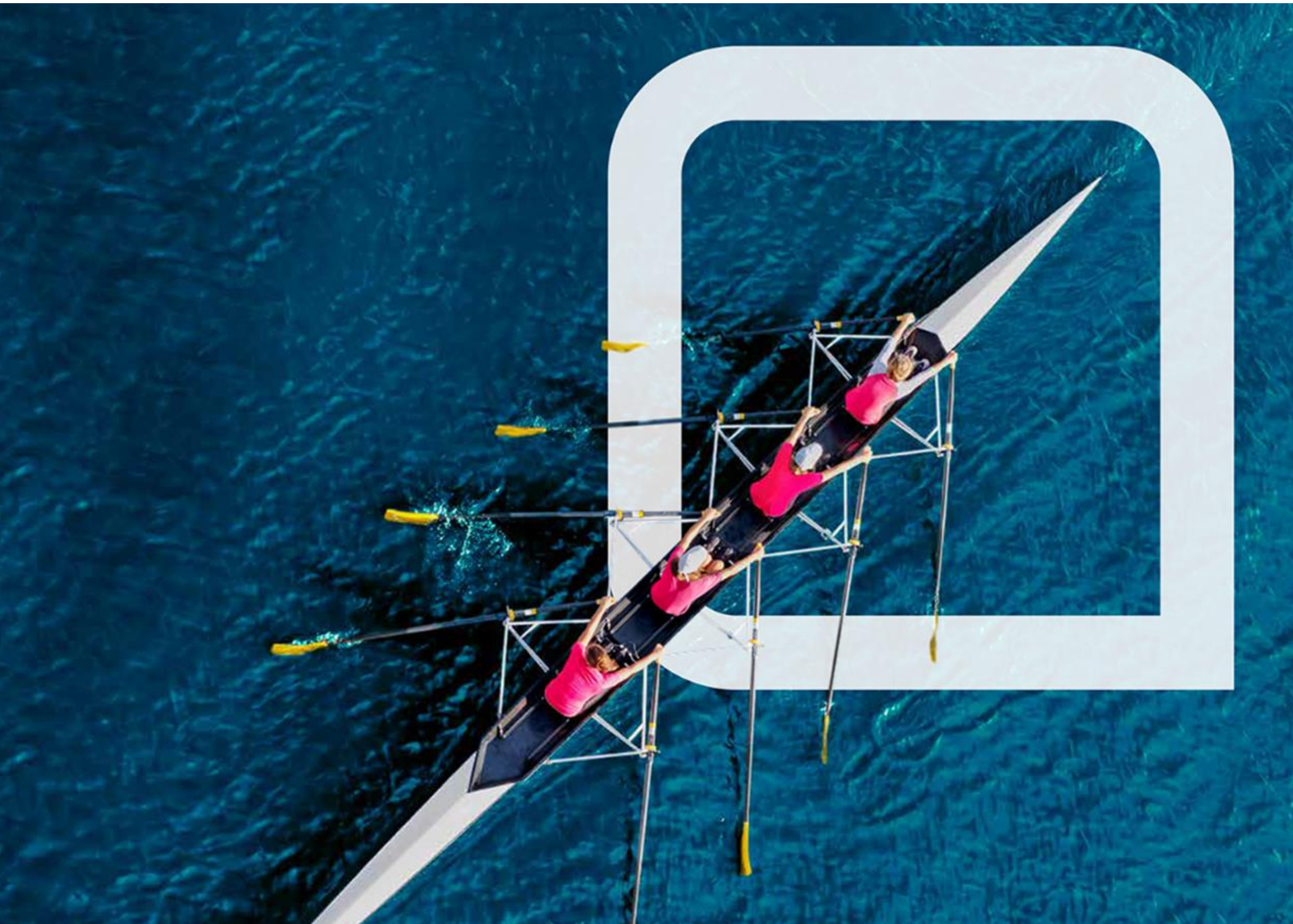
Quarterly Earnings Report

June 2019



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I. Executive Summary

❖ **ROAE*:**

1H19: 10.9% / 1H18: 10.4%

❖ **ROAA**:**

1H19: 2.4% / 1H18: 2.5%

❖ **Equity:**

1H19: MCh$ 295,431 / Δ^{+}: 4.3% YTD

❖ **Net Profit:**

2Q19: MCh$ 8,613 / 2Q18: MCh$ 8,578
Δ^{+}: 0.4% YoY
1H19: MCh$ 14,965 / 1H18: MCh$ 13,948
Δ^{+}: 7.3% YoY

❖ **Net Portfolio:**

1H18: MCh$ 1,0124,290 / Δ^{-}: 4.9% YTD

❖ **NPLs > 90 days:**

1H19: 2.9% / 1H18: 2.9%

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

Profit after taxes in the first half of 2019 grew 7.3% YoY, while between April and June the rise was 0.4% YoY, totaling Ch$ 14,965 million and Ch$ 8,613 million respectively. triggered by an increase in operating margins of 10.8% YoY and 0.2% in 1H19 and 2Q19 respectively.

Net loan portfolio at period-end June 2019 totaled Ch$ 1,124,290 million, down Ch$ 58,290 million (-4.9% YTD) driven by moderate performances of: (i) the **enterprises division portfolio which closed the period with net loans of Ch$ 674,568 million** (↓Ch$ 95,495 million / -12.4% YTD), mainly coming from factoring, which totaled Ch$ 357,478 million (↓Ch$ 87,460 million / -19.7% YTD) and corporate lending which reached Ch$ 226,784 million (↓Ch$ 19,284 million / -7.8% YTD) and mainly counteracted by (ii) the **auto-financing division, which ended the period with net loan portfolio amounting to Ch$ 376,330 million** (↑Ch$ 16,513 million / +4.6% YTD).

In terms of risk compared to the previous year, Tanner maintains suitable portfolio risk levels with **NPLs over 90 days increasing 2 bps to 2.88%** (1H18: 2.86%), while NPLs over 30 days declined just 3 basis point, reaching 5.58% (1H18: 5.61%) during the first half of the year. **Non-performing loans over 90 days of the enterprises division increased 7 bps to 2.17%** (1H18: 2.1%) driven by an increase of 30 bps in factoring (1H19: 1.9% vs. 1H18: 1.6%) and 93 bps in leasing (1H17: 4.8.% vs. 1H18: 3.8%), counteracted by decline of 48 bps in corporate lending (1H19: 1.6% vs. 1H18: 2.1%). Meanwhile, **NPLs over 90 days in the auto-financing division registered a reduction of 20 bps totaling 4.7%** (1H18: 4.9%).

Liquidity index at period-end June 2019 reached 1.57 times, slightly below the levels registered in 1H18 (1.66x) and above those registered to Dec-18 (1.33x), while **cash totaled Ch$ 22,998 million** versus Ch$ 25,474 million at the end of the previous year and $ 28,990 in June 2018. On the other hand, the Company's **leverage closed at 3.74 times** (1H18: 3.43x and Dec-18: 4.04x).

During this period Tanner **issued 3 AB series Bonds on the local market for a total of UF 2,000,000**. Additionally in March the placement of a bond in the swiss market was agreed upon**, for a total of CHF 125,000,000 maturing within 2 years & 8 months, at an interest rate of 1.0%**. The emission and disbursement took place during the month of April of the current year.

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$	01-01-2019 06-30-2019	01-01-2018 06-30-2018	Δ $	Δ %	04-01-2019 06-30-2019	04-01-2018 06-30-2018	Δ $	Δ %
Revenue from ordinary activities	152,624	86,875	65,749	75.7%	76,477	42,129	34,348	81.5%
Sales cost	(113,724)	(50,191)	(63,533)	126.6%	(55,866)	(21,483)	(34,383)	160.0%
Gross profit	38,899	36,683	2,216	6.0%	20,611	20,646	(35)	-0.2%
Other revenue, by function	1,184	856	328	38.3%	916	796	120	15.1%
Administrative expenses	(22,172)	(21,364)	(808)	3.8%	(11,406)	(11,335)	(71)	0.6%
Other profits (losses)	-	(9)	9	0.0%	-	(9)	9	-
Operating margin	17,912	16,167	1,744	10.8%	10,121	10,099	22	0.2%
Financial revenue	46	14	32	224.9%	30	15	15	96.1%
Financial costs	(212)	(144)	(68)	46.9%	(65)	(69)	(49)	67.7%
Foreign exchange differences	47	(118)	165	139.3%	(140)	(16)	143	-123.1%
Income by adjustment units	8	19	(11)	-59.9%	13	74	(5)	-41.8%
Profit (losses) before taxes	17,800	15,938	1,863	11.7%	10,064	9,937	126	1.3%
Revenue (expense) from profit taxes	(2,835)	(1,990)	(845)	42.5%	(1,450)	(1,359)	(91)	6.7%
Profit (losses)	14,965	13,948	1,017	7.3%	8,613	8,578	35	0.4%
Profit (losses) attributable to controller's property owne	14,730	13,720	1,010	7.4%	8,455	8,432	23	0.3%
Profit (losses) attributable to non-controller shares	235	228	7	3.2%	158	146	12	8.1%

Table 1: Consolidated Income Statement

The Company's **net profit in the first half of 2019 increased 7.3% YoY** (↑Ch$ 1,017 million), totaling Ch$ 14,965 million, versus Ch$ 13,948 million in 1H18, while in the second quarter profit growth was merely 0.4% YoY (↑Ch$ 35 million), reaching Ch$ 8,613 million (2Q18: Ch$ 8,578 million). **Gross margin in 1H19 reached Ch$ 38,899 million**, up 6.0% YoY (↑Ch$ 2,216 million) and in **2Q18 totaled Ch$ 20,611 million** (↓Ch$ 35 million / -0.2% YoY).

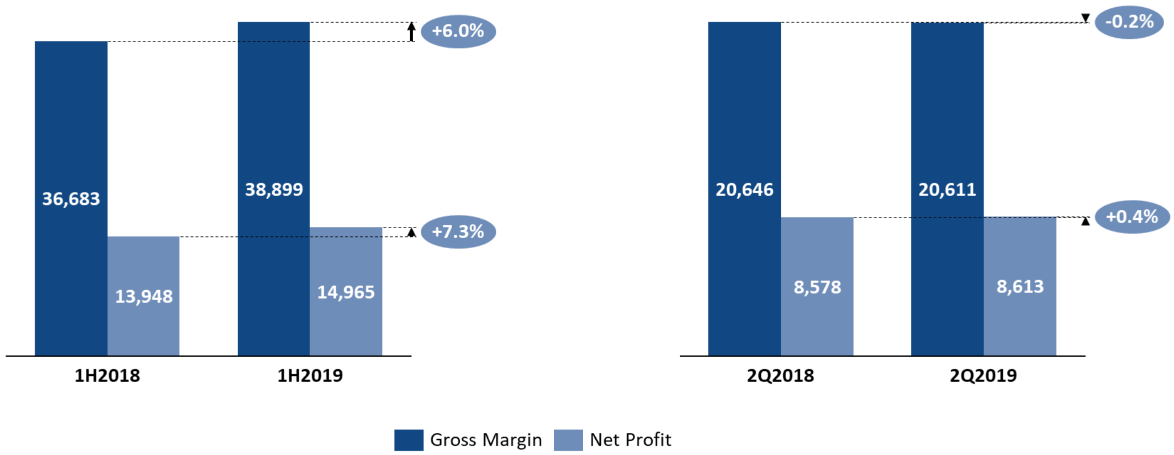


Chart 1: Consolidated Net Profit and Gross Margin (MCh$)

Consolidated revenues totaled Ch$ 152,624 million during the first half of 2019, growing 75.7% YoY (↑Ch$ 65,749 million) and $ 76,477 million (↑Ch$ 34,348 million / +81.5% YoY) 2Q18, in line with increases in (i) other revenues[1] (1H19: ↑Ch$ 39,653 million / +145.9% YoY and 2Q19: ↑Ch$ 19,501 million / 142.9% YoY), due to an increase in the volume of intermediation in Tanner Investments and *Tanner Corredora de Seguros*, (ii) Income from readjustments (1H19: ↑$ 17,463 million / +395.7% YoY y 2Q19: ↑$ 10,816 million / +236.5% YoY), (iii) interests (1H19: ↑Ch$ 3,235 million / +6.9% YoY and 2Q19: ↑Ch$ 1,093 million / +4.5% YoY), (iv) price differences (1H19: ↑Ch$ 4,768 million / +32.5% YoY and 2Q19: ↑Ch$ 1,959 million / +26.3% YoY), and (v) commissions (1H19: ↑Ch$ 631 million / +25.9% YoY and 2Q19: ↑Ch$ 979 million / +75.4% YoY).

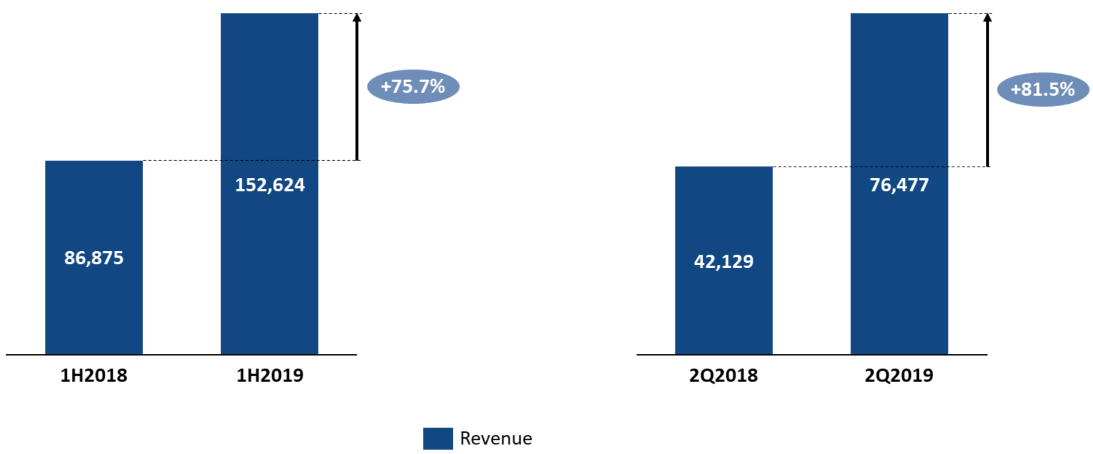


Chart 2: Consolidated Revenues (MCh$)

Consolidated cost of sales at period-end June 2019, reached Ch$ 113,724 million (↑Ch$ 63,533 million / +126.6% YoY), while in the **second quarter costs reached Ch$ 55,866 million** (↑Ch$ 34,383 million / +160.0% YoY) mainly derived from rises in: (i) other costs[2] (1H19: ↑Ch$ 39,075 million / +276.1% YoY and 2Q19: ↑Ch$ 19,485 million / +294.8% YoY) aligned to an increased volume intermediated in Tanner Investments and *Tanner Corredora de Seguros,* (ii) considerable readjustments over liabilities (1H19: Ch$ 12,346 million vs. 1H18: Ch$ -4,435 and 2Q19: Ch$ 5,530 million vs. 2Q18: Ch$ -4,225 million). (iii) constitution of provisions (1H19: ↑Ch$ 1,458 million / +11.3% YoY and 2Q19: ↑Ch$ 1,696 million / +30.6% YoY) and (iv) commissions expenses (1H19: ↑Ch$ 1,945 million / +19.8% YoY and 2Q19: ↑Ch$ 1,239 million / +25.3% YoY).

[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.

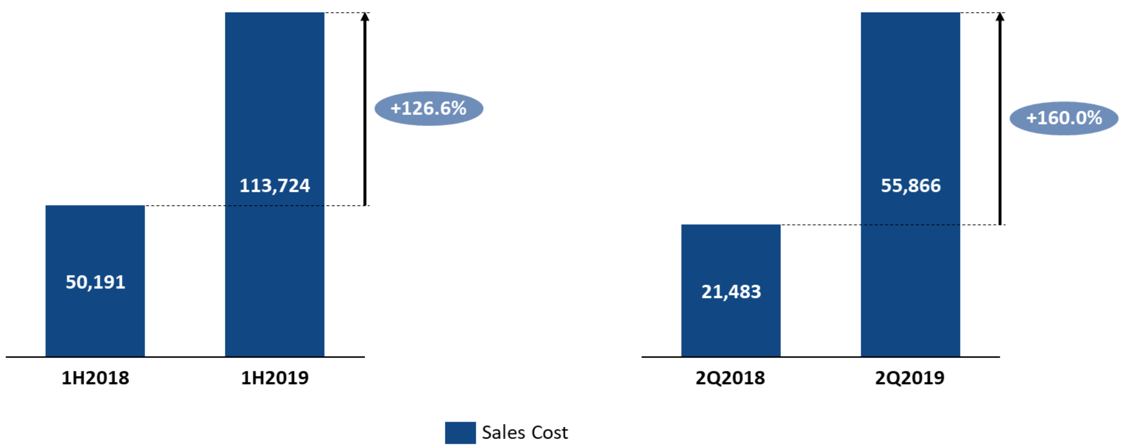


Chart 3: Consolidated Expenses (MCh$)

SG&A expenses (including depreciation) reached Ch$ 22,172 million in 1H19 and Ch$ 11,406 million in 2Q19, increasing 3.8% YoY and 0.6% YoY respectively, mainly as a consequence of greater depreciation and amortization costs derived from adoption of IFRS 16. Human labor – which represents around 66% of administrative expenses – totaled Ch$ 14,617 million in six months and $ 7,436 million in the quarter, reflecting decreases of Ch$ 228 million (-1.5% YoY) and Ch$ 612 million (-7.6% YoY) respectively, while general expenses reached Ch$ 7,555 million (↑Ch$ 1037 million / 15.9% YoY) in the first six months of the year and Ch$ 3970 million (↑Ch$ 683 million +20.8% YoY) during the quarter.

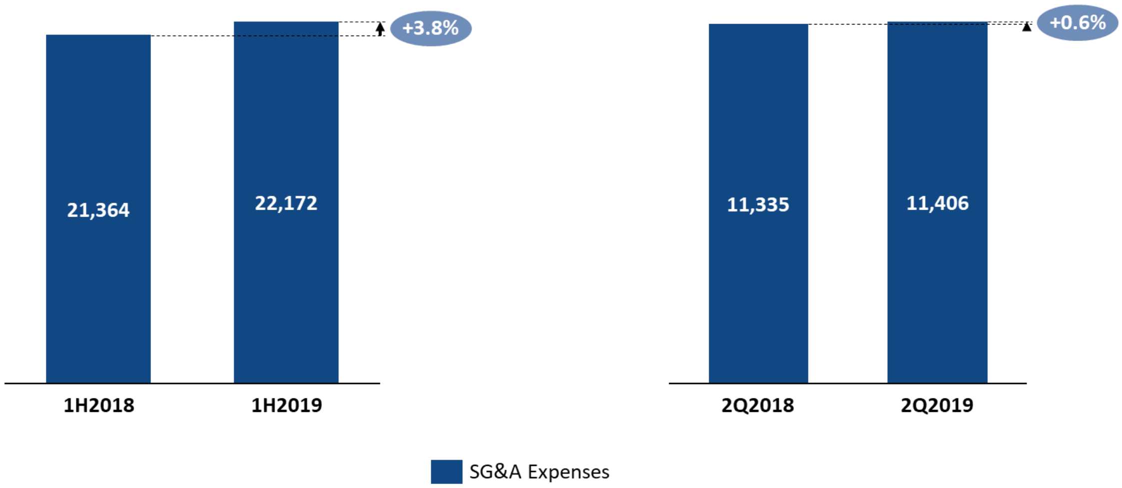


Chart 4: Consolidated SG&A Expenses (MCh$)

III. Main Indicators

Table 2: Main Indicators

	Indicator	Definition	Unit	6-30-2019	12-31-2018	6-30-2018
Liquidity and Solvency	Current Ratio	*Current Assets/Current Liabilities*	times	1.57	1.33	1.66
	Current Liabilities to Equity	*Current liabilities/Equity*	times	1.80	2.45	1.63
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	times	0.04	0.04	0.06
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	times	1.54	1.45	1.62
	Debt to Equity	*Total liabilities/Equity*	times	3.74	4.04	3.43
	Capitalization	*Equity/Assets*	%	21.12%	19.83%	22.58%
	Total Debt ratio	*Liabilities/Assets*	times	0.79	0.80	0.77
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	%	48.24%	60.74%	47.59%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	%	51.76%	39.26%	52.41%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	%	31.31%	36.90%	35.65%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	%	12.99%	22.41%	16.23%
	Working Capital	*Current assets - Current liabilities*	MCh$	302,590	228,743	293,961
	Interest Coverage Ratio	*(Profit before taxes + Financial expenditure)/Financial expenditure*	times	1.4	1.8	1.7
Profitability	Return on Average Equity	*Annualized profit/ Average Equity*	%	10.89%	10.76%	10.40%
	Return on Average Assets	*Annualized profit/ Average Assets*	%	2.41%	2.30%	2.52%
	Gross Profit Margin	*Gross profit/Revenue from ordinary activities*	%	25.49%	39.24%	42.23%
	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	%	11.74%	17.54%	18.61%
	Net Income Margin	*Net income/Revenue from ordinary activities*	%	9.81%	15.34%	16.06%
	Earnings Per Share (EPS)	*Net income/number of shares*	$	12,152	24,227	11,319
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	%	57.00%	58.21%	58.24%
Asset Quality	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	5.58%	4.88%	5.61%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	2.88%	2.28%	2.86%
		Non-Performing loans >90 days/Equity	%	11.22%	9.74%	11.23%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	12.52%	11.69%	12.09%
		Non-Performing loans/Equity	%	48.80%	49.93%	47.46%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.33%	2.21%	2.47%
		Provisions/Non-performing loans	%	18.59%	18.92%	20.40%
		Provisions/Non-performing loans >90 days	%	80.87%	97.02%	86.18%
	Write-offs	*Write-offs/(Loans + Provisions)*	%	1.22%	2.76%	1.79%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	2.46%	0.00%	2.44%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.49%	2.53%	2.65%

As of June 30, 2019, 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. At a general level, total liabilities decreased Ch$ 40,717 million (-3.6% YTD) since December 2018 and totaled Ch$ 1,103,683 million, while assets contract 2.0% (↓Ch$ 28,432 million) in the first six months of year, thus closing with Ch$ 1,399,114 million in total. Equity increased Ch$ 12,285 million (+4.3% YTD), reaching $ 295,431 million.

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

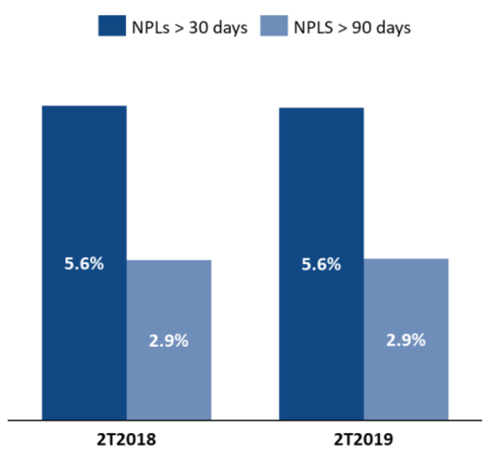


Chart 5: Consolidated NPLs

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 54.0%, 24.0% and 18.5% of the first half's gross profit respectively, and 51.3%, 26.0% and 17.4% for the second quarter of 2019. Additionally, revenues and costs generated by the Treasury unit are shown below.

Business Division		01.01.2019 to 06.30.2019 MCh$	01.01.2018 to 06.30.2018 MCh$	Δ $	Δ %	04.01.2019 to 06.30.2019 MCh$	04.01.2018 to 06.30.2018 MCh$	Δ $	Δ %
ENTERPRISE DIVISION	REVENUE	40,578	34,584	5,994	17.3%	20,929	17,825	3,104	17.4%
	COSTS	19,574	16,611	2,963	17.8%	10,352	7,629	2,723	35.7%
	GROSS PROFIT	21,003	17,973	3,030	16.9%	10,577	10,196	381	3.7%
i. FACTORING	REVENUE	26,179	20,573	5,606	27.2%	12,723	10,492	2,231	21.3%
	COSTS	12,088	8,233	3,855	46.8%	6,519	3,785	2,734	72.2%
	GROSS PROFIT	14,091	12,340	1,751	14.2%	6,203	6,707	(503)	-7.5%
ii. LEASING	REVENUE	4,135	5,092	(957)	-18.8%	2,063	2,366	(303)	-12.8%
	COSTS	2,711	3,555	(844)	-23.7%	1,190	1,548	(358)	-23.1%
	GROSS PROFIT	1,424	1,537	(113)	-7.3%	873	818	55	6.7%
iii. CORPORATE LOANS	REVENUE	10,264	8,919	1,345	15.1%	6,143	4,967	1,176	23.7%
	COSTS	4,776	4,824	(48)	-1.0%	2,642	2,296	347	15.1%
	GROSS PROFIT	5,488	4,095	1,392	34.0%	3,501	2,671	830	31.1%
AUTO-FINANCING DIVISION	REVENUE	42,554	39,887	2,667	6.7%	21,524	20,647	877	4.2%
	COSTS	33,230	27,962	5,267	18.8%	16,167	13,557	2,610	19.3%
	GROSS PROFIT	9,324	11,925	(2,601)	-21.8%	5,357	7,090	(1,733)	-24.4%
SUBISIDIARIES	REVENUE	55,323	16,066	39,257	244.4%	27,067	7,929	19,138	241.4%
	COSTS	48,108	9,927	38,181	384.6%	23,486	4,452	19,034	427.5%
	GROSS PROFIT	7,215	6,139	1,076	17.5%	3,581	3,477	104	3.0%
TREASURY	REVENUE	14,169	(3,662)	17,831	-486.9%	6,956	(4,272)	11,229	-262.8%
	COSTS	12,812	(4,309)	17,121	-397.3%	5,860	(4,156)	10,016	-241.0%
	GROSS PROFIT	1,358	647	711	109.9%	1,096	(116)	1,212	-1042.8%
Tanner	REVENUE	152,624	86,875	65,749	75.7%	76,477	42,129	34,348	81.5%
	COSTS	113,724	50,191	63,533	126.6%	55,866	21,483	34,383	160.0%
	GROSS PROFIT	38,899	36,683	2,216	6.0%	20,611	20,646	(35)	-0.2%

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 1H19 reached Ch$ 38,899 million (↑Ch$ 2,216 million / +6.0% YoY), with an increase in revenues (↑Ch$ 65,749 million / +75.7% YoY) offsetting the growth in costs (↑Ch$ 63,533 million / +126.6% YoY). By **2Q19, gross margin totaled Ch$ 20,611 million** (↓Ch$ 35 million / -0.2% YoY), with a rise in revenues (↑Ch$ 34,348 million / +81.5% YoY) greater than the increment in costs (↑Ch$ 34,383 million / +160.0%). Gross margin breakdown by division/product, is as follows:

ENTERPRISES DIVISION

1H19: Ch$ 21,003 million, rising 16.9% YoY (↑Ch$ 3,030 million), derived from a significant increase in revenues (↑Ch$ 5,994 million / +17.3% YoY) that offset growth in costs (↑Ch$ 2,963 million / 17.8% YoY).

2Q19: Ch$ 10,577 million, up 3.7% YoY (↑Ch$ 381 million), in line with an increment of Ch$ 3,104 million (+17.4% YoY) in revenues and an increase in costs (↑Ch$ 2,723 million / 35.7% YoY).

i. FACTORING

1H19: Ch$ 14,091 million, growing 14.2% YoY (↑Ch$ 1,751 million), due to an increase of Ch$ 5,606 million (+27.2% YoY) in revenues and a rise of 46.8% YoY (↑Ch$ 3,855 million) in costs.

2Q19: Ch$ 6,203 million, down 7.5% YoY (↓Ch$ 503 million), with increases of 21.3% YoY (↑Ch$ 2,231 million) in revenues and 72.2% YoY (↑Ch$ 2,734 million) in costs.

ii. LEASING

1H19: Ch$ 1,424 falling 7.3% YoY (↓Ch$ 113 million), since costs were reduced 23.7% (↓Ch$ 844 million), thus buffering the decrease in revenues (↓Ch$ 957 million / -18.8% YoY).

2Q19: Ch$ 873 million, up 6.7% YoY (↑Ch$ 55 million), due to a drop of costs of 23.1% YoY (↓Ch$ 358 million) that offset lower revenues Ch$ 303 million (-12.8% YoY).

iii. CORPORATE LENDING

1H19: Ch$ 5,488 million, up 34.0% YoY (↑Ch$ 1,392 million), due to an increase in revenues (↑Ch$ 1,345 million / +15.1% YoY) and decreasing costs of (↓Ch$ 48 million / -1.0% YoY).

2Q19: Ch$ 3,501 million, rising 31.1% YoY (↑Ch$ 830 million), in line with an increase of 23.7% YoY (↑Ch$ 1,176 million) in revenues and a slight increment in costs (↑Ch$ 347 million / +15.1% YoY).

AUTO-FINANCING DIVISION

1H19: Ch$ 9,324 million, contracting 21.8% YoY (↓Ch$ 2,601 million), derived from a greater increment in costs (↑Ch$ 5,267 million / +18.8% YoY) than in revenue (↑Ch$ 2,667 million / +6.7% YoY).

2Q19: Ch$ 5,357 million, down 24.4% YoY (↓Ch$ 1,733 million), with an increase in revenues (↑Ch$ 877 million / +4.2% YoY), smaller than the costs upsurge (↑Ch$ 2,610 million / +19.3% YoY).

SUBSIDIARIES

1H19: Ch$ 7,215 million, up 17.5% YoY (↑Ch$ 1,076 million), due to an increase of Ch$ 39,257 million (+244.4% YoY) in revenues that offset higher costs (↑Ch$ 38,181 million / + 384.6% YoY).

2Q19: Ch$ 3,581, growing 3.0% YoY (↑Ch$ 104 million), in line with a raise in revenues by Ch$ 19,138 million (+241.4% YoY) balanced by increased costs (↑Ch$ 19,034 million / 427.5% YoY).

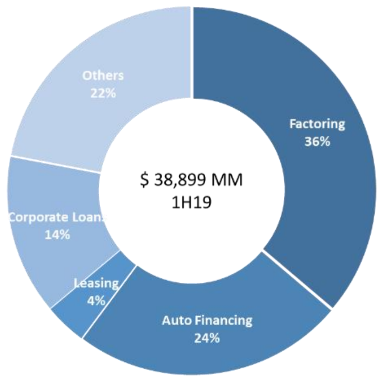


Chart 6: Gross Margin Breakdown by Division

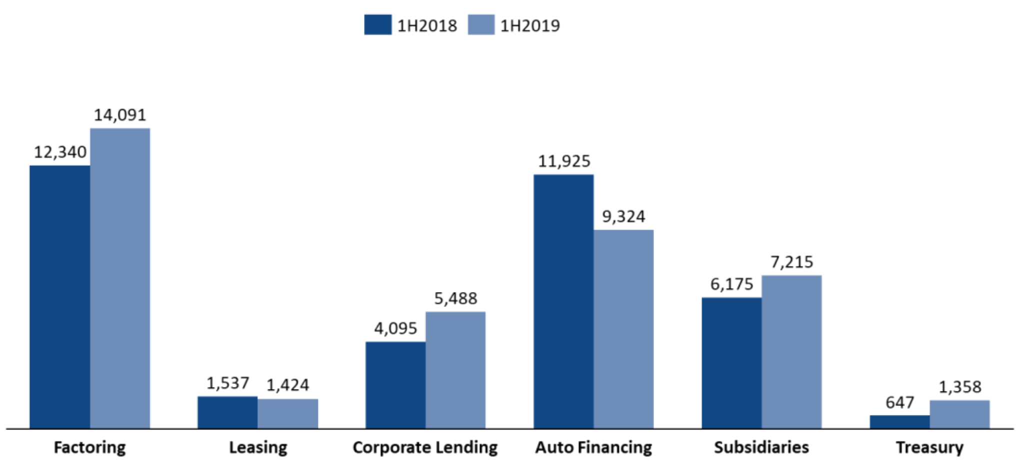


Chart 7: Gross Margin Breakdown by Line of Business First Half 2019

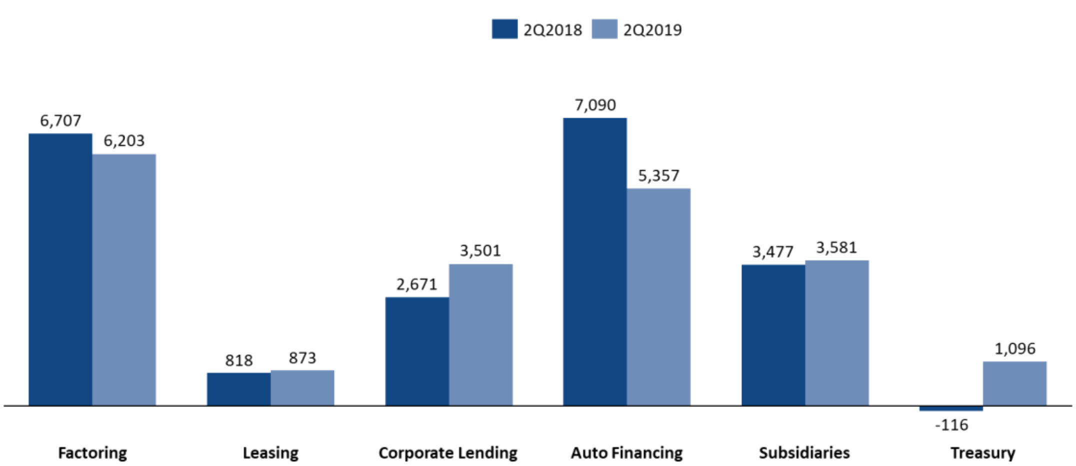


Chart 8: Gross Margin Breakdown by Line of Business Second Quarter 2019

Consolidated revenue totaled Ch$ 152,624 million on the first half of 2019, with a rise of 75.7% YoY (↑Ch$ 65,749 million), meanwhile **2Q19 totaled Ch $76,477 million,** with an increase of 81.5% YoY (↑Ch$ 34,348 million) explained by revenue of:

ENTERPRISES DIVISION

1H19: Ch$ 40,578 million (↑Ch$ 5,994 million / +17.3% YoY);
2Q19: Ch$ 20,929 million (↑Ch$ 3,104 million / +17.4% YoY);
Driver**:** Increase in price differences derived from factoring which represents 64.5% of the divisions revenues.

i. FACTORING

1H19: Ch$ 26,179 million (↑Ch$ 5,606 million / +27.2% YoY);
2Q19: Ch$ 12,723 million (↑Ch$ 2,231 million / +21.3% YoY);
Driver: Increase in price differences.

ii. LEASING

1S19: Ch$ 4,135 million (↓Ch$ 957 million / -18.8% YoY);
2Q19: Ch$ 2,063 million (↓Ch$ 303 million / -12.8% 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

1S19: Ch$ 10,246 million (↑Ch$ 1,345 million / +15.1% YoY);
2Q19: Ch$ 6,143 million (↑Ch$ 1,176 million / +23.7% YoY);
Driver: Higher judicial recoveries coupled with higher interests and commissions for the first half.

AUTO-FINANCING DIVISION

1S19: Ch$ 42,554 million (↑Ch$ 2,667 million / +6.7% YoY);
2Q18: Ch$ 21,524 million (↑Ch$ 877 million / +4.2% YoY);
Driver: Higher volume of loans granted coupled with greater interest rate income.

SUBSIDIARIES

1S18: Ch$ 55,323 million (↑Ch$ 39,257 million / +244.4% YoY);
2Q18: Ch$ 27,067 million (↑Ch$ 19,138 million / +241.4% YoY);
Driver**:** Intermediated volume increase.

Consolidated costs totaled Ch$ 113,724 million in the first half of 2019 and Ch$ 55,866 million in 2Q19, expanding Ch$ 63,533 million (+126.6% YoY) and Ch$ 34,383 million (+160.0% YoY), respectively, explained by the costs of:

ENTERPRISES DIVISION

1H19: Ch$ 19,574 (↑Ch$ 2,963 million / +17.8% YoY);
2Q19: Ch$10,325 million (↑Ch$ 2,723 million / +35.7% YoY);
Driver: Increases due to higher interest rate related costs.

i. FACTORING

1H19: Ch$ 12,088 million (↑Ch$ 3,855 million / +46.8% YoY);
22Q19: Ch$ 6,519 million (↑Ch$ 2,734 million / +72.2% YoY);
Driver: Increase in interest rates related to this product.

ii. LEASING

1H19: $ 2,711 million (↓$ 844 million / -23.7% YoY);
2Q19: $ 1,190 million (↓$ 358 million / -23.1% YoY);
Driver: Reduction in provisions and write-offs, coupled with reductions in other costs.

iii. CORPORATE LENDING

1H19: $ 4,776 million (↓$ 48 million / -1.0% YoY);
2Q19: $ 2,642 million (↑$ 347 million / +15.1% YoY);
Driver: Decrease in provisions and write-offs in line with lower stock.

AUTO-FINANCING DIVISION

1H18: $ 33,230 million (↑$ 5,267 million / +18.8% YoY);
2Q18: $ 16,167 million (↑$ 2,610 million / +19.3% YoY);
Driver: Higher interest expenses and commissions in line with an increase in stock.

SUBISIDIARIES

1H18: $ 48,108 million (↑$ 38,181 million / +384.6% YoY);
2Q18: $ 23,486 million (↑$ 19,034 million / +427.5% YoY);
Driver: Increased intermediated volume.

V. Business Divisions Portfolio Quality

Table 4: Business Divisions Main Indicators

	Indicator	Definition	Unit	06-30-2019	12-31-2018	06-30-2018
ENTERPRISE DIVISION	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	9.3%	8.3%	8.7%
		Non-Performing loans/Equity	%	21.6%	22.8%	21.3%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.5%	1.4%	1.7%
		Provisions/Non-performing loans	%	16.0%	17.4%	20.1%
		Provisions/Non-performing loans >90 days	%	68.7%	101.5%	82.9%
Tanner Empresas	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.5%	1.3%	1.5%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.9%	2.4%	3.6%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	2.2%	1.4%	2.1%
		Non-Performing loans >90 days/Equity	%	5.0%	3.9%	5.2%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.6%	2.5%	2.8%
		Securitized portfolio/Equity	%	6.1%	7.0%	6.8%
	Clients	*Number of clients*	#	4,106	4,419	4,077
	Efficiency	*SG&A Expenses/Gross profit*	%	54.0%	57.4%	59.4%
i. FACTORING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	10.6%	8.1%	7.4%
		Non-Performing loans/Equity	%	13.0%	12.9%	8.8%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.3%	1.0%	1.3%
		Provisions/Non-performing loans	%	12.1%	12.9%	17.5%
		Provisions/Non-performing loans >90 days	%	67.8%	98.5%	81.2%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	2.0%	1.3%	1.8%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.6%	2.1%	2.5%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.9%	1.1%	1.6%
		Non-Performing loans >90 days/Equity	%	2.3%	1.7%	1.9%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	0.6%	1.4%	1.7%
		Securitized portfolio/Equity	%	0.7%	2.2%	2.0%
	Clients	*Number of clients*	#	2,788	3,281	2,864
	Efficiency	*SG&A Expenses/Gross profit*	%	50.7%	53.3%	51.6%
ii. LEASING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	13.6%	18.4%	17.9%
		Non-Performing loans/Equity	%	4.3%	5.3%	6.7%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.3%	2.8%	3.0%
		Provisions/Non-performing loans	%	17.1%	15.4%	16.9%
		Provisions/Non-performing loans >90 days	%	49.0%	86.7%	79.1%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	0.5%	1.0%	0.8%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	6.3%	6.9%	8.0%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	4.7%	3.3%	3.8%
		Non-Performing loans >90 days/Equity	%	1.5%	0.9%	1.4%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	7.4%	9.5%	8.1%
		Securitized portfolio/Equity	%	2.3%	2.7%	3.0%
	Clients	*Number of clients*	#	455	560	707
	Efficiency	*SG&A Expenses/Gross profit*	%	98.0%	102.1%	99.6%
iii. CORPORATE LENDING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	5.5%	5.2%	6.4%
		Non-Performing loans/Equity	%	4.3%	4.6%	5.7%
	Provisions	*Provisions/(Loans + Provisions)*	%	1.5%	1.7%	1.8%
		Provisions/Non-performing loans	%	27.0%	32.5%	28.0%
		Provisions/Non-performing loans >90 days	%	72.0%	104.2%	53.5%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	1.1%	1.4%	1.4%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	2.1%	1.6%	3.4%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	1.6%	1.5%	2.1%
		Non-Performing loans >90 days/Equity	%	1.2%	1.3%	1.8%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	4.0%	2.3%	2.0%
		Securitized portfolio/Equity	%	3.1%	2.0%	1.8%
	Clients	*Number of clients*	#	745	578	506
	Efficiency	*SG&A Expenses/Gross profit*	%	51.1%	57.9%	67.6%
AUTO FINANCING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	20.4%	20.5%	20.9%
		Non-Performing loans/Equity	%	27.2%	27.1%	26.2%
	Provisions	*Provisions/(Loans + Provisions)*	%	4.2%	4.1%	4.3%
		Provisions/Non-performing loans	%	20.6%	20.2%	20.6%
		Provisions/Non-performing loans >90 days	%	90.8%	94.0%	88.9%
Tanner Automotriz	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	%	4.7%	4.6%	4.7%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	%	11.3%	10.7%	10.4%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	%	4.6%	4.4%	4.8%
		Non-Performing loans >90 days/Equity	%	6.2%	5.8%	6.1%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	%	2.7%	2.9%	2.8%
		Securitized portfolio/Equity	%	3.6%	3.8%	3.6%
	Clients	*Number of clients*	#	69,989	67,577	62,418
	Efficiency	*SG&A Expenses/Gross profit*	%	85.4%	68.7%	62.2%

ENTERPRISES DIVISION

Portfolio quality advanced with respect to 1H19, reflected in the decline of NPLs > 30 days while NPLs > 90 days slightly increased.

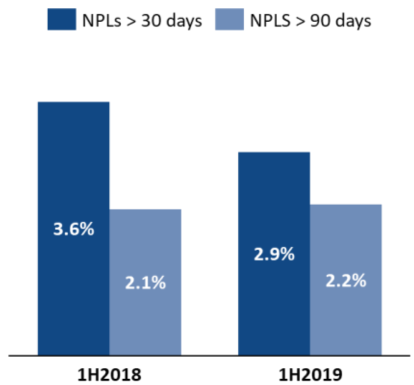


Chart 9: NPLs – Enterprises Division

i. FACTORING

Loan portfolio quality slightly deteriorated with respect to same previous period, reflected in the increase of both NPLs > 30/90 days.

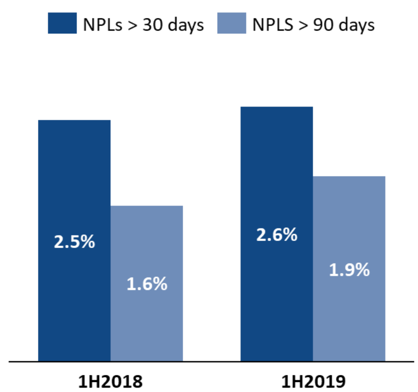


Chart 10: NPLs – Factoring Business

ii. LEASING

Portfolio quality indicators improved in terms of NPLs > 30 days while NPLs > 90 days deteriorated.

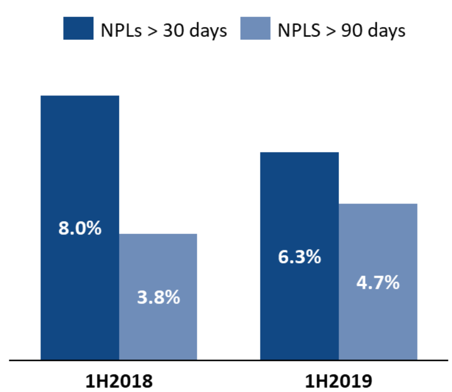


Chart 11: NPLs – Leasing Business

iii. CORPORATE LENDING

Portfolio quality indicators significantly improve in relation to previously observed levels in 1H18.

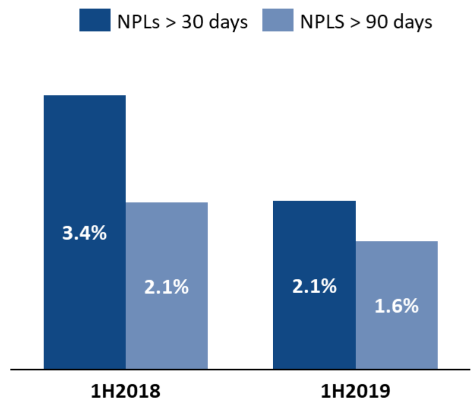


Chart 12: NPLs – Corporate Lending Business

AUTO-FINANCING DIVISION

NPLs > 30 days deteriorated YoY while NPLs > 90 days improved YoY, despite the slight decrease registered during the first quarter of 2019, 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.

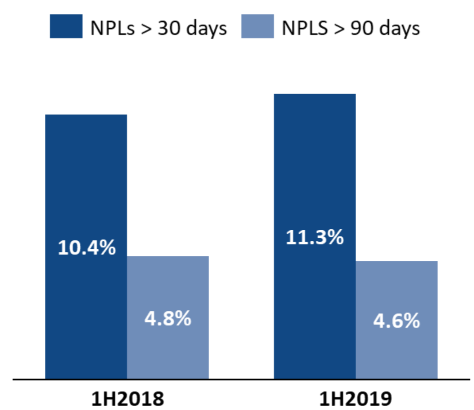


Chart 13: NPLs – Auto-Financing Division

VI. Balance Sheet

Assets (MCh$)	03-31-2019	12-31-2018	Δ $	Δ %
Current Assets				
Cash and cash equivalent	22,998	25,474	(2,476)	-9.7%
Other current financial assets	113,755	104,324	9,431	9.0%
Other current non-financial assets	1,410	1,765	(355)	-20.1%
Trade receivables and other current accounts receivable, net	674,777	770,975	(96,198)	-12.5%
Current accounts receivable from related parties	412	458	(46)	-10.1%
Current tax assets	11,359	12,851	(1,491)	-11.6%
Non-current assets held for sale	10,274	7,968	2,306	28.9%
Total Current Assets	**834,986**	**923,816**	**(88,830)**	**-9.6%**
Non-Current Assets				
Other non-current financial assets	43,438	37,555	5,883	15.7%
Other non-current non-financial assets	9,491	2,822	6,669	236.3%
Trade receivables and other non-current accounts receivable, ne	449,513	411,606	37,907	9.2%
Non-current accounts receivable from related parties	474	681	(207)	-30.4%
Intangible assets other than goodwill	5,867	5,520	347	6.3%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	10,979	3,189	7,791	244.3%
Property Investments	9,920	9,316	604	6.5%
Deferred tax assets	32,682	31,278	1,404	4.5%
Total Non-Current Assets	**564,129**	**503,730**	**60,398**	**12.0%**
Total Assets	**1,399,114**	**1,427,546**	**(28,432)**	**-2.0%**

Liabilities (MCh$)	03-31-2019	12-31-2018	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	433,032	597,596	(164,563)	-27.5%
Trade payables and other current accounts payables	95,670	90,908	4,762	5.2%
Other short-term provisions	716	306	410	134.1%
Short-term employee benefits provisions	2,118	3,957	(1,839)	-46.5%
Current tax liabilities	859	2,306	(1,447)	-62.7%
Other current non-financial liabilities	-		-	0.0%
Total Current Liabilities	**532,395**	**695,073**	**(162,678)**	**-23.4%**
Non-Current Liabilities				
Other non-current financial liabilities	571,094	449,213	121,880	27.1%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	-	-	-	-
Non-current employee benefits provisions	194	113	80	70.9%
Total Non-Current Liabilities	**571,288**	**449,327**	**121,961**	**27.1%**
Total Liabilities	**1,103,683**	**1,144,400**	**(40,717)**	**-3.6%**
Equity	295,431	283,146	12,285	4.3%
Total Equity and Liabilities	**1,399,114**	**1,427,546**	**(28,432)**	**-2.0%**

Tabla 5: Balance Consolidado

Table 5: Consolidated Balance Sheet

a. Loan Portfolio [5]

Total gross loan portfolio at June 2019 reached Ch$ 1,151,095 million (↓Ch$ 58,242 million / -4.8% YTD) versus Ch$ 1,209,337 million in December 2018, while provisions totaled Ch$ 26,805 million, increasing Ch$ 49 million (+0.18% YTD). Consequently, **total net loan portfolio amounted to Ch$ 1,124,290 million**, equivalent to a fall of of Ch$ 58,290 million (-4.9% YTD) from Ch$ 1,182,581 million by the end of 2018.

Net loan portfolio at period-end June 2019:

1. **Enterprises Division: Ch$ 674,568 million** | -12.4% YTD | ↓Ch$ 95,495 million;
    a. **Factoring: Ch$ 357,478 million** |-19.7% YTD | ↓Ch$ 87,460 million;
    b. **Leasing: Ch$ 90,305 million** | +14.2% YTD | ↑Ch$ 11,250 million;
    c. **Corporate Lending: Ch$ 226,784 million** | -7.8% YTD | ↓Ch$ 19,284 million; and,
2. **Auto-Financing Division: Ch$ 376,330 million** | +4.6% YTD | ↑Ch$ 16,513 million.

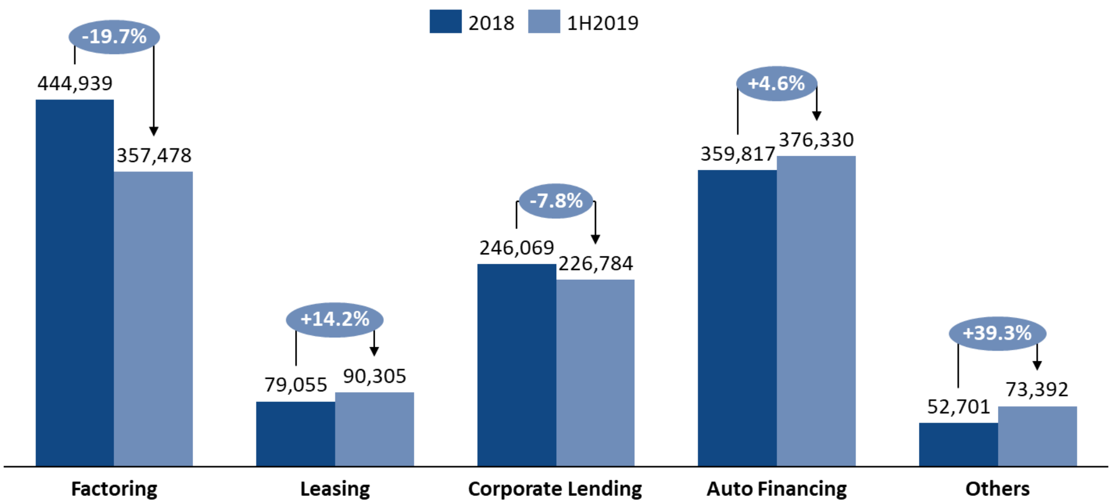


Chart 14: Net Loan Portfolio Breakdown by Line of Business

The portfolio has continued to concentrate in the Company's strategic businesses – factoring and auto-financing – which in 2Q19 represent 31.8% (2Q18: 30.7% and Dec-2018: 37.6%) and 33.5% (2Q18: 31.3% and Dec-2018: 30.4%) of net loan portfolio, respectively.

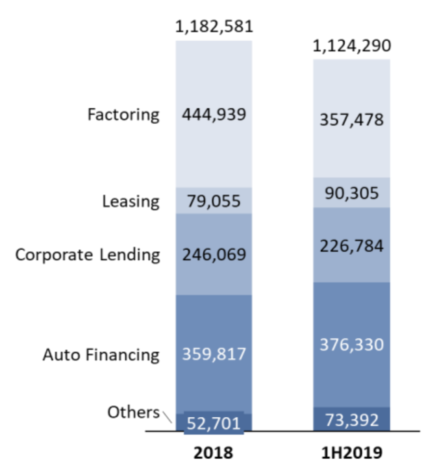


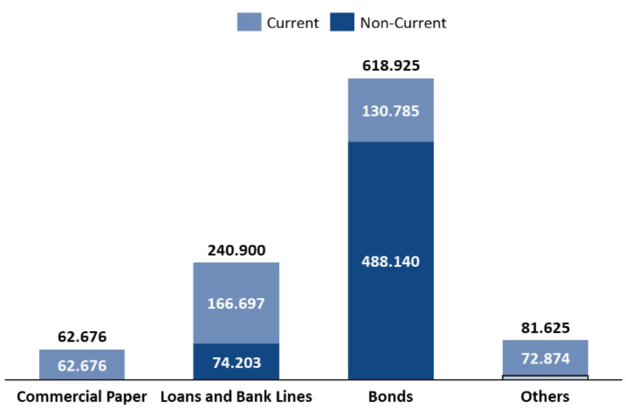
Chart 15: Net Loan Portfolio Breakdown

[5] Gross loans minus provisions.

b. Funding Sources

Financial liabilities as of June 30, 2019, totaled Ch$ 1,004,126 million, compared with $ 1,046,809 million in December 2018 (↓Ch$ 42,683 million / -4.1% YTD), mainly due to the decrease of liabilities associated to: (i) banks and financial institutions (↓Ch$ 116,303 million/ -32.6% YTD) and (ii) commercial paper (↓Ch$ 45,963 million/ -42.3% YTD). These were offset by the increase of those related to: (i) bonds (↑Ch$ 108,025 million / +21.1% YTD) and (ii) other financial obligations (↑Ch$ 11,558 million / +16.5% YTD).

In terms of liabilities structure, 61.6% (Ch$ 618,925 million) corresponds to local and international bonds, 24.0% (Ch$ 240,900 million) to bank loans and credit lines, and 6.2% (Ch$ 62,676 million) to commercial paper. Additionally, Ch$ 81,625 million (8.1%) are related to other financial obligations, corresponding to repos and forwards.



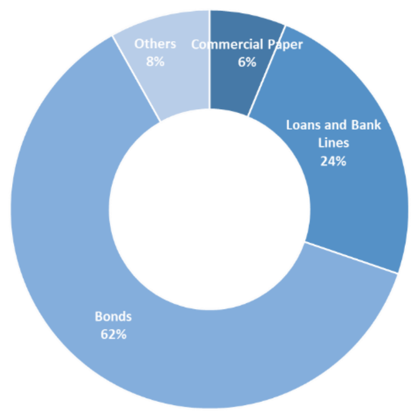


Chart 16: Sources of Funding Breakdown

VII. Cash Flow Statement

MCh$	06-30-2019	06-30-2018	Δ $
Cash flow provided by (used in) operating activities	56,525	(107,640)	164,165
Cash flow provided by (used in) investing activities	49,072	95,045	(45,973)
Cash flow provided by (used in) financing activities	(108,042)	(43,110)	(64,933)
Effect of changes in exchange rates	(30)	59	(89)
Net increase (decrease) in cash and cash equivalent	(2,476)	(55,645)	53,169
Cash and Cash Equivalent, Initial Balance	25,474	84,636	(59,162)
Cash and Cash Equivalent, Final Balance	22,998	28,990	(5,992)

Table 6: Cash Flow Statement

During the second quarter of 2019, cash flow of **operating activities totaled Ch$ 56,525 million** versus Ch$ -107,640 million recorded in June 2018, mainly because collections increased by Ch$ 247,859 million.

Cash flow stemming from **investing activities reached Ch$ 49,072 million**, Ch$ 45,973 million less than Ch$ 95,045 million of 2Q18, mainly because of payments for $133,913 million regarding the sale of debt / equity instruments from other parties.

Financing activities cash flow amounts to Ch$ -108,042 million between January and June 2019, versus Ch$ -43,110 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$ 22.998 million,** decreasing Ch$ 5,992 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 541 days past due, in case a mortgage has been put up as collateral the maximum term Is extended to 901 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	06.30.2019			
	Gross Portfolio Ch$k	Provisions Ch$k	Net Portfolio Ch$k	Provisions Index
Factoring	362,126,556	(4,648,192)	357,478,364	1.28%
Leasing	92,454,982	(2,149,665)	90,305,317	2.33%
Corporate Loans	230,208,582	(3,424,430)	226,784,152	1.49%
Automobile Loans	392,912,810	(16,582,350)	376,330,460	4.22%
Others	73,392,154	-	73,392,154	0.00%
Total	**1,151,095,084**	**(26,804,637)**	**1,124,290,447**	**2.33%**

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)	246,068,521	2.85%
Corporate Loans	250,298,645	(4,230,124)	359,817,375	1.69%
Automobile Loans	375,322,842	(15,505,467)	79,055,411	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%**

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	06.30.2019				
	Total Portfolio Ch$ Th	Renegotiation Ch$ Th	Provision Ch$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	362,126,556	2,090,004	(4,648,192)	0.58%	0.18%
Corporate Lending	230,208,582	9,208,788	(3,424,430)	4.00%	0.80%
Auto Financing	392,912,810	10,518,205	(16,582,350)	2.68%	0.91%
Leasing	92,454,982	6,813,380	(2,149,665)	7.37%	0.59%
Others	73,392,154	-	-	-	-
Total	**1,151,095,084**	**28,630,377**	**(26,804,637)**		**2.49%**

Concept	12.31.2018				
	Total Portfolio Ch$ Th	Renegotiation Ch$ Th	Provision Ch$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	449,641,169	6,227,926	(4,702,600)	1.39%	0.51%
Corporate Lending	250,298,645	5,718,313	(4,230,124)	2.28%	0.47%
Auto Financing	375,322,842	10,855,930	(15,505,467)	2.89%	0.90%
Leasing	81,373,247	7,753,475	(2,317,836)	9.53%	0.64%
Others	52,701,034	-	-	-	-
Total	**1,209,336,937**	**30,555,644**	**(26,756,027)**		**2.53%**

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, 2019, the Company, on a consolidated level, totaled Ch$ 22,998 million of cash on hand, versus Ch$ 25,474 million in Dec-2018.

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[6].

By June 2019, investments on corporate bonds – valued at market prices – reached MUS$ 34,863 (MUS$ 20,892 by December 31, 2018). At that date, the average duration of the portfolio was 2.23 years, sensitivity measured by DV01[7] was US$ 7,442 (USD 2,938 by December 31, 2018) and parametric VaR[9], with a 1-day horizon was US$ 58,629 (USD 42,536 by December 31 2018), 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	0.03%	0.05%	0.08%	0.11%	0.13%	0.16%	0.19%	0.21%

Increases:

Positive Delta (bps)	25	50	75	100	125	150	175	200
Net Portfolio Variation	-0.03%	-0.05%	-0.08%	-0.10%	-0.13%	-0.15%	-0.18%	-0.20%

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

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	06.30.2019							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	-	(85,928,778)	84,215,995	-	40,161,870	(122,819,249)	(32,165,464)	108,479,152
1 to 3 years	-	-	-	-	151,771,615	(210,694,522)	(86,343,449)	160,822,795
3 years and over	-	-	-	-	57,527,984	(53,135,919)	(36,006)	-
Total	**-**	**(85,928,778)**	**84,215,995**	**-**	**249,461,469**	**(386,649,691)**	**(118,544,919)**	**269,301,947**

Sens. +1bps	06.30.2019							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	-	812	(809)	-	(1,416)	6,101	(12,533)	(8,446)
1 to 3 years	-	-	-	-	(25,398)	34,514	18,338	(31,621)
3 years and over	-	-	-	-	(23,674)	21,192	12	-
Total	**-**	**812**	**(809)**	**-**	**(50,488)**	**61,806**	**5,817**	**(40,067)**

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, 2019, the Company presents an exposure in US Dollars of US$ 1,701k, equivalent to 0.39% of equity, versus US$ -5,623k million in 2018. 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)	06.30.2019	12.31.2018
Assets	305,440	269,335
Liabilities	(253,378)	(390,432)
Derivative Instrument -	50,360	115,474
Total Mismatch	**1,701**	**(5,623)**

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, 2019, mismatch in UF amounted to UF 1,772k, equivalent to 16.7% of equity (2018: UF 1,986k). 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)	06.30.2019	12.31.2018
Assets	7,046	7,737
Liabilities	(13,341)	(12,717)
Derivative Instrument	8,067	6,966
Total Mismatch	**1,772**	**1,986**

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, 2019.