Quarterly Earnings Report

Tanner Servicios Financieros

June 2017

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I. Executive Summary

❖ **ROAE*:**

1H17: 8.7% / 1H16: 8.9%

❖ **ROAA**:**

1H17: 2.2% / 1H16: 2.3%

❖ **Equity:**

1H17: MCh$ 262,293 / Δ⁺: 4.5% YTD

❖ **Gross Margin:**

2Q17: MCh$ 16,092 / 2Q16: MCh$ 13,628
Δ⁺: 18.1% YoY
1H17: MCh$ 29,273 / 1H16: MCh$ 28,570
Δ⁺: 2.5% YoY

❖ **Net Profit:**

2Q17: MCh$ 6,893 / 2Q16: MCh$ 5,156
Δ⁺: 33.7% YoY
1H17: MCh$ 11,119 / 1H16: MCh$ 10,658
Δ⁺: 4.3% YoY

❖ **Net Portfolio:**

1H17: MCh$ 829,942 / Δ⁺: 13.2% YoY

❖ **NPLs > 90 days:**

1H17: 4.0% / 1H16: 4.7%

* ROAE: Return on average equity
** ROAA: Return on average assets

Profit after taxes in 2Q17, grew 33.7% YoY, totalling Ch$ 6,893 million in line with increased gross profit. In **1H17 net profit reached Ch$ 11,119 million** (+4.3% YoY), mostly attributable to greater revenues, partially offset by higher provisions and SG&A expenses.

Total net loan portfolio at period-end June 2017 amounted to Ch$ 829,942 million, increasing 13.2% YoY (↑Ch$ 96,768 million), due to the progress of strategic businesses, i.e. auto-financing (↑Ch$ 42,972 million / +19.2% YoY) and factoring (↑Ch$ 22,770 million / +10.9% YoY), and the growth registered by the Real State Mezzanine Debt[1] product, assigned to corporate lending, which allows the segment to grow Ch$ 28,439 million (+16.3% YoY), more than offsetting the decrease in leasing (↓Ch$ 4,276 million / -4.0% YoY). Thus, **the stock of loans in the auto-financing business reached the maximum recorded by Tanner, with Ch$ 266,348 million**, followed by factoring (Ch$ 231,772 million), corporate lending (Ch$ 203,438 million) and leasing (Ch$ 103,664 million).

As of June 2017, **liquidity index reached 1.75 times**, below the levels registered in 2016 (2.57x) and 2Q16 (1.96x). **Cash on hand totalled Ch$ 28,551 million** versus Ch$ 31,632 million at the end of the previous year (2Q16: Ch$ 35,675 million), while the Company's **leverage closed at 2.91 times** (2016: 2.99x and 2Q16: 2.83x).

In terms of risk, during the first half of 2017, **NPLs over 90 days reached 4.0%, down 70 bps YoY**, while NPLs over 30 days contracted 20 bps, despite the higher levels of default rates registered in the country. The factoring non-performing loans over 90 days decreased to 3.4% from 5.5% in 1H16, while in auto-financing and leasing, NPLs over 90 days reached levels of 5.2% (1H16: 5.6%) and 7.4% (1H16: 7.3%), respectively, explained mostly by improved collection processes and the new loan approval requirements. In corporate lending, NPLs increased from 1.3% during the first half of 2016 to 1.9% in 1H17, following the change in customer profile, which is more like factoring.

[1] Real Estate Mezzanine Debt: Purchase of real estate promises with a faithful compliance policy of the delivery and a buy-back option.

II. Consolidated Income Analysis

The following table shows the consolidated income of Tanner Servicios Financieros S.A. and Subsidiaries. All figures are stated in Chilean Pesos (Ch$) and reported in accordance with International Financial Reporting Standards (IFRS).

INCOME STATEMENT MCh$	01.01.17 30.06.17	01.01.16 30.06.16	Δ %	01.04.17 30.06.17	01.04.16 30.06.16	Δ %
Revenues from ordinary activities	63,681	56,695	12.3%	31,136	32,229	-3.4%
Costs of Sales	(34,408)	(28,125)	22.3%	(15,044)	(18,601)	-19.1%
Gross profit	29,273	28,570	2.5%	16,092	13,628	18.1%
Other revenues, by function	1,183	149	692.8%	271	127	112.8%
Administrative Expenses	(18,868)	(17,139)	10.1%	(9,409)	(8,763)	7.4%
Other profit (loss)	14	0	5513.1%	13	(3)	-608.9%
Operating Margin	11,602	11,580	0.2%	6,967	4,990	39.6%
Financial revenues	88	21	318.1%	26	12	125.3%
Financial expenses	(103)	(71)	45.7%	(59)	(36)	63.1%
Exchange differences	(0)	(33)	-98.5%	(6)	(8)	-21.0%
Profit (loss) for indexed assets and liabilities	50	54	-8.4%	20	38	-46.8%
Profit (loss) before taxes	11,636	11,552	0.7%	6,949	4,996	39.1%
Income tax expense	(517)	(894)	-42.2%	(56)	159	-135.0%
Profit (Loss) after tax	11,119	10,658	4.3%	6,893	5,156	33.7%
Profit (Loss) attributable to owners of the company	10,846	10,535	2.9%	6,757	5,088	32.8%
Profit (Loss) attributable to minority interest	273	123	122.8%	136	68	99.4%

Table 1: Consolidated Income Statement

The Company's **net profit in 2Q17 increased 33.7% YoY** (↑Ch$ 1,737 million), totalling Ch$ 6,893 million, versus Ch$ 5,156 in 2Q16, driving **net profit for the first half of the year to Ch$ 11,119 million** (↑Ch$ 461 million / +4.3% YoY). **Gross margin reached Ch$ 16,092 million in the period between April and June and Ch$ 29,273 million in 1H17**, up 18.1% YoY (↑Ch$ 2,464 million) and 2.5% YoY (↑Ch$ 703 million), respectively.

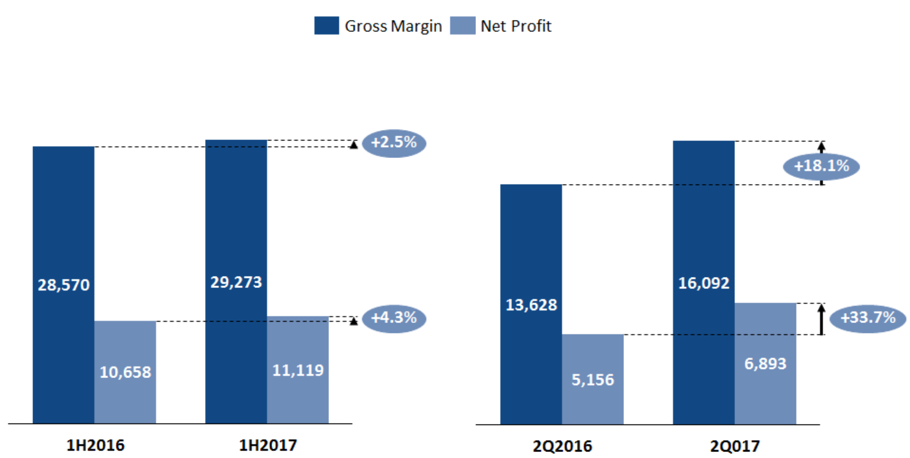

Chart 1: Consolidated Net Profit and Gross Margin (MCh$)

Consolidated revenues reached Ch$ 63,681 million during the first half of 2017, up 12.3% YoY (↑Ch$ 6,986 million), essentially due to increased proceeds coming from interests (↑Ch$ 2,354 million / +6.0% YoY) and other revenues (↑Ch$ 4,003 million / +29.9% YoY), basically late commercial payments and recoveries. Between **April and June 2017, revenues decreased 3.4% YoY** (↓Ch$ 1,093 million), totaling Ch$ 31,136 million, mostly attributable to adjustments[2] over assets (↓Ch$ 5,752 million), partially offset by higher proceeds from interests (↑Ch$ 1,702 million / +8.9% YoY) and other revenues[3] (↑Ch$ 1,960 million / +26.9% YoY).

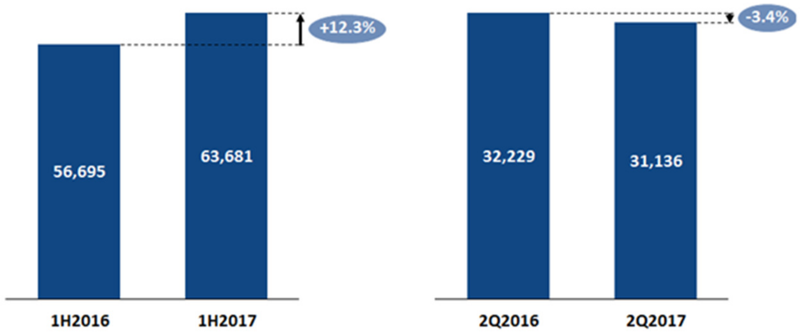

Chart 2: Consolidated Revenues (MCh$)

Consolidated cost of sales at period-end June 2017, reached Ch$ 34,408 million (↑Ch$ 6,283 million / +22.3% YoY), because of the increase of 108.8% YoY recorded in 1Q17, mainly derived from higher constitution of provisions and interests. This effect was partially offset by a **reduction of 19.1% YoY (↓Ch$ 3,557 million) in 2Q17**, resulting in cost of sales of Ch$ 15,044 million, due to lower: (i) readjustments[2] over liabilities (↓Ch$ 5,083 million) and (ii) constitution of provisions (↓Ch$ 743 million) during the quarter.

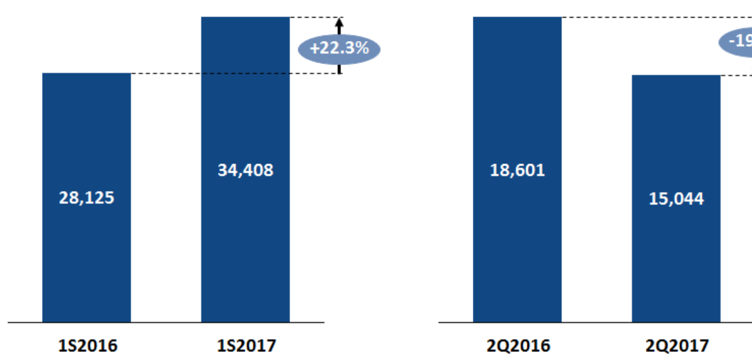

Chart 3: Consolidated Cost of Sales (MCh$)

[2] Exchange differences and inflation indexation are calculated over assets and liabilities. The result between both items shows the exchange rate and inflation variation effects, i.e. readjustments, over the Company's figures.
[3] Other revenue: late commercial payments and recoveries.

SG&A expenses (including depreciation) showed an increase both in 1H17 (↑Ch$ 1,729 million / +10.1% YoY) and 2Q17 (↑Ch$ 647 million / +7.4% YoY), totalling Ch$ 18,868 million and Ch$ 9,409 million, respectively, because of higher inflation and payments associated with the efficiency process developed during the first quarter of the year. The aforementioned led human resources costs – which represents 69.3% of SG&A expenses – to upsurge $ 1,337 million (+11.4% YoY), from Ch$ 11,741 million to Ch$ 13,078 million in 1H17.

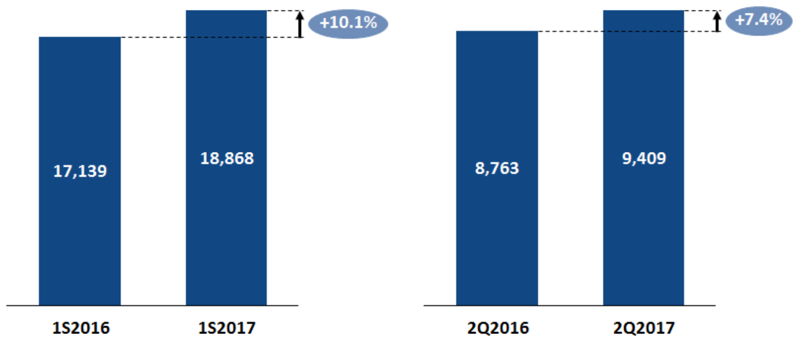

Chart 4: Consolidated SG&A Expenses (MCh$)

III. Main Indicators

	Indicator	Definition	Unit	Jun-17	Dec-16	Jun-16
	Current Ratio	*Current Assets/Current Liabilities*	*times*	1.75	2.57	1.96
	Current Liabilities to Equity	*Current liabilities/Equity*	*times*	1.43	0.99	1.24
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	*times*	0.08	0.13	0.12
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	*%*	1.76	2.08	1.86
	Debt to Equity	*Total liabilities/Equity*	*times*	2.91	2.99	2.83
Liquidity and Solvency	Capitalization	*Equity/Assets*	*times*	0.26	0.25	0.26
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	*%*	49.4%	33.2%	43.8%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	*%*	50.6%	66.8%	56.2%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	24.3%	32.9%	36.1%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	21.1%	11.0%	14.1%
	Working Capital	*Current assets - Current liabilities*	*MCh$*	280,368	391,385	291,172
	Interest Coverage Ratio	*(Profit before taxes + Financial expenditure)/Financial expenditure*	*times*	1.65	1.80	1.81
	Return on Equity	*Annualized profit/Equity*	*%*	8.5%	8.9%	8.8%
	Return on Assets	*Annualized profit/Assets*	*%*	2.2%	2.2%	2.3%
	Return on Average Equity	*Annualized profit/ Average Equity*	*%*	8.7%	9.2%	8.9%
	Return on Average Assets	*Annualized profit/ Average Assets*	*%*	2.2%	2.3%	2.3%
Profitability	Gross profit Margin	*Gross profit/Revenue from ordinary activities*	*%*	46.0%	49.2%	50.4%
	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	*%*	18.2%	19.7%	20.4%
	Net Income Margin	*Net income/Revenue from ordinary activities*	*%*	17.5%	17.9%	18.8%
	Earnings Per Share (EPS)	*Net income/number of shares*	*$*	9,173	18,436	8,793
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	*%*	64.5%	62.0%	60.0%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	*%*	6.9%	6.9%	7.1%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	*%*	4.0%	4.4%	4.7%
		Non-Performing loans >90 days/Equity	*%*	13.0%	14.3%	14.6%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	16.5%	17.1%	16.0%
		Non-Performing loans/Equity	*%*	53.5%	56.1%	49.8%
Assets Quality	Provisions	*Provisions/(Loans + Provisions)*	*%*	2.7%	2.8%	3.4%
		Provisions/Non-performing loans	*%*	16.1%	16.6%	21.2%
		Provisions/Non-performing loans >90 days	*%*	66.1%	65.2%	72.5%
	Write-offs	*Write-offs/(Loans + Provisions)*	*%*	1.4%	2.9%	1.6%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	*%*	2.6%	2.3%	2.6%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	*%*	2.6%	3.0%	2.9%

Table 2: Main Indicators

At the end of 1H17, liquidity and leverage remains healthy, despite higher current liabilities due to recognition of the maturity of the 144-A bond in less than a year (March 10, 2018) and lower current assets. Total liabilities increased Ch$ 11,967 million (+1.6% YTD) from December and $ 72,945 million (+10.6% YoY) when compared to June 2016, while assets expanded 2.3% YTD and 9.8% YoY.

Efficiency indicators were flat when compared to June and December 2016, however reflecting lower profit recorded in 1Q17, because of higher constitution of provisions and increased SG&A expenses, which also impacts both gross and operating margin, partially offset by higher revenues from ordinary activities.

Finally, asset quality indicators reflect the improvements in admission, control and collections policies that Tanner has been developing since 2015 to reduce NPLs levels. Additionally, there is a positive effect coming from the resolution of the Pescanova arbitrage during the second quarter of the year, which allowed to write-off this loan from the accounting of the Company.

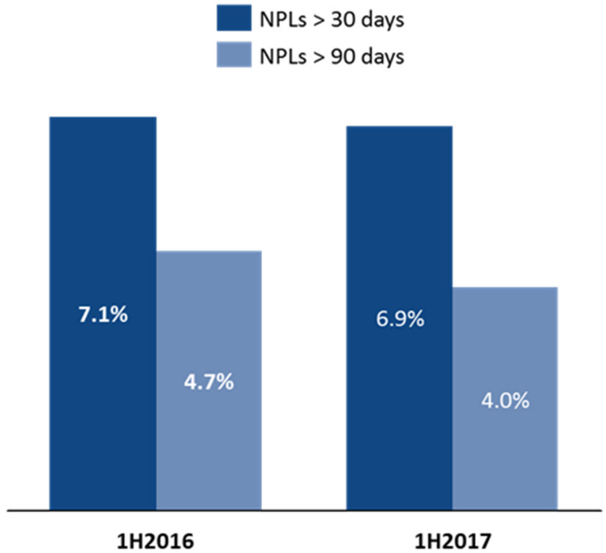

Chart 5: Consolidated NPLs

IV. Business Divisions Results

Tanner operates four main lines of business – factoring, auto-financing, leasing and corporate lending – which altogether represent 84.7% as of 1H17 and 84.6% as of 2Q17 of the consolidated gross margin, decreasing from 88.0% in 1H16 and 86.2% in 2Q16. Additionally, revenues and costs generated by the Treasury area and subsidiaries – *Tanner Investments, Tanner Corredores de Bolsa de Productos S.A., Tanner Corredora de Seguros Limitada and Tanner Asset Management Administradora General de Fondos S.A.* – are grouped under "Others" for the purposes of this analysis.

Business Division		01.01.2017 / 30.06.2017 MCh$	01.01.2016 / 30.06.2016 MCh$	Δ %	01.04.2017 / 30.06.2017 MCh$	01.04.2016 / 30.06.2016 MCh$	Δ %
FACTORING							
	Revenue	17,492	14,012	24.8%	9,375	7,139	31.3%
	Costs	6,391	5,529	15.6%	2,378	2,487	-4.4%
	Gross Profit	11,102	8,483	30.9%	6,997	4,652	50.4%
AUTO FINANCING							
	Revenue	32,203	26,934	19.6%	16,592	13,946	19.0%
	Costs	22,941	19,863	15.5%	11,990	10,759	11.4%
	Gross Profit	9,262	7,072	31.0%	4,602	3,187	44.4%
LEASING							
	Revenue	6,151	6,630	-7.2%	3,006	3,316	-9.4%
	Costs	5,074	3,759	35.0%	2,501	2,337	7.0%
	Gross Profit	1,077	2,871	-62.5%	505	979	-48.5%
CORPORATE LOANS							
	Revenue	8,176	10,576	-22.7%	4,247	4,862	-12.7%
	Costs	4,822	3,866	24.7%	2,732	1,938	41.0%
	Gross Profit	3,354	6,710	-50.0%	1,515	2,924	-48.2%
TEASURY							
	Revenue	(6,967)	(6,274)	11.0%	(5,503)	521	-1156.0%
	Costs	(7,459)	(7,177)	3.9%	(5,875)	(104)	5557.1%
	Gross Profit	493	903	-45.4%	372	625	-40.5%
OTHERS							
	Revenue	6,626	4,817	37.5%	3,420	2,445	39.9%
	Costs	2,639	2,285	15.5%	1,318	1,185	11.2%
	Gross Profit	3,987	2,532	57.4%	2,103	1,260	66.9%
Tanner Servicios Financieros	Revenue	63,681	56,695	12.3%	31,136	32,229	-3.4%
	Costs	34,408	28,125	22.3%	15,044	18,601	-19.1%
	Gross Profit	29,273	28,570	2.5%	16,092	13,628	18.1%

Table 3: Business Divisions Results

Gross margin in 1H17 reached Ch$ 29,273 million (↑Ch$ 703 million / +2.5% YoY), in line with an increase in revenues (↑Ch$ 6,986 million / +12.3% YoY) offsetting the growth in costs (↑Ch$ 6,283 million / +22.3% YoY). In **2Q17 gross margin totaled $ 16,092 million** (↑Ch$ 2,464 million / +18.1% YoY), because the decrease in revenues (↓Ch$ 1.093 million / -3.4% YoY) is offset by lower costs (↓Ch$ 3,557 million / -19.1% YoY). Gross margin breakdown by business division, is as follows:

FACTORING

1H17: Ch$ 11,102 million, with a rise of 30.9% YoY (↑Ch$ 2,619 million), derived from an increase in revenues (↑Ch$ 3,480 million / +24.8% YoY) that offsets the growth in costs (↑Ch$ 861 million / +15.6% YoY);
2Q17: $ 6,997 million, increasing +50.4% YoY (↑Ch$ 2,345 million), in line with 31.1% YoY (↑Ch$ 2,236 million) higher revenues and a decrease of 4.4% YoY (↓Ch$ 109 million) in costs.

AUTO FINANCING

1H17: Ch$ 9,262 million, up 31.0% YoY (↑Ch$ 2,191 million), because revenue rise (↑Ch$ 5,269 million / +19.6% YoY) fully offsets the upturn in costs (Ch$ 3,078 million / +15.5% YoY);
2Q17: Ch$ 4,602 million (↑Ch$ 1,414 million / +44.4% YoY), with increases in revenues (↑Ch$ 2,646 million / +19.0% YoY) and costs (↑Ch$ 1,231 million / +11.4% YoY).

LEASING

1H17: Ch$ 1,077 million, decreasing 62.5% YoY (↓Ch$ 1,794 million), because of a combined effect of lower revenues (↓Ch$ 479 million / -7.2% YoY) and an increase in costs (↑Ch$ 1,315 million / +35.0% YoY);
2Q17: Ch$ 505 million (↓Ch$ 475 million / -48.5% YoY), in line with a reduction in revenues (↓Ch$ 310 million / -9.4% YoY) and higher costs (↑Ch$ 164 million / +7.0% YoY).

CORPORATE LENDING

1H17: Ch$ 3,354 million, down 50.0% YoY (↓Ch$ 3,356 million), consistent with reduced revenues (↓Ch$ 2,400 million / -22.7%) and greater costs (↑Ch$ 956 million / +24.7%);
2Q17: Ch$ 1,515 million, decreasing Ch$ 1,410 million (-48.2% YoY), due to a reduction in revenues (↓Ch$ 615 million / -12.7% YoY) and an increase in costs (↑Ch$ 795 million / +41.0%);

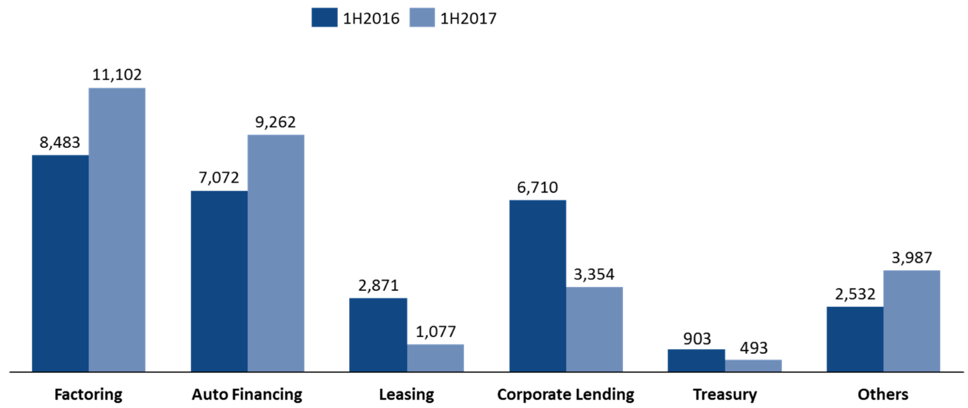

Chart 6: Gross Margin Breakdown by Line of Business First Half 2017

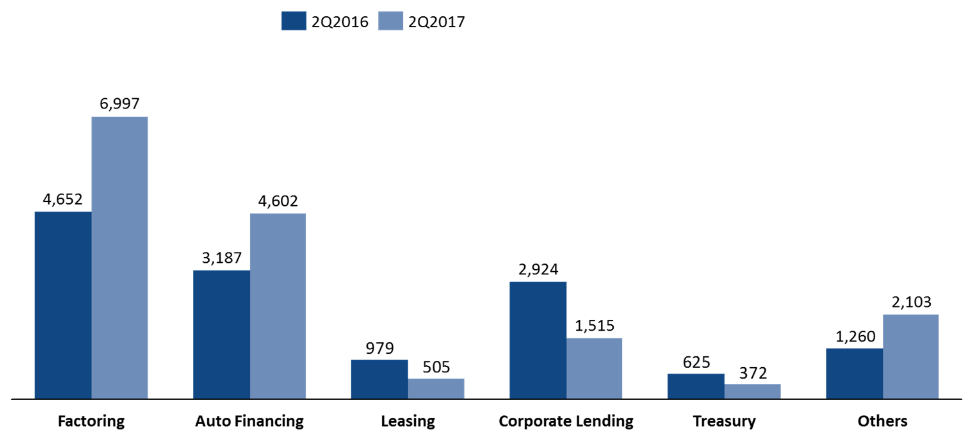

Chart 7: Gross Margin Breakdown by Line of Business Second Quarter 2017

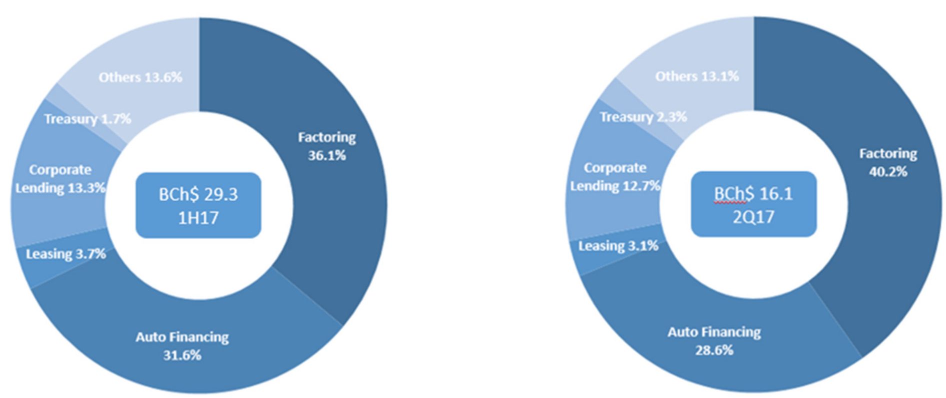

Chart 8: Gross Margin Breakdown by Line of Business

At period-end June 2017, consolidated revenues totalled Ch$ 63,681 million (↑Ch$ 6,986 million / +12.3% YoY), while in **2Q17 reached Ch$ 31,136 million** (↓Ch$ 1,093 million / -3.4% YoY). These results are explained by revenues of:

FACTORING

1H17: Ch$ 17,492 million (↑Ch$ 3,480 million / +24.8% YoY);
2Q17: Ch$ 9,375 million (↑Ch$ 2,236 million / +31.3% YoY);
Driver: Increase in price differences and other revenues[4].

AUTO FINANCING

1H17: Ch$ 32,203 million (↑Ch$ 5,269 million / +19.6% YoY);
2Q17: Ch$ 16,592 million (↑Ch$ 2,646 million / +19.0% YoY);
Driver: Higher volume, concordant with larger sales on new and used cars, according to ANAC[5] and CAVEM[6].

LEASING

1H17: Ch$ 6,151 million (↓Ch$ 479 million / -7.2% YoY);
2Q17: Ch$ 3,006 million (↓Ch$ 310 million / -9.4% YoY);
Driver: Downward trend of leasing operations in the local banking industry during the last 12 months.

CORPORATE LENDING

1H17: Ch$ 8,176 million (↓Ch$ 2,400 million / -22.7% YoY);
2Q17: Ch$ 4,247 million (↓Ch$ 615 million / -12.7% YoY);
Driver: Strategy of the Company to reduce its exposure in this product, passing to little facilities of working capital aimed to factoring clients instead of big tickets.

Between **January and June 2017, consolidated costs totalled Ch$ 34,408 million** (↑Ch$ 6,283 million), up 22.3% YoY, while in **2Q17 reached Ch$ 15,044 million** (↓Ch$ 3,557 million / -19.1% YoY). These figures are explained by costs of:

FACTORING

1H17: Ch$ 6,391 million (↑Ch$ 861 million / +15.6% YoY);
2Q17: Ch$ 2,378 million (↓Ch$ 109 million / -4.4% YoY);
Driver: Higher interest expenses related with funding costs due to a greater stock of factoring loans, partially offset by lower provisions and write-offs.

AUTO FINANCING

1H17: Ch$ 22,941 million (↑Ch$ 3,078 million / +15.5% YoY);
2Q17: Ch$ 11,990 million (↑Ch$ 1,231 million / +11.4% YoY);
Driver: Higher commissions and interest expenses due to an increase in the stock.

LEASING

1H17: Ch$ 5,074 million (↑Ch$ 1,315 million / +35.0% YoY);
2Q17: Ch$ 2,501 million (↑Ch$ 164 million / +7.0% YoY);
Driver: Rise in provisions and write-offs.

CORPORATE LENDING

1H17: Ch$ 4,822million (↑Ch$ 956 million / +24.7% YoY);
2Q17: Ch$ 2,732 million (↑Ch$ 795 million / +41.0% YoY);
Driver: Larger provisions and write-offs, not fully offset by lower interest expenses.

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[4] Other revenues: Late commercial payments and recoveries.
[5] ANAC: Asociación Nacional Automotriz de Chile A.G.
[6] CAVEM: Cámara Nacional de Comercio Automotriz de Chile.

V. Business Divisions Portfolio Quality

FACTORING		Definition	Unit	Jun-17	Dec-16	Jun-16
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	11.7%	15.7%	13.0%
		Non-Performing loans/Equity	%	10.5%	14.9%	11.7%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.9%	3.0%	5.1%
		Provisions/Non-performing loans	%	16.6%	19.0%	39.1%
		Provisions/Non-performing loans >90 days	%	57.4%	59.2%	91.7%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.8%	0.7%	1.8%
	Non-Performing Loans over 30 days [1]	*Non-performing loans >30 days/(Loans + Provisions)*	%	4.4%	5.7%	5.8%
	Non-Performing Loans over 90 days [1]	*Non-performing loans >90 days/(Loans + Provisions)*	%	3.4%	5.0%	5.5%
		Non-Performing loans >90 days/Equity	%	3.0%	4.8%	5.0%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.5%	1.0%	0.9%
		Securitized portfolio/Equity	%	2.3%	1.0%	0.8%
	Clients	*Number of clients*	#	2,882	2,548	2,137
	Efficiency	*SG&A Expenses/Gross profit*	%	52.1%	57.4%	59.0%

AUTO-FINANCING		Definition	Unit	Jun-17	Dec-16	Jun-16
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	23.4%	23.8%	23.0%
		Non-Performing loans/Equity	%	24.7%	23.9%	21.9%
	Provisions	*Provisions/(Loans + Provisions)*	%	3.8%	3.9%	3.7%
		Provisions/Non-performing loans	%	16.1%	16.3%	16.0%
		Provisions/Non-performing loans >90 days	%	72.4%	77.0%	66.2%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	4.5%	5.8%	6.3%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	11.7%	11.2%	10.7%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	5.2%	5.1%	5.6%
		Non-Performing loans >90 days/Equity	%	5.5%	5.1%	5.3%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.0%	1.9%	2.3%
		Securitized portfolio/Equity	%	2.1%	1.9%	2.2%
	Clients	*Number of clients*	#	52,386	49,704	47,820
	Efficiency	*SG&A Expenses/Gross profit*	%	72.4%	74.5%	84.4%

LEASING		Definition	Unit	Jun-17	Dec-16	Jun-16
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	31.8%	23.7%	26.2%
		Non-Performing loans/Equity	%	13.1%	11.1%	12.0%
	Provisions	*Provisions/(Loans + Provisions)*	%	4.2%	3.6%	3.6%
		Provisions/Non-performing loans	%	13.3%	15.1%	13.6%
		Provisions/Non-performing loans >90 days	%	56.8%	50.9%	49.2%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	3.1%	2.2%	1.2%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	10.9%	9.9%	11.5%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	7.4%	7.0%	7.3%
		Non-Performing loans >90 days/Equity	%	3.1%	3.3%	3.3%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	6.1%	8.6%	6.9%
		Securitized portfolio/Equity	%	2.5%	4.0%	3.2%
	Clients	*Number of clients*	#	968	1,072	1,167
	Efficiency	*SG&A Expenses/Gross profit*	%	102.0%	80.5%	54.3%

CREDITS		Definition	Unit	Jun-17	Dec-16	Jun-16
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	6.6%	8.1%	5.6%
		Non-Performing loans/Equity	%	5.2%	6.2%	4.1%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.5%	1.2%	1.2%
		Provisions/Non-performing loans	%	22.7%	14.6%	20.5%
		Provisions/Non-performing loans >90 days	%	80.1%	78.6%	87.5%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.0%	0.1%	0.0%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.3%	2.0%	1.8%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.9%	1.5%	1.3%
		Non-Performing loans >90 days/Equity	%	1.5%	1.2%	1.0%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	1.9%	3.8%	4.1%
		Securitized portfolio/Equity	%	1.5%	3.0%	3.0%
	Clients	*Number of clients*	#	1,100	1,257	1,138
	Efficiency	*SG&A Expenses/Gross profit*	%	81.1%	43.4%	37.1%

[1] **NPLs calculated including Pescanova until 1Q17.**

Table 4: Business Divisions Main Indicators

FACTORING

Non-performing portfolio improved with respect to 1H16, reflected in the decrease of both NPLs > 30 days, NPLs > 90 days and the stock of provisions.

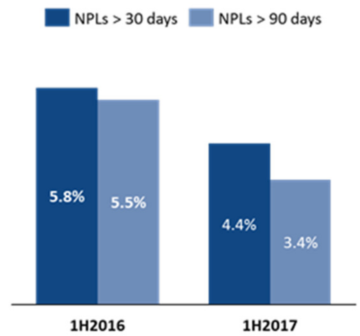


Chart 8: NPLs – Factoring Business

AUTO FINANCING

NPLs > 30 days expanded, replicating the economic environment in the country, however, NPLs > 90 days decreased, showing the initiatives in admission, control and collections policies that Tanner has been developing to improve the portfolio quality.

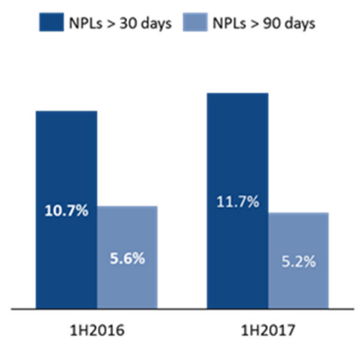


Chart 9: NPLs – Auto-Financing Business

LEASING

Non-performing and renegotiated portfolio made progress because of better vintage beginning in 2014 based on a more stringent admissions policy, although NPLs > 30 days shows a marginal growth.

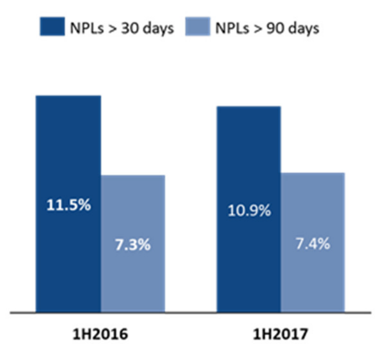


Chart 10: NPLs – Leasing Business

CORPORATE LENDING

Portfolio quality indicators deteriorate in relation to previously observed levels, due to the longer maturity of the portfolio and the decrease in the stock of big corporate tickets, which practically doesn't present default.

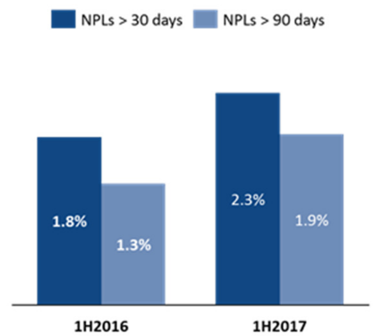


Chart 11: NPLs – Corporate Lending Business

VI. Balance Sheet

Assets (MCh$)	Jun-17	Dec-16	Δ $	Δ %
Current Assets				
Cash and cash equivalent	28,551	31,632	(3,081)	-9.7%
Other current financial assets	69,232	44,478	24,754	55.7%
Other current non-financial assets	1,094	2,075	(981)	-47.3%
Trade receivables and other current accounts receivable, net	541,575	542,884	(1,309)	-0.2%
Current accounts receivable from related parties	408	341	67	19.8%
Current tax assets	11,884	16,443	(4,559)	-27.7%
Non-current assets held for sale	3,850	2,260	1,590	70.3%
Total Current Assets	**656,594**	**640,113**	**16,482**	**2.6%**
Non-Current Assets				
Other non-current financial assets	30,447	54,592	(24,144)	-44.2%
Other non-current non-financial assets	1,660	4,799	(3,139)	-65.4%
Trade receivables and other non-current accounts receivable, net	288,367	257,865	30,502	11.8%
Non-current accounts receivable from related parties	393	13	379	2838.8%
Investments in companies	-	-	-	-
Intangible assets other than goodwill	2,540	1,853	687	37.1%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	4,405	4,545	(140)	-3.1%
Deferred tax assets	38,172	35,514	2,658	7.5%
Total Non-Current Assets	**367,747**	**360,945**	**6,802**	**1.9%**
Total Assets	**1,024,342**	**1,001,058**	**23,284**	**2.3%**

Liabilities (MCh$)	Jun-17	Dec-16	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	313,530	190,546	122,984	64.5%
Trade payables and other current accounts payables	56,341	50,916	5,425	10.7%
Other short-term provisions	1,541	2,540	(999)	-39.3%
Current tax liabilities	4,803	4,713	90	1.9%
Other current non-financial liabilities	12	12	-	0.0%
Total Current Liabilities	376,227	248,728	**127,499**	**51.3%**
Non-Current Liabilities				
Other non-current financial liabilities	378,737	495,510	(116,773)	-23.6%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	7,085	5,844	1,241	21.2%
Total Non-Current Liabilities	385,822	501,354	**(115,532)**	**-23.0%**
Total Liabilities	**762,049**	**750,082**	**11,967**	**1.6%**
Equity	262,293	250,976	**11,317**	**4.5%**
Total Equity and Liabilities	**1,024,342**	**1,001,058**	**23,284**	**2.3%**

Table 5: Consolidated Balance Sheet

a. Loan Portfolio[7]

Total gross loan portfolio at the end of 1H17 reached Ch$ 852,572 million (↑Ch$ 92,634 million / +12.3% YoY) versus Ch$ 758,938 million, while provisions totalled Ch$ 22,630 million, dropping by 12.2% (↓Ch$ 3,134 million) from $ 25,764 million in 1H16. Consequently, total net loan portfolio amounted to $ 829,942 million, an increase of $ 96,768 million (+13.2% YoY) from Ch$ 733,174 million.

Net loan portfolio at period-end June 2017:

1. **Factoring:** $ 231,772 million, increasing 10.9% YoY (↑Ch$ 22,770 million);
2. **Auto-Financing:** $ 266,348 million, growing 19.2% YoY (↑Ch$$ 42,972 million);
3. **Leasing:** $ 103,664 million, dropping 4.0 % YoY (↓Ch$$ 4,276 million); and,
4. **Corporate Lending:** $ 203,438 million, up 16.3% YoY (↑Ch$$ 28,439 million);

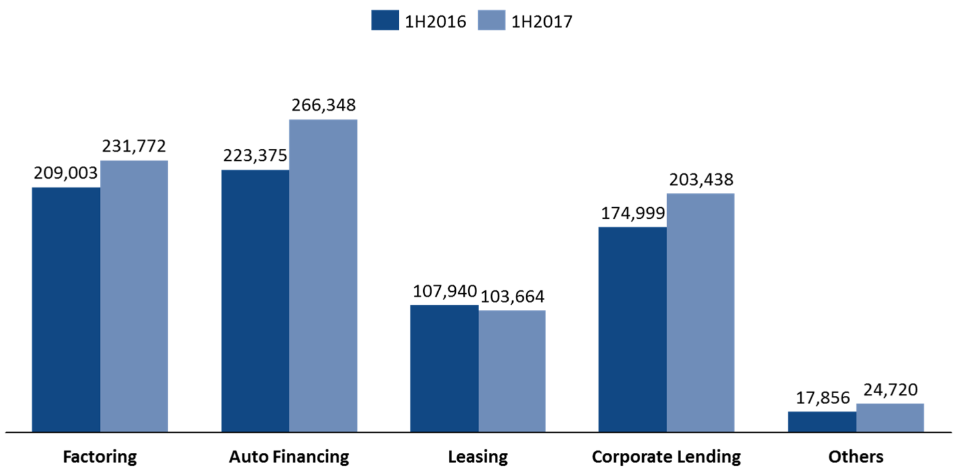


Chart 12: Net Loan Portfolio Breakdown by Line of Business

The portfolio has become more concentrated in the Company strategic businesses of factoring and auto-financing, which represented 27.9% and 32.1% of net loan portfolio, respectively, as of June 2017.

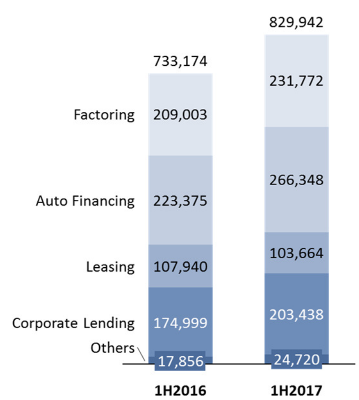


Chart 13: Net Loan Portfolio Breakdown

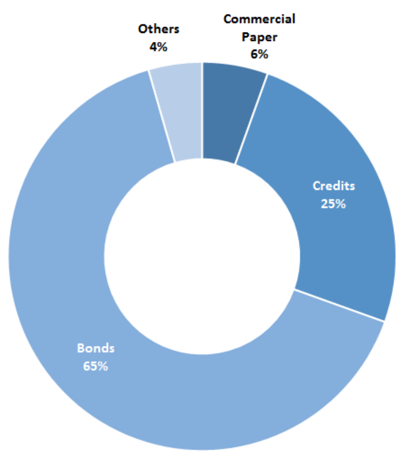
[7] Gross loans minus provisions.

b. Funding Sources

Financial liabilities in 1H17 totalled Ch$ 692,267 million versus $ 686,057 million in 1H16 (↑Ch$ 6,210 million / +0.9% YTD). This increase is mainly because of both larger obligations with banks and financial institutions (↑Ch$ 35,691 million / +26.0% YoY), and other financial obligations (↑Ch$ 12,054 million / +63.9% YoY), mostly repos related to *Tanner Corredores de Bolsa*.

It is worth noting that current financial liabilities increased 64.5% YTD (↑Ch$ 122,984 million) because the debt related with the 144-A bond issued by the Company in 2013, that was transferred to current liabilities, as it expires on 10th of March 2018, while non-current financial liabilities decreased 23.6% YTD (↓Ch$ 116,773 million), accordingly.

In terms of the structure of the Company liabilities, 65.1% (Ch$ 450,382 million) corresponds to local and international bonds, 25.0% (Ch$ 172,952 million) to loans and credit lines, and 5.5% (Ch$ 38,031 million) to commercial papers. Additionally, Ch$ 30,902 million (4.5%) are related to other financial obligations, 97.3% of it corresponding to repos and 2.7% to fx forwards.



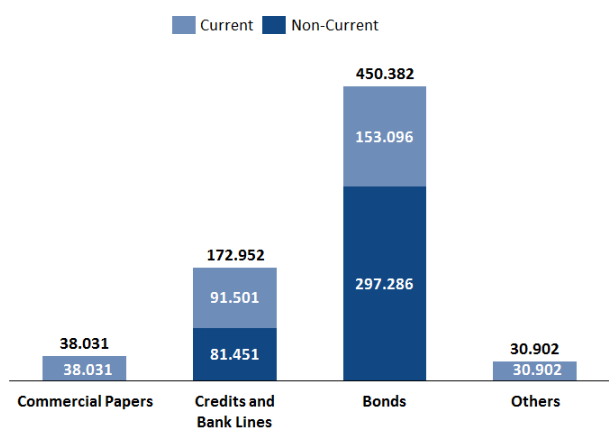


Chart 14: Sources of Funding Breakdown

VII. Cash Flow Statement

MCh$	Jun-17	Jun-16	Δ $
Cash flow provided by (used in) operating activities	(4,148)	32,991	(37,139)
Cash flow provided by (used in) investing activities	(15,633)	(8,918)	(6,714)
Cash flow provided by (used in) financing activities	16,699	(20,157)	36,856
Effect of changes in exchange rates	0	(26)	26
Net increase (decrease) in cash and cash equivalent	(3,081)	3,890	(6,971)
Cash and Cash Equivalent, Initial Balance	31,632	31,785	(153)
Cash and Cash Equivalent, Final Balance	28,551	35,675	(7,124)

Table 6: Cash Flow Statement

During the first half of 2017, cash flow from **operating activities** totalled Ch$ -4,148 million versus Ch$ 32,991 million recorded in 1H16, because despite collections increased by Ch$ 130,580 million, cash disbursement connected with the business grew up Ch$ 171,309 million.

Cash flow stemming from **investment activities** reached Ch$ -15,633 million, Ch$ 6,714 million less than the Ch$ -14,572 million of 1H16, mainly because of the recognition of the sale of the Company's headquarters, made in December 2015, proceeds received during 1Q16.

Financing activities cash flow amounts to Ch$ 16,699 million between January and June 2017, increasing Ch$ 36,856 million when compared to 1H16. Proceeds from borrowings were higher, as more short-term obligations were taken towards the end of the period and the disbursement of a US$ 40 million facility from DEG, however, repayments of borrowings increased, same as interests paid.

Cash and cash equivalents at period-end June 2017 totalled Ch$ 28,551 million, consistent with the Company financial strategy.

VIII. Risk Analysis

a. Credit Risk

Credit risk is the probability of financial loss to the Company when a client or counterparty in a financial instrument does not comply with its contractual obligations. This risk in inherent to the Company's business activity.

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 includes macroeconomic expectations and specific data of the sector in which the client is involved. In the case of factoring, it also includes debtor-specific information.

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 collateral that represent a second source of payment for client obligations in the event of defaults. Thus, a number of conditions have been set forth for each business line:

FACTORING

A framework agreement is signed by every client to support future operations. Most credit 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 collateral.

AUTO-FINANCING

Car loans are guaranteed by the assets associated with the financing and includes a credit profile analysis of the client. There are two types of guarantees in this case: real (vehicle pledges) and personal (securities and co-signers).

LEASING

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

CORPORATE LENDING

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.*

Additionally, the Company has a credit quality follow-up process, to identify potential changes in counterparty payment capacity on early stages, to evaluate potential losses resulting from the risks to which it is exposed and adopt corrective measures, allowing the recovery of credits that have incurred in default.

b. Liquidity Risk

This is defined as the inability of the Company to meet its payment obligations as they fall due, without incurring in large losses or being prevented from providing normal loan transactions to its clients. It arises from a cash flow mismatch, where cash flow payments fall due before the receipt of cash flow due on investments of loans. Another source of non-compliance is when customers fail to pay their commitments as they fall due.

The Company has a daily cash flow management process that includes a simulation of all assets and liabilities, 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.

The Company manages its liquidity risk at a consolidated level. Tanner's main source of liquidity is cash flows from operating activities (collections). At the end of 1H17, the Company, at its consolidated level, had cash on hand of $ 28,551 million, versus $35,675 million in 1H16.

Indirect subsidiary *Tanner Corredores de Bolsa* 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. In line with the requirements of the SVS, the subsidiary has complied permanently with the mentioned indicators.

c. Market Risk

Market risk is defined as the exposure to financial loss due to adverse movements in market variables, such as interest rates, currencies, inflation, 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 VaR[8].

As At the end of the 1H17, investments in corporate bonds – valued at market prices – are maintained for a total of US$ 22.7 million. At that date, the average duration of the portfolio was 3.06 years, sensitivity measured by DV01[9] was US$ 6,680 and parametric VaR, with a 1-day horizon was US$ 34,878, with a 99% confidence level.

ii. Interest Rate Risk

It is defined as the risk to which the Company is exposed because 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 limited exposure and low impact to income.

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8 VaR: Value at Risk – corresponds to the maximum expected loss considering a history horizon of 1 year with a confidence level of 99%.
9 DV01: Dollar value of .01 – corresponds to the approximate change in the price of an instrument for a one bp change in yield (0.01%) and is calculated as a market value per modified duration of 0.01%.

Exposure	30.06.2017							
	Trading Derivatives				Hedging Derivatives			
	CLF Th$	CLP Th$	USD Th$	CHF Th$	CLF Th$	CLP Th$	USD Th$	CHF Th$
Up to 1 year	-	75,366,339	74,448,236	-	23,387,652	105,311,726	81,297,960	2,229,784
1 to 3 years	-	-	-	-	18,981,230	79,400,917	46,412,621	110,867,201
3 years and over	-	-	-	-	80,116,745	100,990,912	29,159,650	-
Total	**-**	**75,366,339**	**74,448,236**	**-**	**122,485,627**	**285,703,555**	**156,870,231**	**113,096,985**

Sens. +1bp	30.06.2017							
	Trading Derivatives				Hedging Derivatives			
	CLF Th$	CLP Th$	USD Th$	CHF Th$	CLF Th$	CLP Th$	USD Th$	CHF Th$
Up to 1 year	-	3,493	(2,033)	-	(2,119)	28,271	(15,798)	39
1 to 3 years	-	-	-	-	(5,719)	84,847	39,922	6,942
3 years and over	-	-	-	-	(42,115)	178,545	(38,659)	-
Total	**-**	**3,493**	**(2,033)**	**-**	**(49,953)**	**291,663**	**(14,535)**	**6,981**

Table 7: Exposure and Sensitivity by Currency

iii. Foreign Exchange

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, because of their business activities and financing needs, holds a mismatch in US Dollars 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 US Dollars may not exceed the equivalent to 2.5% of equity. As the end of 2Q17, the Company presented an exposure in US Dollars ThUS$ 2,308 equivalents to 0.6% of equity. The sensitivity analysis to currency risk is calculated daily, considering as main variable the exposure in US Dollars of mismatch held and the estimated variation of the Observed US Dollar.

USD Mismatch (ThUS$)	
Assets	187,874
Liabilities	-390,964
Hedging Instruments	200,782
Mismatch 30.06.2017	**-2,308**

iv. *Indexation Risk*

It corresponds to the exposure of assets and liabilities linked to *Unidades de Fomento* (“UF”). The Company, because of activities inherent to the business and its financing needs, holds assets and liabilities in UF, and the related mismatch is managed in a daily basis and mitigated through hedging derivatives.

As internal policy of risk mitigation, mismatch in UF may not exceed the equivalent to 30% of equity. At the end of 2Q17, mismatch in UF amounted to ThCLF$ 2,867 equivalents to 29% of equity. As for currency risk, the 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	6,990
Liabilities	-8,416
Hedging Instruments	4,293
Mismatch 30.06.2017	**2,867**

For additional information regarding this section, please refer to Note 4 of the Company’s Financial Statements as of June 2017.

Tanner
Servicios Financieros