



Annual Earnings Report

Tanner Servicios Financieros

December 2016



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I. Executive Summary



❖ ROAE*:

2016: 9.2% / 2015: 8.8%

❖ ROAA**:

2016: 2.3% / 2015: 2.3%

❖ Equity:

2016: MM\$ 250,952 / Δ^+ : 5.7% YoY

❖ Gross margin:

2016: MM\$ 61,493 / 2015: MM\$ 50,928
 Δ^+ : 20.7% YoY

❖ Net profit:

2016: MM\$ 22,347 / 2015: MM\$ 20,313
 Δ^+ : 10.0% YoY

❖ Net portfolio:

2016: MM\$ 800,821 / Δ^+ : 1.1% YoY

❖ NPLs over 90 days:

2016: 4.3% / 2015: 4.8%

* ROAE: Return on average equity

** ROAA: Return on average assets

Profit after taxes for the year comprised between January 1 and December 31, 2016, totaled \$ 22,347 million, representing an increase of 10.0%, equivalent to \$ 2,034 million, from \$ 20,313 million in 2015. This improvement is mostly attributable to the change in portfolio composition – more profitable for the Company – and lower risk charges.

Total net loan portfolio at period-end December 2016 amounted to \$ 800,821 million, increasing 1.1% (↑\$ 8,464 million) with respect to December 2015 and 17.0% (↑\$ 116,117 million) in relation to 2014, due to the progress made in factoring operations (↑\$ 37,563 million / +19.5%) and auto financing (↑\$ 27,756 million / +12.9%), in line with the Company's interest in concentrating its efforts on strategic products, which more than offset the drop in corporate lending (↓\$ 58,996 million / -23.6%).

Tanner closed 2016 with a **liquidity index of 2.58 times**, improving with respect to its 2014 (1.80x) and 2015 (1.54x) levels, while **cash on hand totaled \$ 31,629 million** in December 2016 versus \$ 31,785 million at the close of the previous year. On the other hand, the Company's **leverage was 3.07 times** in 2016, while as of December 2014 and 2015 it was 2.60x and 3.03x, respectively.

In risk matters, **NPLs over 90 days as of December 2016 amounts to 4.3%**, improving with respect to earlier levels (2014: 5.5% and 2015: 4.8%). Thus, the factoring business recorded non-performing loans of 5.0%¹ (2015: 6.3%¹), while in auto financing and leasing, NPLs improves significantly, reaching levels of 5.1% (2015: 6.9%) and 7.0% (2015: 8.2%), respectively, explained mostly by improved collection processes and the new loan approval requirements applied since last year. In corporate lending, NPLs show an increase of 0.6% in 2015 as compared to 1.5% in 2016, as a result of a smaller stock, in line with the Company's strategy to reduce its exposure to this product, while the amount in default remained almost unchanged.

In terms of debt issuance, during 2016 Tanner successfully placed a 4-year UF 2,000,000 bond in the local market and an inaugural CHF150mm instrument in the Swiss market, taking advantage of the market conditions. In addition, two loans were obtained with foreign entities, totaling USD 124 million.

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 period between January 1 and December 31, 2016. All figures are stated in Chilean Pesos (CLP) and reported in accordance with International Financial Reporting Standards (IFRS).

INCOME STATEMENT ThCh\$	Jan-16 Dec-16	Jan-15 Dec-15	Δ \$	Δ %
Revenue from ordinary activities	124,926	156,893	(31,967)	-20.4%
Sales cost	(63,433)	(105,965)	42,532	-40.1%
Gross profit	61,493	50,928	10,565	20.7%
Other revenue, by function	1,258	5,481	(4,223)	-77.0%
Administrative Expenses	(38,110)	(36,019)	(2,091)	5.8%
Other profits (losses)	0.8	(5)	6	-115.1%
Operating Margin	24,642	20,385	4,257	20.9%
Financial revenue	300	14	286	1996.5%
Financial costs	(148)	(192)	43	-22.6%
Participation in profits (losses) of related companies and joint ventures accounted via the shareholding method	-	-	-	0.0%
Foreign exchange differences	(17)	44	(61)	-138.3%
Income, by adjustment units	134	377	(243)	-64.3%
Profit (losses) before taxes	24,912	20,629	4,283	20.8%
(Expense) Revenue from profit taxes	(2,565)	(315)	(2,249)	713.3%
Profit (Loss)	22,347	20,313	2,034	10.0%
Profit (Loss) Attributable to controller's property owners	21,836	20,061	1,775	8.8%
Profit (Loss) Attributable to non-controller shares	511	252	259	102.7%

Table 1: Consolidated income statement as of December 2016

The Company's **net profit** at period-end December 2016 shows an increase of 10.0% (↑\$ 2,034 million), totaling \$ 22,347 million, versus \$ 20,313 million in 2015, while its **gross margin** reached \$ 61,493 million, showing a growth of 20.7% (↑\$ 10,565 million) with respect to the \$ 50,928 million recorded during the previous year.

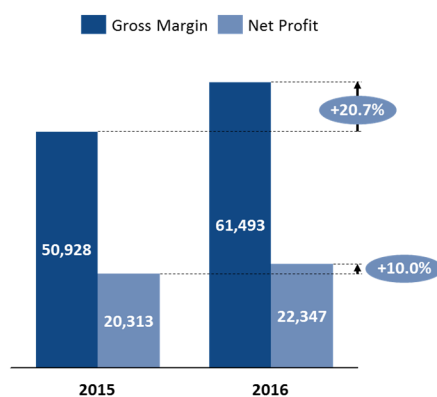


Chart 1: Consolidated Gross Margin and Net Profit

Consolidated income during 2016 dropped by 20.4% (↓\$ 31,967 million) as compared to 2015, totaling \$ 124,926 million, versus \$ 156,893 million, mostly caused by effects of changes in exchange rates and indexation, which had a negative impact of \$ 46,057 million and is netted in cost of sales. Additionally, there were increases in the automotive business (↑\$ 3,843 million / +7.2% YoY), leasing (↑\$ 1,382 million / +11.1% YoY), corporate lending (↑\$ 2,619 million / +16.2% YoY) and subsidiaries² (↑\$ 7,545 million / +197.6% YoY).

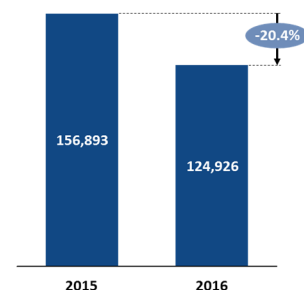


Chart 2: Consolidated Income

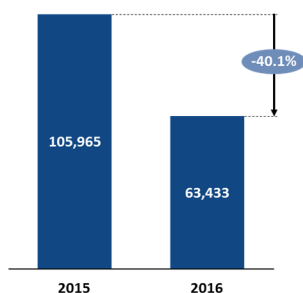


Chart 3: Consolidated Costs of Sale

Consolidated costs of sale at period-end December 2016 shows a significant drop of \$ 42,532 million (-40.1%) with respect to the previous year, reaching \$ 63,433 million, versus \$ 105,965 million, principally because of lower risk (↓\$ 5,396 million / -22.1%), along with foreign exchange differences and indexation, which translate into a drop in costs of \$ 47,418 million and are netted against income.

Consequently, exchange differences and indexation recognized as a negative effect in terms of revenues are offset at cost level, generating a consolidated net positive effect of \$ 1,361 million, since the Company has sufficient coverage, which allowed it to handle changes in exchange rates and the value of the UF. This allows the **gross margin to increase by 20.7%**, equivalent to a rise of \$ 10,565 million, totaling \$ 61,493 million, up from \$ 50,928 million recorded in the previous year.

Administrative expenses (including depreciation) between January and December, 2016, show an increase of 5.8% (↑\$ 2,091 million), reaching \$ 38,110 million, as a result of greater administrative costs, principally in: (i) service expenses, collection and revenues derived from outsourcing the Company's collections services beginning in 1Q15, aimed at improving performance; and, (ii) leases, lighting, heating and other utilities as a result of the sale of the corporate building and a new facility lease. These increases were not 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.

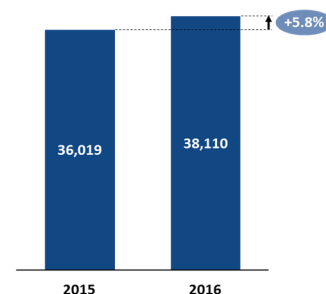


Chart 4: Consolidated Administrative Expenses

² Subsidiaries: Tanner Corredores de Bolsa de Productos (Commodities Exchange Broker), Tanner Corredores de Seguros Ltda. (Insurance Policy Broker) and Tanner Corredores de Bolsa S.A. (Stock Exchange Broker).

III. Main Indicators

	Indicator	Definition	Unit of Measurement	Dec-16	Dec-15
Liquidity and Solvency	Current Ratio	<i>Current Assets/Current Liabilities</i>	<i>times</i>	2,58	1,54
	Current Liabilities to Equity	<i>Current liabilities/Equity</i>	<i>times</i>	0,99	1,46
	Immediate Liquidity	<i>Cash and cash equivalent/Current Liabilities</i>	<i>times</i>	0,13	0,09
	Stable Funding Ratio	<i>(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)</i>	<i>%</i>	2,03	1,44
	Debt to Equity	<i>Total liabilities/Equity</i>	<i>times</i>	3,07	3,03
	Capitalization	<i>Equity/Assets</i>	<i>times</i>	0,25	0,25
	Short Term Debt Ratio	<i>Current liabilities/Total liabilities</i>	<i>%</i>	32,2%	48,1%
	Long Term Debt Ratio	<i>Non-current liabilities/Total liabilities</i>	<i>%</i>	67,8%	51,9%
	Short Term Bank Debt	<i>Current bank liabilities/Current liabilities</i>	<i>%</i>	33,1%	49,2%
	Long Term Bank Debt	<i>Non-current bank liabilities/Non-current liabilities</i>	<i>%</i>	10,6%	0,6%
Profitability	Working Capital	<i>Current assets - Current liabilities</i>	<i>ThCh\$</i>	391.361	185.731
	Interest Coverage Ratio	<i>(Profit before taxes + Financial expenditure)/Financial expenditure</i>	<i>times</i>	8,8	9,3
	Return on Equity	<i>Annualized profit/Equity</i>	<i>%</i>	8,9%	8,6%
	Return on Assets	<i>Annualized profit/Assets</i>	<i>%</i>	2,2%	2,1%
	Return on Average Equity	<i>Annualized profit/ Average Equity</i>	<i>%</i>	9,2%	8,8%
	Return on Average Assets	<i>Annualized profit/ Average Assets</i>	<i>%</i>	2,3%	2,3%
	Gross profit Margin	<i>Gross profit/Revenue from ordinary activities</i>	<i>%</i>	49,2%	32,5%
	Operating Profit Margin	<i>Operating Profit/Revenue from ordinary activities</i>	<i>%</i>	19,7%	13,0%
	Net Income Margin	<i>Net income/Revenue from ordinary activities</i>	<i>%</i>	17,9%	12,9%
	Earnings Per Share (EPS)	<i>Net income/number of shares</i>	<i>\$</i>	18.436	16.759
Quality of Assets	Efficiency of Expenditure	<i>SG&A Expenses/Gross profit</i>	<i>%</i>	62,0%	70,7%
	Non-Performing Loans over 30 days	<i>Non-performing loans >30 days/(Loans + Provisions)</i>	<i>%</i>	6,9%	7,4%
	Non-Performing Loans over 90 days	<i>Non-performing loans >90 days/(Loans + Provisions)</i>	<i>%</i>	4,3%	4,8%
		<i>Non-Performing loans >90 days/Equity</i>	<i>%</i>	14,3%	16,6%
	Non-Performing Loans	<i>Non-Performing loans/(Loans + Provisions)</i>	<i>%</i>	17,1%	16,3%
		<i>Non-Performing loans/Equity</i>	<i>%</i>	56,1%	56,4%
	Provisions	<i>Provisions/(Loans + Provisions)</i>	<i>%</i>	2,8%	3,4%
		<i>Provisions/Non-performing loans</i>	<i>%</i>	16,6%	20,9%
	Write-offs	<i>Write-offs/(Loans + Provisions)</i>	<i>%</i>	2,9%	3,0%
	Provisions and Write-offs	<i>Annualized provisions and write-offs/(Loans + Provisions)</i>	<i>%</i>	2,3%	3,0%
	Restructured Portfolio	<i>Securitized portfolio/(Loans + Provisions)</i>	<i>%</i>	3,0%	2,7%

Table 2: Main indicators

As of December 2016, in terms of liquidity and solvency, the Company has improved with respect to 2015, with progress in the main indicators measured in this dimension, primarily because of a drop in current liabilities, in line with obtaining long term financing – bonds issued during 4Q16 – that allows the reduction in short term bank lines usage and the increase in current assets, particularly in accounts receivable – as a result of increased factoring loans – and financial assets, which are a counterpart of the Company's greater availability of flows.

The Company also reported improvements in efficiency indicators, as a consequence of the 10.0% hike in net profit, totaling \$ 22,347 million, together with a gross margin expanding at 20.7%, to reach \$ 61,493 million, and an operating margin growing at 20.9%, to reach \$ 24,642 million.

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

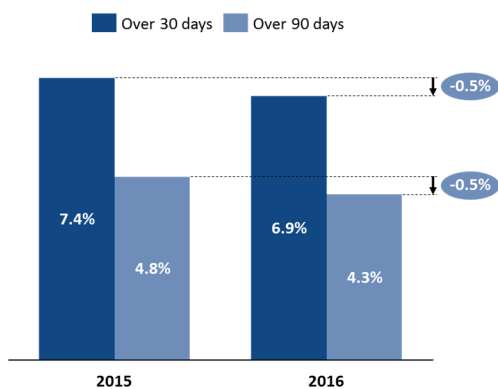


Chart 5: Consolidated NPLs

IV. Income Analysis by Business Line

Tanner operates 4 main lines of business - factoring, credits, leasing and automotive - which Tanner operates 4 main lines of business - factoring, auto financing, leasing and corporate lending - which altogether represent 87.8% of the Company's consolidated gross margin. Additionally, revenue and costs are generated by the treasury area and subsidiaries - *Gestora Tanner, Tanner Leasing S.A., Tanner Corredores de Bolsa de Productos S.A., Tanner Corredora de Seguros Ltda., Tanner Leasing Vendor Limitada and Chita SpA* – which are grouped under “Other” for the purposes of this analysis.






Business Line		Dec-16	Dec-16	Δ \$	Δ %
FACTORING					
	Revenue	29,402	30,818	(1,416)	-4.6%
	Costs	9,500	11,858	(2,358)	-19.9%
	Gross Profit	19,902	18,960	942	5.0%
AUTO FINANCING					
	Revenue	56,955	53,112	3,843	7.2%
	Costs	39,501	35,605	3,896	10.9%
	Gross Profit	17,454	17,507	(53)	-0.3%
LEASING					
	Revenue	13,831	12,449	1,382	11.1%
	Costs	8,574	9,191	(617)	-6.7%
	Gross Profit	5,257	3,258	1,999	61.3%
CREDITS					
	Revenue	18,743	16,124	2,619	16.2%
	Costs	7,371	8,641	(1,269)	-14.7%
	Gross Profit	11,372	7,483	3,888	52.0%
TEASURY					
	Revenue	(5,369)	40,570	(45,940)	-113.2%
	Costs	(6,520)	39,877	(46,398)	-116.4%
	Gross Profit	1,151	693	458	66.1%
OTHERS					
	Revenue	11,364	3,819	7,545	197.6%
	Costs	5,007	794	4,214	531.0%
	Gross Profit	6,357	3,026	3,331	110.1%
Tanner Consolidated					
	Revenue	124,926	156,893	(31,967)	-20.4%
	Costs	63,433	105,965	(42,532)	-40.1%
	Gross Profit	61,493	50,928	10,565	20.7%

Table 3: Income by Line of Business

The **gross margin** of 2016 reaches \$ 61,493 million, growing \$ 10,565 million (+20.7%), with respect to 2015 because of a drop in costs (↓\$ 42,532 million / -40.1%) greater than the decrease in income (↓\$ 31,967 million / -20.4%). Gross margin by line of business, is as follows:

FACTORING



\$ 19,902 million, with a rise of 5.0% (↑\$ 942 million), brought about by a reduction in costs (↓\$ 2,358 million / -19.9%), which is greater than the drop in revenue (↓\$ 1,416 million / -4.6%);

AUTO FINANCING



\$ 17,454 million, backtracking 0.3% (↓\$ 53 million) with respect to 2015, because revenue increases (↑\$ 3,843 million / +7.2%) did not fully offset the \$ 3,896 million (+10.9%) rise in costs;

LEASING



\$ 5,257 million, increasing 61.3% (↑\$ 1,999 million), as a result of a combined effect of greater revenue (↑\$ 1,382 million / +11.1%), and lower costs (↓\$ 617 million / -6.7%); and,

CORPORATE LENDING



\$ 11,372 million, up 52.0% (↑\$ 3,888 million), consistent with growth in revenues (↑\$ 2,619 million / +16.2%) and a decline in costs (↓\$ 1,269 million / -14.7%).

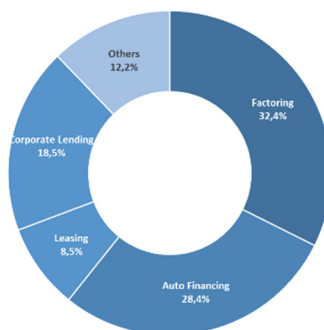


Chart 6: Gross margin allocation by line of business

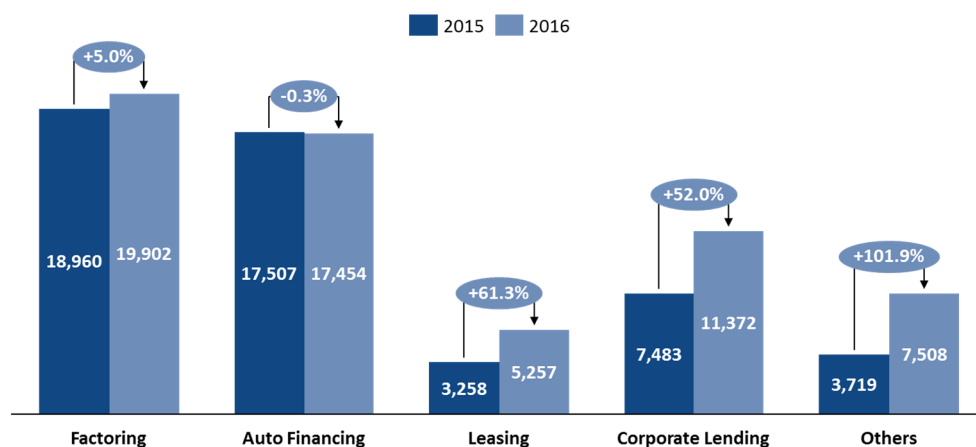


Chart 7: Gross margin by line of business

Consolidated revenues as of December 2016 totaled \$ 124,926 million (↓\$ 31,967 million), showing a drop of 20.4% YoY. These results are explained by revenues of:

FACTORING



\$ 29,402 million, with a decrease of 4.6% (↓\$ 1,416 million) in relation to 2015, as a result of a significant drop in other revenues, which last year included recoveries of write-offs, that partially offset the increase of revenue derived from price differences;

**AUTO
FINANCING**



\$ 56,955 million, growing 7.2% (↑\$ 3,843 million) as compared to previous year, principally as a result of an increase in volume, consistent with greater sales of new and used cars as reported by ANAC³ and CAVEM⁴;

LEASING



\$ 13,831 million, with an increase of 11.1% (↑\$ 1,382 million) in 2016, consistent with greater recovery of write-offs, although leasing operations in the banking industry have been decreasing during the last 12 months; and,

**CORPORATE
LENDING**



\$ 18,743 million, increasing 16.2% (↑\$ 2,619 million) during the year, which is mainly explained by greater rates and low basis of comparison with respect to 2015, in line with the Company's strategy to reduce its exposure in this product, passing to little facilities of working capital aimed to factoring clients instead of big tickets, and increased average loans during the period.

Consolidated costs during 2016 totaled \$ 63,433 million, dropping by \$ 42,532 million (-40.1%) with respect previous year; a reduction based on costs of:

FACTORING



\$ 9,500 million, decreasing by 19.9% (↓\$ 2,358 million) in relation to 2015, as a result of lower provisions and write-offs, that more than offset the increased interest from funding costs;

**AUTO
FINANCING**



\$ 39,501 million, growing 10.9% (↑\$ 3,896 million), mostly because of greater commissions, provisions, and write-offs;

LEASING



\$ 8,574 million, with a drop of 6.7% (↓\$ 617 million), due to decreased provisions and write-offs, partially offset by financing costs hikes; and,

**CORPORATE
LENDING**







\$ 7,371 million, dropping by 14.7% (↓\$1,269 million) during 2016, as a result of lower write-offs and provisions.

³ ANAC: Asociación Nacional Automotriz de Chile A.G. - Chile's national automotive association.

⁴ CAVEM: Cámara Nacional de Comercio Automotriz de Chile - Chile's national chamber of automotive commerce.

V. Portfolio Quality by Business Line

FACTORING		Definition	Unit of Measurement	Dec-16	Dec-15
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	15.7%	16.7%
		Non-Performing loans/Equity	%	14.9%	14.4%
	Provisions	Provisions/(Loans + Provisions)	%	3.0%	5.7%
		Provisions/Non-performing loans	%	19.0%	34.1%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	0.7%	2.5%
	Non-Performing Loans over 30 days ¹	Non-performing loans >30 days/(Loans + Provisions)	%	5.7%	7.3%
	Non-Performing Loans over 90 days ¹	Non-performing loans >90 days/(Loans + Provisions)	%	5.0%	6.3%
		Non-Performing loans >90 days/Equity	%	4.8%	5.4%
	Restructured Portfolio	Securitized portfolio/(Loans + Provisions)	%	1.0%	1.5%
		Securitized portfolio/Equity	%	1.0%	1.3%
Clients		Number of clients	#	2,548	1,880
Efficiency		SG&A Expenses/Gross profit	%	57%	62%
AUTO-FINANCING		Definition	Unit of Measurement	Dec-16	Dec-15
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	23.8%	25.8%
		Non-Performing loans/Equity	%	23.9%	24.4%
	Provisions	Provisions/(Loans + Provisions)	%	3.9%	4.2%
		Provisions/Non-performing loans	%	16.3%	16.2%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	5.8%	6.1%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	11.2%	12.5%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	5.1%	6.9%
		Non-Performing loans >90 days/Equity	%	5.1%	6.5%
	Restructured Portfolio	Securitized portfolio/(Loans + Provisions)	%	1.9%	2.8%
		Securitized portfolio/Equity	%	1.9%	2.6%
Clients		Number of clients	#	49,704	48,113
Efficiency		SG&A Expenses/Gross profit	%	74%	67%
LEASING		Definition	Unit of Measurement	Dec-16	Dec-15
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	23.7%	26.9%
		Non-Performing loans/Equity	%	11.1%	13.1%
	Provisions	Provisions/(Loans + Provisions)	%	3.6%	4.3%
		Provisions/Non-performing loans	%	15.1%	16.0%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	2.2%	3.1%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	9.9%	11.9%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	7.0%	8.2%
		Non-Performing loans >90 days/Equity	%	3.3%	4.0%
	Restructured Portfolio	Securitized portfolio/(Loans + Provisions)	%	8.6%	5.9%
		Securitized portfolio/Equity	%	4.0%	2.9%
Clients		Number of clients	#	1,072	1,272
Efficiency		SG&A Expenses/Gross profit	%	81%	105%
CREDITS		Definition	Unit of Measurement	Dec-16	Dec-15
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	8.1%	4.2%
		Non-Performing loans/Equity	%	6.2%	4.5%
	Provisions	Provisions/(Loans + Provisions)	%	1.2%	0.8%
		Provisions/Non-performing loans	%	14.6%	19.2%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	0.1%	0.8%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	2.0%	1.6%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.5%	0.6%
		Non-Performing loans >90 days/Equity	%	1.2%	0.7%
	Restructured Portfolio	Securitized portfolio/(Loans + Provisions)	%	3.8%	2.6%
		Securitized portfolio/Equity	%	3.0%	2.7%
Clients		Number of clients	#	1,257	971
Efficiency		SG&A Expenses/Gross profit	%	43%	72%

¹NPLs calculated including Pescanova.

Table 4: Main indicators by business line

FACTORING



The non-performing portfolio improved with respect to 2015 with the renegotiated portfolio decreasing, thus showing the improvement in the factoring portfolio.

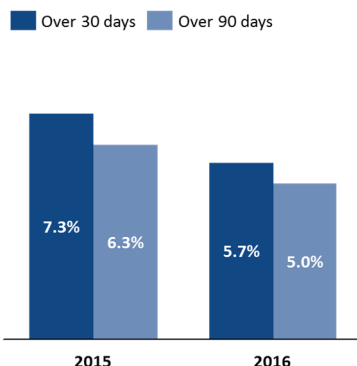


Chart 8: NPLs – Factoring Business

AUTO FINANCING



The delinquent portfolio and NPLs dropped significantly, reflecting progress in the Company's collection and admission processes designed to enhance portfolio quality.

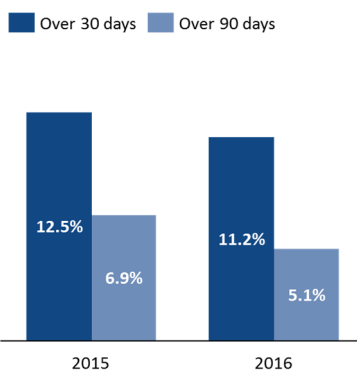


Chart 9: NPLs – Auto-Financing Business

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.

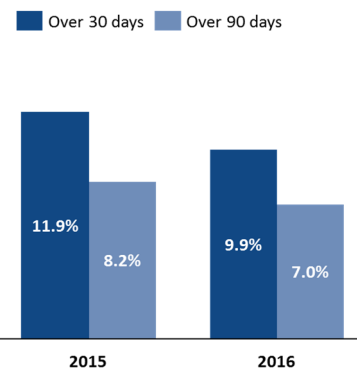


Chart 10: NPLs – Leasing Business

**CORPORATE
LENDING**



Increased with respect to 3Q15 and 4Q15 thanks to a more mature portfolio and a smaller corporate loans stock, while the amount in default remained almost unchanged.

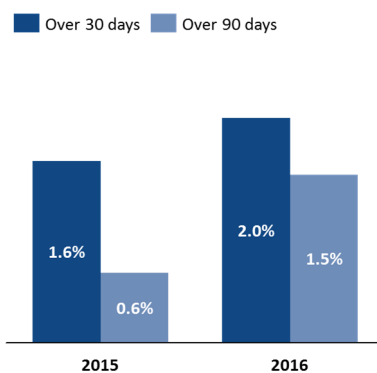


Chart 11: NPLs – Corporate Lending Business

VI. Balance Sheet

Assets (MM\$)	Dec-16	Dec-15	Δ \$	Δ %
Current Assets				
Cash and cash equivalent	31,629	31,785	(156)	-0.5%
Other current financial assets	44,478	29,143	15,335	52.6%
Other current non-financial assets	2,002	1,841	161	8.8%
Trade receivables and other current accounts receivable, net	542,956	450,348	92,608	20.6%
Current accounts receivable from related parties	341	365	(24)	-6.7%
Current tax assets	15,187	17,354	(2,167)	-12.5%
Non-current assets held for sale	2,260	510	1,750	343.5%
Total Current Assets	638,853	531,345	107,508	20.2%
Non-Current Assets				
Other non-current financial assets	75,152	36,998	38,154	103.1%
Other non-current non-financial assets	4,808	916	3,892	425.1%
Trade receivables and other non-current accounts receivable, net	257,865	342,009	(84,144)	-24.6%
Non-current accounts receivable from related parties	13	52	(38)	-74.1%
Investments in companies	-	-	-	0.0%
Intangible assets other than goodwill	1,853	539	1,314	243.8%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	4,545	4,271	275	6.4%
Deferred tax assets	35,514	38,612	(3,098)	-8.0%
Total Non-Current Assets	381,515	425,160	(43,645)	-10.3%
Total Assets	1,020,368	956,505	63,863	6.7%
Liabilities (MM\$)	Dec-16	Dec-15	Δ \$	Δ %
Current Liabilities				
Other current financial liabilities	190,546	281,277	(90,731)	-32.3%
Trade payables and other current accounts payables	50,936	56,130	(5,193)	-9.3%
Other short-term provisions	2,540	1,114	1,426	127.9%
Current tax liabilities	3,457	7,077	(3,619)	-51.1%
Other current non-financial liabilities	12	16	(4)	-27.7%
Total Current Liabilities	247,492	345,614	(98,122)	-28.4%
Non-Current Liabilities				
Other non-current financial liabilities	516,080	361,651	154,429	42.7%
Non-current accounts payable	-	718	(718)	-100.0%
Deferred tax liabilities	5,844	11,144	(5,300)	-47.6%
Total Non-Current Liabilities	521,924	373,513	148,411	39.7%
Total Liabilities	769,416	719,127	50,289	7.0%
Equity	250,952	237,379	13,574	5.7%
Total Equity and Liabilities	1,020,368	956,505	63,863	6.7%

Table 5: Consolidated Balance Sheet

a. Loan Portfolio⁵

Total gross loan portfolio as of December 2016 reached \$ 824,188 million (+0.47% YoY) versus \$ 820,342 million as of the previous year, while provisions totaled \$ 23,367 million, dropping by 16.5% (↓\$ 4,618 million) with respect to \$ 27,985 million in 2015. As a result, the total net loan portfolio amounted to \$ 800,821 million, up \$ 8,464 million (+1.1%) from year-end 2015, when it totaled \$ 792,357 million.

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

1. **Factoring:** \$ 230,375 million, increasing 19.5% YoY (↑\$ 37,563 million);
2. **Automotive:** \$ 242,301 million, growing 12.9% YoY (↑\$ 27,756 million);
3. **Leasing:** \$ 113,143 million, with an increase of 2.2% YoY (↑\$ 2,383 million); and,
4. **Credit:** \$ 190,840 million, dropping 23.6% YoY (↓\$ 58,996 million).

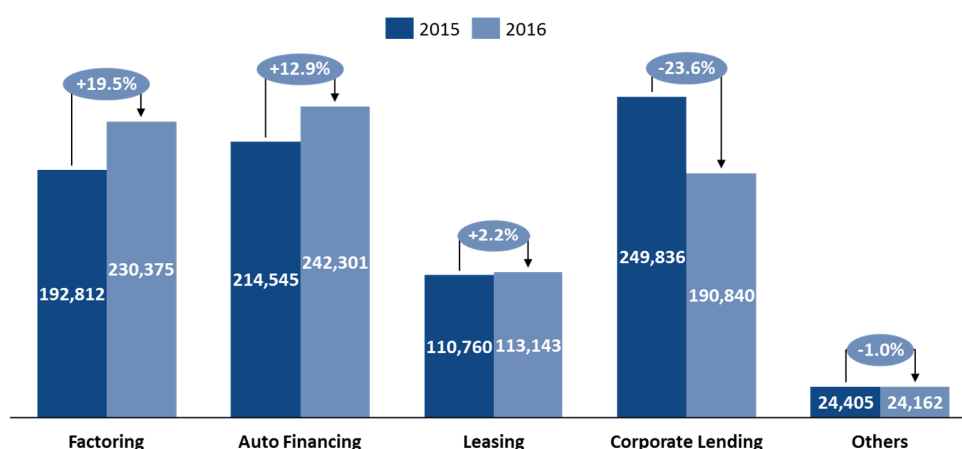


Chart 12: Net Loan Portfolio by Business Line

The portfolio has become more heavily concentrated in the Company's strategic businesses of factoring and auto financing, which represented 28.8% and 30.3% of net loan portfolio, respectively, as of December 2016. Over the long run, corporate lending will focus on working capital loans to factoring clients in order to complement Tanner's products offering.

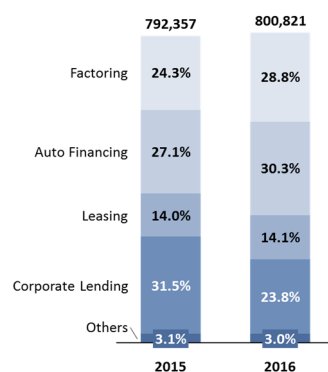


Chart 13: Distribution of the Net Loan Portfolio

⁵ Gross loans minus provisions.

b. Funding Sources

The Company's financial liabilities as of December 31, 2016, totaled \$ 706,626 million versus \$ 642,928 million in the same previous year, up 9.9% YoY (\$ 63,698 million), consistent with an increase in non-current financial liabilities of \$ 154,429 million (+42.7%), because of the two bonds issued in 2016, one in the local market (UF 2 million) and other in the Suisse market (CHF 150 million), with maturities of 4 and 3 years, respectively. The flows coming from both transactions offset the \$ 90,731 million (-32.3%) drop in current financial liabilities derived from a decrease in obligations with banks and financial institutions.

In terms of the instruments that make up liabilities, 72.4% (\$ 511,586 million) correspond to local and international bonds, 19.4% (\$ 137,261 million) to loans and lines of credit, and 5.5% (\$ 38.931 million) to commercial paper. Additionally, \$ 18,849 million is associated with repos, mainly related with the brokerage subsidiary, a small portion of which corresponds to the appreciation of derivative instruments (mainly short-term forwards).

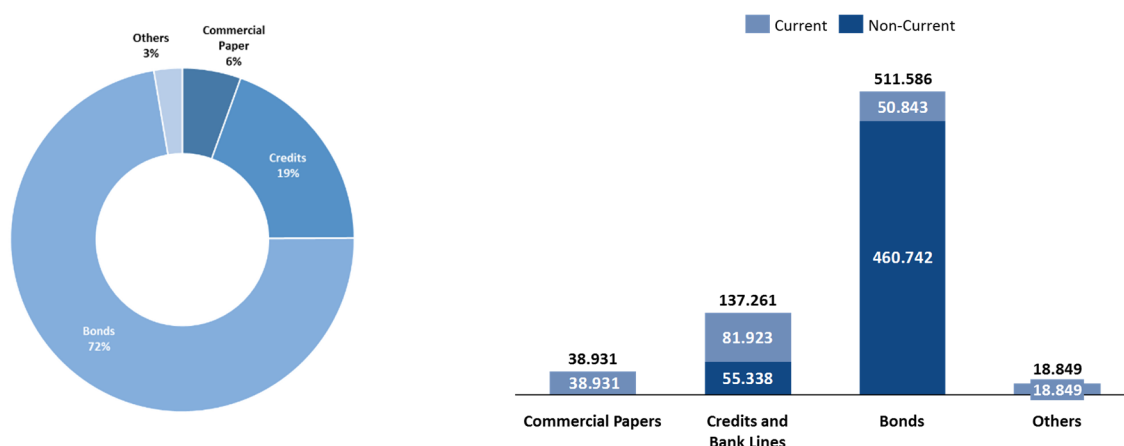


Chart 14: Makeup of the sources of financing

VII. Cash Flow Statement

ThCh\$	Dec-16	Dec-15	Δ \$
Cash flows provided by (used in) operating activities	(57,381)	(92,754)	35,372
Cash flows provided by (used in) investing activities	159,815	51,776	108,039
Cash flows provided by (used in) financing activities	(102,344)	49,248	(151,592)
Effect of changes in exchange rates	(246)	659	(904)
Net increase (decrease) in cash and cash equivalent	(156)	8,929	(9,085)
Cash and Cash Equivalent, Initial Balance	31,785	22,856	8,929
Cash and Cash Equivalent, Final Balance	31,629	31,785	(156)

Table 6: Cash Flow

During 2016, cash flows from **operating activities** totaled \$ -57,381 million, due to increased loans portfolio and the gap between the Company's cash disbursement to finance its clients and the collection associated with the business.

On the other hand, cash flows stemming from **investment activities** reached \$ -4,602 million, equivalent to a variation of \$ 14,483 million, versus \$ - 19,085 million recorded in 2015, mainly as a result of the recognition of the sale of the headquarters, made in December 2015, while the flows were received during 1Q16.

With respect to **financing cash flows**, which totaled \$ 62,073 million in 2016, there is a reduction in the proceeds from borrowings, in line with the decrease of short-term obligations with banks and financial institutions derived from the availability of funds – excess cash – arising from the bonds issued during the year, which have long-term maturities. Additionally, there is less repayments of borrowings in 2016 when compared to 2015.

On the other hand, **cash and cash equivalent** at period-end December 2016 totaled \$ 31,629 million, similar to cash of \$ 31,785 million registered in 2015.

VIII. Risk Analysis

a. Credit Risk

Tanner manages credit risk by line of business (i.e. independently for factoring, corporate lending, auto-financing and leasing operations) based on its clients' expected revenues, available financial information, and their payment track record, if any. This analysis also incorporates macroeconomic expectations and data specific to the sector in which the client operates. In the case of factoring, it also includes debtor-specific information.

Additionally, the Company has a creditworthiness follow-up process, to identify in early stages potential changes in counterparty payment capacity, in order to evaluate 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 guarantees required. One of the Company's policies has been to have solid guarantees that represent a second source of payment for client obligations in the event of non-compliance. Thus, a number of conditions have been set forth for each business line:



A framework agreement is signed by each client 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.



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 co-signers).



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



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

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

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 Tanner’s client.

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

AUTO-FINANCING



Provisions are calculated using variables such as demographic aspects, product conditions (sales channel, vehicle type and loan characteristics) and internal behavior, such as payment history, recoveries and defaults, among others.

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

LEASING



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

** The write-off policy has as maximum term of 540 days past due, except for real estate leasing.*

CORPORATE LENDING



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

** The write-off 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 operating activities (collections) plus a series of diversified funding sources such as local and international bonds, with a defined repayment schedule, unsecured lines of credit (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, the Asset and Liabilities Committee (ALCO) meets monthly to review 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 December 31, 2016 the Company, at the consolidated level, had cash on hand of \$ 31,629 million, versus \$31,785 million as of December 31, 2015.

c. Market Risk

Market risk is defined as the exposure to financial loss due to adverse movements in market variables, such as stock prices, interest rates, currencies, indexation, among others, and which the Company has not duly hedged, thus affecting the value of any operation recorded in the balance sheet.

i. Price Risk

The Company is exposed to price risk by owning financial instruments whose valuation depends directly on the value that the market gives to this type of operations and that present a certain volatility that is measured by historical VaR⁶.

As of December 31, 2016, the Company keeps investments in ETF⁷ amounting to ThUS\$ 17,334. Sensitivity is measured at historic VaR, which at a 1-day horizon is equivalent to 0.57% of the position of these financial instruments.

Additionally, investments in corporate bonds – valued at market prices and intend to be held to maturity – are maintained for a total of ThUS\$ 22,617. As of December 31, 2016, the parametric VaR, with a 1-day horizon is 0.18% of the position, with a 99% confidence level.

ii. Interest Rate Risk

It is defined as the risk to which the Company is exposed as a result of having financial operations whose valuation is subject, among other factors, to movements on the intertemporal structure of the interest rate.

The Company keeps a derivative instrument portfolio of: (i) trading derivatives – whose maturity structure is very short term, and, therefore, have an associated interest rate risk with low impact on results – and (ii) hedging derivatives – aims to mitigate the rate (Libor) and currency risks of financial liabilities, keeping a fairly limited exposure and low impact to income.

Exposure	12.31.2016							
	Trading Derivatives				Hedging Derivatives			
	CLF ThCh\$	CLP ThCh\$	USD ThCh\$	CHF ThCh\$	CLF ThCh\$	CLP ThCh\$	USD ThCh\$	CHF ThCh\$
Up to 1 year	-	75,568,035	75,006,785	-	56,887,965	84,396,064	19,563,736	2,130,392
1 to 3 years	-	-	-	-	18,864,901	103,826,351	13,908,564	106,411,488
3 years and over	-	-	-	-	79,996,437	73,751,879	295,996	-
Total	-	75,568,035	75,006,785	-	155,749,303	261,974,294	33,768,296	108,541,880

Sens. +1bp	12.31.2016							
	Trading Derivatives				Hedging Derivatives			
	CLF ThCh\$	CLP ThCh\$	USD ThCh\$	CHF ThCh\$	CLF ThCh\$	CLP ThCh\$	USD ThCh\$	CHF ThCh\$
Up to 1 year	-	3,770	1,254	-	5,008	19,280	1,011	140
1 to 3 years	-	-	-	-	7,433	93,114	64,407	18,477
3 years and over	-	-	-	-	52,252	150,514	335	-
Total	-	3,770	1,254	-	64,693	262,908	65,753	18,617

⁶ VaR: Value at Risk – corresponds to the maximum expected loss considering a history horizon of 1 year with a confidence level of 99%.

⁷ ETF: Exchange Traded Funds – corresponds to funds that reproduce a given stock or fixed income index.

iii. Currency Risk

It is defined as the exposure to potential loss caused by changes in the value of assets and liabilities subject to exchange rate revaluation. The Company, as a result of their business activities and financing needs, holds a mismatch in USD which is daily managed and mitigated mainly through instruments deriving from negotiation and hedge. In addition, it has operations in Swiss francs whose currency risk is fully hedged.

As internal mitigation policy, the mismatch in USD may not exceed the equivalent to 2.5% of equity. As of December 31, 2016, the Company presented an exposure in USD currency range of US\$ 500,000, equivalent to 0.1% of equity. The sensitivity analysis to currency risk is calculated on a daily basis considering as main variable the exposure in USD of mismatch held and the estimated variation of the observed USD.

USD Mismatch (ThUS\$)	
Assets	257,186
Liabilities	(382,259)
Hedging Instruments	125,549
Mismatch 12.31.2016	476

iv. Indexation Risk

It corresponds to the exposure that assets and liabilities hired in UF have and that may cause losses resulting from the change in the UF value. The Company, as a result of activities inherent to the business and its financing needs, holds assets and liabilities in UF, whose mismatched is managed in a daily basis and is mitigated through hedging derivatives.

As internal policy of risk mitigation, mismatch in UF may not exceed the equivalent to 30% of equity. As of December 31, 2016, mismatch in UF amounted to CLF\$ 2,000,000, equivalent to 22.3% of equity. Sensitivity analysis of indexation risk is calculated in a daily basis considering as main variable the mismatch held in CLF and the future variations estimated in the UF value.

UF Mismatch (ThCLF\$)	
Assets	6,659
Liabilities	(10,044)
Hedging Instruments	5,500
Mismatch 12.31.2016	2,115

For additional information regarding this section, please refer to Note 4 of the Company's Financial Statements as of December 31, 2016.

