflected on the progress made in factoring operations and auto financing.

Tanner closed this year's third quarter with a **liquidity index of 2.13 times**, improving with respect to its December (1.54x) and September (1.73x), 2015 closings, while **cash on hand totaled $ 20,848 million** in September 2016, versus $ 31,785 million at closing of the previous year (3Q15: $ 22,863 million). On the other hand, the Company's **leverage was 2.68 times** in September 2016, while as of December 31, 2015 it was 3.03 times (3Q15: 3.00 times).

At the risk level, **NPLs over 90 days as of September 2016, amounts to 4.5%**, improving with respect to earlier levels (4Q15: 4.8% and 3Q15: 5.0%). Thus, the factoring business recorded non-performing loans of 5.6%[1] (4Q15: 6.3%[1]), while in auto financing and leasing, NPLs improves significantly, reaching levels of 5.0% (4Q15: 6.9%) and 7.5% (4Q15: 8.2%), respectively, explained mostly by better collection management services and the admission requirements applied since last year. On corporate lending, NPLs show an increase of 0.6% in 4Q15 as compared to 1.2% in 3Q16, as a result of the reduction of this segment's stock, in line with the Company's strategy to reduce its exposure in this product, while maintaining the unpaid principal balance without variation.

On October 2016, Tanner successfully placed two debt offerings totaling ~US$ 230 million. In the local debt market, the Company placed a 4-year UF 2,000,000 and additionally, Tanner accessed the Swiss Franc market via an inaugural CHF150mm 3-year transaction, increasing the investor base of the Company.

[1] NPLs calculations include Pescanova.

II. Analysis of Consolidated Income

The following table shows the consolidated income of Tanner Servicios Financieros S.A. and Subsidiaries for the year between January 1 and September 30, 2016. All figures are stated in Chilean Pesos (CLP) and pursuant to International Financial Reporting Standards (IFRS).

INCOME STATEMENT ThCh$	Jan-16	Jan-15	Δ $	Δ %
Revenue from ordinary activities	89,165	120,182	(31,017)	-25.8%
Sales cost	(44,644)	(79,780)	35,136	-44.0%
Gross profit	44,521	40,402	4,119	10.2%
Other revenue, by function	497	380	118	31.0%
Administrative Expenses	(27,878)	(25,498)	(2,380)	9.3%
Other profits (losses)	1	5	(4)	-83.5%
Operating Margin	17,141	15,289	1,853	12.1%
Financial revenue	150	10	140	1409.1%
Financial costs	(112)	(132)	20	-15.3%
Participation in profits (losses) of related companies and joint ventures accounted via the shareholding methed	0	2	(2)	-100.0%
Foreign exchange differences	(36)	45	(80)	-180.0%
Income, by adjustment units	102	267	(165)	-61.6%
Profit (losses) before taxes	17,247	15,481	1,766	11.4%
(Expense) Revenue from profit taxes	(1,553)	(1,392)	(160)	11.5%
Profit (Loss)	15,694	14,089	1,605	11.4%
Profit (Loss) Attributable to controller's property owners	15,422	13,974	1,448	10.4%
Profit (Loss) Attributable to non-controller shares	272	114	158	137.9%

Table 1: Consolidated income statement as of September 2016

The Company's **net profit** at closing of September 2016 shows an increase of 11.4% (↑$ 1,605 million), totaling $ 15,694 million, versus $ 14,089 million in 3Q15, while its **gross margin** reached $ 44,521 million, showing an increase of 10.2% (↑$ 4,119 million) with respect to the $ 40,402 million recorded during the same period of the previous year.

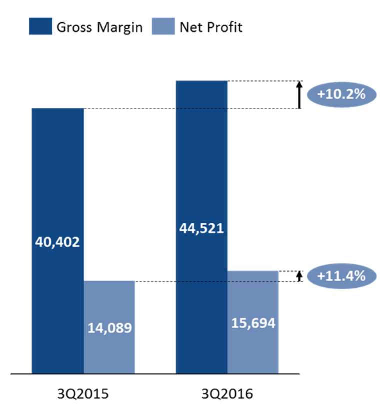

Chart 1: Gross margin and net profit trend, at the consolidated level

The **consolidated income** during the year's first 9 months dropped by 25.8% (↓$ 31,017 million) as compared to the same period of the previous year, totaling $ 89,165 million, versus $ 120,182 million, mostly caused by exchange rate effect and readjustments, which has a negative impact of $ 42,694 million, which is netted in cost of sales. Additionally, there were increases in the automotive business (↑$ 3,569 million / + 9.3% YoY), leasing (↑$ 935 million / + 10.5% YoY), loans (↑$ 3,637 million / +32.7 % YoY) and subsidiaries (↑$ 4,557 million / + 147.8% YoY).

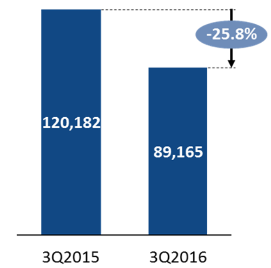

Chart 2: Consolidated income trend

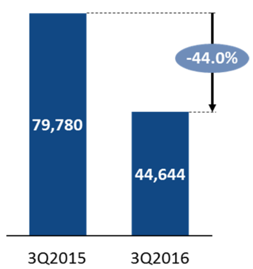

Chart 3: Sale costs trend

Consolidated sales costs at the closing of September 2016 shows a significant reduction of $ 35,136 million (-44.0%) with respect to the first 9 months of the previous year, reaching $ 44,521 million, versus $ 79,780 million, principally because of lower risk, along with foreign exchange differences and readjustments, which translate into a decrease in costs of $ 42,451 million and that are netted with income for this concept.

Consequently, exchange differences and adjustments recognized as a negative effect in terms of revenues are offset at cost level, generating a consolidated net negative effect of -$ 243 million, since the Company has sufficient coverage, which let to handle with changes in the exchange rate and the value of the UF. This allows the **gross margin to increase by 10.2%**, equivalent to a rise of $ 4,119 million, totaling $ 44,521 million, up from $ 40,402 million recorded in the same period of the previous year.

Administration costs (including depreciation) between January and September 2016 show an increase of 9.3% (↑$ 2,380 million), reaching $ 27,878 million, as a result of greater administration costs, principally in the accounts of: (i) service expenses, collection and revenues derived from the outsourcing of the Company's collection services beginning on 1Q15, aimed at improving its performance; and, (ii) leases, lighting, heating and other utilities as a consequence of the sale of the corporate building and beginning to register a lease item of the facilities that previously was not considered. These increases fell short of being offset by drops in: (i) penalties, lawsuits and interests, and other leasing and auto financing expenses; and, (ii) external consulting services and professional service fees.

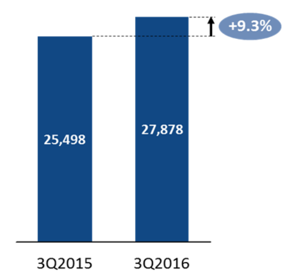

Chart 4: Administration expenses trend

III. Main Indicators

	Indicator	Definition	Unit of Measurement	Sep-16	Dec-15	Sep-15
Liquidity and Solvency	Current Ratio	*Current Assets/Current Liabilities*	*times*	2.06	1.54	1.73
	Current Liabilities to Equity	*Current liabilities/Equity*	*times*	1.14	1.46	1.32
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	*times*	0.07	0.09	0.07
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	*%*	1.91	1.44	1.55
	Debt to Equity	*Total liabilities/Equity*	*times*	2.68	3.03	3.00
	Capitalization	*Equity/Assets*	*times*	0.27	0.25	0.25
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	*%*	42.6%	48.1%	43.9%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	*%*	57.4%	51.9%	56.1%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	33.3%	49.2%	41.9%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	19.1%	0.6%	0.7%
	Working Capital	*Current assets - Current liabilities*	*ThCh$*	302,784	185,818	223,265
	Interest Coverage Ratio	*Net income/Financial expenditure*	*times*	1.2	0.9	0.9
Profitability	Return on Equity	*Annualized profit/Equity*	*%*	8.4%	8.6%	8.0%
	Return on Assets	*Annualized profit/Assets*	*%*	2.3%	2.1%	2.0%
	Return on Average Assets	*Annualized profit/ Average Equity*	*%*	8.6%	8.8%	8.2%
	Return on Average Equity	*Annualized profit/ Average Assets*	*%*	2.2%	2.3%	2.2%
	Gross profit Margin	*Gross profit/Revenue from ordinary activities*	*%*	49.9%	32.5%	33.6%
	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	*%*	19.2%	13.0%	12.7%
	Net Income Margin	*Net income/Revenue from ordinary activities*	*%*	17.6%	12.9%	11.7%
	Earnings Per Share (EPS)	*Net income/number of shares*	*$*	12,948	16,759	11,623
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	*%*	63%	71%	63%
Quality of Assets	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	*%*	7.3%	7.4%	7.7%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	*%*	4.5%	4.8%	5.0%
		Non-Performing loans >90 days/Equity	*%*	14.0%	16.6%	17.7%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	16.4%	16.3%	15.2%
		Non-Performing loans/Equity	*%*	51.0%	56.4%	53.8%
	Provisions	*Provisions/(Loans + Provisions)*	*%*	3.1%	3.4%	3.1%
		Provisions/Non-performing loans	*%*	19.2%	20.9%	20.4%
	Write-offs	*Write-offs/(Loans + Provisions)*	*%*	2.4%	2.7%	2.1%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	*%*	2.3%	3.0%	2.6%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	*%*	2.8%	2.7%	1.7%

Table 2: Main indicators

As of September 2016 it is observed that in terms of liquidity and solvency, the Company has improved with respect to the same date at closing of 2015, with progress in the main indicators measured in this dimension, primarily because of a drop in current liabilities that more than offsets the drop in money in circulation consistent with the easing of the market of commercial paper, Tanner’s principal source of short-term financing.

With respect to efficiency indicators, the Company evidences progress in each of them as a consequence of the 11.4% hike recorded by the year’s net profit, totaling $ 15,694 million, hand-in-hand with a gross margin expanding at 10.2%, to reach $ 44,521 million, and an operating margin growing at 12.1%, to reach $ 17,141 million.

Finally, asset quality indicators reflect the improvements in the admission, control and collection policies that Tanner has been developing since 2015, in order to reduce the level of NPLs, which during the January-June 2015 period peaked at historical levels.

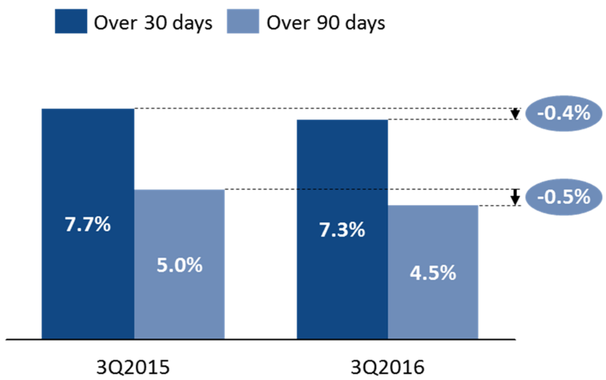

Chart 5: Trend of NPLs, at the consolidated level

IV. Income analysis, by line of business

Tanner operates 4 main lines of business - factoring, auto financing, leasing and corporate lending - which altogether represent 88.6% of the Company's consolidated gross margin. Additionally, revenues and costs are generated in the Treasury area and in its subsidiaries - *Gestora Tanner, Tanner Leasing S.A., Tanner Corredores de Bolsa de Productos S.A., Tanner Corredora de Seguros Ltda.* and *Tanner Leasing Vendor Limitada* – which are grouped under the Other item for the purposes of this analysis.

Business Line		Sep-16	Sep-15	Δ $	Δ %
FACTORING					
	Revenue	21.472	23.177	(1.705)	-7,4%
	Costs	6.797	8.122	(1.325)	-16,3%
	Gross Profit	14.675	15.055	(379)	-2,5%
AUTO FINANCING					
	Revenue	41.790	38.221	3.569	9,3%
	Costs	29.595	25.921	3.674	14,2%
	Gross Profit	12.195	12.299	(104)	-0,8%
LEASING					
	Revenue	9.812	8.878	935	10,5%
	Costs	6.314	6.111	203	3,3%
	Gross Profit	3.498	2.767	731	26,4%
CORPORATE LENDING					
	Revenue	14.773	11.136	3.637	32,7%
	Costs	5.702	4.473	1.229	27,5%
	Gross Profit	9.071	6.663	2.408	36,1%
TREASURY					
	Revenue	(6.322)	35.689	(42.011)	-117,7%
	Costs	(7.308)	34.532	(41.840)	-121,2%
	Gross Profit	986	1.157	(171)	-14,8%
OTHERS					
	Revenue	7.640	3.082	4.557	147,8%
	Costs	3.544	621	2.923	470,6%
	Gross Profit	4.096	2.461	1.634	66,4%
Tanner Servicios Financieros	Revenue	89.165	120.182	(31.017)	-25,8%
	Costs	44.644	79.780	(35.136)	-44,0%
	Gross Profit	44.521	40.402	4.119	10,2%

Table 3: Income, by line of business

The **gross margin** of the January-September 2016 period reaches $ 44,521 million, growing $ 4,119 million (+10.2%), with respect to the first 9 months of 2015 because of a drop in costs (↓$ 35,136 million / -44.0%) greater than the drop in income (↓$ 31,017 million / -25.8%). By line of business, the gross margin is disaggregated as follows:

FACTORING $ 14,675 million, with a headway of 2.5% (↓$ 379 million), brought about by a reduction in costs (↓$ 1,325 million / -16.3%), which partially offsets the 7.4% drop (↓$ 1,705 million) in revenue;

AUTO FINANCING $ 12,195 million, backtracking 0.8% (↓$ 104 million) with respect of 3Q15, because revenue increases (↑$ 3,569 million / +9.3%) were not sufficient to offset the $ 3,674 million (+14.2%) rise in costs;

LEASING $ 3,498 million, increasing 26.4% (↑$ 731 million), as a consequence of greater income (↑$ 935 million / +10.5%), in relation to cost expansion (↑$ 203 million / +3.3%); and,

CORPORATE LENDING $ 9,071 million, rising 36.1% (↑$ 2,408 million) consistent with a growth of $ 3,637 million (+32.7%) in revenues, greater than the increase in costs (↑$ 1,229 million / +27.5%).

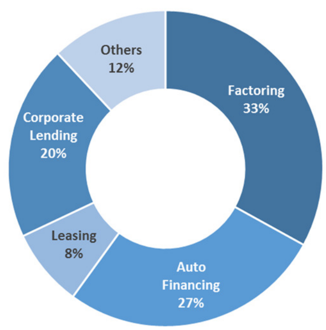

Chart 6: Gross margin allocation by line of business

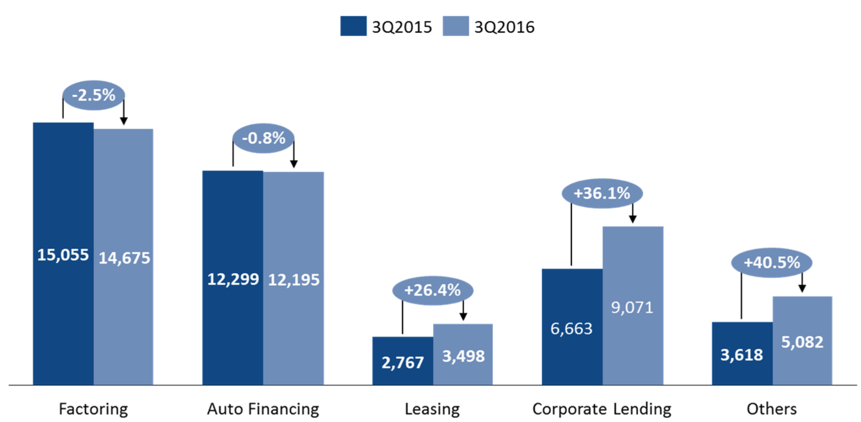

Chart 7: Gross margin, by line of business

Consolidated revenues at closing of September 2016 totaled $ 89,165 million (↓$ 31,017 million), showing a drop of 25.8% year-over-year. These results are explained by revenues of:

FACTORING

$ 21,472 million, with a drop of 7.4% (↓$ 1,705 million) in relation to the first 9 months of 2015, as a result of a significant drop in other revenues, which last year included recoveries of write-offs, although in terms of price differences the level is practically the same as that observed during the same period of the previous year;

AUTO FINANCING

$ 41,790 million, growing 9.3% (↑$ 3,569 million) as compared to the same period of the previous year, principally as a result of an increase in volume, consistent with greater sales of new and used cars as reported by ANAC[2] and CAVEM[3];

LEASING

$ 9,812 million, with an increase of 10.5% (↑$ 935 million) on 3Q16, consistent with greater rates, although leasing operations in the banking industry have been diminishing during the las 12 months; and,

CORPORATE LENDING

$ 14,773 million, increasing 32.7% (↑$ 3,637 million) between January and September 2016, which is explained by a low comparative base with respect to 3Q15, when the average portfolio reached $ 169,856 million, versus $ 207,137 million at closing of September 2016.

Consolidated costs during the first 9 months of 2016 totaled $ 44,644 million, dropping by $ 35,136 million (-44.0%) with respect to the same period of the previous year; a drop based on costs of:

FACTORING

$ 6,797 million, dropping by 16.3% (↓$ 1,325 million) in relation to 3Q15, as a consequence of diminished provisions and write-offs, that more than offset the increased interests associated to the funding costs;

AUTO FINANCING

$ 29,595 million, growing 14.2% (↑$ 3,674 million), mostly because of greater commissions, provisions, and write-offs;

LEASING

$ 6,314 million, with an increase of 3.3% (↑$ 203 million), as a consequence of diminished provisions and write-offs that are insufficient to offset interest hikes derived from the cost of funding, and other costs; and,

CORPORATE LENDING

$ 5,702 million, increasing by 27.5% (↑$1,229 million) during the first 9 months of the year, as a result of greater interest costs, resulting from higher financing costs.

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[2] ANAC: *Asociación Nacional Automotriz de Chile A.G.* - Chile's national automotive association.
[3] CAVEM: *Cámara Nacional de Comercio Automotriz de Chile* – Chile's national chamber of automotive commerce.

Tanner Servicios Financieros

V. Quality of the portfolio, by line of business

FACTORING		Definition	Unit	Sep-16	Dec-15	Sep-15
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	14,2%	16,7%	13,0%
		Non-Performing loans/Equity	%	12,1%	14,4%	11,5%
	Provisions	*Provisions/(Loans + Provisions)*	%	3,7%	5,7%	5,0%
		Provisions/Non-performing loans	%	26,2%	34,1%	38,2%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	0,7%	2,5%	2,4%
	Non-Performing Loans over 30 days [1]	*Non-performing loans >30 days/(Loans + Provisions)*	%	6,4%	7,3%	6,9%
	Non-Performing Loans over 90 days [1]	*Non-performing loans >90 days/(Loans + Provisions)*	%	5,6%	6,3%	5,9%
		Non-Performing loans >90 days/Equity	%	4,7%	5,4%	5,2%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	1,1%	1,5%	1,5%
		Securitized portfolio/Equity	%	0,9%	1,3%	1,3%
	Clients	*Number of clients*	#	2.258	1.880	2.091
	Efficiency	*SG&A Expenses/Gross profit*	%	55,7%	67,7%	54,7%

AUTO-FINANCING		Definition	Unit	Sep-16	Dec-15	Sep-15
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	23,1%	25,8%	26,7%
		Non-Performing loans/Equity	%	22,3%	24,4%	25,1%
	Provisions	*Provisions/(Loans + Provisions)*	%	4,1%	4,2%	4,4%
		Provisions/Non-performing loans	%	17,6%	16,2%	16,5%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	6,5%	6,1%	5,8%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	10,3%	12,5%	13,6%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	5,0%	6,9%	8,5%
		Non-Performing loans >90 days/Equity	%	4,9%	6,5%	8,0%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2,0%	2,8%	2,8%
		Securitized portfolio/Equity	%	1,9%	2,6%	2,6%
	Clients	*Number of clients*	#	48.883	48.113	48.461
	Efficiency	*SG&A Expenses/Gross profit*	%	78,4%	67,7%	66,0%

LEASING		Definition	Unit	Sep-16	Dec-15	Sep-15
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	25,7%	26,9%	26,8%
		Non-Performing loans/Equity	%	11,9%	13,1%	13,1%
	Provisions	*Provisions/(Loans + Provisions)*	%	3,8%	4,3%	4,4%
		Provisions/Non-performing loans	%	14,8%	16,0%	16,3%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	2,6%	3,1%	3,0%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	12,1%	11,9%	13,7%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	7,5%	8,2%	8,4%
		Non-Performing loans >90 days/Equity	%	3,4%	4,0%	4,1%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	6,9%	5,9%	4,3%
		Securitized portfolio/Equity	%	3,2%	2,9%	2,1%
	Clients	*Number of clients*	#	1.116	1.272	1.299
	Efficiency	*SG&A Expenses/Gross profit*	%	87,2%	67,7%	83,6%

CORPORATE LENDING		Definition	Unit	Sep-16	Dec-15	Sep-15
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	6,2%	4,3%	3,9%
		Non-Performing loans/Equity	%	4,7%	4,5%	4,1%
	Provisions	*Provisions/(Loans + Provisions)*	%	1,2%	0,8%	0,3%
		Provisions/Non-performing loans	%	19,5%	19,2%	7,7%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	0,2%	0,8%	0,0%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2,2%	1,6%	1,5%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1,2%	0,6%	0,3%
		Non-Performing loans >90 days/Equity	%	0,9%	0,7%	0,4%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	3,6%	2,6%	0,0%
		Securitized portfolio/Equity	%	2,7%	2,7%	0,0%
	Clients	*Number of clients*	#	1.199	971	806
	Efficiency	*SG&A Expenses/Gross profit*	%	37,1%	67,7%	53,9%

[1] NPLs calculation include Pescanova

Table 4: Main indicators, by line of business

FACTORING

The non-performing portfolio improved with respect to September 2015, while the non-performing loans and the renegotiated portfolio decreased, thus evidencing the improvement in the factoring portfolio.

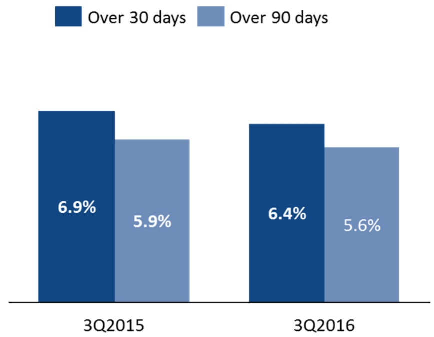


Chart 8: The NPLs trend in the factoring business

AUTO FINANCING

The delinquent portfolio and the NPLs dropped significantly, reflecting progress in the Company's collection and admission processes aimed at enhancing the quality of the portfolio.

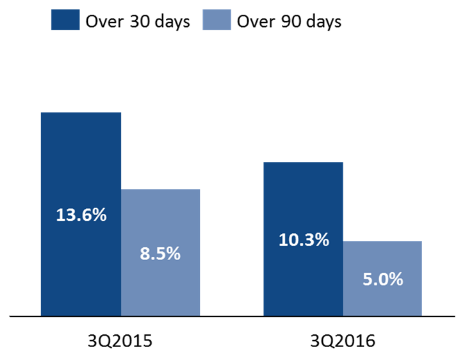


Chart 9: The NPLs trend in the automotive business

LEASING

The non-performing portfolio and the renegotiated portfolio made progress as a result of better vintage beginning in 2014 based on a more stringent admissions policy.

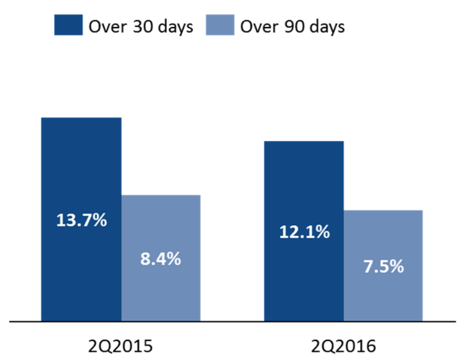


Chart 10: The NPLs trend in the leasing business

CORPORATE LENDING

Increased with respect to the levels observed in 3Q15 and 4Q15, as a function of the greater maturity of the portfolio and to the decrease in the stock of corporate loans, while the amount in default remained almost unchanged.

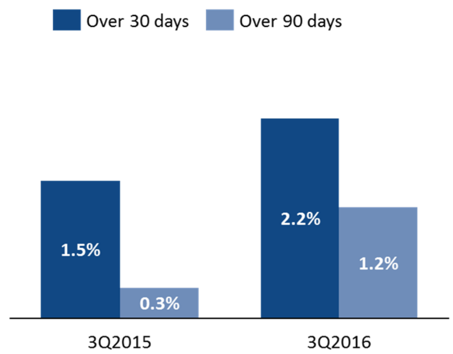


Chart 11: The NPLs trend in the credit business

Tanner
Servicios Financieros

VI. Balance sheet

Assets (MM$)	Sep-16	Dec-15	Δ $	Δ %
Current Assets				
Cash and cash equivalent	20,848	31,785	(10,937)	-34.4%
Other current financial assets	53,140	29,143	23,997	82.3%
Other current non-financial assets	3,535	1,928	1,607	83.4%
Trade receivables and other current accounts receivable, net	495,037	450,348	44,690	9.9%
Current accounts receivable from related parties	340	365	(25)	-6.9%
Current tax assets	13,976	17,354	(3,378)	-19.5%
Non-current assets held for sale	762	510	252	49.5%
Total Current Assets	**587,638**	**531,432**	**56,206**	**10.6%**
Non-Current Assets				
Other non-current financial assets	31,996	36,998	(5,002)	-13.5%
Other non-current non-financial assets	1,240	916	324	35.4%
Trade receivables and other non-current accounts receivable, net	259,458	342,009	(82,552)	-24.1%
Non-current accounts receivable from related parties	13	52	(38)	-74.1%
Investments in companies	-	-	-	-
Intangible assets other than goodwill	640	452	188	41.7%
Goodwill	1,764	1,764	0	0.0%
Property, plant and equipment	3,971	4,271	(300)	-7.0%
Deferred tax assets	32,489	38,612	(6,123)	-15.9%
Total Non-Current Assets	**331,571**	**425,073**	**(93,502)**	**-22.0%**
TOTAL ASSETS	**919,210**	**956,505**	**(37,296)**	**-3.9%**

Liabilities (MM$)	Jun-16	Dec-15	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	232,651	281,277	(48,626)	-17.3%
Trade payables and other current accounts payables	47,662	54,127	(6,465)	-11.9%
Other short-term provisions	3,098	3,117	(19)	-0.6%
Current tax liabilities	1,432	7,077	(5,645)	-79.8%
Other current non-financial liabilities	12	16	(4)	-27.7%
Total Current Liabilities	**284,854**	**345,614**	**(60,759)**	**-17.6%**
Non-Current Liabilities				
Other non-current financial liabilities	379,143	361,651	17,492	4.8%
Non-current accounts payable	-	718	(718)	-100.0%
Deferred tax liabilities	5,277	11,144	(5,866)	-52.6%
Total Non-Current Liabilities	**384,421**	**373,513**	10,908	**2.9%**
TOTAL LIABILITIES	**669,275**	**719,127**	**(49,852)**	**-6.9%**
Equity	249,935	237,379	12,556	5.3%
TOTAL EQUITY AND LIABILITIES	**919,210**	**956,505**	**(37,296)**	**-3.9%**

Table 5: Consolidated balance sheet

Tanner
Servicios Financieros

a. Loans Portfolio [4]

Total gross loan portfolio as of September 2016 reached $ 778,966 million (-6.0% YoY) versus $ 828,749 million as of the same date of the previous year, while the stock of provisions totaled $ 24,471 million, dropping by 4.7% (↓$ 1,207 million) with respect to the $ 25,678 million of 3Q15. As a result of the foregoing, total net loan portfolio amounted to $ 754,495 million, $ 48,576 million (-6.0%) lower than at closing of 2015, when they amounted to $ 803,071 million.

Net loan portfolio by line of business, as of September 2016:

1. **Factoring:** +4.4% / ↑$ 8,611 million, totaling $ 205,600 million;
2. **Auto-Financing:** +10.0% / ↑$ 21,167 million, increasing to $ 232,032 million;
3. **Leasing:** +1.5% / ↑$ 1,605 million, reaching $ 109,264 million; and,
4. **Corporate Lending:** -22.8% / ↓$ 55,100 million, decreasing to $ 186.164 million.

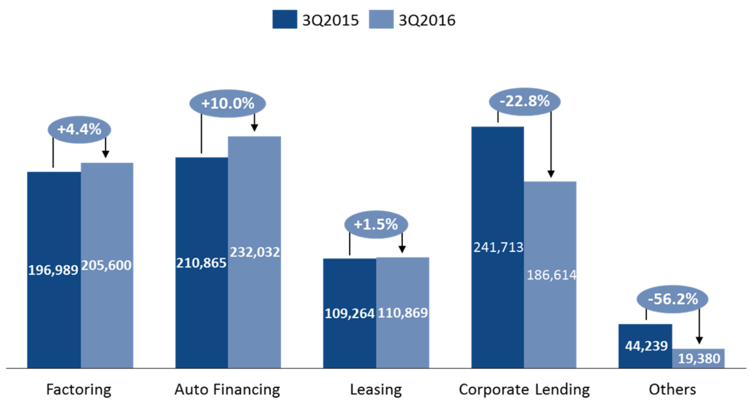


Chart 12: Net loan portfolio trend, by line of business

The breakdown of the portfolio has changed toward a greater concentration in the Company's strategic businesses, such as factoring and auto-financing; which, as of September 2016 represented 27.3 and 30.8% of net loan portfolio, respectively. Over the long run, corporate lending will focus on working capital loans to factoring clients, so as to complement Tanner's product offering.

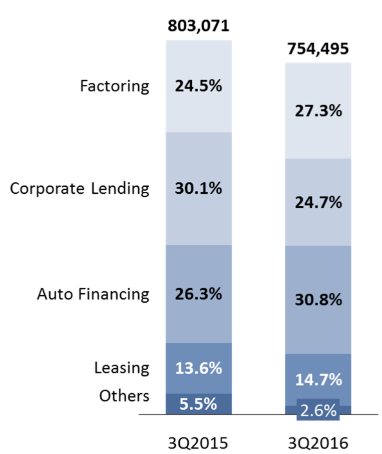


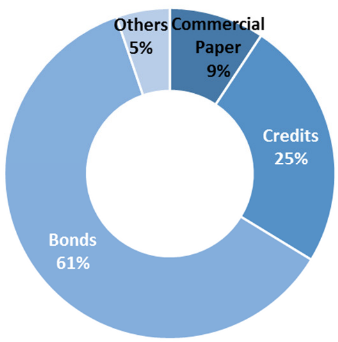
Chart 13: Distribution of the net loan portfolio

[4] Gross loans minus provisions.

b. Sources of financing

The Company's financial liabilities as of September 30, 2016 total $ 611,795 million versus $ 637,969 million in the same period of the previous year, equivalent to a drop of $ 31,133 million (-4,8%), consistent with a reduction of $ 48,626 million (-17.3%) in current liabilities that were partially offset by an increase of 4.8% (↑$ 17,492 million) in non-current liabilities.

In terms of the instruments that make up the liabilities, 61.0% ($ 373,498 million) corresponds to bonds – both local as well as international –, 24.4% ($ 149,296 million) to credits and bank lines, and 9.3% ($ 56,937 million) to commercial paper. Additionally, there are $ 32,064 million associated to repurchase agreements/repos obligations, mainly associated to the stock exchange subsidiary, a small portion of which corresponds to the appreciation of derivative instruments, principally, short-term forwards.



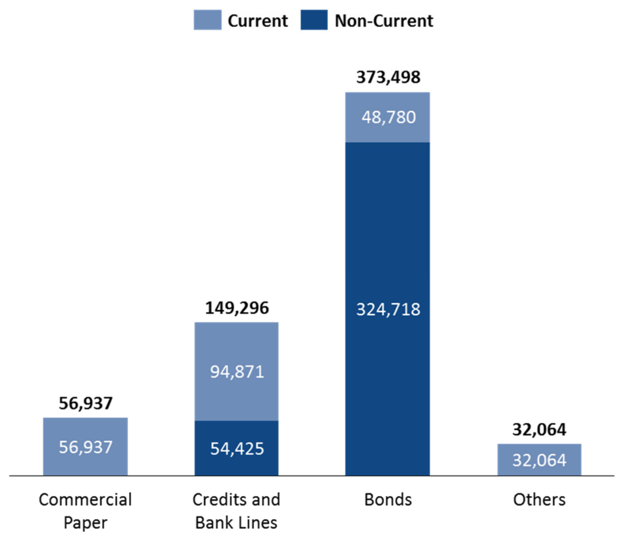


Chart 14: Breakdown of the sources of financing

VII. Cash flow statement

ThCh$	30-09-2016	30-09-2015	Δ $
Cash flows provided by (used in) operating activities	76,843	(11,548)	88,391
Cash flows provided by (used in) investing activities	11,154	(658)	11,812
Cash flows provided by (used in) financing activities	(98,753)	11,901	(110,654)
Effect of changes in exchange rates	(181)	312	(493)
Net increase (decrease) in cash and cash equivalent	(10,937)	7	(10,944)
Cash and Cash Equivalent, Initial Balance	31,785	22,856	8,929
Cash and Cash Equivalent, Final Balance	20,848	22,863	(2,015)

Table 6: Cash flow

During the first 9 months of 2016, the flow from **operating activities** increased considerably in relation to equal period of 2016, going from $ -11,548 million in 3Q15 to $ 76,843 million at closing of September 2016, which represents a variation of $ 88,391 million.

On the other hand, the flows stemming from **investment activities** varied by $ 11,812 million, going from -$ 658 million as of September 2015 to $ 11,154 million as of the closing of September 2016.

With respect to financing flows, there is a change of $ -110,654 million; consequently, **financing operations** during the period from January to September 2016 totaled $ -98,753 million.

As a result of the flows stemming from financing operations, the end result for the January-December 2016 period was a cash flow of $ -10,937 million; namely, $ 10,944 million lower than the flow for the period comprising the same months of the year 2015, albeit increases recorded in operating and investment activities.

On the other hand, **cash and cash equivalent** at closing of September 2016 totaled $ 20,848 million, reverting to Company equilibrium levels, as recorded in 3Q15, whose cash amounted to $ 22,863 million.

VIII. Risk analysis

a. Credit risk

Tanner manages its credit risk by line of business (in other words, independently for factoring, corporate lending, auto-financing and leasing operations) as a function of its clients' expected revenues, the available financial information, and their payment track record, should there be one. This analysis also incorporates macroeconomic expectations and those specific to the sector in which the client operates, and in the case of factoring it also includes those associated to the debtor.

Additionally, the Company has a creditworthiness follow-up process, whose objective is to identify in early stages eventual changes in the payment capacity of counterparts, so as to enable evaluating potential losses resulting from the risks to which it is exposed and adopt preventive or corrective measures, as appropriate.

Another important and complementary aspect of credit risk evaluations is the quality and quantity of the guarantees required. In this sense, one of the Company's policies has been to have solid guarantees that represent a second source of payment of the obligations of its clients in case of an eventual non-compliance. Thus, for each of the different type of businesses developed by the Company, a number of conditions are set forth, as follows:

FACTORING

For each client a framework agreement is signed into a document of public record in order to support future operations. Most lines include liability of the assignor for the insolvency of the assigned debtor. Operations without liability are generally covered by a credit insurance policy and/or specific guarantees.

AUTO-FINANCING

Car loans are guaranteed by the assets associated with the financing and also include a credit analysis profile for the client. There are two types of guarantees in this case: real (vehicle pledges) and personal (securities and solidary obligations).

LEASING

Leasing operations are guaranteed by the leased asset. Insurance policies are required for these assets to cover any claim that may cause a loss in value.

CORPORATE LENDING

Mortgages and/or stocks may be required. However, in some cases guarantors are liable of the loan in an event of default; generally, these are partners of or investors in the borrower.

The basic features of the provision determining policies, by type of business, are the following:

FACTORING

For invoices and checks, the provision is equal to an increasing percentage – which depends on days past due– from the total amount owed by the debtor to the Tanner´s client.

** The write-offs policy has as maximum term of 540 days past due.*

AUTO-FINANCING

The calculation of provisions considers the use of variables that contemplate demographic aspects, conditions of the product - sales channel, vehicle type and characteristics of the credit - and internal behavior, such as payment history, recoveries and defaults, among others.

** The write-offs policy has as maximum term of 420 days past due.*

LEASING

According to the asset type leased (real estate, vehicle or machinery and equipment) and days of delay in payment, a percentage is applied to the outstanding principal balance.

** The write-offs policy has as maximum term of 540 days past due.*

CORPORATE LENDING

The provision is an increasing percentage of the outstanding balance, which depends on days past due.

** The write-offs policy has as maximum term of 540 days past due.*

b. Liquidity risk

The Company manages its liquidity risk at a consolidated level. Tanner's main source of liquidity is cash flows from its operating activities (collections) plus a series of diversified funding sources such as bonds –local and international, with a defined repayment schedule–, non-guaranteed banking credit lines (primarily short-term) which are renewed on a regular basis, and commercial paper.

The Company has a daily cash flow management system that includes a simulation of all assets and liabilities, so as to anticipate cash needs. Additionally, a monthly Asset and Liabilities Committee (ALCA) meeting reviews projections and defines an action plan based on the Company´s forecasts and market conditions.

Indirect subsidiary Tanner Corredores de Bolsa S.A. (TCB) is subject to requirements set forth by the SVS and must comply with regulations with respect the General Liquidity Index and the Intermediation Liquidity Index.

As of September 30, 2016 the Company, at the consolidated level, kept $ 20,848 million of cash available, versus $31,785 million as of December 31, 2015 and $ 22,863 million as of September 30, 2015.

c. Market risk

Financial or market risk refers to exposure to economic losses due to adverse activity in market factors, such as price, interest rate, currency, and price-level restatement, among others, affecting the value of any operation recorded on the balance sheet.

i. Price risk

This is defined as the risk, when selling a debt instrument (for example bonds) of receiving a lower amount than what was originally invested, as a consequence of the instrument's profitability being lower than that required by the market at the time of the sale. For financial instruments, the price risk is directly related to interest rate risk.

ii. Interest rate risk

This is defined as the risk of losses due to adverse activity in market interest rates which affects the value of loans, contracts or other operations recorded on the balance sheet.

Currently, the Company is exposed to interest rate risk in: (i) operations with derivative, trading and hedging instruments, which have maturity up to 5 years and (ii) UF, Chilean Pesos and United States Dollars, however, a large portion of the positions with variable interest rate are covered.

iii. Currency risk

This is defined as the exposure to potential losses due to changes in the value of assets and liabilities recorded in foreign currency. The Company, due to its business and funding sources, is exposed to risks in *United States Dollars*, which it mitigates using derivative instruments, although as a matter of internal policy such exposure cannot exceed 2.5% of the Company's equity capital.

As of September 30, 2016 the Company showed a currency risk exposure, stated in *Dollars of the United States of America*, of US$ 3.0 million. A sensitivity analysis to currency risk is run daily considering as its main variable the referred and mismatched US Dollar exposure and the estimated variation exhibited by the "observed dollar" (*dólar observado*) exchange rate.

iv. Price-level restatement risk

This corresponds to the exposure to potential losses caused by changes in the inflation-adjusted currency – Unidades de Fomento – affecting assets and liabilities recorded in that currency and generating losses in the conversion to Chilean Pesos, Tanner's functional currency. This risk is mitigated by using derivative instruments, usually "swaps".

For additional information regarding this section, please refer to Note 4 of the Company's Financial Statement as of September 30, 2016.