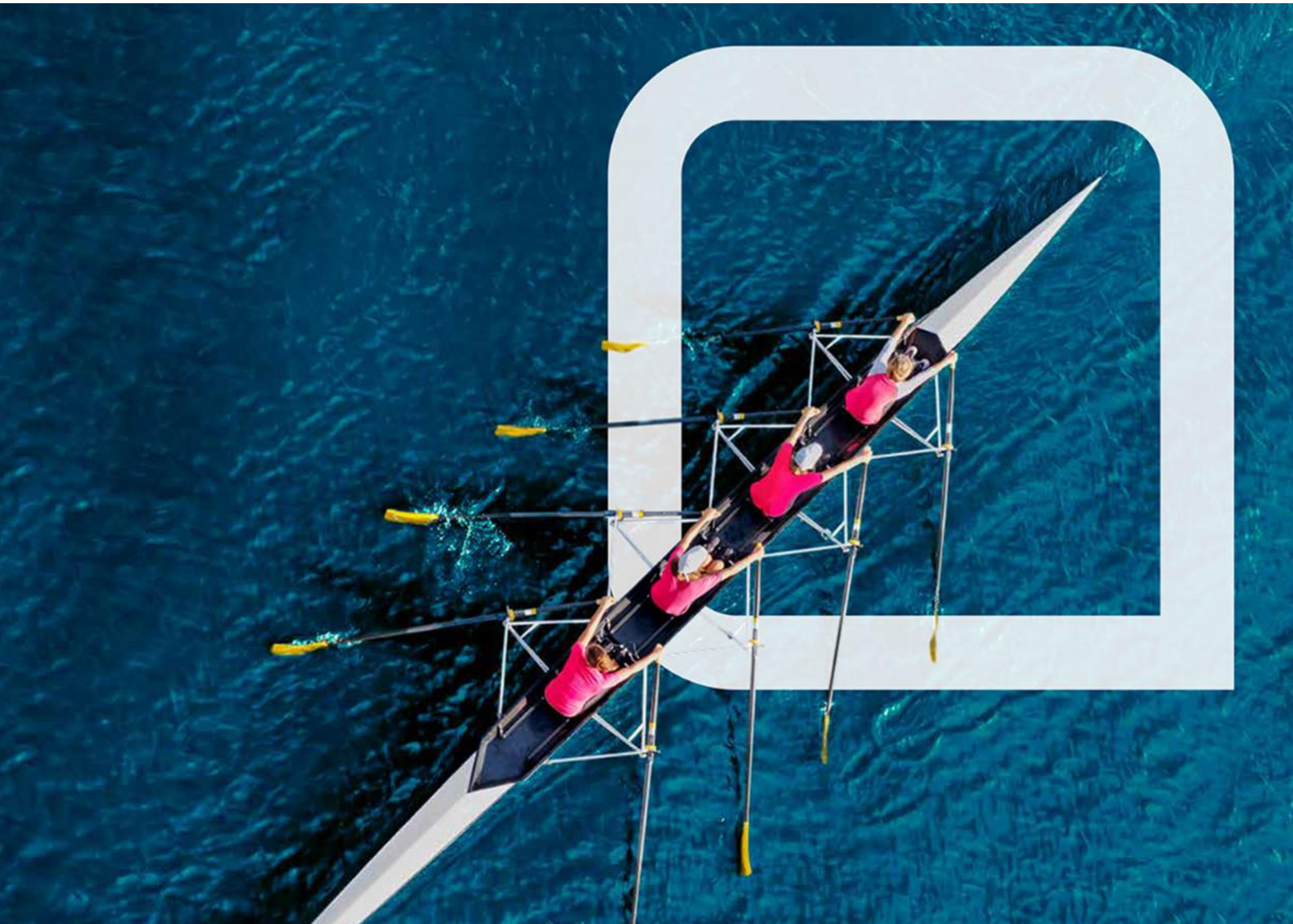
Tanner®

Quarterly Earnings Report

September 2019



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I. Executive Summary

- **ROAE*:**

  9M19: 11.7% / 9M18: 10.7%

- **ROAA**:**

  9M19: 2.4% / 9M18: 2.4%

- **Equity:**

  9M19: MCh$ 308,605 / Δ⁺: 4.2% YTD

- **Net Profit:**

  3Q19: MCh$ 10,369 / 3Q18: MCh$ 6,737
  Δ⁺: 53.9% YoY
  9M19: MCh$ 25,334 / 9M18: MCh$ 20,712
  Δ⁺: 22.3% YoY

- **Net Portfolio:**

  9M19: MCh$ 1,226,773 / Δ⁺: 3.7% YTD

- **NPLs > 90 days:**

  9M19: 2.6% / 9M18: 2.5%

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

Profit after taxes in the first nine months of 2019 grew 22.3% YoY, totaling Ch$ 25,334 million, driven by an increase in operating margin of 29.1% YoY in 9M19.

Net loan portfolio at period-end September 2019 totaled Ch$ 1,226,773 million, up Ch$ 44,192 million (+3.7% YTD) driven by moderate performances of: (i) the **enterprises division portfolio which closed the period with net loans of Ch$ 769,836 million** (↓Ch$ 227 million / -0.03% YTD), mainly coming from factoring, which totaled Ch$ 406,460 million (↓Ch$ 38,478 million / -8.6% YTD), corporate lending which reached Ch$ 276,240 million (↑Ch$ 30,171 million / +22.5% YTD) and leasing that totaled Ch$ 87,136 million (↑Ch$ 8,080 million / +10.2% YTD). Additionally (ii) the **auto-financing division ended the period with net loan portfolio amounting to Ch$ 391,717 million** (↑Ch$ 31,900 million / +8.9% YTD).

In terms of risk compared to the previous year, Tanner maintains suitable portfolio risk levels with **NPLs over 90 days increasing 14 bps to 2.6%** (9M18: 2.5%), while NPLs over 30 days increased in 40 basis point, reaching 5.42% (9M18: 5.02%) during the first nine months of the year. **Non-performing loans over 90 days of the enterprises division increased to 1.76%** (9M18: 1.71%) driven by an increase of 14 bps in factoring (9M19: 1.50% vs. 9M18: 1.36%) and 81 bps in leasing (9M19: 4.38.% vs. 9M18: 3.57%), counteracted by decline of 27 bps in corporate lending (9M19: 1.30% vs. 9M18: 1.58%). Meanwhile, **NPLs over 90 days in the auto-financing division increased 30 bps totaling 4.70%** (9M18: 4.40%).

Liquidity index at period-end September 2019 reached 1.55 times, slightly below the levels registered in 9M18 (1.76x) and above those registered to Dec-18 (1.33x), while **cash totaled Ch$ 28,939 million** versus Ch$ 25,474 million at the end of the previous year and $ 60,306 in September 2018. On the other hand, the Company's **leverage closed at 3.82 times** (9M18: 3.80x and Dec-18: 4.04x).

During this period Tanner **issued 5 Bonds on the local market for a total of UF 4,000,000**. 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 09-30-2019	01-01-2018 09-30-2018	Δ $	Δ %	07-01-2019 09-30-2019	07-01-2018 09-30-2018	Δ $	Δ %
Revenue from ordinary activities	236,342	137,487	98,855	71.9%	83,719	50,749	32,970	65.0%
Sales cost	(172,628)	(82,285)	(90,343)	109.8%	(58,904)	(32,131)	(26,774)	83.3%
Gross profit	63,714	55,202	8,512	15.4%	24,814	18,618	6,196	33.3%
Other revenue, by function	1,705	1,088	617	56.6%	521	232	289	124.4%
Administrative expenses	(34,575)	(32,390)	(2,184)	6.7%	(12,402)	(11,027)	(1,376)	12.5%
Other profits (losses)	-	(12)	12	-100.0%	-	(4)	4	-
Operating margin	30,844	23,888	6,956	29.1%	12,932	7,820	5,113	65.4%
Financial revenue	64	22	42	187.6%	18	8	10	121.6%
Financial costs	(290)	(209)	(81)	38.9%	(65)	(69)	(14)	21.2%
Foreign exchange differences	149	(122)	271	-221.4%	(140)	(16)	242	-172.9%
Income by adjustment units	54	32	23	71.5%	13	74	34	262.1%
Profit (losses) before taxes	30,821	23,611	7,210	30.5%	13,020	7,636	5,384	70.5%
Revenue (expense) from profit taxes	(5,487)	(2,899)	(2,588)	89.3%	(2,651)	(899)	(1,752)	194.9%
Profit (losses)	25,334	20,712	4,623	22.3%	10,369	6,737	3,632	53.9%
Profit (losses) attributable to controller's property owne	24,862	20,429	4,433	21.7%	10,133	6,683	3,450	51.6%
Profit (losses) attributable to non-controller shares	472	282	190	67.2%	237	54	182	335.1%

Table 1: Consolidated Income Statement

The Company's **net profit in the first nine months of 2019 increased 22.3% YoY** (↑Ch$ 4,623 million), totaling Ch$ 25,334 million, versus Ch$ 20,712 million in 9M18, while in the second quarter profit growth was 53.9% YoY (↑Ch$ 3,632 million), reaching Ch$ 10,369 million (3Q18: Ch$ 6,737 million). **Gross margin in 9M19 reached Ch$ 63,714 million**, up 15.4% YoY (↑Ch$ 8,512 million) and in **3Q19 totaled Ch$ 24,814 million** (↑Ch$ 6,196 million / +33.3% YoY).

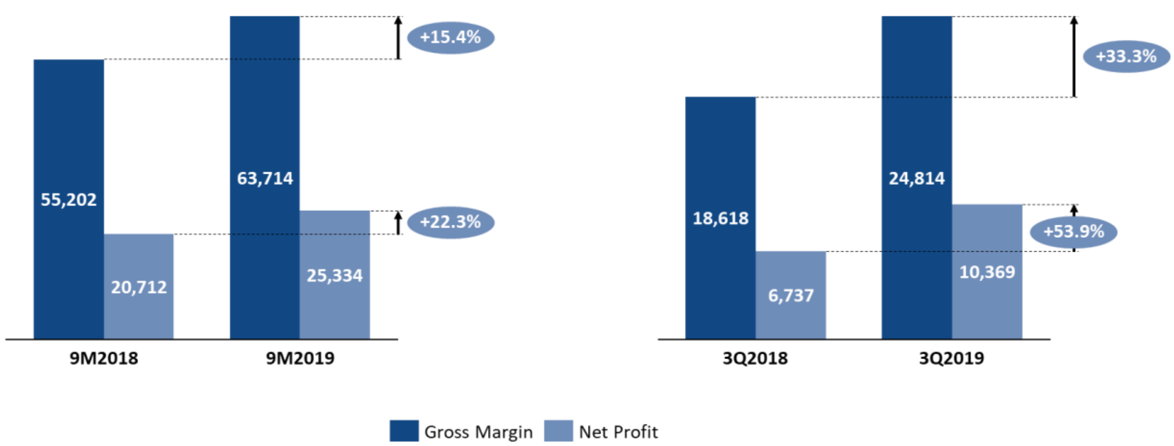

Chart 1: Consolidated Net Profit and Gross Margin (MCh$)

Consolidated revenues totaled Ch$ 236,342 million during the first nine months of 2019, growing 71.9% YoY (↑Ch$ 98,855 million) and $ 83,719 million (↑Ch$ 32,970 million / +65.0% YoY) 3Q18, in line with increases in (i) other revenues[1] (9M19: ↑Ch$ 67,805 million / +154.3% YoY and 3Q19: ↑Ch$ 28,017 million / 165.6% YoY), due to an increase in the volume of intermediation in Tanner Investments and *Tanner Corredora de Seguros*, (ii) Income from readjustments (9M19: ↑$ 15,168 million / +429.5% YoY y 3Q19: ↓$ 1,895 million / -393.5% YoY), (iii) interests (9M19: ↑Ch$ 5,478 million / +7.7% YoY and 3Q19: ↑Ch$ 2,143 million / +8.7% YoY), (iv) price differences (9M19: ↑Ch$ 6,643 million / +29.6% YoY and 3Q19: ↑Ch$ 1,575 million / +19.6% YoY), and (v) commissions (9M19: ↑Ch$ 3,761 million / +121.1% YoY and 3Q19: ↑Ch$ 3,129 million / +468.0% YoY).

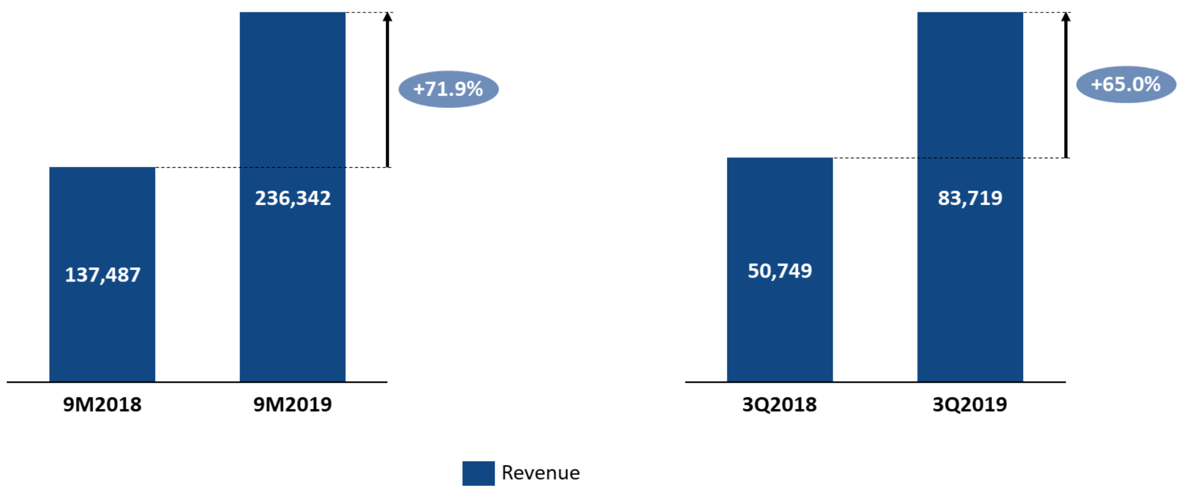

Chart 2: Consolidated Revenues (MCh$)

Consolidated cost of sales at period-end September 2019, reached Ch$ 172,628 million (↑Ch$ 90,343 million / +109.8% YoY), while in the **third quarter costs reached Ch$ 58,904 million** (↑Ch$ 26,774 million / +83.3% YoY) mainly derived from rises in: (i) other costs[2] (9M19: ↑Ch$ 63,389 million / +247.6% YoY and 3Q19: ↑Ch$ 24,278 million / +211.4% YoY) aligned to an increased volume intermediated in Tanner Investments and *Tanner Corredora de Seguros,* (ii) considerable readjustments over liabilities (9M19: Ch$ 10,864 million vs. 9M18: Ch$ -4,902 and 3Q19: Ch$ -1,382 million vs. 3Q18: Ch$ -467 million). (iii) constitution of provisions (9M19: ↑Ch$ 2,222 million / +11.3% YoY and 3Q19: ↑Ch$ 737 million / +11.1% YoY) and (iv) commissions expenses (9M19: ↑Ch$ 3,113 million / +20.9% YoY and 3Q19: ↑Ch$ 1,168 million / +23.1% 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.

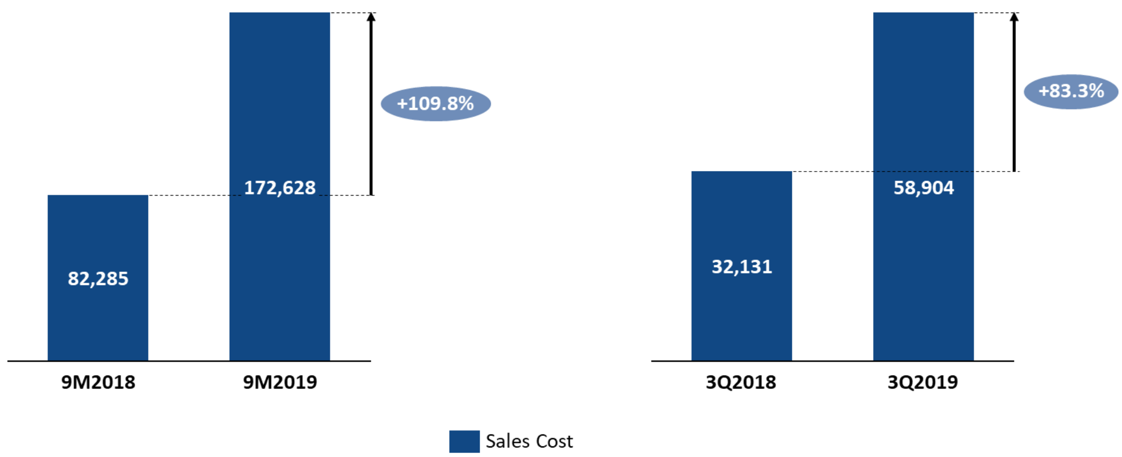

Chart 3: Consolidated Expenses (MCh$)

SG&A expenses (including depreciation) reached Ch$ 34,575 million during the first 9 months of 2019 and Ch$ 12,402 million in 3Q19, increasing 6.7% YoY and 12.5% 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$ 22,845 million in nine months and $ 8,228 million in the quarter, reflecting an increase of Ch$ 473 million (+2.1% YoY) and Ch$ 702 million (+9.3% YoY) respectively, while general expenses reached Ch$ 11,730 million (↑Ch$ 1,710 million / 17.1% YoY) in the first nine months of the year and Ch$ 4,174 million (↑Ch$ 674 million +19.3% YoY) during the third quarter.

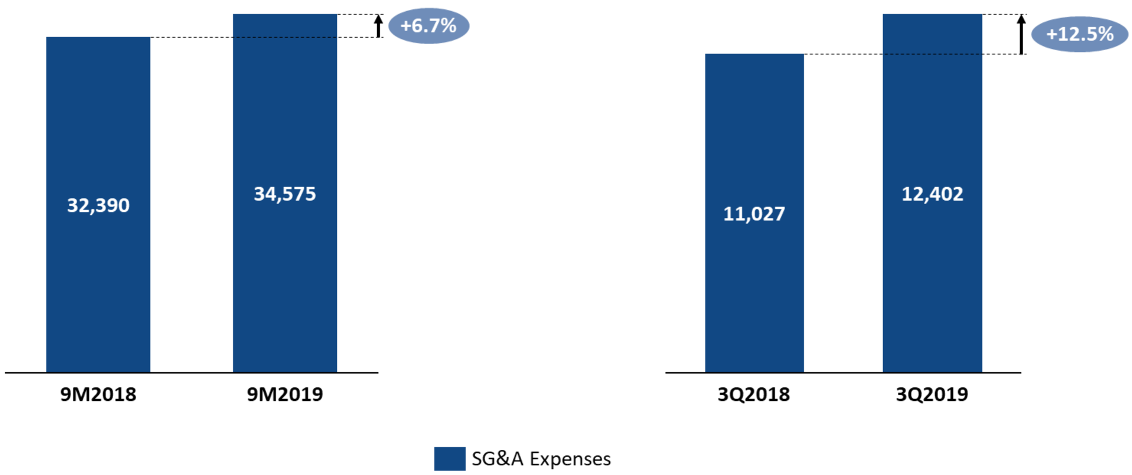

Chart 4: Consolidated SG&A Expenses (MCh$)

III. Main Indicators

	Indicator	Definition	Unit	09-30-2019	12-31-2018	09-30-2018
	Current Ratio	*Current Assets/Current Liabilities*	*times*	1.55	1.33	1.76
	Current Liabilities to Equity	*Current liabilities/Equity*	*times*	2.07	2.45	1.70
	Immediate Liquidity	*Cash and cash equivalent/Current Liabilities*	*times*	0.05	0.04	0.13
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)*	*times*	1.71	1.45	1.73
	Debt to Equity	*Total liabilities/Equity*	*times*	3.82	4.04	3.80
	Capitalization	*Equity/Assets*	*%*	20.7%	19.8%	20.8%
Liquidity and Solvency	Total Debt ratio	*Liabilities/Assets*	*times*	0.79	0.80	0.79
	Short Term Debt Ratio	*Current liabilities/Total liabilities*	*%*	54.2%	60.7%	44.9%
	Long Term Debt Ratio	*Non-current liabilities/Total liabilities*	*%*	45.8%	39.3%	55.1%
	Short Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	32.9%	36.9%	42.5%
	Long Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	11.3%	22.4%	21.0%
	Working Capital	*Current assets - Current liabilities*	*MCh$*	351,916	228,743	363,346
	Interest Coverage Ratio	*(Profit before taxes + Financial expenditure)/Financial expenditure*	*times*	1.8	1.8	1.7
	Return on Average Equity	*Annualized profit/ Average Equity*	*%*	11.7%	10.8%	10.7%
	Return on Average Assets	*Annualized profit/ Average Assets*	*%*	2.4%	2.3%	2.4%
	Gross Profit Margin	*Gross profit/Revenue from ordinary activities*	*%*	27.0%	39.2%	40.2%
Profitability	Operating Profit Margin	*Operating Profit/Revenue from ordinary activities*	*%*	13.1%	17.5%	17.4%
	Net Income Margin	*Net income/Revenue from ordinary activities*	*%*	10.7%	15.3%	15.1%
	Earnings Per Share (EPS)	*Net income/number of shares*	*$*	12,152	24,227	12,152
	Efficiency of Expenditure	*SG&A Expenses/Gross profit*	*%*	54.3%	58.2%	58.7%
	Non-Performing Loans over 30 days	*Non-performing loans >30 days/(Loans + Provisions)*	*%*	5.4%	4.9%	5.0%
	Non-Performing Loans over 90 days	*Non-performing loans >90 days/(Loans + Provisions)*	*%*	2.63%	2.28%	2.5%
		Non-Performing loans >90 days/Equity	*%*	10.7%	9.7%	10.0%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	11.7%	11.7%	12.9%
		Non-Performing loans/Equity	*%*	47.4%	49.9%	52.1%
Asset Quality	Provisions	*Provisions/(Loans + Provisions)*	*%*	2.2%	2.2%	2.3%
		Provisions/Non-performing loans	*%*	18.7%	18.9%	17.7%
		Provisions/Non-performing loans >90 days	*%*	83.1%	97.0%	92.0%
	Write-offs	*Write-offs/(Loans + Provisions)*	*%*	1.6%	2.8%	2.4%
	Provisions and Write-offs	*Annualized provisions and write-offs/(Loans + Provisions)*	*%*	2.2%	2.3%	2.3%
	Restructured Porfolio	*Securitized portfolio/(Loans + Provisions)*	*%*	2.4%	2.5%	2.7%

Table 2: Main Indicators

As of September 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 increased Ch$ 35,058 million (+3.1% YTD) since December 2018 and totaled Ch$ 1,179,458 million, while assets grew 4.2% (↑Ch$ 60,517 million) in the first nine months of year, thus closing with Ch$ 1,488,063 million in total. Equity increased Ch$ 25,458 million (+9.0% YTD), reaching $ 308,605 million.

Regarding asset quality indicators, NPL's >90 days increased slightly staying within healthy levels, in line with improvements in admission, control and collections policies that Tanner has been developing since 2015 to reduce NPLs levels.

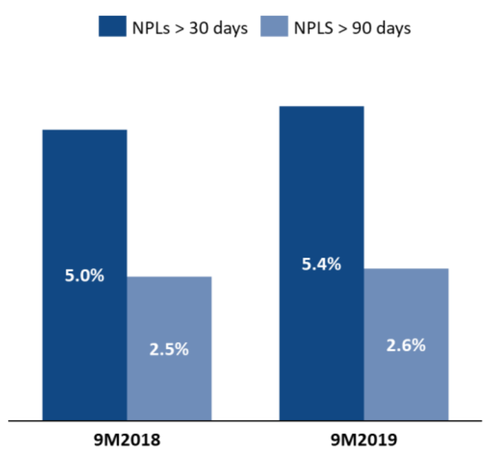

Chart 5: Consolidated NPLs

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 55.0%, 23.0% and 19.2% of the first nine months gross profit respectively, and 56.5%, 21.6% and 20.1% for the third quarter of 2019. Additionally, revenues and costs generated by the Treasury unit are shown below.

Business Division		01.01.2019 to 09.30.2019 MCh$	01.01.2018 to 09.30.2018 MCh$	Δ $	Δ %	07.01.2019 to 09.30.2019 MCh$	07.01.2018 to 09.30.2018 MCh$	Δ $	Δ %
ENTERPRISE DIVISION	REVENUE	64,303	51,429	12,875	25.0%	23,726	17,244	6,481	37.6%
Tanner Empresas	COSTS	29,268	25,081	4,187	16.7%	9,694	8,470	1,224	14.5%
	GROSS PROFIT	35,035	26,348	8,687	33.0%	14,032	8,775	5,257	59.9%
i. FACTORING	REVENUE	40,018	30,940	9,078	29.3%	13,839	10,668	3,172	29.7%
	COSTS	17,603	12,689	4,914	38.7%	5,515	4,456	1,059	23.8%
	GROSS PROFIT	22,415	18,252	4,163	22.8%	8,324	6,212	2,113	34.0%
ii. LEASING	REVENUE	6,574	7,329	(755)	-10.3%	2,439	2,237	202	9.0%
	COSTS	3,984	5,159	(1,175)	-22.8%	1,273	1,604	(331)	-20.6%
	GROSS PROFIT	2,591	2,170	420	19.4%	1,166	633	533	84.1%
iii. CORPORATE LOANS	REVENUE	17,711	13,159	4,553	34.6%	7,448	4,340	3,108	71.6%
	COSTS	7,682	7,233	448	6.2%	2,906	2,410	496	20.6%
	GROSS PROFIT	10,030	5,925	4,104	69.3%	4,542	1,930	2,612	135.3%
AUTO-FINANCING DIVISION	REVENUE	65,093	61,147	3,946	6.5%	22,539	21,260	1,279	6.0%
Tanner Automotriz	COSTS	50,414	43,191	7,223	16.7%	17,184	15,229	1,955	12.8%
	GROSS PROFIT	14,679	17,955	(3,277)	-18.2%	5,355	6,031	(676)	-11.2%
SUBISIDIARIES	REVENUE	93,636	27,413	66,222	241.6%	38,313	11,484	26,829	233.6%
	COSTS	81,425	18,657	62,768	336.4%	33,317	8,767	24,550	280.0%
	GROSS PROFIT	12,211	8,756	3,454	39.4%	4,996	2,717	2,279	83.9%
TREASURY	REVENUE	13,310	(2,501)	15,811	-632.2%	(859)	761	(1,620)	-212.8%
	COSTS	11,521	(4,644)	16,165	-348.1%	(1,291)	(335)	(956)	285.4%
	GROSS PROFIT	1,789	2,143	(354)	-16.5%	432	1,096	(664)	-60.6%
Tanner	REVENUE	236,342	137,487	98,855	71.9%	83,719	50,749	32,970	65.0%
	COSTS	172,628	82,285	90,343	109.8%	58,904	32,131	26,774	83.3%
	GROSS PROFIT	63,714	55,202	8,512	15.4%	24,814	18,618	6,196	33.3%

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 9M19 reached Ch$ 63,714 million (↑Ch$ 8,512 million / +15.4% YoY), with an increase in revenues (↑Ch$ 98,855 million / +71.9% YoY) offsetting the growth in costs (↑Ch$ 90,343 million / +109.8% YoY). During **3Q19, gross margin totaled Ch$ 24,814 million** (↑Ch$ 6196 million / +33.3% YoY), with a rise in revenues (↑Ch$ 32,970 million / +65.0% YoY) greater than the increment in costs (↑Ch$ 26,744 million / +83.3%). Gross margin breakdown by division/product, is as follows:

ENTERPRISES DIVISION

9M19: Ch$ 35,035 million, rising 33.0% YoY (↑Ch$ 8,687 million), derived from a significant increase in revenues (↑Ch$ 12,875 million / +25.0% YoY) that offset growth in costs (↑Ch$ 4,187 million / 16.7% YoY).

3Q19: Ch$ 14,032 million, up 59.9% YoY (↑Ch$ 5,257 million), in line with an increment of Ch$ 6,481 million (+37.6% YoY) in revenues and an increase in costs (↑Ch$ 1,224 million / 14.5% YoY).

i. FACTORING

9M19: Ch$ 22,415 million, growing 22.8% YoY (↑Ch$ 4,163 million), due to an increase of Ch$ 9,087 million (+29.3% YoY) in revenues and a rise of 38.7% YoY (↑Ch$ 4,914 million) in costs.

3Q19: Ch$ 8,324 million, up 34.0% YoY (↑Ch$ 2,113 million), with increases of 29.7% YoY (↑Ch$ 3,172 million) in revenues and 23.8% YoY (↑Ch$ 1,059 million) in costs.

ii. LEASING

9M19: Ch$ 2,591 million, up 19.4% YoY (↑Ch$ 420 million), since costs were reduced 22.8% (↓Ch$ 1,175 million), thus buffering the decrease in revenues (↓Ch$ 755 million / -10.3% YoY).

3Q19: Ch$ 1,166 million, up 84.1% YoY (↑Ch$ 533 million), due to a drop of costs of 20.6% YoY (↓Ch$ 331 million) combined with higher revenues Ch$ 2,439 million (+9.0% YoY).

iii. CORPORATE LENDING

9M19: Ch$ 10,030 million, up 69.3% YoY (↑Ch$ 4,104 million), due to an increase in revenues (↑Ch$ 4,553 million / +34.6% YoY) and increasing costs of (↑Ch$ 448 million / +6.2% YoY).

3Q19: Ch$ 4,542 million, rising 135.3% YoY (↑Ch$ 2,612 million), in line with an increase of 71.6% YoY (↑Ch$ 3,108 million) in revenues and a slight increment in costs (↑Ch$ 496 million / +20.6% YoY).

AUTO-FINANCING DIVISION

9M19: Ch$ 14,679 million, contracting 18.2% YoY (↓Ch$ 3,277 million), derived from a greater increment in costs (↑Ch$ 7,223 million / +16.7% YoY) than in revenue (↑Ch$ 3,946 million / +6,5% YoY).

3Q19: Ch$ 5,355 million, down 11.2% YoY (↓Ch$ 676 million), with an increase in revenues (↑Ch$ 1,279 million / +6.0% YoY), smaller than the costs upsurge (↑Ch$ 1,955 million / +12.8% YoY).

SUBSIDIARIES

9M19: Ch$ 12,211 million, up 39.4% YoY (↑Ch$ 3,454 million), due to an increase of Ch$ 66,222 million (+241.6% YoY) in revenues that offset higher costs (↑Ch$ 62,768 million / + 336.4% YoY).

3Q19: Ch$ 4,996 growing 83.9% YoY (↑Ch$ 2,279 million), in line with a raise in revenues by Ch$ 26,829 million (+233.6% YoY) balanced by increased costs (↑Ch$ 24,550 million / 280.0% YoY).

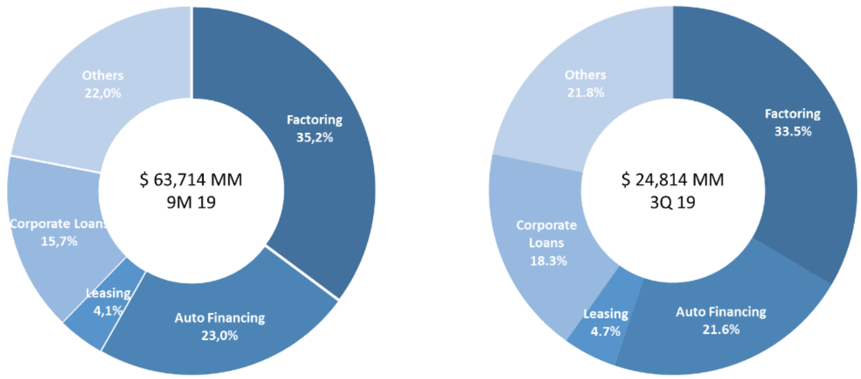

Chart 6: Gross Margin Breakdown by Division

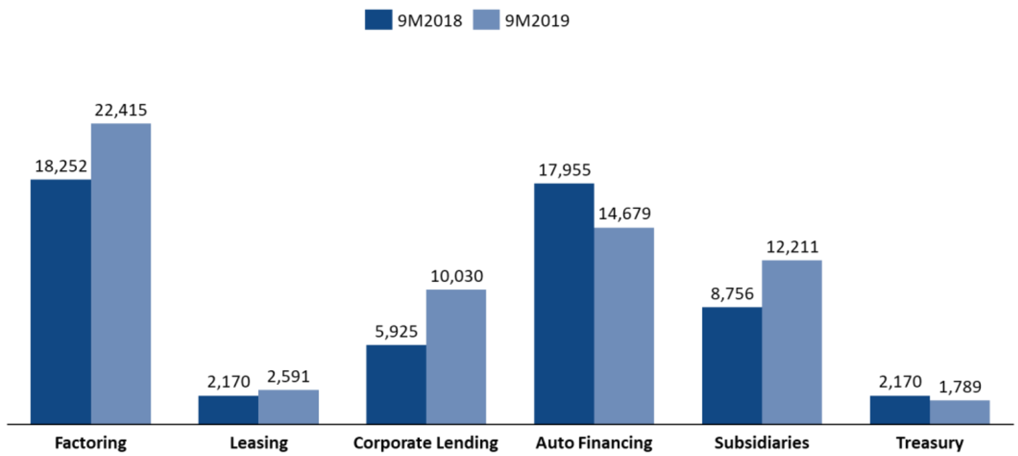

Chart 7: Gross Margin Breakdown by Line of Business First nine months of 2019

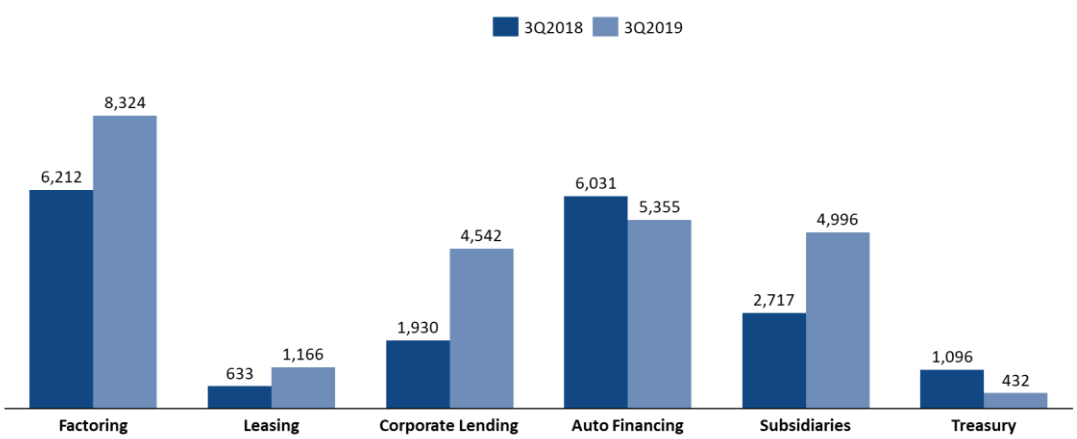

Chart 8: Gross Margin Breakdown by Line of Business Third Quarter 2019

Consolidated revenue totaled Ch$ 236,342 million on the first nine months of 2019, with a rise of 71.9% YoY (↑Ch$ 98,855 million), meanwhile **3Q19 totaled Ch $83,719 million,** with an increase of 65.0% YoY (↑Ch$ 32,970 million) explained by revenue of:

ENTERPRISES DIVISION

Tanner Empresas

9M19: Ch$ 64,303 million (↑Ch$ 12,875 million / +25.0% YoY);
3Q19: Ch$ 23,726 million (↑Ch$ 6,481 million / +37.6% YoY);
Driver**:** Increase in price differences derived from factoring which represents 62.2% of the divisions revenues.

i. FACTORING

9M19: Ch$ 40,018 million (↑Ch$ 9,078 million / +29.3% YoY);
3Q19: Ch$ 13,839 million (↑Ch$ 3,172 million / +29.7% YoY);
Driver: Increase in price differences.

ii. LEASING

9M19: Ch$ 6,547 million (↓Ch$ 755 million / -10.3% YoY);
3Q19: Ch$ 2,439 million (↑Ch$ 202 million / 9.0% YoY);
Driver: Increase in interests received due to slight growth in volume which had decreased as a result of the change in this unit's focus, which now seeks to increase its profitability by concentrating on real estate leases.

iii. CORPORATE LENDING

9M19: Ch$ 17,711 million (↑Ch$ 4,553 million / +34.6% YoY);
3Q19: Ch$ 7,448 million (↑Ch$ 3,108 million / +71.6% YoY);
Driver: Higher interests and commissions for the first nine months.

AUTO-FINANCING DIVISION

Tanner Automotriz

9M19: Ch$ 65,093 million (↑Ch$ 3,946 million / +6.5% YoY);
3Q18: Ch$ 22,539 million (↑Ch$ 1,279 million / +6.0% YoY);
Driver: Higher volume of loans granted coupled with greater interest rate income.

SUBSIDIARIES

9M18: Ch$ 93,363 million (↑Ch$ 66,222 million / +241.6% YoY);
3Q18: Ch$ 38,313 million (↑Ch$ 26,829 million / +233.6% YoY);
Driver**:** Intermediated volume increase.

Consolidated costs totaled Ch$ 172,628 million in the first nine months of 2019 and Ch$ 58,904 million in 3Q19, expanding Ch$ 90,343 million (+109.8% YoY) and Ch$ 26,774 million (+83.3% YoY), respectively, explained by the costs of:

ENTERPRISES DIVISION

Tanner Empresas

9M19: Ch$ 29,268 (↑Ch$ 4,187 million / +16.7% YoY);
3Q19: Ch$9,694 million (↑Ch$ 1,224 million / +14.5% YoY);
Driver: Increases due to higher interest rate related costs.

i. FACTORING

9M19: Ch$ 17,603 million (↑Ch$ 4,914 million / +38.7% YoY);
3Q19: Ch$ 5,515 million (↑Ch$ 1,059 million / +23.8% YoY);
Driver: Increase in interest rates related to this product.

ii. LEASING

9M19: $ 3,984 million (↓$ 1,175 million / -22.8% YoY);
3Q19: $ 1,273 million (↓$ 331 million / -20.6% YoY);
Driver: Reduction in provisions and write-offs, coupled with reductions in other costs.

iii. CORPORATE LENDING

9M19: $ 7,682 million (↑$ 448 million / +6.2% YoY);
3Q19: $ 2,906 million (↑$ 496 million / +20.6% YoY);
Driver: Decrease in provisions and write-offs.

AUTO-FINANCING DIVISION

Tanner Automotriz

9M18: $ 50,414 million (↑$ 7,223 million / +16.7% YoY);
3Q18: $ 17,184 million (↑$ 1,955 million / +12.8% YoY);
Driver: Higher interest expenses and commissions in line with an increase in stock.

SUBISIDIARIES

9M18: $ 81,425 million (↑$ 62,768 million / +336.4% YoY);
3Q18: $ 33,317 million (↑$ 24,550 million / +280.0% YoY);
Driver: Increased intermediated volume.

V. Business Divisions Portfolio Quality

	Indicator	Definition	Unit	09-30-2019	12-31-2018	09-30-2018
ENTERPRISE DIVISION	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	7.9%	8.3%	9.4%
		Non-Performing loans/Equity	%	19.9%	22.8%	24.4%
	Provisions	Provisions/(Loans + Provisions)	%	1.3%	1.4%	1.5%
		Provisions/Non-performing loans	%	16.7%	17.4%	16.1%
		Provisions/Non-performing loans >90 days	%	74.8%	101.5%	89.2%
Tanner Empresas	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.2%	1.3%	1.3%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.0%	2.4%	2.7%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.8%	1.4%	1.7%
		Non-Performing loans >90 days/Equity	%	4.4%	3.9%	4.4%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	2.4%	2.5%	2.7%
		Securitized portfolio/Equity	%	6.1%	7.0%	7.0%
	Clients	Number of clients	#	4,830	4,419	4,113
	Efficiency	SG&A Expenses/Gross profit	%	49.9%	57.4%	62.2%
i. FACTORING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	8.5%	8.1%	10.6%
		Non-Performing loans/Equity	%	11.3%	12.9%	13.7%
	Provisions	Provisions/(Loans + Provisions)	%	1.1%	1.0%	1.2%
		Provisions/Non-performing loans	%	12.8%	12.9%	11.4%
		Provisions/Non-performing loans >90 days	%	72.2%	98.5%	89.4%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.5%	1.3%	1.6%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	2.6%	2.1%	2.1%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.5%	1.1%	1.4%
		Non-Performing loans >90 days/Equity	%	2.0%	1.7%	1.8%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	0.4%	1.4%	2.1%
		Securitized portfolio/Equity	%	0.6%	2.2%	2.8%
	Clients	Number of clients	#	3,644	3,734	3,345
	Efficiency	SG&A Expenses/Gross profit	%	49.2%	53.3%	54.3%
ii. LEASING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	10.7%	18.4%	19.9%
		Non-Performing loans/Equity	%	3.1%	5.3%	6.2%
	Provisions	Provisions/(Loans + Provisions)	%	2.3%	2.8%	2.9%
		Provisions/Non-performing loans	%	21.2%	15.4%	14.8%
		Provisions/Non-performing loans >90 days	%	51.8%	86.7%	82.5%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	0.4%	1.0%	0.6%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	5.7%	6.9%	8.0%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.4%	3.3%	3.6%
		Non-Performing loans >90 days/Equity	%	1.3%	0.9%	1.1%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	9.0%	9.5%	8.2%
		Securitized portfolio/Equity	%	2.6%	2.7%	2.5%
	Clients	Number of clients	#	398	560	646
	Efficiency	SG&A Expenses/Gross profit	%	88.9%	102.1%	99.2%
iii. CORPORATE LENDING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	6.1%	5.2%	4.6%
		Non-Performing loans/Equity	%	5.5%	4.6%	4.5%
	Provisions	Provisions/(Loans + Provisions)	%	1.4%	1.7%	1.5%
		Provisions/Non-performing loans	%	22.2%	32.5%	32.5%
		Provisions/Non-performing loans >90 days	%	50.1%	104.2%	83.2%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.1%	1.4%	1.3%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	2.7%	1.6%	1.8%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.3%	1.5%	1.6%
		Non-Performing loans >90 days/Equity	%	1.2%	1.3%	1.5%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	3.2%	2.3%	1.7%
		Securitized portfolio/Equity	%	2.9%	2.0%	1.7%
	Clients	Number of clients	#	788	578	445
	Efficiency	SG&A Expenses/Gross profit	%	41.5%	57.9%	72.7%
AUTO FINANCING	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	20.8%	20.5%	21.7%
		Non-Performing loans/Equity	%	27.5%	27.1%	27.7%
	Provisions	Provisions/(Loans + Provisions)	%	4.2%	4.1%	4.1%
		Provisions/Non-performing loans	%	20.2%	20.2%	19.2%
		Provisions/Non-performing loans >90 days	%	89.0%	94.0%	94.2%
Tanner Automotriz	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	4.6%	4.6%	4.7%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	11.0%	10.7%	10.4%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.7%	4.4%	4.4%
		Non-Performing loans >90 days/Equity	%	6.2%	5.8%	5.6%
	Restructured Porfolio	Securitized portfolio/(Loans + Provisions)	%	2.7%	2.9%	2.9%
		Securitized portfolio/Equity	%	3.6%	3.8%	3.7%
	Clients	Number of clients	#	74,283	67,577	64,732
	Efficiency	SG&A Expenses/Gross profit	%	83.4%	68.7%	62.3%

Table 4: Business Divisions Main Indicators

ENTERPRISES DIVISION

Portfolio quality stays within stable levels compared to 9M18, reflected in the slight deterioration of both NPLs > 30 days and NPLs > 90 days.

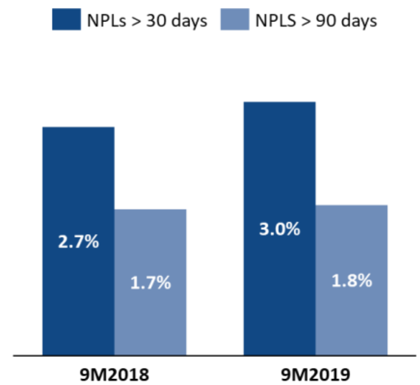

Chart 9: NPLs – Enterprises Division

i. FACTORING

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

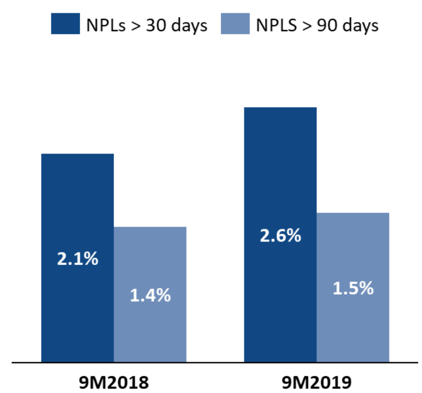

Chart 10: NPLs – Factoring Business

ii. LEASING

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

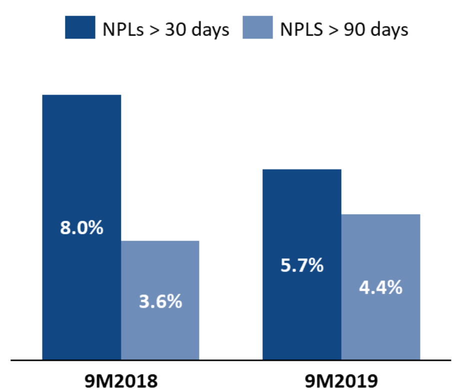

Chart 11: NPLs – Leasing Business

iii. CORPORATE LENDING

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

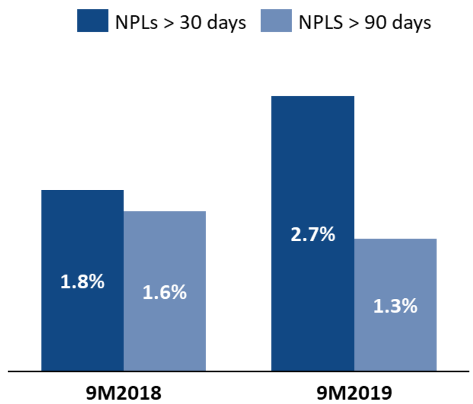

Chart 12: NPLs – Corporate Lending Business

AUTO-FINANCING DIVISION

NPLs > 30 days and NPLs > 90 days deteriorated 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.

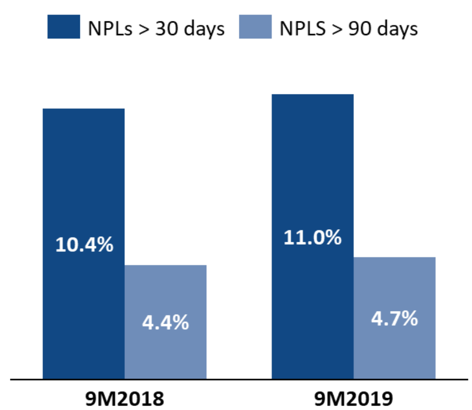

Chart 13: NPLs – Auto-Financing Division

VI. Balance Sheet

Assets (MCh$)	30-09-2019	12-31-2018	Δ $	Δ %
Current Assets				
Cash and cash equivalent	28,939	25,474	3,465	13.6%
Other current financial assets	88,040	104,324	(16,284)	-15.6%
Other current non-financial assets	1,825	1,765	59	3.4%
Trade receivables and other current accounts receivable, net	848,313	779,629	68,684	8.8%
Current accounts receivable from related parties	412	458	(46)	-10.1%
Current tax assets	12,225	12,851	(626)	-4.9%
Non-current assets held for sale	11,128	7,968	3,159	39.6%
Total Current Assets	**990,880**	**932,470**	**58,410**	**6.3%**
Non-Current Assets				
Other non-current financial assets	55,876	37,555	18,321	48.8%
Other non-current non-financial assets	4,514	2,822	1,693	60.0%
Trade receivables and other non-current accounts receivable, net	378,460	402,952	(24,492)	-6.1%
Non-current accounts receivable from related parties	474	681	(207)	-30.4%
Intangible assets other than goodwill	6,553	5,520	1,033	18.7%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	10,934	3,189	7,745	242.9%
Property Investments	10,148	9,316	832	8.9%
Deferred tax assets	28,460	31,278	(2,818)	-9.0%
Total Non-Current Assets	**497,183**	**495,076**	**2,107**	**0.4%**
Total Assets	**1,488,063**	**1,427,546**	**60,517**	**4.2%**

Liabilities (MCh$)	30-09-2019	12-31-2018	Δ $	Δ %
Current Liabilities				
Other current financial liabilities	526,141	597,596	(71,455)	-12.0%
Trade payables and other current accounts payables	108,362	90,908	17,454	19.2%
Other short-term provisions	830	306	524	171.3%
Short-term employee benefits provisions	1,762	3,957	(2,196)	-55.5%
Current tax liabilities	1,870	2,306	(436)	-18.9%
Other current non-financial liabilities	-		-	0.0%
Total Current Liabilities	**638,964**	**695,073**	**(56,109)**	**-8.1%**
Non-Current Liabilities				
Other non-current financial liabilities	540,300	449,213	91,087	20.3%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	-	-	-	-
Non-current employee benefits provisions	194	113	80	70.9%
Total Non-Current Liabilities	**540,494**	**449,327**	**91,167**	**20.3%**
Total Liabilities	**1,179,458**	**1,144,400**	**35,058**	**3.1%**
Equity	308,605	283,146	25,459	9.0%
Total Equity and Liabilities	**1,488,063**	**1,427,546**	**60,517**	**4.2%**

Table 5: Consolidated Balance Sheet

Tabla 5: Balance Consolidado

a. Loan Portfolio [5]

Total gross loan portfolio by September 2019 reached Ch$ 1,254,141 million (↑Ch$ 44,804 million / +3.7% YTD) versus Ch$ 1,209,337 million in December 2018, while provisions totaled Ch$ 27,368 million, increasing Ch$ 612 million (+2.3% YTD). Consequently, **total net loan portfolio amounted to Ch$ 1,226,773 million**, equivalent to a rise of Ch$ 44,191 million (+3.7% YTD) from Ch$ 1,182,581 million by the end of 2018.

Net loan portfolio at period-end September 2019:

1. **Enterprises Division: Ch$ 769,836 million** | -0.03% YTD | ↓Ch$ 227 million;
   a. **Factoring: Ch$ 406,460 million** |-8.6% YTD | ↓Ch$ 38,478 million;
   b. **Leasing: Ch$ 87,136 million** | +10.2% YTD | ↑Ch$ 8,080 million;
   c. **Corporate Lending: Ch$ 276,240 million** | 12.3% YTD | ↑Ch$ 30,171 million; and,
2. **Auto-Financing Division: Ch$ 391,717 million** | +8.9% YTD | ↑Ch$ 31,900 million.

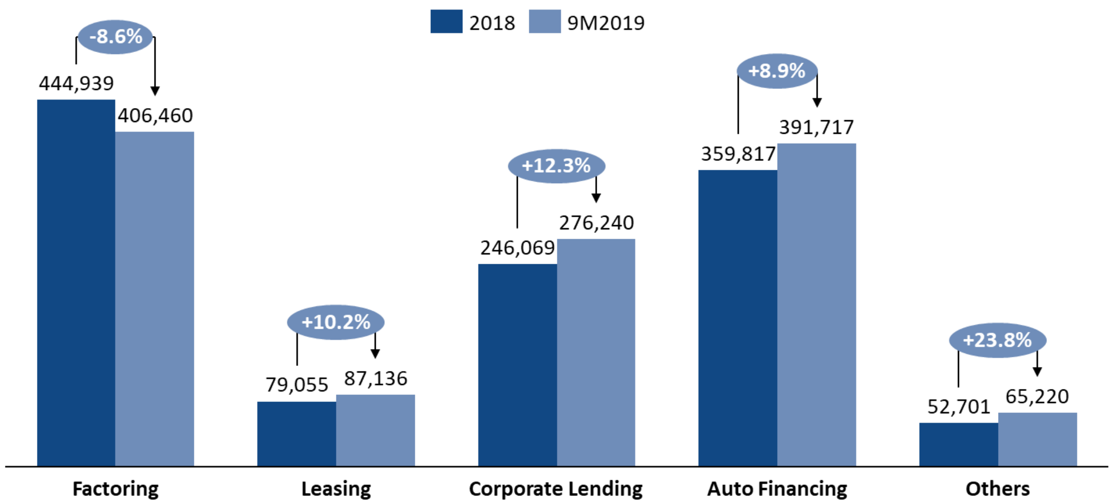

Chart 14: Net Loan Portfolio Breakdown by Line of Business

The portfolio has continued to concentrate in the Company's strategic businesses – factoring and auto-financing – which in 3Q19 represent 33.1% (3Q18: 29.1% and Dec-2018: 37.6%) and 31.9% (3Q18: 27.9% and Dec-2018: 30.4%) of net loan portfolio, respectively.

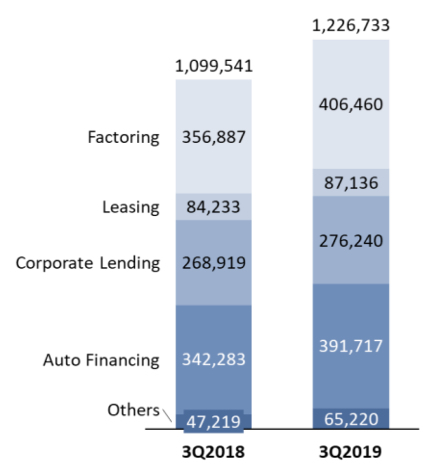

Chart 15: Net Loan Portfolio Breakdown

[5] Gross loans minus provisions.

b. *Funding Sources*

Financial liabilities as of September 30, 2019, totaled Ch$ 1,066,441 million, compared with $ 1,046,809 million in December 2018 (↑Ch$ 19,631 million / +1.9% YTD), mainly due to the increase of liabilities associated to: (i) bonds (↑Ch$ 172,730 million / +33.8% YTD). These were offset by the increase of those related to: (i) banks and financial institutions (↓Ch$ 85,981 million/ -24.1% YTD) and (ii) commercial paper (↓Ch$ 49,760 million/ -45.8% YTD).

In terms of liabilities structure, 64.1% (Ch$ 683,630 million) corresponds to local and international bonds, 25.4% (Ch$ 271,222 million) to bank loans and credit lines, and 5.5% (Ch$ 58,878 million) to commercial paper. Additionally, Ch$ 52,710 million (4.9%) are related to other financial obligations, corresponding to repos and forwards.

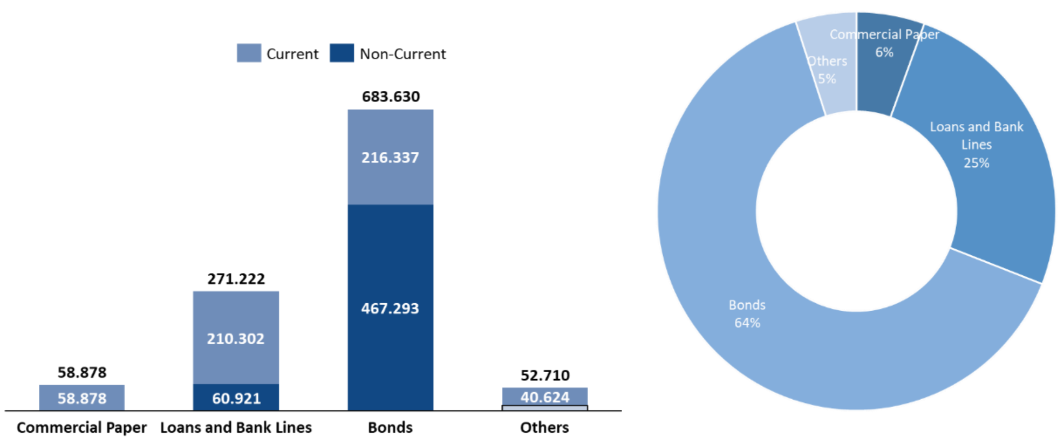

Chart 16: Sources of Funding Breakdown

VII. Cash Flow Statement

MCh$	09-30-2019	09-30-2018	Δ $
Cash flow provided by (used in) operating activities	(65,349)	(194,932)	129,583
Cash flow provided by (used in) investing activities	202,185	153,934	48,251
Cash flow provided by (used in) financing activities	(133,534)	16,726	(150,260)
Effect of changes in exchange rates	163	(58)	221
Net increase (decrease) in cash and cash equivalent	3,465	(24,330)	27,795
Cash and Cash Equivalent, Initial Balance	25,474	84,636	(59,162)
Cash and Cash Equivalent, Final Balance	28,939	60,306	(31,367)

Table 6: Cash Flow Statement

During the second quarter of 2019, cash flow of **operating activities totaled Ch$ -65,349 million** versus Ch$ -194,932 million recorded in September 2018, mainly because collections increased by Ch$ 289,185 million.

Cash flow stemming from **investing activities reached Ch$ 202,185 million**, Ch$ 48,251 million more than Ch$ 153,934 million of 3Q18, mainly because of payments for $233,225 million regarding the sale of debt / equity instruments from other parties.

Financing activities cash flow amounts to Ch$ -133,534 million between January and September 2019, versus Ch$ 16,726 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 September 2019, totaled Ch$ 28.474 million,** decreasing 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 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	09.30.2019			
	Gross Portfolio Ch$k	Provisions Ch$k	Net Portfolio Ch$k	Provisions Index
Factoring	410,901,572	(4,441,078)	406,460,494	1.08%
Leasing	89,155,940	(2,020,415)	87,135,525	2.27%
Corporate Loans	280,036,075	(3,796,559)	276,239,516	1.36%
Automobile Loans	408,827,848	(17,110,439)	391,717,409	4.19%
Others	65,219,573	-	65,219,573	0.00%
Total	**1,254,141,008**	**(27,368,491)**	**1,226,772,516**	**2.18%**

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	09.30.2019				
	Total Portfolio Th Ch$	Renegotiation Th Ch$	Provision Ch$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	410,901,572	1,826,215	(4,441,078)	0.44%	0.15%
Corporate Lending	280,036,075	8,892,129	(3,796,559)	3.18%	0.71%
Auto Financing	408,827,848	11,187,545	(17,110,439)	2.74%	0.89%
Leasing	89,155,940	7,996,644	(2,020,415)	8.97%	0.64%
Others	65,219,573	-	-	-	-
Total	**1,254,141,008**	**29,902,533**	**(27,368,491)**		**2.38%**

Concept	12.31.2018				
	Total Portfolio Th Ch$	Renegotiation Th Ch$	Provision Th Ch$	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 September 30, 2019, the Company, on a consolidated level, totaled Ch$ 28,939 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 September 2019, investments on corporate bonds – valued at market prices – reached MUS$ 34,035 (MUS$ 20,892 by December 31, 2018). By September 30, 2019, the average duration of the portfolio was 2.57 years, sensitivity measured by DV01[7] was US$ 8,321 (USD 2,938 by December 31, 2018) and parametric VaR[9], with a 1-day horizon was US$ 67,597 (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.

[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%.

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	0.04%	0.07%	0.11%	0.15%	0.19%	0.23%	0.27%	0.31%

Increases:

Positive Delta (bps)	25	50	75	100	125	150	175	200
Net Portfolio Variation	-0.04%	-0.07%	-0.11%	-0.14%	-0.18%	-0.21%	-0.25%	-0.28%

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	09.30.2019							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	3,226,856	(73,664,737)	74,943,201	-	124,469,124	(230,785,801)	1,263,517	110,147,286
1 to 3 years	-	-	-	-	83,863,768	(151,225,843)	(94,600,349)	168,315,012
3 years and over	-	-	-	-	118,421,443	(108,272,723)	(130,849)	-
Total	**3,226,856**	**(73,664,737)**	**74,943,201**	**-**	**326,754,335**	**(490,284,367)**	**(93,467,681)**	**278,462,298**

Sens. +1bps	09.30.2019							
	Trading Derivatives				Hedging Derivatives			
	UF$K	CLP$K	USD$K	CHF$K	UF$K	CLP$K	USD$K	CHF$K
Up to 1 year	(20)	713	(705)	-	(8,531)	11,785	(6,082)	(2,802)
1 to 3 years	-	-	-	-	(18,225)	27,106	17,610	(28,736)
3 years and over	-	-	-	-	(51,100)	45,221	54	-
Total	**(20)**	**713**	**(705)**	**-**	**(77,856)**	**84,112**	**11,582**	**(31,538)**

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 September 30, 2019, the Company presents an exposure in US Dollars of MUS$4,814 equivalent to 1.14% of equity, versus MUS$ -5,623 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)	09.30.2019	12.31.2018
Assets	301,676	269,335
Liabilities	(270,685)	(390,432)
Derivative Instrument -	26,178	115,474
Total Mismatch	**4,814**	**(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 September 30, 2019, mismatch in UF amounted to UF 2,638k, equivalent to 23.98% 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)	09.30.2019	12.31.2018
Assets	7,346	7,737
Liabilities	(15,202)	(12,717)
Derivative Instrument	10,494	6,966
Total Mismatch	**2,638**	**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 September 30, 2019.