Quarterly Earnings Report

June 2018

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I. Executive Summary

- **ROAE*:**

  1H18: 10.4% / 1H17: 9.0%

- **ROAA**:**

  1H18: 2.5% / 1H17: 2.3%

- **Equity:**

  1H18: MCh$ 273,473 / Δ⁺: 1.5% YTD

- **Gross Margin:**

  2Q18: MCh$ 20,683 / 2Q17: MCh$ 16,092
  Δ⁺: 28.5% YoY
  1H18: MCh$ 36,720 / 1H17: MCh$ 28,273
  Δ⁺: 25.4% YoY

- **Net Profit:**

  2Q18: MCh$ 8,605 / 2Q17: MCh$ 6,893
  Δ⁺: 24.8% YoY
  1H18: MCh$ 13,975 / 1H17: MCh$ 11,119
  Δ⁺: 25.7% YoY

- **Net Portfolio:**

  1H18: MCh$ 1,046,859 / Δ⁺: 11.7% YTD

- **NPLs > 90 days:**

  1H18: 2.9% / 1H17: 4.0%

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

Profit after taxes in the first half of 2018 grew 25.7% YoY, while between April and June the rise was 24.8% YoY, totaling Ch$ 13,975 million and Ch$ 8,605 million, respectively, triggered by revenue increases of 36.4% YoY in 1H18 and 35.3% YoY in 2Q18, driving operating margin to upsurge 21.8% YoY in six months and 28.5% YoY in the quarter.

Total net loan portfolio at period-end June 2018 once again reached a record, totaling Ch$ 1,046,859 million, up Ch$ 110,043 million (+11.7% YTD) boosted by the performance of: (i) the **enterprises division portfolio which closed the period with net loans of Ch$ 659,241 million** (↑Ch$ 63,915 million / +10.7% YTD), mainly coming from factoring, which totaled Ch$ 321,086 million (↑Ch$ 17,387 million / +5.7% YTD) and corporate lending which reached Ch$ 238,348 million (↑Ch$ 47,632 million / +25.0% YTD) and (ii) the **auto-financing division, which ended the period with net loan portfolio amounting to Ch$ 327,717 million** (↑Ch$ 24,989 million / +8.3% YTD).

Significant improvements were observed in terms of risk, compared to the previous year, with **NPLs over 90 days declining 110 bps to 2.9%** (1H17: 4.0%), while NPLs over 30 days declined 130 bps, reaching 5.6% (1H17: 6.9%) during the first half of the year. **Non-performing loans over 90 days of the enterprises division decreased 150 bps to 2.1%** (1H17: 3.6%) driven by improvements of 180 bps in factoring (1H17: 3.4% vs. 1H18: 1.6%) and 260 bps in leasing (1H17: 7.4% vs. 1H18: 4.8%), which more than compensated a minor increase in corporate lending (1H17: 1.9% vs. 1H18: 2.1%). Meanwhile, **NPLs over 90 days in the auto-financing division registered a reduction of 40 bps totaling 4.8%** (1H17: 5.2%).

Liquidity index at period-end June 2018 reached 1.66 times, slightly below the levels registered in 1H17 (1.75x) and Dec-17 (1.72x), while **cash totaled Ch$ 28,990 million** versus Ch$ 84,636 million at the end of the previous year and $ 28,551 in June 2017. On the other hand, the Company's **leverage closed at 3.43 times** (1H17: 2.91x and Dec-17: 3.30x).

In January 1, 2018, thus complying with the norm, Tanner Servicios Financieros S.A. implemented **IFRS 9 accounting standard** into its financial statements, adopting **expected loss models for provision calculations** of all the Company's products. Additionally, during March 2018, **144-A international bond (US$ 250 million) was fully paid** and in the first six months of the year **two bonds were issued in the local market: a 20-year maturity bond with a spread of 125 basis points and a 4-year bond with a spread of 93 bps**.

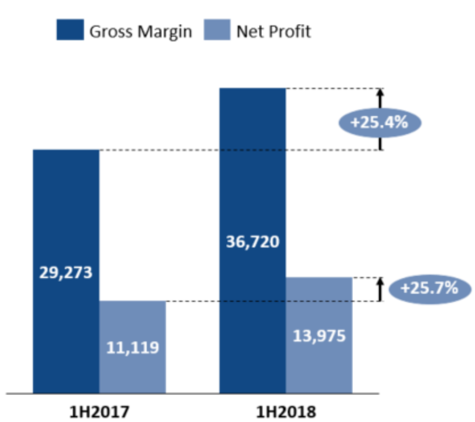
II. Consolidated Income Analysis

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$	01-01-2018 06-30-2018	01-01-2017 06-30-2017	Δ $	Δ %	04-01-2018 06-30-2018	04-01-2017 06-30-2017	Δ $	Δ %
Revenue from ordinary activities	86,875	63,681	23,193	36.4%	42,129	31,136	10,993	35.3%
Sales cost	(50,155)	(34,408)	(15,747)	45.8%	(21,446)	(15,044)	(6,402)	42.6%
Gross profit	36,720	29,273	7,446	25.4%	20,683	16,092	4,591	28.5%
Other revenue, by function	856	1,183	(326)	-27.6%	796	271	525	193.6%
Administrative expenses	(21,364)	(18,868)	(2,496)	13.2%	(11,335)	(9,409)	(1,926)	20.5%
Other profits (losses)	(9)	14	(22)	-162.4%	(9)	13	(22)	-163.9%
Operating margin	16,204	11,602	4,602	39.7%	10,135	6,967	3,168	45.5%
Financial revenue	14	88	(73)	-83.8%	15	26	(11)	-41.9%
Financial costs	(144)	(103)	(41)	39.6%	(72)	(59)	(13)	21.9%
Foreign exchange differences	(118)	(0)	(118)	23915.0%	(116)	(6)	(110)	1812.8%
Income by adjustment units	19	50	(31)	-62.1%	11	20	(9)	-44.3%
Profit (losses) before taxes	15,975	11,636	4,339	37.3%	9,974	6,949	3,025	43.5%
Revenue (expense) from profit taxes	(2,000)	(517)	(1,483)	287.0%	(1,369)	(56)	(1,314)	2356.7%
Profit (losses)	13,975	11,119	2,856	25.7%	8,605	6,893	1,712	24.8%
Profit (losses) attributable to controller's property owners	13,747	10,846	2,901	26.7%	8,459	6,757	1,701	25.2%
Profit (losses) attributable to non-controller shares	228	273	(45)	-16.5%	146	136	10	7.7%

Table 1: Consolidated Income Statement

The Company's **net profit in the first half of 2018 increased 25.7% YoY** (↑Ch$ 2,856 million), totaling Ch$ 13,975 million, versus Ch$ 11,119 million in 1H17, while in the second quarter the growth was 24.8% YoY (↑Ch$ 1,712 million), reaching Ch$ 8,605 million (2Q17: Ch$ 6,893 million). **Gross margin in 1H18 reached Ch$ 36,720 million**, up 25.4% YoY (↑Ch$ 7,446 million) and in **2Q18 totaled Ch$ 20,683 million** (↑Ch$ 4,591 million / +28.5% YoY).



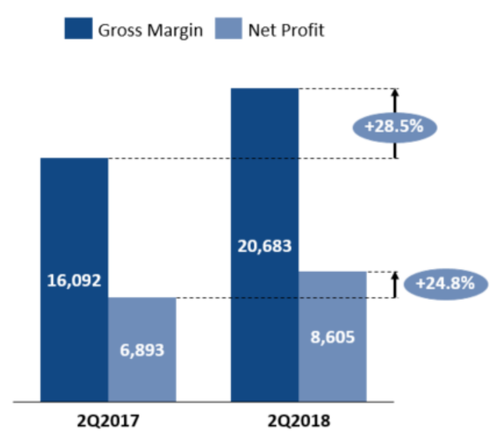


Chart 1: Consolidated Net Profit and Gross Margin (MCh$)

Consolidated revenues totaled Ch$ 86,875 million during the first half of 2018, growing 36.4% YoY (↑Ch$ 23,193 million) and $ 42,129 million (↑Ch$ 10,933 million / +35,3% YoY) 2Q18, in line with increases in (i) other revenues[1] (1H18: ↑Ch$ 9,758 million / +56.0% YoY and 2Q18: ↑Ch$ 4,391 million / 47.7% YoY), due to an increase in the volume of intermediation in Tanner Investments and *Tanner Corredora de Seguros*, (ii) interests (1H18: ↑Ch$ 5,549 million / +13.4% YoY and 2Q18: ↑Ch$ 3,377 million / +16.2% YoY), (iii) price differences (1H18: ↑Ch$ 2,778 million / +23.9% YoY and 2Q18: ↑Ch$ 1,029 million / +16.8% YoY), and (iv) commissions (1H18: ↑Ch$ 957 million / +64.6% YoY and 2Q18: ↑Ch$ 316 million / +32.2% YoY), which were additionally favored by lower readjustments (1H18: Ch$ - 4,013 million vs. 1H17: Ch$ -8,165 and 2Q18: Ch$ -4,174 million vs 2Q17: Ch$ -6,053 million).

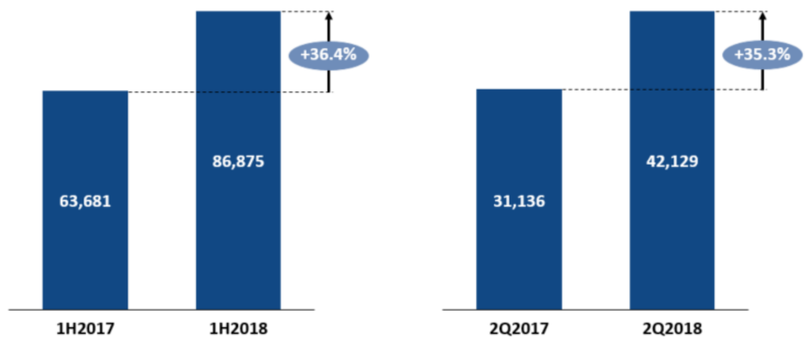


Chart 2: Consolidated Revenues (MCh$)

Consolidated cost of sales at period-end June 2018, reached Ch$ 50,155 million (↑Ch$ 15,747 million / +45.8% YoY), while in the **second quarter costs reached Ch$ 21,446 million** (↑Ch$ 6,402 million / +42.6% YoY) mainly derived from rises in: (i) other costs[2] (1H18: ↑Ch$ 8,176 million / +137.7% YoY and 2Q18: ↑Ch$ 3,936 million / +149.3% YoY) aligned to an increased volume intermediated in Tanner Investments and *Tanner Corredora de Seguros,* (ii) constitution of provisions (1H18: ↑Ch$ 2,007 million / +18.1% YoY and 2Q18: ↑Ch$ 1,056 million / +23.6% YoY) and (iii) commissions expenses (1H18: ↑Ch$ 1,970 million / +25.1% YoY and 2Q18: ↑Ch$ 711 million / +17.0% YoY), together with lower readjustments over liabilities (1H18: Ch$ - 4,435 million vs. 1H17: Ch$ -7,569 and 2Q18: Ch$ -4,225 million vs. 2Q17: Ch$ -5,425 million).

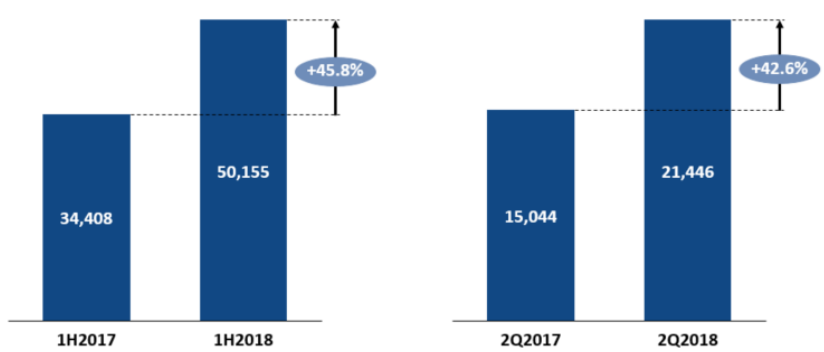


Chart 3: Consolidated Expenses (MCh$)

[1] Other revenues: comprises late commercial payments, recoveries and brokerage fees from Tanner Investments and *Tanner Corredora de Seguros* (Insurance Broker).
[2] Other costs: comprises mainly brokerage costs.

SG&A expenses (including depreciation) reached Ch$ 21,364 million in 1H18 and Ch$ 11,335 million in 2Q18, increasing 13.2% YoY and 20.5% YoY, respectively, mainly as a consequence of stock growth, which resulted in greater variable compensation and marketing expenses. Human labor – which represents around 70% of administrative expenses – totaled Ch$ 14,845 million in six months and $ 8,049 million in the quarter, reflecting increases of Ch$ 1,767 million (+13.5% YoY) and Ch$ 1,616 million (+25.1% YoY), respectively, while general expenses reached Ch$ 6,519 million (+12.6% YoY) in the first six months of the year and Ch$ 3,287 million (+10.4% YoY) during the quarter.

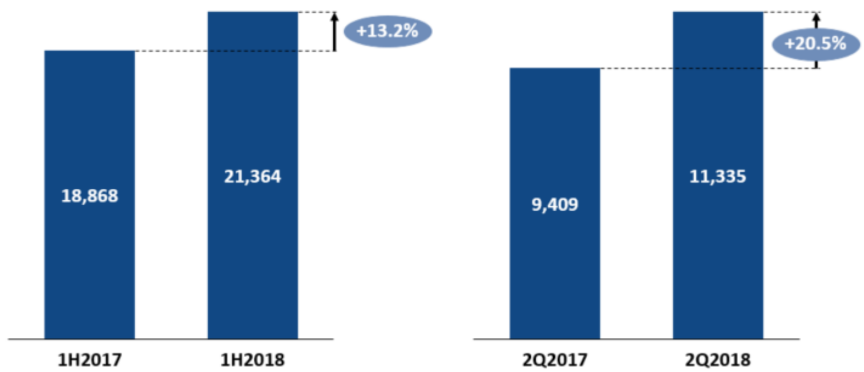


Chart 4: Consolidated SG&A Expenses (MCh$)

III. Main Indicators

	Indicator	Definition	Unit	06-30-2018	12-31-2017	06-30-2017
Liquidity and Solvency	Current Ratio	*Current Assets/Current Liabilities*	*times*	1.66	1.72	1.75
	Current Liabilities to Equity	*Current liabilities/Equity*	*times*	1.63	1.62	1.43
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	*times*	0.06	0.19	0.08
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	*times*	1.62	1.78	1.76
	Debt to Equity	*Total liabilities/Equity*	*times*	3.43	3.30	2.91
	Capitalization	*Equity/Assets*	*%*	22.58%	23.28%	25.61%
	Razón de Endeudamiento Total	*Pasivos/Activos*	*times*	0.77	0.77	0.74
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	*%*	47.6%	49.2%	49.4%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	*%*	52.4%	50.8%	50.6%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	35.6%	32.0%	24.3%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	16.2%	16.5%	21.1%
	Working Capital	*Current assets - Current liabilities*	*MCh$*	293,961	315,998	280,368
	Interest Coverage Ratio	*(Profit before taxes + Financial expenditure)/Financial expenditure*	*times*	1.7	1.8	1.6
	Return on Average Equity	*Annualized profit/ Average Equity*	*%*	10.4%	9.7%	9.0%
	Return on Average Assets	*Annualized profit/ Average Assets*	*%*	2.5%	2.3%	2.3%
	Gross Profit Margin	*Gross profit/Revenue from ordinary activities*	*%*	42.3%	41.7%	46.0%
	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	*%*	18.7%	18.2%	18.2%
	Net Income Margin	*Net income/Revenue from ordinary activities*	*%*	16.1%	16.6%	17.5%
	Earnings Per Share (EPS)	*Net income/number of shares*	*$*	11,529	20,888	9,173
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	*%*	58.2%	60.2%	64.5%
Assets Quality	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	*%*	5.6%	6.9%	6.9%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	*%*	2.86%	4.07%	4.01%
		Non-Performing loans >90 days/Equity	*%*	11.2%	14.5%	13.0%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	12.1%	15.6%	16.5%
		Non-Performing loans/Equity	*%*	47.5%	55.7%	53.5%
	Provisions	*Provisions/(Loans + Provisions)*	*%*	2.5%	2.5%	2.7%
		Provisions/Non-performing loans	*%*	20.4%	16.2%	16.1%
		Provisions/Non-performing loans >90 days	*%*	86.2%	62.2%	66.1%
	Write-offs	*Write-offs/(Loans + Provisions)*	*%*	1.8%	2.5%	1.4%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	*%*	2.4%	2.3%	2.6%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	*%*	2.6%	2.3%	2.6%

Table 2: Main Indicators

As of June 30, 2018, in terms of liquidity and leverage, the Company maintained a healthy and robust position, reflecting the strength of Tanner and its ability to meet its immediate and long-term commitments. A clear example, of the aforementioned, is the payment – in March 2018 – of the international bond 144-A issued in 2013 for US$ 250 million. At a general level, total liabilities increased Ch$ 49,562 million (+5.6% YTD) since December 2017 and totaled Ch$ 937,891 million, while assets expanded 4.6% (↑Ch$ 53,554 million) in the first six months of year, thus closing with Ch$ 1,211,364, million in total. Equity increased Ch$ 3,992 million (+1.5% YTD), reaching $ 273,473 million, which was affected by the adoption of IFRS 9 accounting standard. This change meant an adjustment in provisions as well as other items that comprise financial statements of January 1, 2018, whose net effect of Ch$ 5,925 million was registered – according to the requirements of International Financial Reporting Standards – against retained earnings in equity.

Efficiency indicators improved significantly when compared year-over-year and year-to-date, yet a seasonality effect is evident in Tanner’s products, mainly at the Enterprises Division.

Finally, asset quality indicators reflect the improvements in admission, control and collections policies that Tanner has been developing since 2015 to reduce NPLs levels.

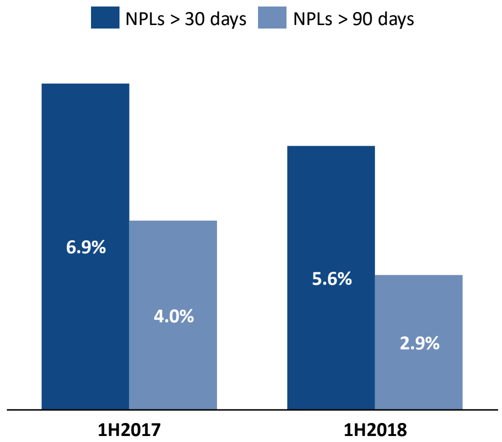


Chart 5: Consolidated NPLs

IV. Business Divisions Results

Tanner is organized in three divisions – Enterprises [3], Auto-Financing and Investments [4], complemented by the subsidiary *Tanner Corredora de Seguros*. For the purpose of this analysis, the results are classified in Enterprises, Auto-Financing and Subsidiaries, which comprises Tanner Investments and *Tanner Corredora de Seguros*. These three divisions represent 48.9%, 32.5% and 16.8% respectively for the first half, and 49.3%, 34.3% and 17.0% for the second quarter of 2018. Additionally, revenues and costs generated by the Treasury unit are shown below.

Business Division	MCh$	01-01-2018 06-30-2018	01-01-2017 06-30-2017	Δ $	Δ %	04-01-2018 06-30-2018	04-01-2017 06-30-2017	Δ $	Δ %
ENTERPRISES DIVISION	REVENUE	34,584	31,819	2,765	8.7%	17,825	16,628	1,197	7.2%
	COSTS	16,611	16,287	324	2.0%	7,629	7,611	18	0.2%
	GROSS PROFIT	17,973	15,532	2,441	15.7%	10,196	9,016	1,179	13.1%
i. FACTORING	REVENUE	20,573	17,492	3,081	17.6%	10,492	9,375	1,117	11.9%
	COSTS	8,233	6,916	1,316	19.0%	3,785	2,904	881	30.4%
	GROSS PROFIT	12,340	10,576	1,765	16.7%	6,707	6,471	236	3.6%
ii. LEASING	REVENUE	5,092	6,151	(1,059)	-17.2%	2,366	3,006	(640)	-21.3%
	COSTS	3,555	5,074	(1,520)	-29.9%	1,548	2,501	(953)	-38.1%
	GROSS PROFIT	1,537	1,077	461	42.8%	818	505	313	62.0%
iii. CORPORATE LOANS	REVENUE	8,919	8,176	743	9.1%	4,967	4,247	720	17.0%
	COSTS	4,824	4,296	527	12.3%	2,296	2,206	89	4.1%
	GROSS PROFIT	4,095	3,879	216	5.6%	2,671	2,040	631	30.9%
AUTO-FINANCING DIVISION	REVENUE	39,887	32,203	7,684	23.9%	20,647	16,592	4,056	24.4%
	COSTS	27,962	22,941	5,021	21.9%	13,557	11,990	1,567	13.1%
	GROSS PROFIT	11,925	9,262	2,662	28.7%	7,090	4,602	2,488	54.1%
SUBISIDIARIES	REVENUE	16,066	6,626	9,440	142.5%	7,929	3,420	4,509	131.8%
	COSTS	9,890	2,639	7,251	274.7%	4,415	1,318	3,098	235.1%
	GROSS PROFIT	6,175	3,987	2,189	54.9%	3,514	2,103	1,411	67.1%
TREASURY	REVENUE	(3,662)	(6,967)	3,305	-47.4%	(4,272)	(5,503)	1,231	-22.4%
	COSTS	(4,309)	(7,459)	3,150	-42.2%	(4,156)	(5,875)	1,719	-29.3%
	GROSS PROFIT	647	493	154	31.3%	(116)	372	(488)	-131.3%
Tanner	REVENUE	86,875	63,681	23,193	36.4%	42,129	31,136	10,993	35.3%
	COSTS	50,155	34,408	15,747	45.8%	21,446	15,044	6,402	42.6%
	GROSS PROFIT	36,720	29,273	7,446	25.4%	20,683	16,092	4,591	28.5%

Table 3: Business Divisions Results

[3] Enterprises Division: Includes Factoring, Leasing and Corporate Lending.

[4] Investments Division: Includes *Tanner Corredores de Bolsa,* Tanner Investments, *Tanner Corredores de Bolsa de Productos S.A.* and *Tanner Asset Management Administradora General de Fondos S.A.*

Gross margin in 1H18 reached Ch$ 36,720 million (↑Ch$ 7,446 million / +25.4% YoY), with an increase in revenues (↑Ch$ 23,193 million / +36.4% YoY) offsetting the growth in costs (↑Ch$ 15,747 million / +45.8% YoY). By **2Q18, gross margin totaled Ch$ 20,683 million** (↑Ch$ 4,591 million / +28.5% YoY), with a rise in revenues (↑Ch$ 10,993 million / +35.3% YoY) greater than the increment in costs (↑Ch$ 6,402 million / +42.6%). Gross margin breakdown by division/product, is as follows:

ENTERPRISES DIVISION

Tanner Empresas

1H18: Ch$ 17,973 million, rising 15.7% YoY (↑Ch$ 2,441 million), derived from a significant increase in revenues (↑Ch$ 2,765 million / +8.7% YoY) that offset a slight growth in costs (↑Ch$ 324 million / 2.0% YoY).

2Q18: Ch$ 10,196 million, up 13.1% YoY (↑Ch$ 1,179 million), in line with an increment of Ch$ 1,197 million (+7.2% YoY) in revenues and costs virtually flat (↑Ch$ 18 million / 0.2% YoY).

i. FACTORING

1H18: Ch$ 12,340 million, growing 16.7% YoY (↑Ch$ 1,765 million), due to an increase of Ch$ 3,081 million (+17.6% YoY) in revenues and a rise of 19.0% YoY (↑Ch$ 1,316 million) in costs.

2Q18: Ch$ 6,707 million, up 3.6% YoY (↑Ch$ 236 million), with increases of 11.9% YoY (↑Ch$ 1,117 million) in revenues and 30.4% YoY (↑Ch$ 881 million) in costs.

ii. LEASING

1H18: Ch$ 1,537, rising 42.8% YoY (↑Ch$ 461 million), since costs were reduced 29.9% (↓Ch$ 1,520 million), thus buffering the decrease in revenues (↓Ch$ 1,059 million / -17.2% YoY).

2Q18: Ch$ 818 million, up 62.0% YoY (↑Ch$ 313 million), due to a drop of costs of 38.1% YoY (↓Ch$ 953 million) that offset lower revenues Ch$ 640 million (-21.3% YoY).

iii. CORPORATE LENDING

1H18: Ch$ 4,095 million, up 5.6% YoY (↑Ch$ 216 million), due to an increase in revenues (↑Ch$ 527 million / +12.3% YoY) and costs (↑Ch$ 743 million / +9.1% YoY).

2Q18: Ch$ 2,671 million, rising 30.9% YoY (↑Ch$ 631 million), in line with an increase of 17.0% YoY (↑Ch$ 720 million) in revenues and a slight increment in costs (↑Ch$ 89 million / +4.1% YoY).

AUTO-FINANCING DIVISION

Tanner Automotriz

1H18: Ch$ 11,925 million, growing 28.7% YoY (↑Ch$ 2,662 million), derived from a greater increment in revenues (↑Ch$ 7,684 million / +23.9% YoY) than in costs (↑Ch$ 5,021 million / 21.9% YoY).

2Q18: Ch$ 7,090 million, up 54.1% YoY (↑Ch$ 2,488 million), with an increase in revenues (↑Ch$ 4,056 million / +24.4% YoY), significantly larger than the costs upsurge (↑Ch$ 1,567 million / +13.1% YoY).

SUBSIDIARIES

1H18: Ch$ 6,175 million, up 54.9% YoY (↑Ch$ 2,189 million), due to an increase of Ch$ 9,440 million (+142.5% YoY) in revenues that offset higher costs (↑Ch$ 7,251 million / + 274.4% YoY).

2Q18: Ch$ 3,514, growing 67.1% YoY (↑Ch$ 1,411 million), in line with a raise in revenues by Ch$ 4,509 million (+131.8% YoY) balanced by increased costs (↑Ch$ 3,098 million / 235.1% YoY).

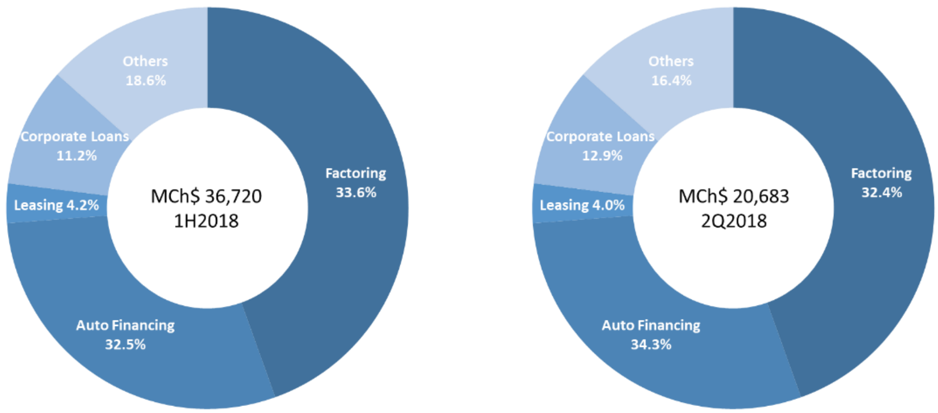


Chart 6: Gross Margin Breakdown by Division

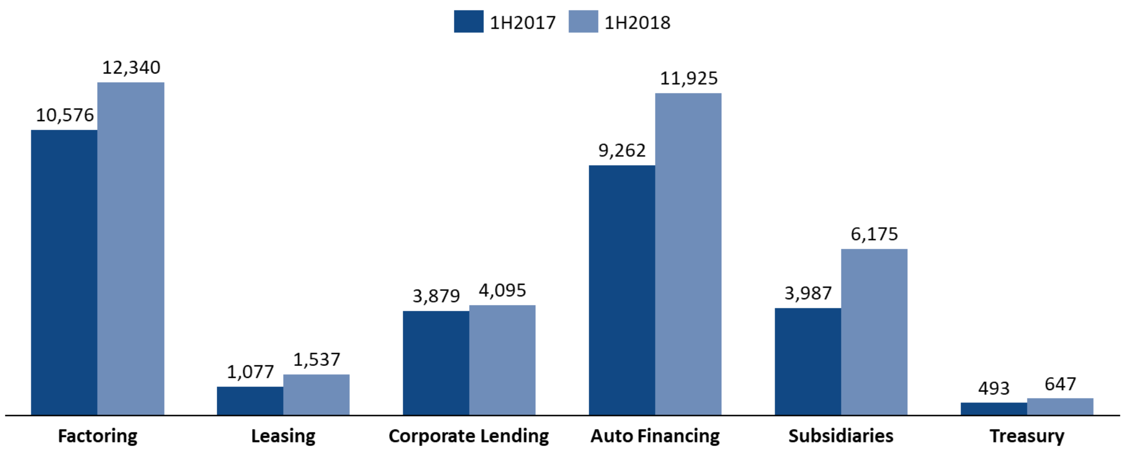


Chart 7: Gross Margin Breakdown by Line of Business First Half 2018

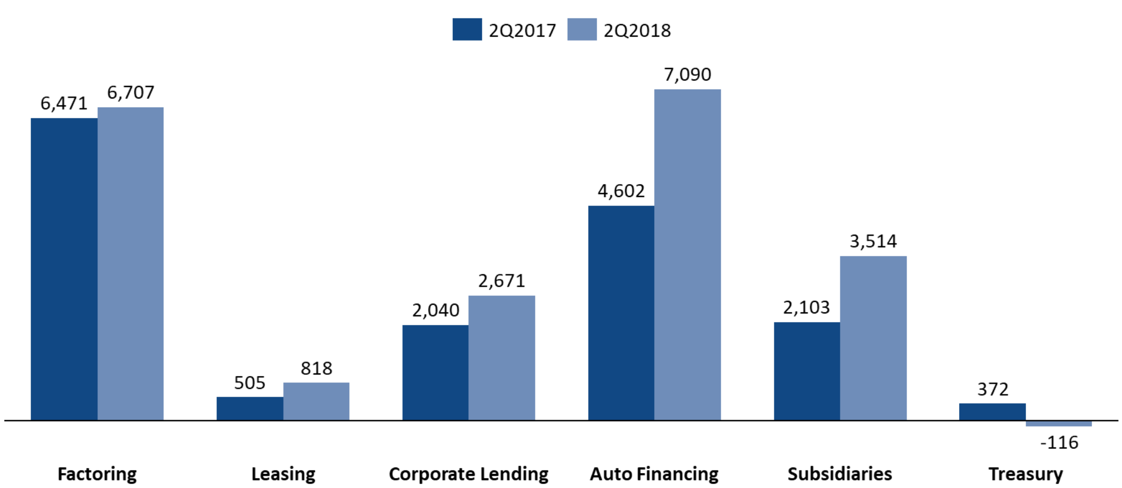


Chart 8: Gross Margin Breakdown by Line of Business Second Quarter 2018

Consolidated revenue totaled Ch$ 86,875 million on the first half of 2018, with a rise of 36.4% YoY (↑Ch$ 23,193 million), meanwhile **2Q18 totaled Ch $42,129 million,** with an increase of 35.3% YoY (↑Ch$ 10,933 million) explained by revenue of:

ENTERPRISES DIVISION

1H18: Ch$ 34,584 million (↑Ch$ 2,765 million / +8.7% YoY);
2Q18: Ch$ 17,825 million (↑Ch$ 1,197 million / +7.2% YoY);
Driver: Increase in price differences derived from the factoring business, which represents 59.5% of the division's revenues.

i. FACTORING

1H18: Ch$ 20,573 million (↑Ch$ 3,081 million / +17.6% YoY);
2Q18: Ch$ 10,492 million (↑Ch$ 1,117 million / +11.9% YoY);
Driver: Growth in price differences, due to a significant rise in volume.

ii. LEASING

1S18: Ch$ 5,092 million (↓Ch$ 1,059 million / -17.2% YoY);
2Q18: Ch$ 2,366 million (↓Ch$ 640 million / -21.3% YoY);
Driver: Decrease in interests received due to lower volume, as a result of the change of focus in the unit, which seeks to increase its profitability by concentrating on real estate businesses.

iii. CORPORATE LENDING

1S18: Ch$ 8,919 million (↑Ch$ 743 million / +9.1% YoY);
2Q18: Ch$ 4,967 million (↑Ch$ 720 million / +17.0% YoY);
Driver: Increase in commissions offset by lower late commercial payments, recoveries and interests during the half.

AUTO-FINANCING DIVISION

1S18: Ch$ 39,887 million (↑Ch$ 7,684 million / +23.9% YoY);
2Q18: Ch$ 20,647 million (↑Ch$ 4,056 million / +24.4% YoY);
Driver: Higher volume, concordant with larger sales on new and used cars, which leads to increases in interests, late payments and recoveries.

SUBSIDIARIES

1S18: Ch$ 16,066 million (↑Ch$ 9,440 million / +142.5% YoY);
2Q18: Ch$ 7,929 million (↑Ch$ 4,509 million / +131.8% YoY);
Driver**:** Intermediated volume increase.

Consolidated costs totaled Ch$ 50,155 million in the first half of 2018 and Ch$ 21,446 million in 2Q18, expanding Ch$ 15,747 million (+45.8% YoY) and Ch$ 6,402 million (+42.6% YoY), respectively, explained by the costs of:

ENTERPRISES DIVISION

1H18: Ch$ 16,611 (↑Ch$ 323 million / +2.0% YoY);
2Q18: Ch$ 7,629 million (↑Ch$ 18 million / +0.2% YoY);
Driver: Higher provisions, which is compensated by lower interests associated to funding costs.

i. FACTORING

1H18: Ch$ 8,233 million (↑Ch$ 1,316 million / +19.0% YoY);
2Q18: Ch$ 3,785 million (↑Ch$ 881 million / +30,4% YoY);
Driver: Increase in interests related with funding costs in the half, as well as a rise in provisions and write-offs, due to a larger volume.

ii. LEASING

1H18: $ 3,555 million (↓$ 1,520 million / -29.9% YoY);
2Q18: $ 1,548 million (↓$ 953 million / -38.1% YoY);
Driver: Reduction in provisions and write-offs, coupled with lower interests' expenses.

iii. CORPORATE LENDING

1H18: $ 4,824 million (↑$ 527 million / +12.3% YoY);
2Q18: $ 2,296 million (↑$ 89 million / +4.1% YoY);
Driver: Larger provisions and write-offs in line with greater stock which is not compensated by the lower interests' expenses.

AUTO-FINANCING DIVISION	**1H18:** $ 27,962 million (↑$ 5,021 million / +21.9% YoY); **2Q18:** $ 13,557 million (↑$ 1,567 million / +13.1% YoY); Driver: Higher interest expenses and commissions due to an increase in the stock, plus an upsurge of provisions and write-offs.
SUBISIDIARIES	**1H18:** $ 9,890 million (↑$ 7,251 million / +274.7% YoY); **2Q18:** $ 4,415 million (↑$ 3,098 million / +235.1% YoY); Driver: Increased intermediated volume.

V. Business Divisions Portfolio Quality

	Indicator	Definition	Unit	06-30-2018	12-31-2017	06-30-2017
ENTERPRISES DIVISION	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	8.7%	13.0%	13.7%
		Non-Performing loans/Equity	%	21.3%	29.4%	28.8%
	Provisions	Provisions/(Loans + Provisions)	%	1.7%	2.1%	2.2%
		Provisions/Non-performing loans	%	20.1%	16.1%	16.2%
		Provisions/Non-performing loans >90 days	%	82.9%	58.2%	61.5%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.5%	1.6%	1.8%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.6%	4.9%	4.9%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	2.1%	3.6%	3.6%
		Non-Performing loans >90 days/Equity	%	5.2%	8.2%	7.6%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	2.8%	2.4%	3.0%
		Securitized portfolio/Equity	%	6.8%	5.5%	6.3%
	Clients	Number of clients	#	4,077	4,871	4,964
	Efficiency	SG&A Expenses/Gross profit	%	59.4%	60.1%	62.8%
i. FACTORING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	7.4%	12.2%	11.7%
		Non-Performing loans/Equity	%	8.8%	14.0%	10.5%
	Provisions	Provisions/(Loans + Provisions)	%	1.3%	1.8%	1.9%
		Provisions/Non-performing loans	%	17.5%	14.4%	16.6%
		Provisions/Non-performing loans >90 days	%	81.2%	59.8%	57.4%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.8%	1.4%	1.3%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	2.5%	3.4%	4.4%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.6%	2.9%	3.4%
		Non-Performing loans >90 days/Equity	%	1.9%	3.4%	3.0%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	1.7%	2.0%	2.5%
		Securitized portfolio/Equity	%	2.0%	2.3%	2.3%
	Clients	Number of clients	#	2,864	3,177	2,882
	Efficiency	SG&A Expenses/Gross profit	%	51.6%	51.7%	52.1%
ii. LEASING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	17.9%	27.9%	31.8%
		Non-Performing loans/Equity	%	6.7%	10.8%	13.1%
	Provisions	Provisions/(Loans + Provisions)	%	3.0%	3.6%	4.2%
		Provisions/Non-performing loans	%	16.9%	12.9%	13.3%
		Provisions/Non-performing loans >90 days	%	79.1%	45.0%	56.8%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	0.8%	2.6%	3.1%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	8.0%	13.4%	10.9%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.8%	4.3%	7.4%
		Non-Performing loans >90 days/Equity	%	1.4%	3.1%	3.1%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	8.1%	3.8%	6.1%
		Securitized portfolio/Equity	%	3.0%	1.5%	2.5%
	Clients	Number of clients	#	506	837	968
	Efficiency	SG&A Expenses/Gross profit	%	99.6%	94.4%	102.0%
iii. CORPORATE LENDING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	6.4%	6.4%	6.6%
		Non-Performing loans/Equity	%	5.7%	4.6%	5.2%
	Provisions	Provisions/(Loans + Provisions)	%	1.8%	1.9%	1.5%
		Provisions/Non-performing loans	%	28.0%	29.0%	22.7%
		Provisions/Non-performing loans >90 days	%	87.8%	79.6%	80.1%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.4%	1.6%	1.5%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.4%	2.8%	2.3%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	2.1%	2.3%	1.9%
		Non-Performing loans >90 days/Equity	%	1.8%	1.7%	1.5%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	2.0%	2.4%	1.9%
		Securitized portfolio/Equity	%	1.8%	1.7%	1.5%
	Clients	Number of clients	#	707	857	1,114
	Efficiency	SG&A Expenses/Gross profit	%	67.6%	72.2%	81.1%
AUTO FINANCING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	20.9%	22.5%	23.4%
		Non-Performing loans/Equity	%	26.2%	26.3%	24.7%
	Provisions	Provisions/(Loans + Provisions)	%	4.3%	3.7%	3.8%
		Provisions/Non-performing loans	%	20.6%	16.3%	16.1%
		Provisions/Non-performing loans >90 days	%	88.9%	67.2%	72.4%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	4.7%	4.5%	4.5%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	10.4%	11.5%	11.7%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.8%	5.5%	5.2%
		Non-Performing loans >90 days/Equity	%	6.1%	6.4%	5.5%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	2.8%	2.4%	2.0%
		Securitized portfolio/Equity	%	3.6%	2.7%	2.1%
	Clients	Number of clients	#	62,418	57,293	52,413
	Efficiency	SG&A Expenses/Gross profit	%	62.2%	70.1%	72.4%

Table 4: Business Divisions Main Indicators

On January 1, 2018, Tanner Servicios Financieros S.A. adopted IFRS 9 Accounting Standards, which regarding the measurement of deterioration, assumes the adoption of expected loss models that allows to constitute provisions aligned with the real risk of the factoring, leasing, corporate lending and auto-financing. Thus, the effect of this change meant an adjustment in the stock of the uncollectibles of $ 8,235 million[5], which, added to effects in other items of the financial statements, was recorded against results accumulated in Equity for $ 5,925 million.

ENTERPRISES DIVISION

Portfolio quality advanced with respect to 1H17, reflected in the decline of both NPLs > 30/90 days plus an improvement in the provision coverage ratio due to the implementation of IFRS 9.

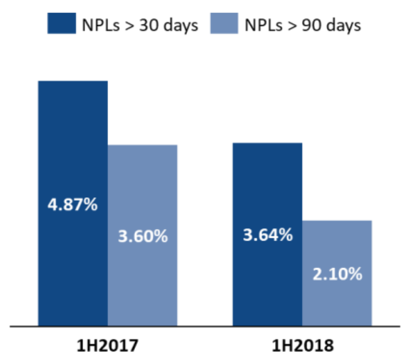


Chart 9: NPLs – Enterprises Division

i. FACTORING

Loan portfolio quality improved significantly with respect to same previous period, reflected in the decrease of both NPLs > 30/90 days.

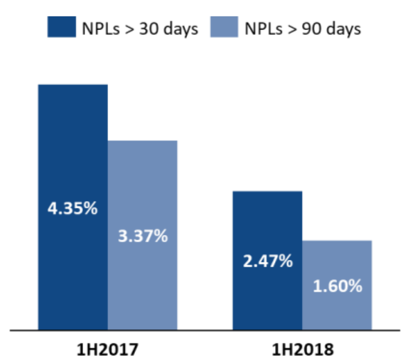


Chart 10: NPLs – Factoring Business

[5] The Ch$ 8,235 million adjustment related with IFRS 9 is broken down as follows:
Enterprises Division = Ch$ 4,354 million
- Factoring = Ch$ 2,102 million
- Leasing = Ch$ 1,719 million
- Corporate Lending = $ 533 million

Auto-Financing Division = Ch$ 3,881 million

ii. LEASING

Portfolio quality indicators improved, mainly in terms of NPLs > 30/90 days, with the stock of provisions increasing as a result of IFRS 9 adoption.

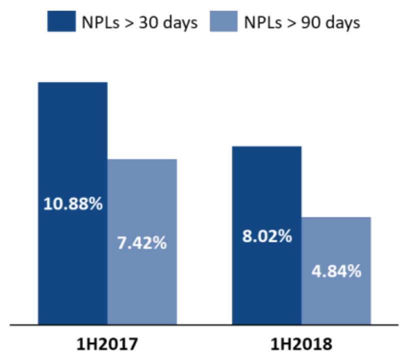


Chart 11: NPLs – Leasing Business

iii. CORPORATE LENDING

Portfolio quality indicators deteriorate in relation to previously observed levels in 1H17, despite when compared to December 2017, NPLs > 90 days decreases due to a longer maturity of the portfolio.

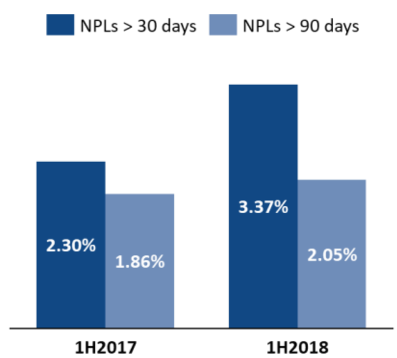


Chart 12: NPLs – Corporate Lending Business

AUTO-FINANCING DIVISION

Both NPLs > 30/90 days improved YoY, despite the slight increase registered during the first quarter of 2018, reflecting both the growth of stock and the economic environment in the country, which results in a slight deterioration in the quality of the portfolio of this division.

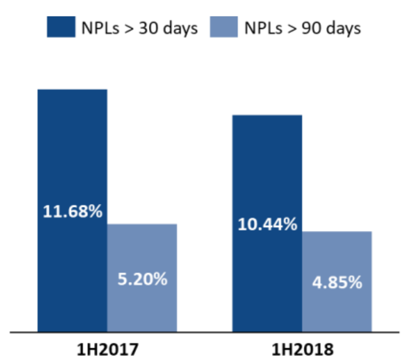


Chart 13: NPLs – Auto-Financing Division

VI. Balance Sheet

Assets (MCh$)	06-30-2018	12-31-2017	Δ $	Δ %
Current Assets				
Cash and cash equivalent	28,990	84,636	(55,645)	-65.7%
Other current financial assets	33,930	49,120	(15,191)	-30.9%
Other current non-financial assets	1,296	1,547	(250)	-16.2%
Trade receivables and other current accounts receivable, net	654,911	602,984	51,928	8.6%
Current accounts receivable from related parties	410	452	(43)	-9.5%
Current tax assets	10,825	8,259	2,566	31.1%
Non-current assets held for sale	9,981	6,216	3,765	60.6%
Total Current Assets	**740,344**	**753,214**	**(12,870)**	**-1.7%**
Non-Current Assets				
Other non-current financial assets	29,370	22,286	7,084	31.8%
Other non-current non-financial assets	5,187	6,217	(1,030)	-16.6%
Trade receivables and other non-current accounts receivable, net	391,948	333,832	58,115	17.4%
Non-current accounts receivable from related parties	512	611	(99)	-16.2%
Investments in companies	4,280	3,509	771	22.0%
Intangible assets other than goodwill	1,764	1,764	-	0.0%
Goodwill	3,497	3,341	156	4.7%
Property, plant and equipment	3,211	3,146	65	2.1%
Deferred tax assets	31,252	29,892	1,360	4.6%
Total Non-Current Assets	**471,020**	**404,597**	**66,424**	**16.4%**
Total Activos	**1,211,364**	**1,157,810**	**53,554**	**4.6%**

Liabilities (MCh$)	06-30-2018	12-31-2017	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	333,327	364,875	(31,548)	-8.6%
Trade payables and other current accounts payables	107,959	69,872	38,087	54.5%
Other short-term provisions	1,634	1,658	(24)	-1.4%
Current tax liabilities	3,462	802	2,660	331.6%
Other current non-financial liabilities	-	9	(9)	-100.0%
Total Current Liabilities	**446,382**	**437,216**	**9,167**	**2.1%**
Non-Current Liabilities				
Other non-current financial liabilities	491,509	451,114	40,395	9.0%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	-	-	-	-
Total Non-Current Liabilities	**491,509**	**451,114**	**40,395**	**9.0%**
Total Liabilities	**937,891**	**888,330**	**49,562**	**5.6%**
Equity	273,473	269,481	3,992	1.5%
Total Equity and Liabilities	**1,211,364**	**1,157,810**	**53,554**	**4.6%**

Table 5: Consolidated Balance Sheet

a. Loan Portfolio [6]

Total gross loan portfolio at June 2018 reached Ch$ 1,073,329 million (↑Ch$ 112,198 million / +11.7% YTD) versus Ch$ 961,131 million in December 2017, while provisions totaled Ch$ 26,470 million, increasing Ch$ 2,155 million (+8.9% YTD), of which $ 8,235 million are related to the provision adjustments made with the adoption of IFRS 9. Consequently, **total net loan portfolio amounted to Ch$ 1,046,859 million**, equivalent to a rise of of Ch$ 110,043 million (+11.7% YTD) from Ch$ 936,816 million by the end of 2017, driving the Company to once again beat its loan portfolio record.

Net loan portfolio at period-end June 2018:

1. **Enterprises Division: Ch$ 659,241 million** | +10.7% YTD | ↑Ch$ 63,915 million;
    a. **Factoring: Ch$ 321,086 million** |+5.7% YTD | ↑Ch$ 17,387 million;
    b. **Leasing: Ch$ 99,807 million** | -1.1% YTD | ↓Ch$ 1,104 million;
    c. **Corporate Lending: Ch$ 238,348 million** | +25.0% YTD | ↑Ch$ 47,632 million; and,
2. **Auto-Financing Division: Ch$ 327,717 million** | +8.3% YTD | ↑Ch$ 24,989 million.

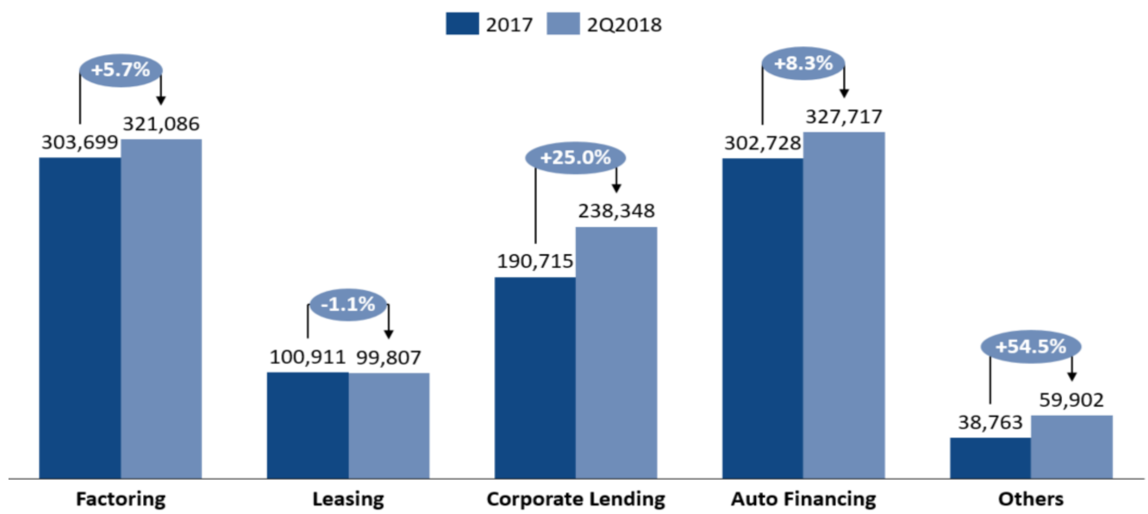


Chart 14: Net Loan Portfolio Breakdown by Line of Business

The portfolio has continued to concentrate in the Company's strategic businesses – factoring and auto-financing – which in 2Q18 represent 30.7% (2Q17: 27.9% and Dec-2017: 32.4%) and 31.3% (2Q17: 32.1% and Dec-2017: 32.3%) of net loan portfolio, respectively.

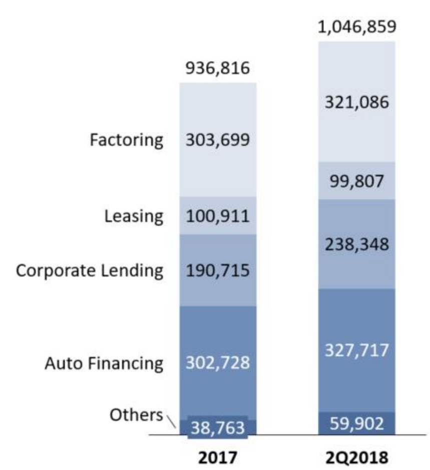


Chart 15: Net Loan Portfolio Breakdown

[6] Gross loans minus provisions.

b. Funding Sources

Financial liabilities as of June 30, 2018, totaled Ch$ 824,835 million, compared with $ 815,989 million in December 2017 (↑Ch$ 8,847 million / +1.1% YTD), mainly due to the increment of liabilities associated to: (i) banks and financial institutions (↑Ch$ 24,450 million/ +11.4% YTD) and (ii) commercial paper (↑Ch$ 19,633 million / +31.0% YTD). These increases offset the reduction of those related to: (i) bonds (↓Ch$ 22,056 million / -4.4% YTD), mainly because of the repayment of the 144-A bond (US$ 250 million) issued in 2013 and (ii) other financial obligations (↓Ch$ 13,180 million / -31.7% YTD).

In terms of liabilities structure, 57.5% (Ch$ 474,628 million) corresponds to local and international bonds, 29.0% (Ch$ 238,882 million) to bank loans and credit lines, and 10.1% (Ch$ 82,969 million) to commercial paper. Additionally, Ch$ 28,357 million (3.4%) are related to other financial obligations, corresponding to repos and forwards.

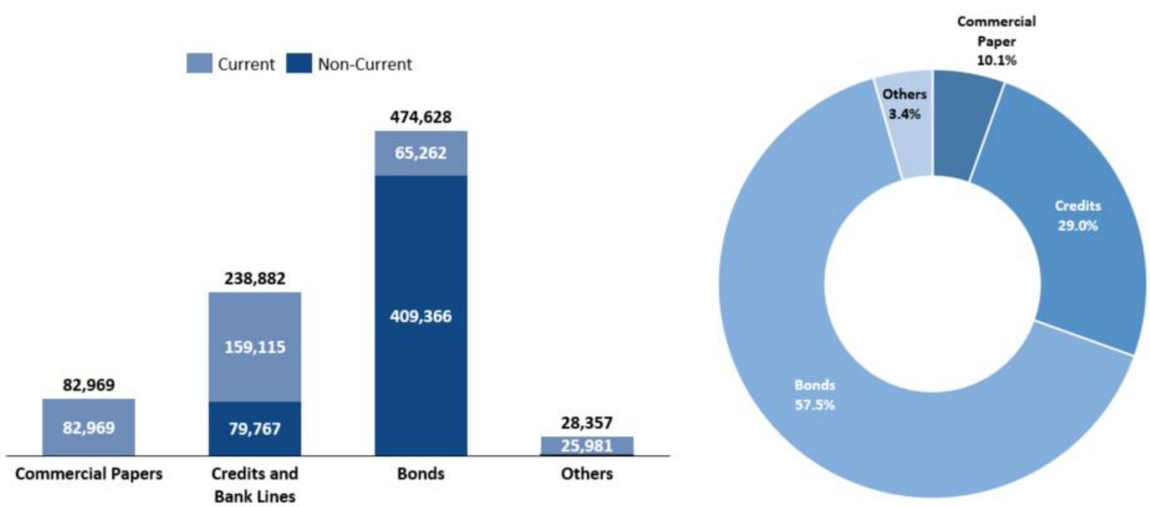


Chart 16: Sources of Funding Breakdown

VII. Cash Flow Statement

MCh$	06-30-2018	06-30-2017	Δ $
Cash flow provided by (used in) operating activities	(107,640)	(8,125)	(99,515)
Cash flow provided by (used in) investing activities	95,045	8,893	86,151
Cash flow provided by (used in) financing activities	(43,110)	(3,850)	(39,260)
Effect of changes in exchange rates	59	0	59
Net increase (decrease) in cash and cash equivalent	(55,645)	(3,081)	(52,564)
Cash and Cash Equivalent, Initial Balance	84,636	31,632	53,004
Cash and Cash Equivalent, Final Balance	28,990	28,551	439

Table 6: Cash Flow Statement

During the second quarter of 2018, cash flow of **operating activities totaled Ch$ -107,639 million** versus Ch$ -8,125 million recorded in June 2017, because despite collections increased by Ch$ 43,443 million, cash disbursement connected with the business grew up to Ch$ 135,858 million.

Cash flow stemming from **investing activities reached Ch$ 95,045 million**, Ch$ 85,151 million more than Ch$ 8,893 million of 2Q17, mainly because of a Ch$ 78,144 million difference between payments and collections in financial derivatives.

Financing activities cash flow amounts to Ch$ -43,110 million between January and June 2018, versus Ch$ -3,850 million during the same previous period, due to an increase in the repayments from borrowings made in the first six months of the year.

Finally, **cash and cash equivalents by period-end June 2018, totaled Ch$ 28.990 million,** growing Ch$ 439 million when compared to the same period of the previous year.

VIII. Risk Analysis

a. Credit Risk

Credit risk is the probability a company faces of financial loss when a client or counterparty of a financial instrument does not comply with its contractual obligations. This risk is 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 where the client is involved. In terms of factoring, it also includes debtor-specific information.

Other important and complementary aspects of credit risk evaluations are 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. Therefore, several 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.

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.

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).

Complying with the new accounting norm, Tanner Servicios Financieros S.A. implemented new models of deterioration under the IFRS 9 standards, where one of the main changes refers to the utilization of expected loss models instead of previous models of incurred loss. These models are adjusted according to the historic behavior of clients and also considers a forward looking glance, taking in account the following regulatory requirements:

a. Risk profile for each product
b. Default probability of 12 months and total life expectancy of the asset
c. Loss due to default during total life expectancy
d. Total prepayment rates
e. Credit exposure at time of default
f. Economic cycle default probability adjustment (forward looking)

The basic features of provision policies, by product, are:

FACTORING

Provisions calculations considers a segmentation by sub-product and risk profiles:

i. Invoices: four risk profiles that consider internal behavior variables and variables captured in admission. The influencing variables are the following: (i) current days of delinquency, (ii) maximum days of delinquency in the past three months and (iii) the number of debtors associated to the client.
ii. Checks: five risk profiles that consider internal behavior variables. The influencing variable is the number of debtors associated to the client.
iii. Returned Checks, Renegotiated and Others: five risk profiles that consider internal behavior variables. The influencing variable is the current days of delinquency.

The write-off policy has as maximum term of 366 days past due.

LEASING

Provisions calculations considers a segmentation by sub-product and risk profiles:

i. Real Estate Leasing: five risk profiles that consider internal behavior variables. The influencing variable is the current days of delinquency.
ii. Leasing Vendor: five risk profiles that consider internal behavior variables. The influencing variable is the current days of delinquency.
iii. Machinery and Equipment Leasing: five risk profiles that consider internal behavior variables. The influencing variables are the following: (i) current days of delinquency and (ii) maximum days of delinquency in the past three months.

The write-off policy has as maximum term of 366 days past due, except for real estate leasing and leasing vendor.

CORPORATE LENDING

Provisions calculations considers eight risk profiles with internal behavior variables. The influencing variables are the following: (i) current days of delinquency and (ii) residual term.

The write-off policy has as maximum term of 366 days past due.

AUTO-FINANCING

Provisions calculations considers a segmentation by sub-product and risk profiles:

i. Amicar: seven risk profiles that consider internal behavior variables. The influencing variables are the following: (i) current days of delinquency, (ii) maximum days of delinquency in the past three months, (iii) gender and (iv) marital status.

ii. Dealers and Direct: six risk profiles that consider internal behavior and demographic variables. The influencing variables are the following: (i) current days of delinquency, (ii) maximum days of delinquency in the past three months, (iii) gender and (iv) marital status.

iii. Renegotiated: five risk profiles that consider internal behavior and demographic variables. The influencing variables are the following: (i) current days of delinquency, (ii) maximum days of delinquency in the past three months, (iii) loan to value amount (LTV), (iv) current outstanding balance / maximum outstanding balance in the past three months and (v) marital status.

The write-off policy has as maximum term of 366 days past due.

Concept	06.30.2018 Gross Portfolio Ch$k	Provisions Ch$k	Net Portfolio Ch$k	Provisions Index
Factoring	325,304,594	(4,218,449)	321,086,145	1.30%
Leasing	102,914,613	(3,107,672)	99,806,941	3.02%
Corporate Loans	242,723,934	(4,376,403)	238,347,531	1.80%
Automobile Loans	342,484,080	(14,767,420)	327,716,660	4.31%
Others	59,901,652	-	59,901,652	0.00%
Total	**1,073,328,873**	**(26,469,944)**	**1,046,858,929**	**2.47%**

Concept	12.31.2017 Gross Portfolio Ch$k	Provisions Ch$k	Net Portfolio Ch$k	Provisions Index
Factoring	309,109,335	(5,409,895)	303,699,440	1.75%
Leasing	104,675,527	(3,775,690)	100,899,837	3.61%
Corporate Loans	194,325,618	(3,610,217)	190,715,401	1.86%
Automobile Loans	314,247,010	(11,519,426)	302,727,584	3.67%
Others	38,773,567	-	38,773,567	0.00%
Total	**961,131,057**	**(24,315,228)**	**936,815,829**	**2.53%**

Table 7: Portfolio, Provisions and Risk Index

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 it is exposed to and adopts corrective measures, allowing the recovery of those credits that have entered a state of default.

b. Liquidity Risk

This is defined as the inability of the Company to meet its payment obligations as they are 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, in order 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). As of June 30, 2018, the Company, on a consolidated level, totaled Ch$ 28,990 million of cash on hand, versus Ch$ 84,636 million in Dec-2017.

Indirect subsidiary *Tanner Corredores de Bolsa* is subject to requirements set forth by the CMF (former SVS) and must comply with regulations with respect the General Liquidity Index and the Intermediation Liquidity Index. In line with the requirements of the CMF, 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, 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 these types of operations and present a certain volatility that is measured by historical VaR[7].

By June 2018, investments on corporate bonds – valued at market prices – reached MUS$ 13,665. At that date, the average duration of the portfolio was 2.56 years, sensitivity measured by DV01[8] was US$ 3,284 and parametric VaR[9], with a 1-day horizon was US$ 28,817, with a 99% confidence level.

[7] VaR: Value at Risk – corresponds to the maximum expected loss considering a history horizon of 1 year with a confidence level of 99%.
[8] 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%.

ii. Interest Rate Risk

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

The following tables show how the value of the bonds portfolio changes, in percentage terms, when there are changes in interest rates:

Decreases:

Negative Delta (bps)	-25	-50	-75	-100	-125	-150	-175	-200
Net Portfolio Variation	0.08%	0.16%	0.25%	0.33%	0.41%	0.50%	0.59%	0.67%

Increases:

Positive Delta (bps)	25	50	75	100	125	150	175	200
Net Portfolio Variation	-0.08%	-0.16%	-0.25%	-0.32%	-0.39%	-0.47%	-0.55%	-0.62%

Table 8: Sensitivity to Variations in 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.

Exposure	06.30.2018							
	Trading Derivatives				Hedging Derivatives			
	UF$k	CLP$k	USD$k	CHF$k	UF$k	CLP$k	USD$k	CHF$k
Up to 1 year	-	(104,000)	108,506	-	18,531,229	(72,062,355)	50,443,307	-
1 to 3 years	-	-	-	-	100,815,980	(148,112,128)	51,394,622	-
3 years and over	-	-	-	-	-	-	-	-
Total	**-**	**(104,000)**	**108,506**	**-**	**119,347,209**	**(220,174,483)**	**101,837,929**	**-**

Sens. +1pb	06.30.2018							
	Trading Derivatives				Hedging Derivatives			
	UF$k	CLP$k	USD$k	CHF$k	UF$k	CLP$k	USD$k	CHF$k
Up to 1 year	-	2	(2)	-	(1,521)	5,575	(4,037)	-
1 to 3 years	-	-	-	-	(20,534)	29,513	(10,681)	-
3 years and over	-	-	-	-	-	-	-	-
Total	**-**	**2**	**(2)**	**-**	**(22,055)**	**35,088**	**(14,718)**	**-**

Table 9: 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 business activities and financing needs, holds a mismatch in US Dollars that is daily managed and mitigated mainly through instruments deriving from negotiation and hedging. 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 of June 30, 2018, the Company presents an exposure in US Dollars of US$ -4,036k, equivalent to 0.96% of equity, versus US$ 3,817k million in 2017. The sensitivity analysis to currency risk is calculated daily, considering as the main variable the exposure in US Dollars of mismatch held and the estimated variation of the Observed US Dollar.

US$ Mismatch (US$k)	
Assets	194,606
Liabilities	(303,893)
Derivative Instruments	105,251
Total Mismatch	**(4,036)**

Table 10: US Dollar Mismatch

iv. Indexation Risk

Corresponds to the exposure of assets and liabilities linked to *Unidades de Fomento* ("UF") and can generate loss when exposed to changes. 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. As of June 30, 2018, mismatch in UF amounted to UF 2,573k, equivalent to 25.5% of equity (2017: UF 2,447k). As for currency risk, the sensitivity analysis of indexation risk is calculated on a daily basis, considering as the main variable the mismatch held in CLF and the future variations estimated in the UF value.

UF Mismatch (Ufk)	
Assets	8,313
Liabilities	(11,492)
Derivative Instruments	5,753
Total Mismatch	**2,574**

Table 11: UF Mismatch

For additional information regarding this section, please refer to Note 4 of the Company's Financial Statements as of June 30, 2018.