Quarterly Earnings Report

December 2018

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I. Executive Summary

- **ROAE*:**

  12M18: 10.8% / 12M17: 9.7%

- **ROAA**:**

  12M18: 2.3% / 12M17: 2.3%

- **Equity:**

  12M18: MCh$ 283,146 / Δ+: 5.1% YoY

- **Net Profit:**

  12M18: MCh$ 29,738 / 12M17: MCh$ Δ+: 17.5% YoY

- **Net Portfolio:**

  12M18: MCh$ 1,182,581 / Δ+: 26.2 % YoY

- **NPLs > 90 days:**

  12M18: 2.3% / 12M17: 4.1%

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

In 2018, profit after taxes increased 17.5% YoY and 7.2% YoY during the fourth quarter, thus totaling Ch$ 29,738 million and Ch$ 9,026 million, respectively, triggered by an operating margin upsurge of 22.3% YoY 12M18 and 3.5% YoY during the fourth quarter.

Total net loan portfolio at period-end December 2018 once again reached a record, totaling Ch$ 1,182,581 million, up Ch$ 245,765 million (+26.2% YoY) boosted by the performance of: (i) the **enterprise division portfolio which closed the period with net loans of Ch$ 770,063 million** (↑Ch$ 174,737 million / +29.4% YoY), mainly coming from factoring, which totaled Ch$ 444,939 million (↑Ch$ 141,239 million / +46.5% YTD) and corporate lending which reached Ch$ 246,069 million (↑Ch$ 55,353 million / +29.0% YoY) and (ii) the **auto-financing division, which ended the period with a net loan portfolio amounting to Ch$ 359,817 million** (↑Ch$ 57,090 million / +18.9% YoY).

In terms of risk management, significant improvements were observed, compared to the previous year, with **NPLs over 90 days declining 179 bps to 2.3%** (2017: 4.1%), while NPLs over 30 days declined 201 bps, reaching 4.9% (2017: 6.9%) during 2018. **Non-performing loans over 90 days of the enterprise division decreased 208 bps to 1.4%** (12M17: 3.6%) driven by improvements of 187 bps in factoring (12M17: 2.9% vs. 12M18: 1.1%), 473 bps in leasing (12M17: 8.0% vs. 12M18: 3.3%), and corporate lending (12M17: 2.3% vs. 12M18: 1.5%). Meanwhile, **NPLs over 90 days in the auto-financing division registered a reduction of 105 bps totaling 4.4%** (12M17: 5.5%).

Liquidity index at period-end December 2018 reached 1.33 times, below the levels registered in Dec-17 (1.72x), while **cash totaled Ch$ 25,474 million** versus Ch$ 84,636 million at the end of 2017. On the other hand, the Company's **leverage closed at 4.04 times** (Dec-17: 3.30x).

On 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 2018, the company issued 4 bonds (2 for series AB and 2 for series AC) in the local market for a total sum of UF 4,000,000.

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 12-31-2018	01-01-2017 12-31-2017	Δ $	Δ %	10-01-2018 12-31-2018	10-01-2017 12-31-2017	Δ $	Δ %
Revenue from ordinary activities	193,875	152,683	41,191	27.0%	56,387	44,280	12,107	27.3%
Sales cost	(117,804)	(88,967)	(28,837)	32.4%	(35,519)	(26,367)	(9,151)	34.7%
Gross profit	76,071	63,717	12,354	19.4%	20,869	17,913	2,956	16.5%
Other revenue, by function	2,247	2,429	(182)	-7.5%	1,159	1,357	(198)	-14.6%
Administrative expenses	(44,283)	(38,346)	(5,937)	15.5%	(11,893)	(9,518)	(2,375)	25.0%
Other profits (losses)	(27)	14	(41)	-297.0%	(15)	0	(15)	-
Operating margin	34,008	27,813	6,195	22.3%	10,120	9,753	367	3.8%
Financial revenue	102	195	(94)	-47.9%	79	85	(5)	-6.4%
Financial costs	(299)	(218)	(80)	36.9%	(65)	(69)	(43)	93.3%
Foreign exchange differences	11	(39)	50	-128.1%	(140)	(16)	156	-681.8%
Income by adjustment units	86	148	(62)	-42.1%	13	74	29	115.7%
Profit (losses) before taxes	33,908	27,900	6,008	21.5%	10,297	9,793	504	5.1%
Revenue (expense) from profit taxes	(4,170)	(2,580)	(1,590)	61.6%	(1,271)	(1,389)	118	-8.5%
Profit (losses)	29,738	25,319	4,419	17.5%	9,026	8,404	622	7.4%
Profit (losses) attributable to controller's property owners	29,367	24,617	4,749	19.3%	8,937	8,315	622	7.5%
Profit (losses) attributable to non-controller shares	371	702	(330)	-47.1%	89	90	(1)	-0.6%

Table 1: Consolidated Income Statement

The Company's **net profit, during the year 2018, increased 17.5% YoY** (↑Ch$ 4,419 million), totaling Ch$ 29,738 million, versus Ch$ 25,319 million in 2017, meanwhile in the fourth quarter the growth was 7.4% YoY (↑Ch$ 622 million), reaching Ch$ 9,026 million (4Q17: Ch$ 8,404 million). **Gross margin in 12M18 reached Ch$ 76,071 million** (↑Ch$ 12,354 million / +19.4% YoY) and **4Q18 Ch$ 20,869 million** (↑Ch$ 2,956 million / +16.5% YoY).

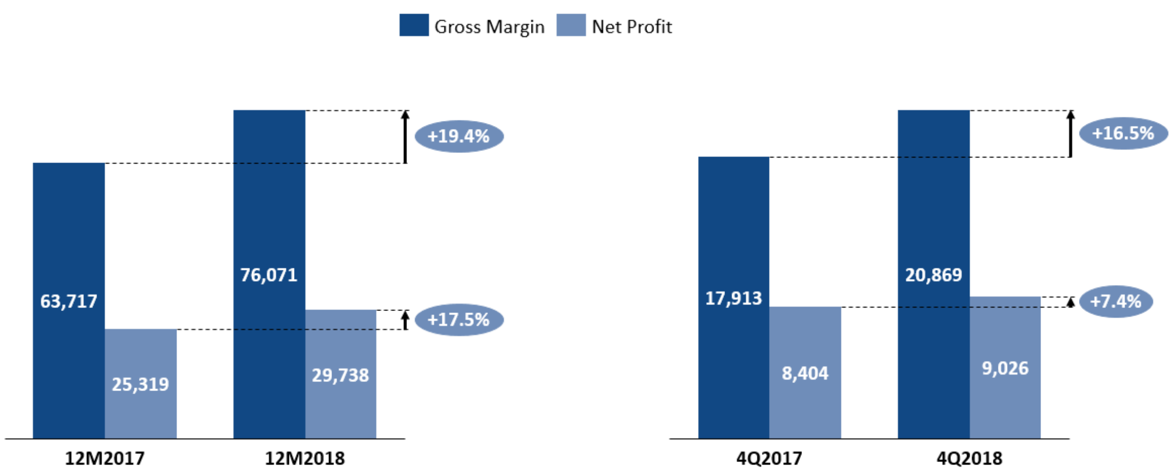


Chart 1: Consolidated Net Profit and Gross Margin (MCh$)

2018 consolidated revenues totaled Ch$ 193,875 million, growing 27.0% YoY (↑Ch$ 41,191 million) and $ 56,387 million (↑Ch$ 12,107 million / +27.3% YoY) 4Q18, in line with increases in (i) other revenues[1] (12M18: ↑Ch$ 28,556 million / +66.6% YoY and 4Q18: ↑Ch$ 15,375 million / +127.0% YoY), due to an increase in the brokerage volume of Tanner Investments and *Tanner Corredora de Seguros*, (ii) interest revenue (12M18: ↑Ch$ 10,885 million / +12.8% YoY and 4Q18: ↑Ch$ 2,344 million / +10.5% YoY), (iii) price differences (12M18: ↑Ch$ 6,313 million / +25.0% YoY and 4Q18: ↑Ch$ 2,266 million / +32.9% YoY), and (iv) commissions (12M18: ↑Ch$ 1,694 million / +38.3% YoY and 4Q18: ↑Ch$ 1,064 million / +54.7% YoY), which were countered by lower readjustments (12M18: Ch$ -11,442 million vs. 12M17: Ch$ -5,184 million and 4Q18: Ch$ -7,910 million vs 4Q17: Ch$ 1,032 million).

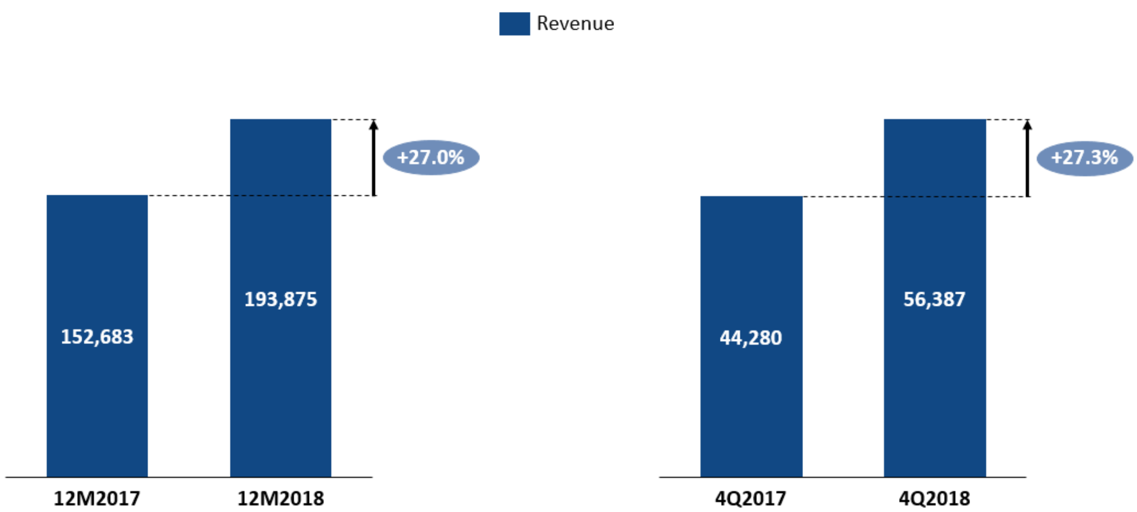


Chart 2: Consolidated Revenues (MCh$)

2018 consolidated expenses reached Ch$ 117,804 million (↑Ch$ 28,837 million / +32.4% YoY). During the **fourth quarter, costs reached Ch$ 35,519 million** (↑Ch$ 9,151 million / +32.4% YoY) mainly derived from rises of: (i) other costs[2] (12M18: ↑Ch$ 27,143 million / +152.5% YoY and 4Q18: ↑Ch$ 13,138 million / +211.8% YoY) aligned to an increased volume intermediated in Tanner Investments and *Tanner Corredora de Seguros,* (ii) provisions constitution (12M18: ↑Ch$ 3,624 million / +15.1% YoY and 4Q18: ↑Ch$ 2,360 million / +42.3% YoY) and (iii) commissions expenses (12M18: ↑Ch$ 3,432 million / +20.4% YoY and 4Q18: ↑Ch$ 398 million / +8.0% YoY), together with higher liability readjustments (12M18: Ch$ - 12,406 million vs. 12M17: Ch$ -4,685 and 4Q18: Ch$ -7,504 million vs. 4Q17: Ch$ 625 million).

[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.

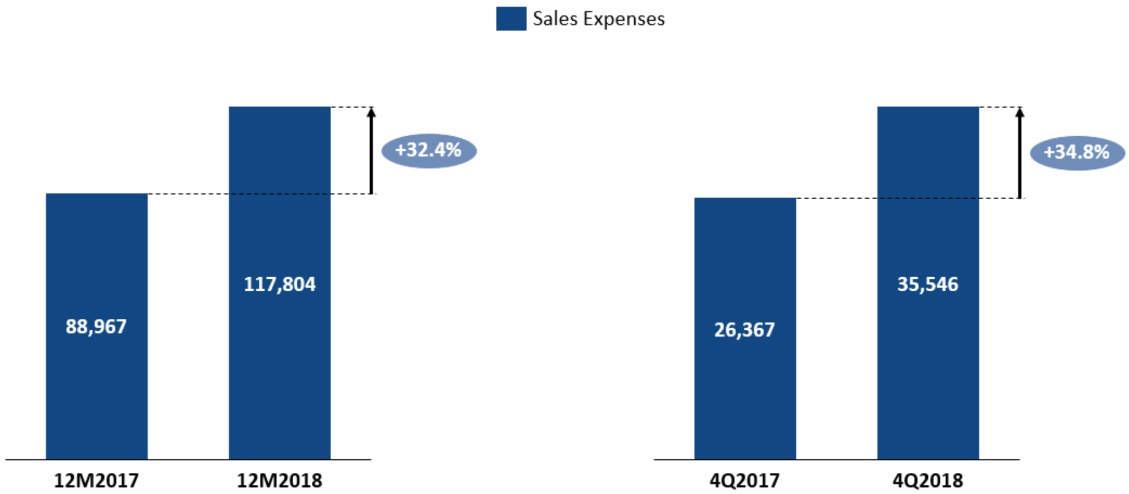


Chart 3: Consolidated Expenses (MCh$)

SG&A expenses (including depreciation) reached Ch$ 44,283 million on December 2018 and Ch$ 11,893 million 4Q18, increasing 15.5% YoY and 25.0% YoY, respectively, mainly as a consequence of stock growth, which results in greater variable compensation. Human labor – which represents around 70% of administrative expenses – totaled Ch$ 30,486 million during 2018 and $ 8,115 million throughout the fourth quarter, reflecting increases of Ch$ 4,210 million (+16.0% YoY) and Ch$ 1,546 million (+23.5% YoY), respectively, while general expenses reached Ch$ 13,797 million (+14,3% YoY), thus closing the fourth quarter at Ch $ 3,778 million (+28.1%).

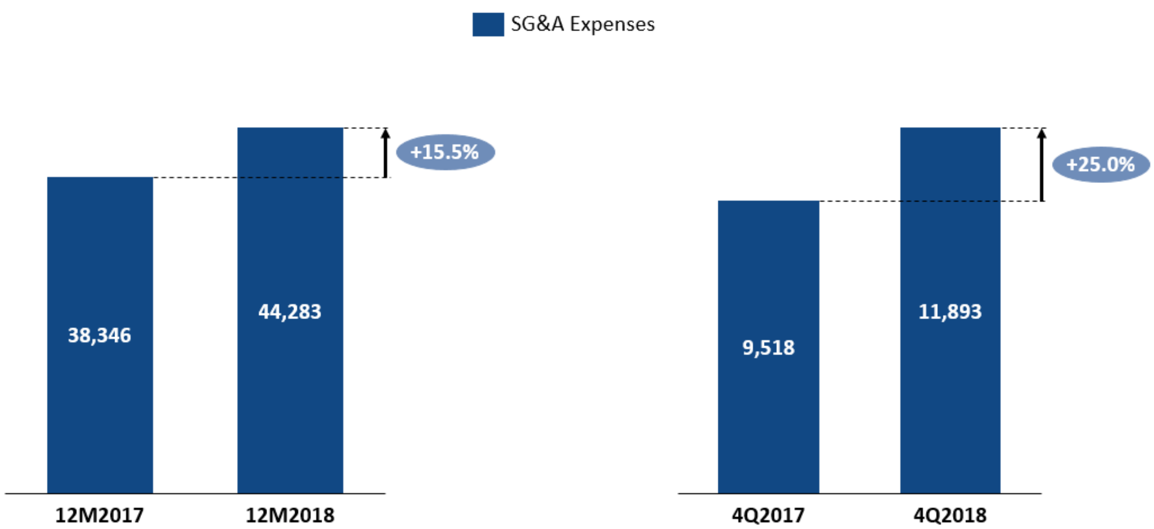


Chart 4: Consolidated SG&A Expenses (MCh$)

III. Main Indicators

	Indicator	Definition	Unit	12-31-2018	12-31-2017
Liquidity and Solvency	Current Ratio	*Current Assets/Current Liabilities*	*times*	1.33	1.72
	Current Liabilities to Equity	*Current liabilities/Equity*	*times*	2.45	1.62
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	*times*	0.04	0.19
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	*times*	1.45	1.78
	Debt to Equity	*Total liabilities/Equity*	*times*	4.04	3.30
	Capitalization	*Equity/Assets*	*%*	19.83%	23.28%
	Total Debt ratio	*Liabilities/Assets*	*times*	0.80	0.77
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	*%*	60.7%	49.2%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	*%*	39.3%	50.8%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	36.9%	32.0%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	22.4%	16.5%
	Working Capital	*Current assets - Current liabilities*	*MCh$*	228,743	315,998
	Interest Coverage Ratio	*(Profit before taxes + Financial expenditure)/Financial expenditure*	*times*	1.8	1.7
Profitability	Return on Average Equity	*Annualized profit/ Average Equity*	*%*	10.8%	9.7%
	Return on Average Assets	*Annualized profit/ Average Assets*	*%*	2.3%	2.3%
	Gross Profit Margin	*Gross profit/Revenue from ordinary activities*	*%*	39.2%	41.7%
	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	*%*	17.5%	18.2%
	Net Income Margin	*Net income/Revenue from ordinary activities*	*%*	15.3%	16.6%
	Earnings Per Share (EPS)	*Net income/number of shares*	*$*	24,534	20,888
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	*%*	58.2%	60.2%
Asset Quality	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	*%*	4.9%	6.9%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	*%*	2.28%	4.1%
		Non-Performing loans >90 days/Equity	*%*	9.7%	14.5%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	11.7%	15.6%
		Non-Performing loans/Equity	*%*	49.9%	55.7%
	Provisions	*Provisions/(Loans + Provisions)*	*%*	2.2%	2.5%
		Provisions/Non-performing loans	*%*	18.9%	16.2%
		Provisions/Non-performing loans >90 days	*%*	97.0%	62.2%
	Write-offs	*Write-offs/(Loans + Provisions)*	*%*	2.8%	2.4%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	*%*	2.3%	2.5%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	*%*	2.5%	2.3%

Table 2: Main Indicators

As of December 31, 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. On a general scale, liabilities increased Ch$ 256,070 million (+18.8% YoY) compared to December 2017, totaling Ch$ 1,144,400 million. On the other hand, assets expanded 23.3% (↑ Ch$ 269,736 million), closing the quarter at Ch$ 1,427,546 million. In terms of equity, a rise of Ch$ 13,666 million (+5.1% YoY) is appreciated, thus closing the fourth quarter at Ch$ 283,146 million.

Efficiency indicators improved significantly when compared year-over-year, in line with the Company's goals over the past couple of years.

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

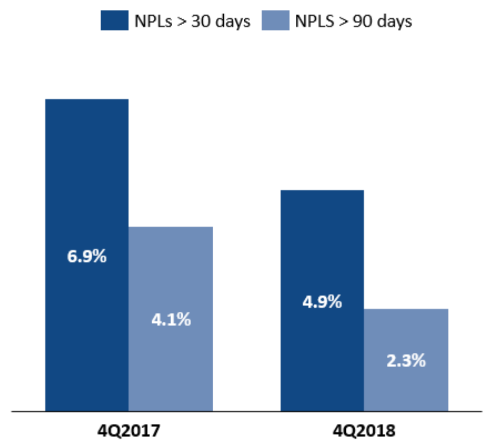


Chart 5: Consolidated NPLs

IV. Results by Division

Tanner is organized in three divisions – Enterprise [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 52.0%, 28.7% and 15.9% respectively by 2018 closure, and 63.4%, 18.7% and 15.9% for the fourth quarter of 2018. Additionally, revenues and costs generated by the Treasury unit are shown below.

Business Division		01.01.2018 to 12.31.2018 MCh$	01.01.2017 al 12.31.2017 MCh$	Δ $	Δ %	09.01.2018 to 12.31.2018 MCh$	09.01.2017 to 12.31.2017 MCh$	Δ $	Δ %
ENTERPRISE DIVISION	REVENUE	75,378	66,269	9,109	13.7%	23,949	17,490	6,459	36.9%
	COSTS	35,816	32,823	2,993	9.1%	10,736	7,729	3,006	38.9%
	GROSS PROFIT	39,561	33,445	6,116	18.3%	13,213	9,761	3,453	35.4%
i. FACTORING	REVENUE	45,284	37,706	7,577	20.1%	14,343	9,935	4,409	44.4%
	COSTS	18,626	14,367	4,258	29.6%	5,937	3,450	2,487	72.1%
	GROSS PROFIT	26,658	23,339	3,319	14.2%	8,406	6,485	1,922	29.6%
ii. LEASING	REVENUE	9,469	12,157	(2,689)	-22.1%	2,139	3,166	(1,027)	-32.4%
	COSTS	7,100	9,128	(2,028)	-22.2%	1,941	1,916	26	1.3%
	GROSS PROFIT	2,368	3,029	(661)	-21.8%	198	1,251	(1,053)	-84.2%
iii. CORPORATE LOANS	REVENUE	20,625	16,405	4,220	25.7%	7,466	4,389	3,077	70.1%
	COSTS	10,090	9,328	763	8.2%	2,857	2,364	493	20.9%
	GROSS PROFIT	10,535	7,077	3,458	48.9%	4,610	2,025	2,584	127.6%
AUTO-FINANCING DIVISION	REVENUE	81,098	68,792	12,305	17.9%	19,951	18,539	1,412	7.6%
	COSTS	59,246	49,741	9,505	19.1%	16,055	13,811	2,244	16.2%
	GROSS PROFIT	21,851	19,051	2,800	14.7%	3,896	4,729	(833)	-17.6%
SUBISIDIARIES	REVENUE	46,870	20,804	26,065	125.3%	19,456	7,144	12,312	172.3%
	COSTS	34,794	10,953	23,842	217.7%	16,137	4,199	11,938	284.3%
	GROSS PROFIT	12,075	9,852	2,224	22.6%	3,319	2,945	374	12.7%
TREASURY	REVENUE	(9,470)	(3,182)	(6,289)	197.6%	(6,969)	1,107	(8,076)	-729.6%
	COSTS	(12,053)	(4,550)	(7,503)	164.9%	(7,409)	628	(8,038)	-1279.1%
	GROSS PROFIT	2,583	1,368	1,215	88.8%	440	479	(38)	-8.0%
Tanner	REVENUE	193,875	152,683	41,191	27.0%	56,387	44,280	12,107	27.3%
	COSTS	117,804	88,967	28,837	32.4%	35,519	26,367	9,151	34.7%
	GROSS PROFIT	76,071	63,717	12,354	19.4%	20,869	17,913	2,956	16.5%

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.*

Consolidated gross margin during 2018 reached Ch$ 76,071 million (↑Ch$ 12,354 million / +19.4% YoY), with an increase in revenues (↑Ch$ 41,191 million / +27.0% YoY) offsetting the growth in costs (↑Ch$ 28,837 million / +32.4% YoY). By **4Q18, gross margin totaled Ch$ 20,869 million**, with a rise in revenues (↑Ch$ 12,107 million / +27.3% YoY) greater than the increment in costs (↑Ch$ 9,151 million / +34.7%). Gross margin breakdown by division/product, is as follows:

ENTERPRISE DIVISION

12M18: Ch$ 39,561 million, rising 18.3% YoY (↑Ch$ 6,116 million), derived from a significant increase in revenues (↑Ch$ 9,109 million / +13.7% YoY) with an increase in division expenses (↑Ch$ 2,993 million / 9.1% YoY).
4Q18: Ch$ 13,213 million, up 35.4% YoY (↑Ch$ 3,453 million), in line with an increment of Ch$ 6,459 million (+36.9% YoY) in revenues and an increase in costs (↑Ch$ 3,006 million / 38.9% YoY).

i. FACTORING

12M18: Ch$ 26,658 million, growing 14.2% YoY (↑Ch$ 3,319 million), due to an increase of Ch$ 7,577 million (+20.1% YoY) in revenues and a rise of 29.6% YoY (↑Ch$ 4,258 million) in costs.
4Q18: Ch$ 8,406 million, up 29.6% YoY (↑Ch$ 1,922 million), with an increase of 44.4% YoY (↑Ch$ 4,409 million) in revenues and an increase in costs (72.1% YoY/ ↑Ch$ 2,487 million).

ii. LEASING

12M18: Ch$ 2,368, decreasing 21.8% YoY (↓Ch$ 661 million), with a 22.1% income reduction (↓Ch$ 2,689 million), and lower costs (↓Ch$ 2,028 million / -22.2% YoY).
4Q18: Ch$ 198 million, down 84.2% YoY (↓Ch$ 1,053 million), due a decrease in revenues of 32.4% YoY (↓Ch$ 1,027 million) and a marginal increase in costs (+1.3% YoY).

iii. CORPORATE LENDING

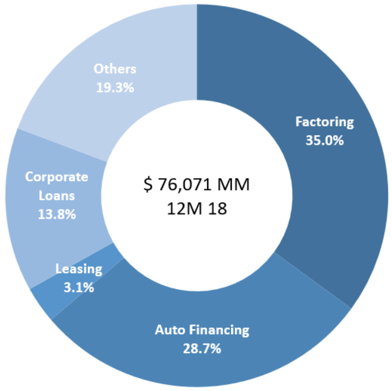
12M18: Ch$ 10,535 million, up 48.9% YoY (↑Ch$ 3,458 million), due to an increase in revenues (↑Ch$ 4,220 million / +25.7% YoY) and costs (↑Ch$ 763 million / +8.2% YoY).
4Q18: Ch$ 4,610 million, rising 127.6% YoY (↑Ch$ 2,205 million), in line with an increase of 70.1% YoY (↑Ch$ 3,077 million) in revenues and an increment in costs (↑Ch$ 493 million / +20.9% YoY).

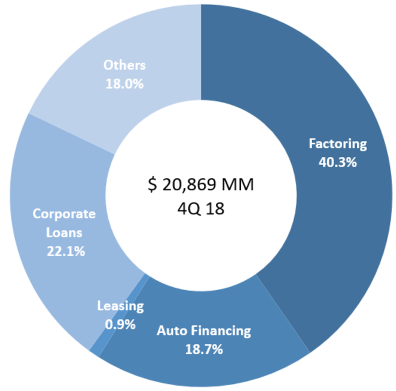
AUTO-FINANCING DIVISION

12M18: Ch$ 21,851 million, growing 14.7% YoY (↑Ch$ 2,800 million), derived from a greater increment in revenues (↑Ch$ 12,305 million / +17.9% YoY) than in costs (↑Ch$ 9,505 million / 19.1% YoY).
4Q18: Ch$ 3,896 million, down 17.6% YoY (↓Ch$ 833 million), with an increase in revenues (↑Ch$ 1,412 million / +7.6% YoY), which are offset by cost upsurges (↑Ch$ 2,244 million / +16.2% YoY).

SUBSIDIARIES

12M18: Ch$ 12,075 million, up 22.6% YoY (↑Ch$ 2,224 million), due to an increase of Ch$ 26,065 million (+125.3% YoY) in revenues that offset higher costs (↑Ch$ 23,842 million / + 217.7% YoY).
4Q18: Ch$ 3,319 up 12.7% YoY (↑Ch$ 374 million), in line with an increment in income by Ch$ 12,312 (+172.3 YoY), which offset a 284.3% YoY cost increase (↑Ch$ 11,938 million).





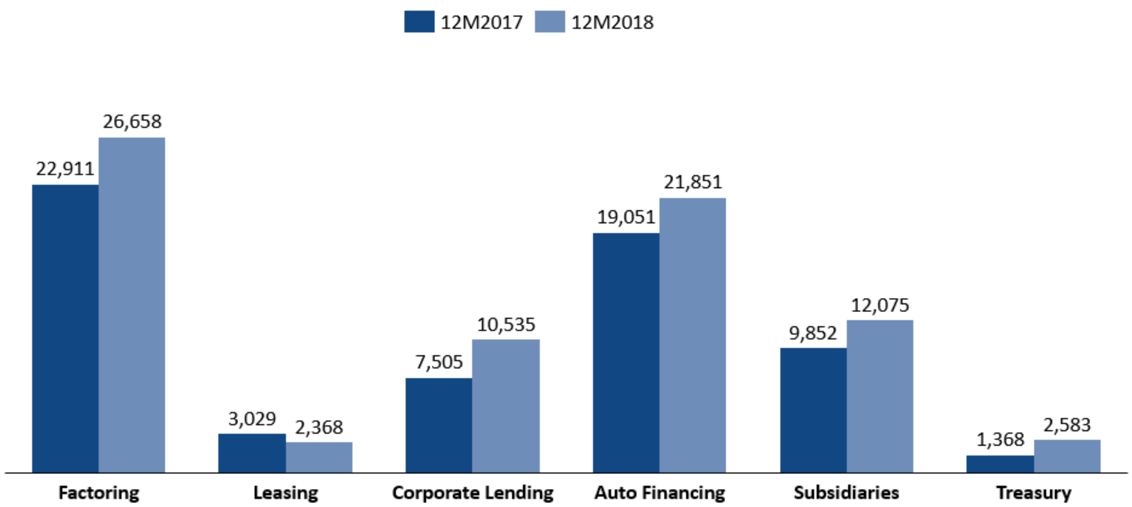


Chart 7: Gross Margin Breakdown by Line of Business on December 2018

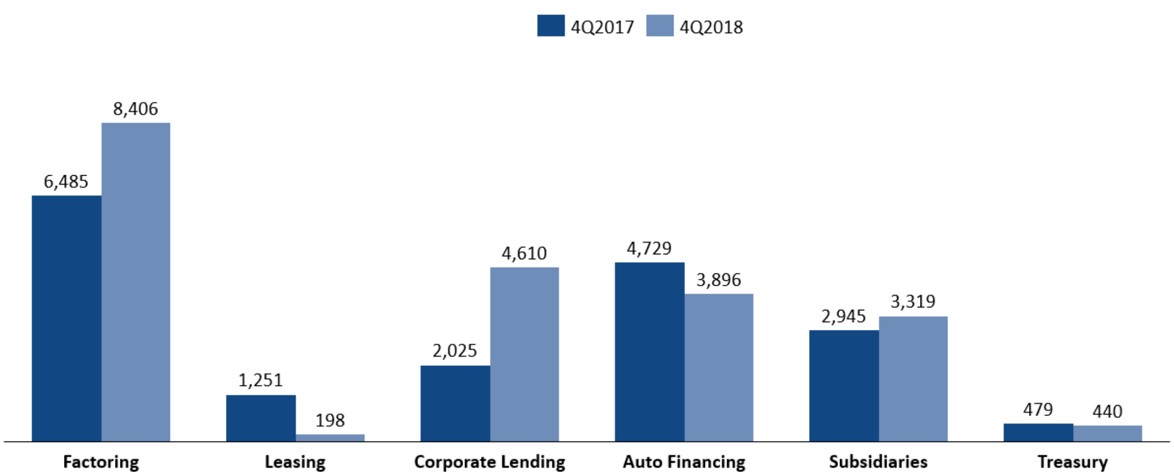


Chart 8: Gross Margin Breakdown by Line of Business Fourth Quarter 2018

Consolidated revenue totaled Ch$ 193,875 million for the year 2018, with a rise of 27.0% YoY (↑Ch$ 41,191 million), meanwhile **4Q18 totaled Ch $ 56,387 million,** with an increase of 27.3% YoY (↑Ch$ 12,107 million) explained by a revenue of:

ENTERPRISE DIVISION

12M18: Ch$ 75,378 million (↑Ch$ 9,109 million / +13.7% YoY);
4Q18: Ch$ 23,949 million (↑Ch$ 6,459 million / +36.9% YoY);
Driver: Increase in price differences derived from the factoring business, which represents 60.1% of the division's revenue.

i. FACTORING

12M18: Ch$ 45,284 million (↑Ch$ 7,577 million / +20.1% YoY);
4Q18: Ch$ 14,343 million (↑Ch$ 4,409 million / +44.4% YoY);
Driver: Growth in price differences.

ii. LEASING

12M18: Ch$ 9,469 million (↓Ch$ 2,689 million / -22.1% YoY);
4Q18: Ch$ 2,139 million (↓Ch$ 1,027 million / -32.4% YoY);
Driver: A result of the change of focus of the product, which seeks to increase its profitability by concentrating on real estate businesses.

iii. CORPORATE LENDING

12M18: Ch$ 20,625 million (↑Ch$ 4,220 million / +25.7% YoY);
4Q18: Ch$ 7,466 million (↑Ch$ 3,077 million / +70.1% YoY);
Driver: Increase due to an augment in commissions and interests.

AUTO-FINANCING DIVISION

12M18: Ch$ 81,098 million (↑Ch$ 12,305 million / +17.9% YoY);
4Q18: Ch$ 19,951 million (↑Ch$ 1,412 million / +7.6% YoY);
Driver: Higher volume, concordant with larger sales on new and used cars, which leads to increases in interests, late payments and recoveries.

SUBSIDIARIES

12M18: Ch$ 46,870 million (↑Ch$ 26,065 million / +125.3% YoY);
4Q18: Ch$ 19,456 million (↑Ch$ 12,312 million / +172.3% YoY);
Driver: Intermediated volume increase.

Consolidated costs totaled Ch$ 117,804 million 12M18 and Ch$ 33,546 million during 4Q18, expanding Ch$ 28,837 million (+32.4% YoY) and Ch$ 9,151 million (+34.7% YoY), respectively, explained by the costs of:

ENTERPRISE DIVISION

12M18: Ch$ 35,816 (↑Ch$ 2,993 million / +9.1% YoY);
4Q18: Ch$ 10,736 million (↑Ch$ 3,006 million / +38.9% YoY);
Driver: An increase in costs due to the vast expansion of our portfolio.

i. FACTORING

12M18: Ch$ 18,626 million (↑Ch$ 4,258 million / +29.6% YoY);
4Q18: Ch$ 5,937 million (↑Ch$ 2,487 million / +72.1% YoY);
Driver: Increase in interests related with funding costs, provisions and write-offs, due to a substantial increase in stock.

ii. LEASING

12M18: $ 7,100 million (↓$ 2,028 million / -22.2% YoY);
4Q18: $ 1,941 million (↑$ 26 million / +1.3% YoY);
Driver: Reduction in provisions and write-offs, coupled with lower interests' expenses.

iii. CORPORATE LENDING

12M18: $ 7,233 million (↑$ 269 million / +3.9% YoY);
4Q18: $ 2,857 million (↑$ 493 million / +20.9% YoY);

Driver: Larger provisions, write-offs and interest expenses, in line with an increase in stock.

AUTO-FINANCING DIVISION

12M18: $ 59,246 million (↑$ 7,261 million / +19.1% YoY);
4Q18: $ 16,055 million (↑$ 2,244 million / +16.2% YoY);
Driver: Higher interest expenses and commissions due to an increase in the stock, plus an upsurge of provisions and write-offs.

SUBISIDIARIES

12M18: $ 34,794 million (↑$23,842 million / +217.8% YoY);
4Q18: $ 16,137 million (↑$ 11,938 million / +284.3% YoY);
Driver: Increased cost, caused by an increase in intermediated volume.

V. Portfolio Quality

	Indicator	Definition	Unit	12-31-2018	12-31-2017
ENTERPRISE DIVISION	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	8.3%	13.0%
		Non-Performing loans/Equity	%	22.8%	29.4%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.4%	2.1%
		Provisions/Non-performing loans	%	17.4%	16.1%
		Provisions/Non-performing loans >90 days	%	101.5%	58.2%
Tanner Empresas	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.3%	1.6%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.4%	4.9%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.4%	3.6%
		Non-Performing loans >90 days/Equity	%	3.9%	8.2%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.5%	2.4%
		Securitized portfolio/Equity	%	7.0%	5.5%
	Clients	*Number of clients*	#	4,419	4,871
	Efficiency	*SG&A Expenses/Gross profit*	%	57.4%	60.1%
i. FACTORING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	8.1%	12.2%
		Non-Performing loans/Equity	%	12.9%	14.0%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.0%	1.8%
		Provisions/Non-performing loans	%	12.9%	14.4%
		Provisions/Non-performing loans >90 days	%	98.5%	59.8%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.3%	1.4%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.1%	3.4%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.1%	2.9%
		Non-Performing loans >90 days/Equity	%	1.7%	3.4%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	1.4%	2.0%
		Securitized portfolio/Equity	%	2.2%	2.3%
	Clients	*Number of clients*	#	3,281	3,177
	Efficiency	*SG&A Expenses/Gross profit*	%	53.3%	50.7%
ii. LEASING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	18.4%	27.9%
		Non-Performing loans/Equity	%	5.3%	10.8%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.8%	3.6%
		Provisions/Non-performing loans	%	15.4%	12.9%
		Provisions/Non-performing loans >90 days	%	86.7%	45.0%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.0%	2.6%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	6.9%	13.4%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	3.3%	8.0%
		Non-Performing loans >90 days/Equity	%	0.9%	3.1%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	9.5%	3.8%
		Securitized portfolio/Equity	%	2.7%	1.5%
	Clients	*Number of clients*	#	560	857
	Efficiency	*SG&A Expenses/Gross profit*	%	102.1%	94.4%
iii. CORPORATE LENDING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	5.2%	6.4%
		Non-Performing loans/Equity	%	4.6%	4.6%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.7%	1.9%
		Provisions/Non-performing loans	%	32.5%	29.0%
		Provisions/Non-performing loans >90 days	%	104.2%	66.6%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.4%	1.6%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	1.6%	2.8%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.5%	2.3%
		Non-Performing loans >90 days/Equity	%	1.3%	1.7%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.3%	2.4%
		Securitized portfolio/Equity	%	2.0%	1.7%
	Clients	*Number of clients*	#	578	837
	Efficiency	*SG&A Expenses/Gross profit*	%	57.9%	76.5%
AUTO FINANCING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	20.5%	22.5%
		Non-Performing loans/Equity	%	27.1%	26.3%
	Provisions	*Provisions/(Loans + Provisions)*	%	4.1%	3.7%
		Provisions/Non-performing loans	%	20.2%	16.3%
		Provisions/Non-performing loans >90 days	%	94.0%	67.2%
Tanner Automotriz	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	4.6%	4.5%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	10.7%	11.5%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	4.4%	5.5%
		Non-Performing loans >90 days/Equity	%	5.8%	6.4%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.9%	2.4%
		Securitized portfolio/Equity	%	3.8%	2.7%
	Clients	*Number of clients*	#	67,577	57,293
	Efficiency	*SG&A Expenses/Gross profit*	%	68.7%	70.1%

Table 4: Business Division 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.

ENTERPRISE DIVISION

Portfolio quality advanced with respect to the same period in 2017, which is reflected by the decline of both NPLs > 30/90 days plus an improvement in the provision coverage ratio due to the implementation of IFRS 9.

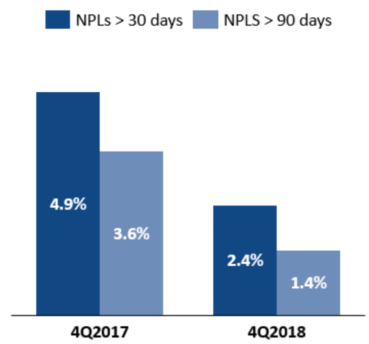


Chart 9: NPLs – Enterprise Division

i. FACTORING

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

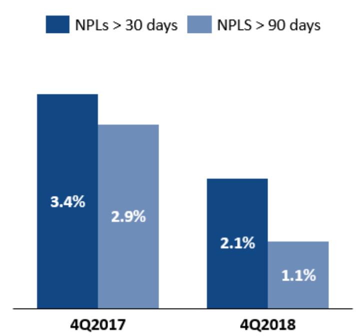


Chart 10: NPLs – Factoring Business

[5] The Ch$ 8,235 million adjustment related with IFRS 9 is broken down as follows:
Enterprise 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.

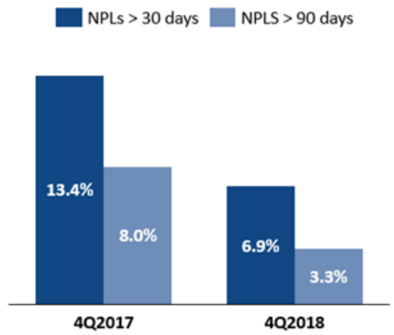


Chart 11: NPLs – Leasing Business

iii. CORPORATE LENDING

Portfolio quality indicators deteriorate year-over-year reaching a similar level compared to factoring.

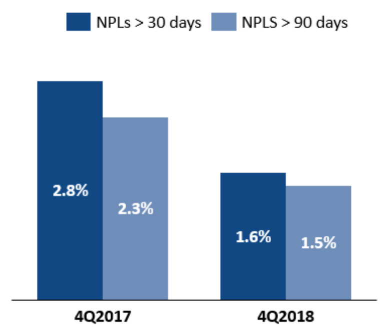


Chart 12: NPLs – Corporate Lending Business

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, due to expected loss models that provision from the beginning of the loan, and the economic environment in the country, which results in a healthier portfolio for this division.

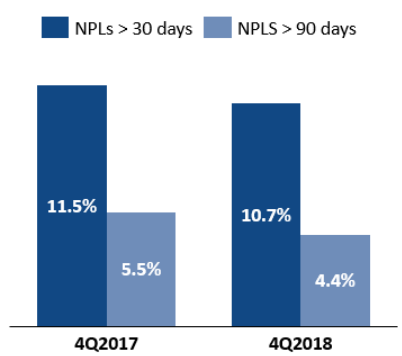


Chart 13: NPLs – Auto-Financing Division

VI. Balance Sheet

Assets (MCh$)	12-31-2018	12-31-2017	Δ $	Δ %
Current Assets				
Cash and cash equivalent	25,474	84,636	(59,162)	-69.9%
Other current financial assets	104,324	49,120	55,204	112.4%
Other current non-financial assets	1,765	1,547	218	14.1%
Trade receivables and other current accounts receivable, net	770,975	602,984	167,991	27.9%
Current accounts receivable from related parties	458	452	6	1.3%
Current tax assets	12,851	8,259	4,592	55.6%
Non-current assets held for sale	7,968	6,216	1,753	28.2%
Total Current Assets	**923,816**	**753,214**	**170,602**	**22.6%**
Non-Current Assets				
Other non-current financial assets	37,555	22,286	15,270	68.5%
Other non-current non-financial assets	2,822	6,217	(3,395)	-54.6%
Trade receivables and other non-current accounts receivable, net	411,606	333,832	77,774	23.3%
Non-current accounts receivable from related parties	681	611	70	11.5%
Intangible assets other than goodwill	5,520	3,509	2,011	57.3%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	3,189	3,341	(152)	-4.6%
Property Investments	9,316	3,146	6,170	196.2%
Deferred tax assets	31,278	29,892	1,386	4.6%
Total Non-Current Assets	**503,730**	**404,597**	**99,134**	**24.5%**
Total Assets	**1,427,546**	**1,157,810**	**269,736**	**23.3%**

Liabilities (MCh$)	12-31-2018	12-31-2017	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	597,596	364,875	232,721	63.8%
Trade payables and other current accounts payables	90,908	69,872	21,036	30.1%
Other short-term provisions	306	490	(184)	-37.6%
Short-term employee benefits provisions	3,957	802	3,155	393.4%
Current tax liabilities	2,306	1,168	1,138	97.4%
Other current non-financial liabilities	-	9	(9)	-100.0%
Total Current Liabilities	**695,073**	**437,216**	**257,857**	**59.0%**
Non-Current Liabilities				
Other non-current financial liabilities	449,213	451,114	(1,900)	-0.4%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	-	-	-	-
Non-current employee benefits provisions	113	-	113	-
Total Non-Current Liabilities	**449,327**	**451,114**	**(1,787)**	**-0.4%**
Total Liabilities	**1,144,400**	**888,330**	**256,070**	**28.8%**
Equity	283,146	269,481	13,666	5.1%
Total Equity and Liabilities	**1,427,546**	**1,157,810**	**269,736**	**23.3%**

Table 5: Consolidated Balance Sheet

a. Loan Portfolio [6]

Total gross loan portfolio at December 2018 reached Ch$ 1,209,337 million (↑Ch$ 248,206 million / +23.0% YoY) versus Ch$ 961,131 million in December 2017, while provisions totaled Ch$ 26,756 million, increasing Ch$ 2,441 million (+10.0% YoY), 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$ 1,182,581 million, increasing 26.2% YoY** (↑Ch$ 245,765 million)) 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 December 2018:

1. **Enterprise Division: Ch$ 770,063 million** | +29.4% YoY | ↑Ch$ 174,737 million;
    a. **Factoring: Ch$ 444,939 million** |+46.5% YoY | ↑Ch$ 141,239 million;
    b. **Leasing: Ch$ 79,055 million** | -21.7% YoY | ↓Ch$ 21,855 million;
    c. **Corporate Lending: Ch$ 246,069 million** | +29.0% YoY | ↑Ch$ 55,353 million; and,
2. **Auto-Financing Division: Ch$ 359,817 million** | +18.9% YoY | ↑Ch$ 57,090 million.

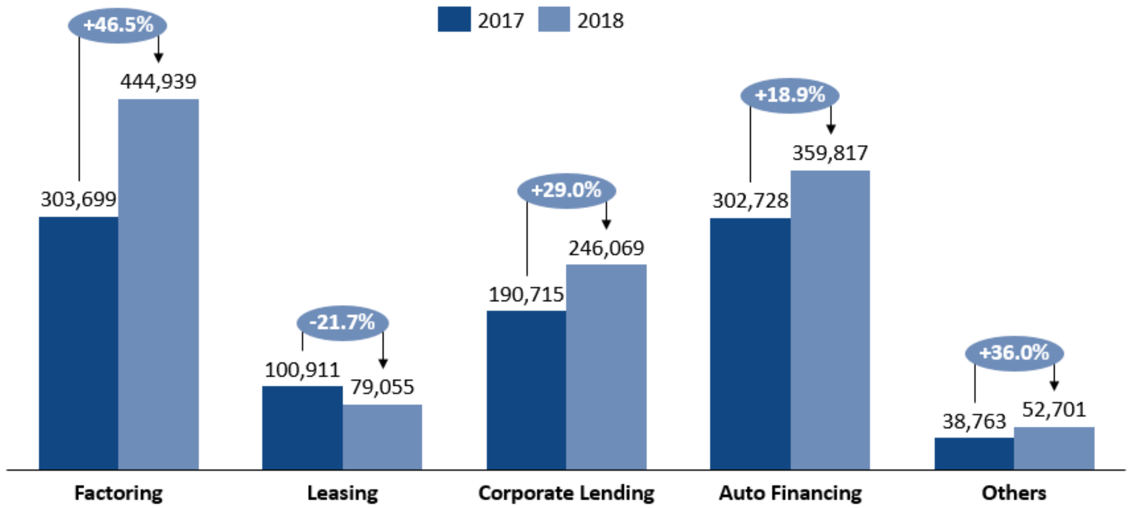


Chart 14: Net Loan Portfolio Breakdown by Line of Business

In 2018, the portfolio continues to concentrate in the Company's strategic businesses – factoring and auto-financing – which represent 37.6% (Dec-2017: 32.4%) and 30.4% (Dec-2017: 32.3%) of net loan portfolio, respectively.

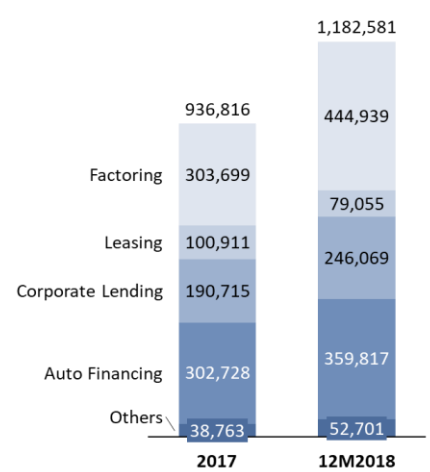


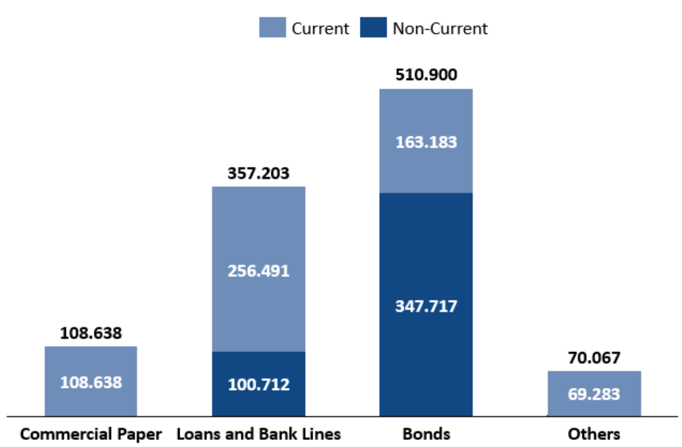
Chart 15: Net Loan Portfolio Breakdown

[6] Gross loans minus provisions.

b. Funding Sources

Financial liabilities as of December 31, 2018, totaled Ch$ 10,046,809 million, versus $ 815,989 million in December 2017 (↑Ch$ 230,820 million / +28.3% YoY), due to increments associated with the following liabilities: (i) banks and financial institutions (↑Ch$ 142,771 million/ +66.6% YoY) and (ii) commercial paper (↑Ch$ 45,302 million / +71.5% YoY) and (iii) bonds (↑Ch$ 14,216 million / +2.9 YoY) and (iv) other derivatives and repos (↑Ch$ 28,530 million / 68.7% YoY).

In terms of liability structure, 48.8% (Ch$ 510,900 million) correspond to local and international bonds, 34.1% (Ch$ 357,203 million) to bank loans and credit lines, and 10.4% (Ch$ 108,638 million) to commercial paper. Additionally, Ch$ 70,067 million (6.7%) are related to other financial obligations, which correspond to repos and financial derivatives.



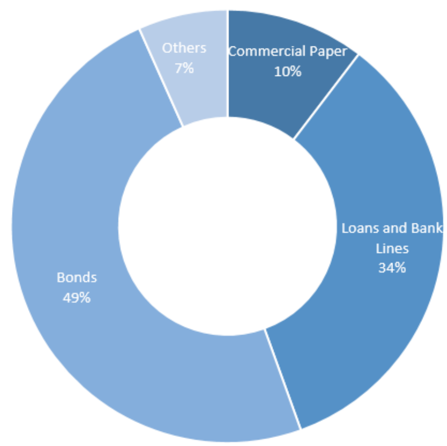


Chart 16: Breakdown of Funding Sources

VII. Cash Flow Statement

MCh$	12-31-2018	12-31-2017	Δ $
Cash flow provided by (used in) operating activities	(271,649)	(128,926)	(142,722)
Cash flow provided by (used in) investing activities	172,179	147,491	24,687
Cash flow provided by (used in) financing activities	40,277	34,473	5,804
Effect of changes in exchange rates	31	(35)	65
Net increase (decrease) in cash and cash equivalent	(59,162)	53,004	(112,165)
Cash and Cash Equivalent, Initial Balance	84,636	31,632	53,004
Cash and Cash Equivalent, Final Balance	25,474	84,636	(59,162)

Table 6: Cash Flow Statement

During the year 2018, cash flow of **operating activities totaled Ch$ -271,649 million** versus Ch$ -128,926 million recorded in December 2017. An increase of Ch$ 190,412 million in collections was obtained during this quarter, yet Company payments registered a decrease of Ch$ 325,536.

Cash flow stemming from **investing activities reached Ch$ 172,179 million**, Ch$ 24,687 million more than Ch$ 147,491 million corresponding to 4Q17, mainly because of a Ch$ 653,874 million difference between payments and collections in financial derivatives.

Financing activities cash flow amounts to Ch$ 40,277 million in 2018, versus Ch$ 34,473 million during 2017, mainly due to a drop in interest and loan payments.

Finally, **cash and cash equivalents by December 2018 totaled Ch$ 25,474 million,** diminishing Ch$ 59,162 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 541 days past due, except for real estate leasing and leasing vendor (901 days).

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 541 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	12.31.2018			
	Gross Portfolio Ch$k	Provisions Ch$k	Net Portfolio Ch$k	Provisions Index
Factoring	449,641,169	(4,702,600)	444,938,569	1.05%
Leasing	81,373,247	(2,317,836)	79,055,411	2.85%
Corporate Loans	250,298,645	(4,230,124)	246,068,521	1.69%
Automobile Loans	375,322,842	(15,505,467)	359,817,375	4.13%
Others	52,701,034	-	52,701,034	0.00%
Total	**1,209,336,937**	**(26,756,027)**	**1,182,580,910**	**2.21%**

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	104,686,270	(3,775,690)	190,715,401	3.61%
Corporate Loans	194,325,618	(3,610,217)	302,727,584	1.86%
Automobile Loans	314,247,010	(11,519,426)	100,910,580	3.67%
Others	38,762,824	-	38,762,824	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.

In terms of provisions for a renegotiated loan, these are calculated based on an expected loss model for every product, where the non-payment and new loan conditions are the primary variables to consider. The condition of renegotiation is considered by an additional weight in the risk model.

In the factoring business, renegotiations are less frequent, since these operations, which differ from leasing and auto loans, provide liquidity over client account receivables. In the event of a renegotiation, these are approved by Risk Management and clients are required to pay a percentage of the debt and an addition of a guarantee.

The following table shows the percentage of renegotiations by product of the Company's portfolio:

Concept	12.31.2018				
	Total Portfolio Ch$ Th	Renegotiation Ch$ Th	Provision Ch$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	361,277,480	7,755,379	(4,390,397)	2.15%	0.69%
Corporate Lending	272,958,592	4,734,521	(4,039,767)	1.73%	0.42%
Auto Financing	357,100,259	10,448,030	(14,817,268)	2.93%	0.93%
Leasing	86,785,142	7,077,612	(2,552,401)	8.16%	0.63%
Others	47,219,216	-	-	-	-
Total	**1,125,340,689**	**30,015,542**	**(25,799,833)**		**2.67%**

Concept	12.31.2017				
	Total Portfolio Ch$ Th	Renegotiation Ch$ Th	Provision Ch$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	309,109,335	6,175,524	(5,409,895)	2.00%	0.64%
Corporate Lending	194,325,618	4,686,313	(3,610,217)	2.41%	0.49%
Auto Financing	314,247,010	7,408,749	(11,519,426)	2.36%	0.77%
Leasing	104,686,270	4,014,806	(3,775,690)	3.84%	0.42%
Others	38,762,824	-	-	-	-
Total	**961,131,057**	**22,285,392**	**(24,315,228)**		**2.32%**

Table 8: Portfolio, Provisions and Renegotations

The augment of renegotiations, associated to leasing, are due to warehouse real estate businesses that were postponed due to a lower activity indicator over the last years.

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 December 31, 2018, the Company, on a consolidated level, totaled Ch$ 25,474 million of cash on hand, versus Ch$ 84,636 million in December 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].

On December 31, 2018, investments on corporate bonds – valued at market prices – reached US$ 20,892K (US$ 12,464K by December 31, 2017). At that date, the average duration of the portfolio was 1.96 years (3.05 by December 31, 2017), sensitivity measured by DV01[8] was US$ 2,938 (US$ 3,644 by December 31,2017) and parametric VaR[9], with a 1-day horizon was US$ 42,536 (US$ 25,078 by December 31, 2017), with a 99% confidence level.

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%	0.15%	0.23%	0.31%	0.39%	0.47%	0.55%	0.63%

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%.

Increases:

Positive Delta (bps)	25	50	75	100	125	150	175	200
Net Portfolio Variation	-0.08%	-0.15%	-0.22%	-0.30%	-0.37%	-0.44%	-0.51%	-0.58%

Table 9: 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	12.31.2018							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	-	(4,128,588)	5,163,012	-	52,421,585	(216,939,440)	168,363,933	-
1 to 3 years	-	-	-	-	119,815,268	(179,346,569)	68,104,513	-
3 years and over	-	-	-	-	-	-	-	-
Total	**-**	**(4,128,588)**	**5,163,012**	**-**	**172,236,853**	**(396,286,009)**	**236,468,446**	**-**

Sens. +1bps	09.30.2018							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	-	404	(431)	-	(10,079)	20,155	(5,775)	-
1 to 3 years	-	-	-	-	(22,453)	33,320	(13,166)	-
3 years and over	-	-	-	-	-	-	-	-
Total	**-**	**404**	**(431)**	**-**	**(32,531)**	**53,475**	**(18,941)**	**-**

Table 10: 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 December 31, 2018, the Company presents an exposure in US Dollars of US$ -5,623K, equivalent to 1.38% of equity, versus US$ -3,817K, corresponding to 0.9% of equity in December 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)	12.31.2018	12.31.2017
Assets	269,335	266,147
Liabilities	(390,432)	(420,769)
Derivative Instruments	115,474	150,805
Total Mismatch	**(5,623)**	**(3,817)**

Table 11: 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, whose related mismatch is managed on 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 December 31, 2018, mismatch in UF amounted to UF 1,986K, equivalent to 19.34% of equity (2017: UF 2,447K corresponding to 24.34% of equity). 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)	12.31.2018	12.31.2017
Assets	7,737	6,789
Liabilities	(12,717)	(9,087)
Derivative Instruments	6,966	4,745
Total Mismatch	**1,986**	**2,447**

Table 12: UF Mismatch

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