



Quarterly Earnings Report

December 2019

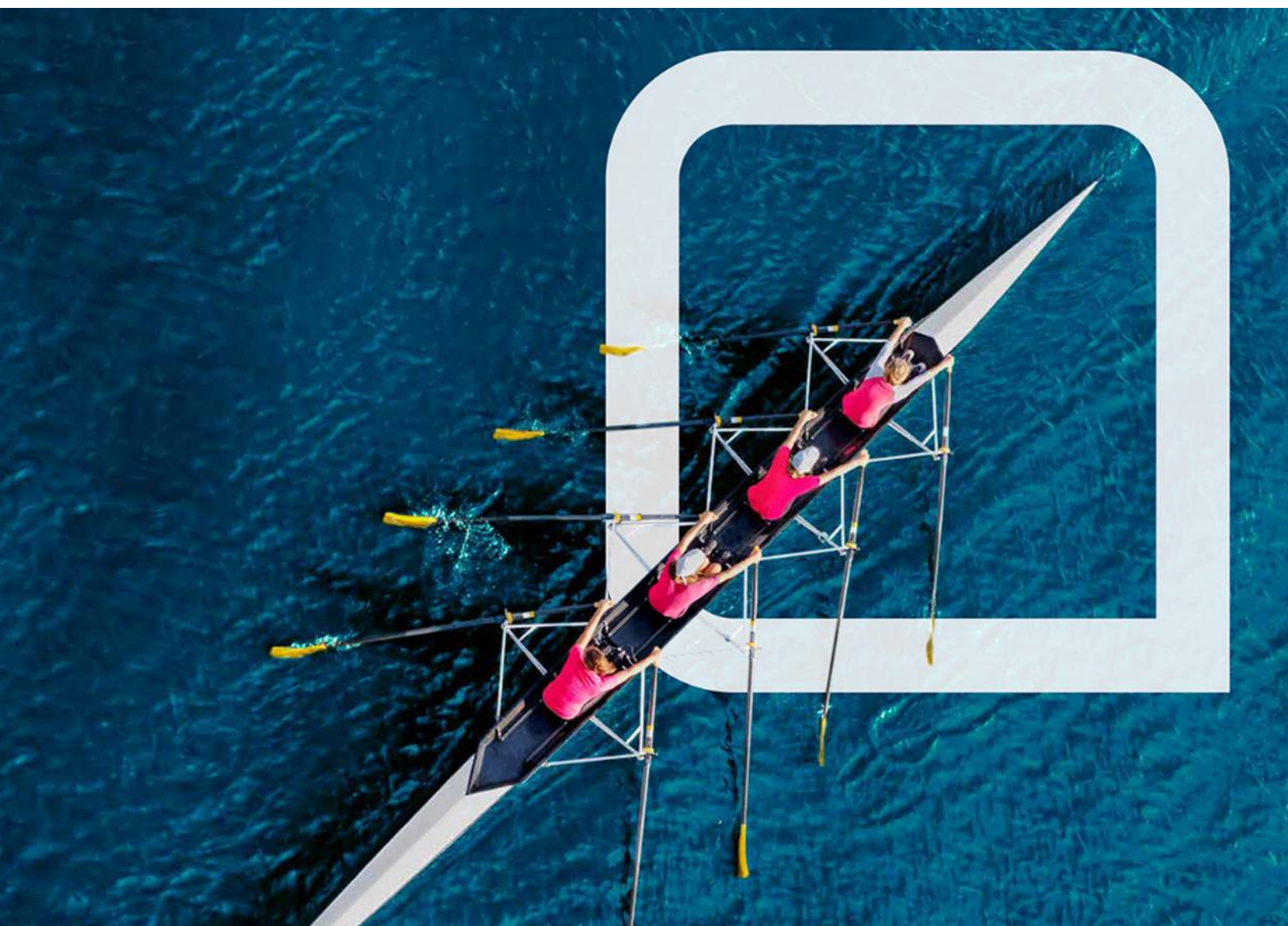




Table of contents

I.	Executive Summary	2
II.	Consolidated Income Analysis	3
III.	Main Indicators	6
IV.	Business Divisions Results	7
V.	Business Divisions Portfolio Quality	12
VI.	Balance Sheet	15
VII.	Cash Flow Statement	18
VIII.	Risk Analysis	19



I. Executive Summary



❖ ROAE*:

2019: 11.0% / 2018: 10.8%

❖ ROAA**:

2019: 2.1% / 2018: 2.3%

❖ Equity:

2019: MCh\$ 307,052 / Δ^+ : 8.4% YTD

❖ Net Profit:

4Q19: MCh\$ 7,263 / 4Q18: MCh\$ 9,026

Δ^+ : 19.5% YoY

2019: MCh\$ 32,592 / 2018: MCh\$ 29,738

Δ^+ : 9.6% YoY

❖ Net Portfolio:

2019: MCh\$ 1,302,204 / Δ^+ : 10.1% YTD

❖ NPLs > 90 days:

2019: 2.7% / 2018: 2.3%

Profit after taxes by December 2019 grew 9.6% YoY, totaling Ch\$ 32,597 million, driven by an increase in operating margin of 13.6% YoY in 2019.

Net loan portfolio at period-end December 2019 totaled Ch\$ 1,302,204 million, up Ch\$ 119,623 million (+10.1% YTD) driven by moderate performances of: (i) the **corporate division portfolio which closed the period with net loans of Ch\$ 778,878 million** (\uparrow Ch\$ 8,816 million / +1.1% YTD), mainly coming from factoring, which totaled Ch\$ 404,526 million (\downarrow Ch\$ 40,413 million / -9.1% YTD), corporate lending which reached Ch\$ 292,902 million (\uparrow Ch\$ 46,834 million / +19.0% YTD) and leasing that totaled Ch\$ 81,450 million (\uparrow Ch\$ 2,394 million / +3.0% YTD). Additionally (ii) the **auto-financing division ended the period with net loan portfolio amounting to Ch\$ 454,102 million** (\uparrow Ch\$ 91,848 million / +25.4% YTD).

In terms of risk compared to the previous year, Tanner maintains suitable portfolio risk levels with **NPLs over 90 days increasing 47 bps to 2.7%** (2018: 2.3%) during the year. **Non-performing loans over 90 days of the corporate division reached 2.0%** (2018: 1.4%) driven by an increase of 40 bps in factoring (2019: 1.5% vs. 2018: 1.1%), 99 bps in leasing (2019: 4.3% vs. 2018: 3.3%), and of 66 bps in corporate lending (2019: 2.1% vs. 2018: 1.5%). Meanwhile, **NPLs over 90 days in the auto-financing division remained the same 4.4%** (2018: 4.4%).

Liquidity index at period-end 2019 reached 1.24 times, slightly below the levels registered in 2018 (1.34x), while **cash totaled Ch\$ 53,660 million** versus Ch\$ 25,474 million at the end of the previous year. On the other hand, the Company's **leverage closed at 4.25 times** (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. During November the company paid its first bond placed in Switzerland during 2016, for a **total of CHF 150,000,000**. Subsequently during January of 2020, the placement of a new bond in the swiss market was agreed upon, **for a total of CHF 200,000,000 maturing within 2 years & 9 months, at an interest rate of 0.6%**. The emission was disbursed during February 2020.

* ROAE: Return LTM on average equity.

** ROAA: Return LTM on average assets.



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 12-31-2019	01-01-2018 Δ \$ 12-31-2018	Δ %	10-01-2019 12-31-2019	10-01-2018 Δ \$ 12-31-2018	Δ %		
Revenue from ordinary activities	382,219	193,875	188,344	97.1%	145,877	56,387	89,489	158.7%
Sales cost	(300,106)	(117,804)	(182,302)	154.8%	(127,477)	(35,519)	(91,959)	258.9%
Gross profit	82,113	76,071	6,042	7.9%	18,399	20,869	(2,469)	-11.8%
Other revenue, by function	2,564	2,247	317	14.1%	859	1,159	(300)	-25.9%
Administrative expenses	(46,051)	(44,283)	(1,768)	4.0%	(11,476)	(11,893)	417	-3.5%
Other profits (losses)	-	(27)	27	-	-	(15)	15	-
Operating margin	38,626	34,008	4,618	13.6%	7,782	10,120	(2,338)	-23.1%
Financial revenue	183	102	81	79.6%	119	79	39	49.4%
Financial costs	(402)	(299)	(103)	34.7%	(112)	(90)	(22)	24.7%
Foreign exchange differences	585	11	574	5235.6%	437	133	304	227.6%
Income by adjustment units	52	86	(34)	-39.7%	(3)	54	(57)	-104.9%
Profit (losses) before taxes	39,044	33,908	5,136	15.1%	8,224	10,297	(2,074)	-20.1%
Revenue (expense) from profit taxes	(6,447)	(4,170)	(2,277)	54.6%	(960)	(1,271)	311	-24.5%
Profit (losses)	32,597	29,738	2,860	9.6%	7,263	9,026	(1,763)	-19.5%
Profit (losses) attributable to controller's property owners	32,049	29,367	2,683	9.1%	7,187	8,937	(1,750)	-19.6%
Profit (losses) attributable to non-controller shares	548	371	177	47.6%	76	89	(13)	-14.4%

Table 1: Consolidated Income Statement

The Company's **net profit in 2019 increased 9.6% YoY** (↑Ch\$ 2,860 million), totaling Ch\$ 32,597 million, versus Ch\$ 29,738 million in 2018, while in the fourth quarter profit declined 19.5% YoY (↓Ch\$ 1,763 million), reaching Ch\$ 7,263 million (4Q18: Ch\$ 9,026 million). **Gross margin in 2019 reached Ch\$ 82,113 million**, up 7.9% YoY (↑Ch\$ 6,042 million) and in **4Q19 totaled Ch\$ 18,399 million** (↓Ch\$ 2,469 million / -11.8% YoY).

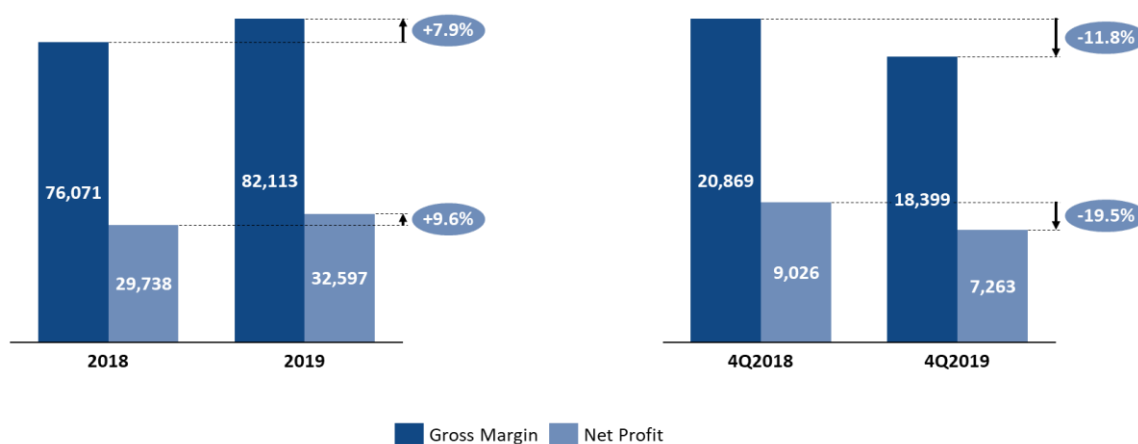


Chart 1: Consolidated Net Profit and Gross Margin (MCh\$)



Consolidated revenues totaled Ch\$ 382,219 million during 2019, growing 97.1% YoY (↑Ch\$ 188,344 million) and \$ 145,877 million (↑Ch\$ 89,489 million / +158.7% YoY) 4Q19, in line with increases in (i) other revenues¹ (2019: ↑Ch\$ 141,135 million / +197.6% YoY and 4Q19: ↑Ch\$ 73,330 million / 266.9% YoY), due to an increase in the volume of intermediation in Tanner Investments and *Tanner Corredora de Seguros*, (ii) Income from readjustments (2019: ↑\$ 28,398 million / +248.2% YoY y 4Q19: ↑\$ 13,230 million / 167.2% YoY), (iii) interests (2019: ↑Ch\$ 6,668 million / +6.9% YoY and 4Q19: ↑Ch\$ 1,190 million / +4.8% YoY), (iv) price differences (2019: ↑Ch\$ 6, 907 million / +21.9% YoY and 4Q19: ↑Ch\$ 263 million / +2.9% YoY), and (v) commissions (2019: ↑Ch\$ 5,236 million / +85.6% YoY and 4Q19: ↑Ch\$ 1,476 million / +49.0% YoY).

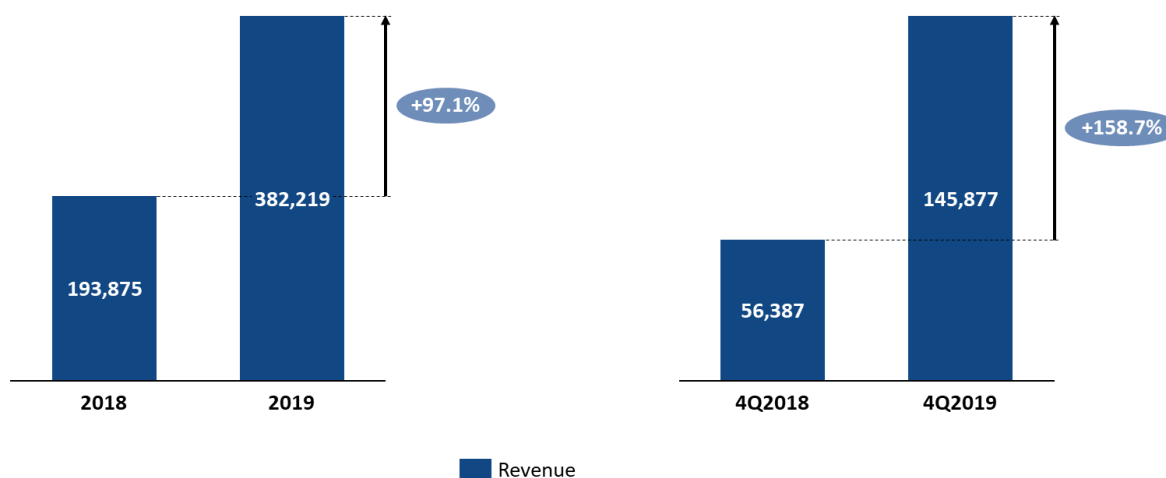


Chart 2: Consolidated Revenues (MCh\$)

Consolidated cost of sales at period-end 2019, reached Ch\$ 300,106 million (↑Ch\$ 182,302 million / +154.8% YoY), while in the fourth quarter costs reached Ch\$ 127,477 million (↑Ch\$ 91,959 million / +258.9% YoY) mainly derived from rises in: (i) other costs² (2019: ↑Ch\$ 139,791 million / +311.1% YoY and 4Q19: ↑Ch\$ 76,402 million / +395.1% YoY) aligned to an increased volume intermediated in Tanner Investments and *Tanner Corredora de Seguros*, (ii) considerable readjustments over liabilities (2019: Ch\$ 15,702 million vs. 2018: Ch\$ -12,406 and 4Q19: Ch\$ 4,738 million vs. 4Q18: Ch\$ -7,504 million), (iii) constitution of provisions (2019: ↑Ch\$ 3,772 million / +13.6% YoY and 4Q19: ↑Ch\$ 1,550 million / +19.5% YoY), (iv) interests (2019: ↑Ch\$ 6,319 million / +16.9% YoY and 4Q19: ↑Ch\$ 566 million / +5.5% YoY) and (v) commissions (2019: ↑Ch\$ 4,311 million / +21.3% YoY and 4Q19: ↑Ch\$ 1,198 million / +22.3% 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.

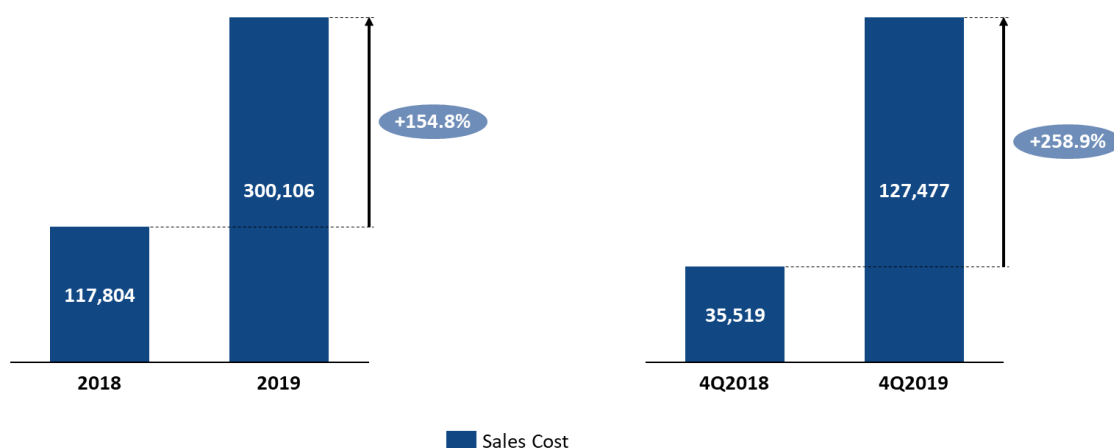


Chart 3: Consolidated Expenses (MCh\$)

SG&A expenses (including depreciation) reached Ch\$ 46,051 million during 2019 and Ch\$ 11,476 million in 4Q19, increasing 4.0% YoY and decreasing 3.5% YoY respectively, mainly as a consequence of greater depreciation and amortization costs derived from adoption of IFRS 16. Human labor – which represents around 64% of administrative expenses – totaled Ch\$ 29,376 million in 2019 and \$ 6,531 million in the fourth quarter, reflecting a decrease of Ch\$ 1,110 million (-3.6% YoY) and Ch\$ 1,548 million (-13.7% YoY) respectively, while general expenses reached Ch\$ 16,675 million (↑Ch\$ 2,878 million / 20.9% YoY) during 2019 and Ch\$ 4,945 million (↑Ch\$ 1,167 million / 30.9% YoY) during the fourth quarter.

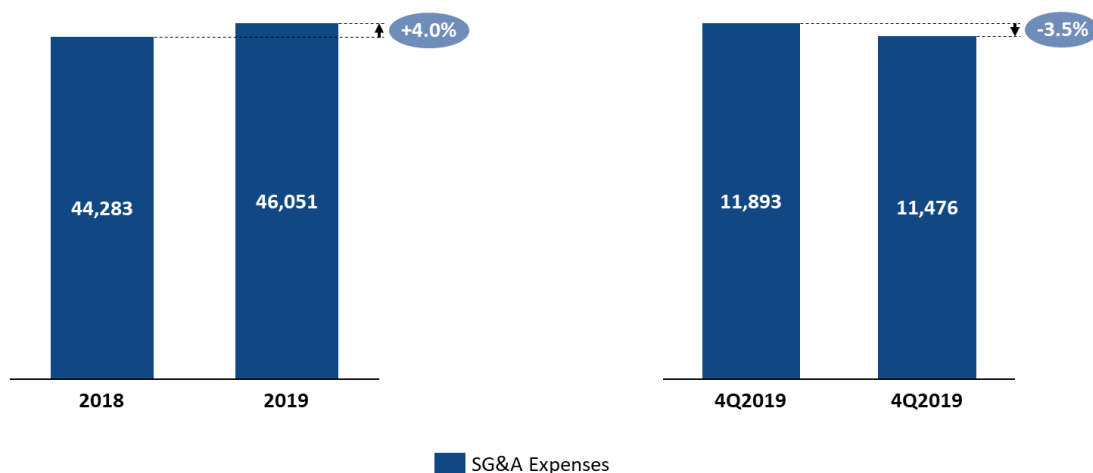


Chart 4: Consolidated SG&A Expenses (MCh\$)



III. Main Indicators

	Indicator	Definition	Unit	12-31-2019	12-31-2018
Liquidity and Solvency	Current Ratio	Current Assets/Current Liabilities	times	1.2	1.3
	Current Liabilities to Equity	Current liabilities/Equity	times	2.8	2.5
	Immediate Liquidity	Cash and cash equivalent/Current Liabilities	times	0.1	0.0
	Stable Funding Ratio	(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)	times	1.4	1.5
	Debt to Equity	Total liabilities/Equity	times	4.2	4.0
	Capitalization	Equity/Assets	%	19.1%	19.8%
	Total Debt ratio	Liabilities/Assets	times	0.8	0.8
	Short Term Debt Ratio	Current liabilities/Total liabilities	%	66.3%	60.7%
	Long Term Debt Ratio	Non-current liabilities/Total liabilities	%	33.7%	39.3%
	Short Term Bank Debt	Current bank liabilities/Current liabilities	%	37.0%	36.9%
	Long Term Bank Debt	Non-current bank liabilities/Non-current liabilities	%	10.5%	22.4%
	Working Capital	Current assets - Current liabilities	MCh\$	210,372	228,743
Profitability	Interest Coverage Ratio	(Profit before taxes + Financial expenditure)/Financial expenditure	times	1.7	1.8
	Return on Average Equity	Annualized profit/ Average Equity	%	11.0%	10.8%
	Return on Average Assets	Annualized profit/ Average Assets	%	2.1%	2.3%
	Gross Profit Margin	Gross profit/Revenue from ordinary activities	%	21.5%	39.2%
	Operating Profit Margin	Operating Profit/Revenue from ordinary activities	%	10.1%	17.5%
	Net Income Margin	Net income/Revenue from ordinary activities	%	8.5%	15.3%
	Earnings Per Share (EPS)	Net income/number of shares	\$	26,893	24,534
Asset Quality	Efficiency of Expenditure	SG&A Expenses/Gross profit	%	56.1%	58.2%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	5.6%	4.9%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	2.7%	2.3%
	Non-Performing Loans	Non-Performing loans >90 days/Equity	%	11.9%	9.7%
		Non-Performing loans/(Loans + Provisions)	%	11.4%	11.7%
	Provisions	Non-Performing loans/Equity	%	49.3%	49.9%
		Provisions/(Loans + Provisions)	%	2.1%	2.2%
		Provisions/Non-performing loans	%	18.8%	18.9%
	Write-offs	Provisions/Non-performing loans >90 days	%	78.0%	97.0%
		Write-offs/(Loans + Provisions)	%	2.1%	2.8%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	2.3%	2.3%
	Restructured Portfolio	Securitized portfolio/(Loans + Provisions)	%	2.3%	2.5%

Table 2: Main Indicators

As of December 31, 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\$ 159,217 million (+13.9% YTD) since December 2018 and totaled Ch\$ 1,303,617 million, while assets grew 12.8% (↑Ch\$ 183,122 million) during the year, thus closing with Ch\$ 1,610,668 million in total. Equity increased Ch\$ 23,905 million (+8.4% YTD), reaching \$ 307,052 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.

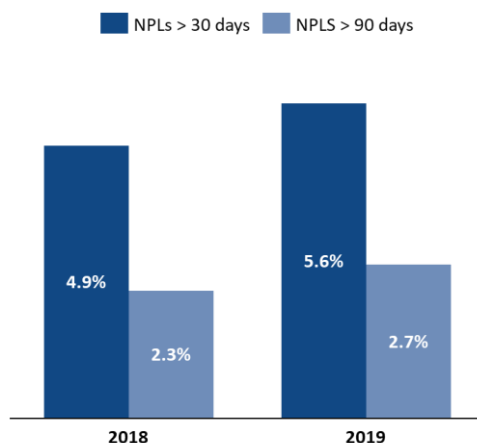


Chart 5: Consolidated NPLs



IV. Business Divisions Results

Tanner is organized in three divisions – Enterprises³, Auto-Financing and Investments⁴, 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 58.5%, 20.7% and 17.8% of the year's gross profit respectively, and 70.5%, 12.4% and 13.1% for the fourth quarter of 2019. Additionally, revenues and costs generated by the Treasury unit are shown below.

Business Division		01.01.2019 to 12.31.2019 MCh\$	01.01.2018 to 12.31.2018 MCh\$	Δ \$	Δ %	10.01.2019 to 12.31.2019 MCh\$	10.01.2018 to 12.30.2018 MCh\$	Δ \$	Δ %
ENTERPRISE									
DIVISION 	REVENUE	87,234	75,378	11,856	15.7%	22,931	23,949	(1,018)	-4.3%
	COSTS	39,220	35,816	3,404	9.5%	9,952	10,736	(783)	-7.3%
	GROSS PROFIT	48,014	39,561	8,452	21.4%	12,978	13,213	(235)	-1.8%
i. FACTORING									
	REVENUE	52,752	45,284	7,468	16.5%	12,734	14,343	(1,609)	-11.2%
	COSTS	23,999	18,626	5,373	28.8%	6,396	5,937	459	7.7%
	GROSS PROFIT	28,753	26,658	2,095	7.9%	6,338	8,406	(2,068)	-24.6%
ii. LEASING									
	REVENUE	8,487	9,469	(981)	-10.4%	1,913	2,139	(226)	-10.6%
	COSTS	5,137	7,100	(1,963)	-27.6%	1,154	1,941	(788)	-40.6%
	GROSS PROFIT	3,350	2,368	981	41.4%	759	198	561	283.7%
iii. CORPORATE LOANS									
	REVENUE	25,995	20,625	5,369	26.0%	8,283	7,466	817	10.9%
	COSTS	10,084	10,090	(6)	-0.1%	2,402	2,857	(454)	-15.9%
	GROSS PROFIT	15,911	10,535	5,376	51.0%	5,881	4,610	1,271	27.6%
AUTO-FINANCING									
DIVISION 	REVENUE	87,091	81,098	5,994	7.4%	21,999	19,951	2,048	10.3%
	COSTS	70,132	59,246	10,886	18.4%	19,718	16,055	3,663	22.8%
	GROSS PROFIT	16,959	21,851	(4,892)	-22.4%	2,281	3,896	(1,615)	-41.5%
SUBSIDIARIES									
	REVENUE	188,978	46,870	142,108	303.2%	95,342	19,456	75,886	390.0%
	COSTS	174,359	34,794	139,564	401.1%	92,933	16,137	76,796	475.9%
	GROSS PROFIT	14,619	12,075	2,544	21.1%	2,409	3,319	(910)	-27.4%
TREASURY									
	REVENUE	18,915	(9,470)	28,386	-299.7%	5,605	(6,969)	12,574	-180.4%
	COSTS	16,395	(12,053)	28,448	-236.0%	4,874	(7,409)	12,283	-165.8%
	GROSS PROFIT	2,521	2,583	(62)	-2.4%	731	440	291	66.2%
Tanner									
	REVENUE	382,219	193,875	188,344	97.1%	145,877	56,387	89,489	158.7%
	COSTS	300,106	117,804	182,302	154.8%	127,477	35,519	91,959	258.9%
	GROSS PROFIT	82,113	76,071	6,042	7.9%	18,399	20,869	(2,469)	-11.8%

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 2019 reached Ch\$ 82,113 million (↑Ch\$ 6,042 million / +7.9% YoY), with an increase in revenues (↑Ch\$ 188,344 million / +97.1% YoY) offsetting the growth in costs (↑Ch\$ 182,302 million / +154.8% YoY). During **4Q19, gross margin totaled Ch\$ 18,399 million** (↓Ch\$ 2,469 million / -11.8% YoY), with a rise in revenues (↑Ch\$ 89,489 million / +158.7% YoY) offset by the greater increment in costs (↑Ch\$ 91,959 million / +258.9%). Gross margin breakdown by division/product, is as follows:

ENTERPRISES DIVISION



i. FACTORING



2019: Ch\$ 48,014 million, rising 21.4% YoY (↑Ch\$ 8,452 million), derived from a significant increase in revenues (↑Ch\$ 11,856 million / +15.7% YoY) that offset growth in costs (↑Ch\$ 3,404 million / 9.5% YoY).

4Q19: Ch\$ 12,978 million, down 1.8% YoY (↓Ch\$ 235 million), in line with decreasing revenues of Ch\$ 23,931 million (-4.3% YoY) and costs (↓Ch\$ 783 million / -7.3% YoY).

2019: Ch\$ 28,753 million, growing 7.9% YoY (↑Ch\$ 2,095 million), due to an increase of Ch\$ 7,468 million (+16.5% YoY) in revenues and a rise of 28.8% YoY (↑Ch\$ 5,373 million) in costs.

4Q19: Ch\$ 6,338 million, down 24.6% YoY (↓Ch\$ 2,068 million), with decreasing revenues of 11.2% YoY (↓Ch\$ 1,609 million) and greater costs up 7.7% YoY (↑Ch\$ 459 million).

ii. LEASING



2019: Ch\$ 3,350 million, up 41.4% YoY (↑Ch\$ 981 million), since costs were reduced 27.6% (↓Ch\$ 1,963 million), thus buffering the decrease in revenues (↓Ch\$ 981 million / -10.4% YoY).

4Q19: Ch\$ 759 million, up 283.7% YoY (↑Ch\$ 561 million), due to a drop of costs of 40.6% YoY (↓Ch\$ 788 million) combined with lower revenues (↓Ch\$ 226 million / -10.6% YoY).

iii. CORPORATE LENDING



2019: Ch\$ 15,911 million, up 51.0% YoY (↑Ch\$ 5,376 million), due to an increase in revenues (↑Ch\$ 5,369 million / +26.0% YoY) and decreasing costs (↓Ch\$ 6 million / -0.1% YoY).

4Q19: Ch\$ 5,881 million, rising 27.6% YoY (↑Ch\$ 1,271 million), in line with an increase of 10.9% YoY (↑Ch\$ 817 million) in revenues and decreasing costs (↓Ch\$ 454 million / -15.9% YoY).

AUTO-FINANCING DIVISION



SUBSIDIARIES



2019: Ch\$ 16,959 million, contracting 22.4% YoY (↓Ch\$ 4,892 million), derived from a greater increment in costs (↑Ch\$ 10,886 million / +18.4% YoY) than in revenue (↑Ch\$ 5,994 million / +7.4% YoY).

4Q19: Ch\$ 2,281 million, down 41.5% YoY (↓Ch\$ 1,615 million), with an increase in revenues (↑Ch\$ 2,048 million / +10.3% YoY), smaller than the costs upsurge (↑Ch\$ 3,663 million / +22.8% YoY).

2019: Ch\$ 14,619 million, up 21.1% YoY (↑Ch\$ 2,544 million), due to an increase of Ch\$ 142,108 million (+303.2% YoY) in revenues that was offset by higher costs (↑Ch\$ 139,564 million / + 401.1% YoY).

4Q19: Ch\$ 2,409 decreasing 27.4% YoY (↓Ch\$ 910 million), in line with a raise in revenues by Ch\$ 75,886 million (+390.0% YoY) offset by increased costs (↑Ch\$ 76,796 million / 475.9% YoY).

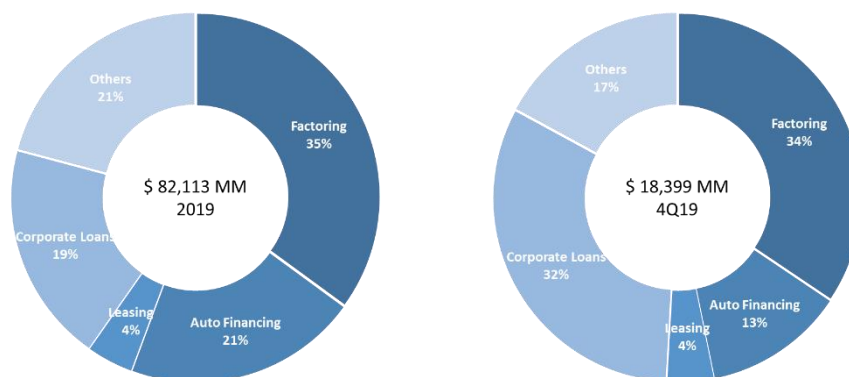


Chart 6: Gross Margin Breakdown by Division

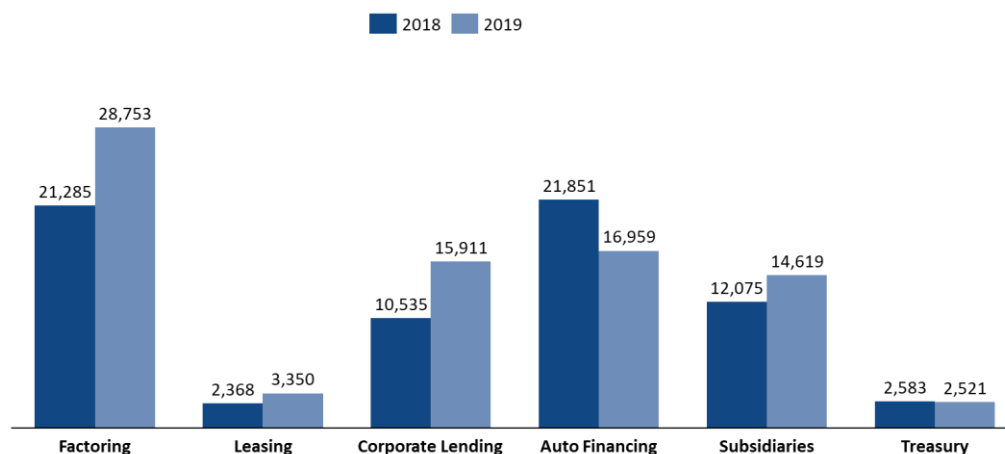


Chart 7: Gross Margin Breakdown by Line of Business for 2019

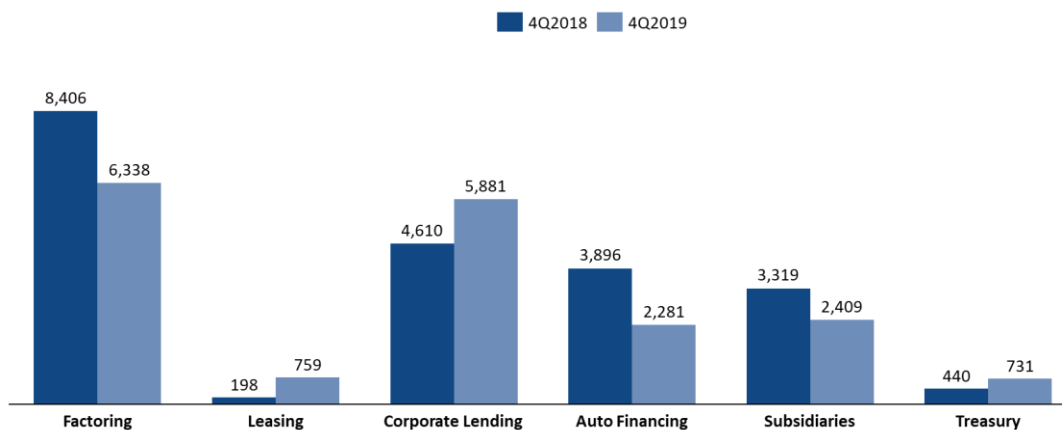


Chart 8: Gross Margin Breakdown by Line of Business Fourth Quarter 2019



Consolidated revenue totaled Ch\$ 382,219 million during 2019, with a rise of 97.1% YoY (↑Ch\$ 188,344 million), meanwhile **4Q19 totaled Ch \$145,877 million**, with an increase of 158.7% YoY (↑Ch\$ 89,489 million) explained by revenue of:

ENTERPRISES DIVISION



2019: Ch\$ 87,234 million (↑Ch\$ 11,856 million / +15.7% YoY);

4Q19: Ch\$ 22,931 million (↓Ch\$ 1,018 million / -4.3% YoY);

Driver: Increase in price differences derived from factoring which represents 60.5% of the divisions revenues.

i. FACTORING



2019: Ch\$ 52,752 million (↑Ch\$ 7,468 million / +16.5% YoY);

4Q19: Ch\$ 12,734 million (↓Ch\$ 1,609 million / -11.2% YoY);

Driver: Increase in price differences.

ii. LEASING



2019: Ch\$ 8,487 million (↓Ch\$ 981 million / -10.4% YoY);

4Q19: Ch\$ 1,913 million (↓Ch\$ 226 million / 10.6% 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



2019: Ch\$ 25,995 million (↑Ch\$ 5,369 million / +26.0% YoY);

4Q19: Ch\$ 8,283 million (↑Ch\$ 817 million / +10.9% YoY);

Driver: Higher interests and commissions.

AUTO-FINANCING DIVISION



2019: Ch\$ 87,091 million (↑Ch\$ 5,994 million / +7.4% YoY);

4Q19: Ch\$ 21,999 million (↑Ch\$ 2,048 million / +10.3% YoY);

Driver: Higher volume of loans granted coupled with greater interest rate income.

SUBSIDIARIES



2019: Ch\$ 188,978 million (↑Ch\$ 142,108 million / +303.2% YoY);

4Q19: Ch\$ 95,342 million (↑Ch\$ 75,886 million / +390.0% YoY);

Driver: Intermediated volume increase.



Consolidated costs totaled Ch\$ 300,106 during 2019 and Ch\$ 127,477 million in 4Q19, expanding Ch\$ 182,302 million (+154.8% YoY) and Ch\$ 91,959 million (+258.9% YoY) respectively, explained by the costs of:

ENTERPRISES DIVISION



2019: Ch\$ 39,220 (↑Ch\$ 3,404 million / +9.5% YoY);
4Q19: Ch\$ 9,952 million (↓Ch\$ 783 million / -7.3% YoY);
Driver: Increases due to higher interest rate related costs.

i. FACTORING



2019: Ch\$ 23,999 million (↑Ch\$ 5,373 million / +28.8% YoY);
4Q19: Ch\$ 6,369 million (↑Ch\$ 459 million / +7.7% YoY);
Driver: Increase in interest rates related to this product.

ii. LEASING



2019: \$ 5,137 million (↓\$ 1,963 million / -27.6% YoY);
4Q19: \$ 1,154 million (↓\$ 788 million / -40.6% YoY);
Driver: Reduction in provisions and write-offs, coupled with reductions in other costs.

iii. CORPORATE LENDING



2019: \$ 10,084 million (↓\$ 6 million / -0.1% YoY);
4Q19: \$ 2,402 million (↓\$ 454 million / -15.9% YoY);
Driver: Decrease in provisions and write-offs.

AUTO-FINANCING DIVISION



2019: \$ 70,132 million (↑\$ 10,886 million / +18.4% YoY);
4Q19: \$ 19,718 million (↑\$ 3,663 million / +22.8% YoY);
Driver: Higher interest expenses and commissions in line with an increase in stock.

SUBSIDIARIES



2019: \$ 174,359 million (↑\$ 139,564 million / +401.1% YoY);
4Q19: \$ 92,933 million (↑\$ 76,796 million / +475.9% YoY);
Driver: Increased intermediated volume.



V. Business Divisions Portfolio Quality

	Indicator	Definition	Unit	12-31-2019	12-31-2018
	ENTERPRISE DIVISION				
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	8.0%	8.3%
		Non-Performing loans/Equity	%	20.6%	22.8%
	Provisions	Provisions/(Loans + Provisions)	%	1.2%	1.4%
		Provisions/Non-performing loans	%	15.0%	17.4%
		Provisions/Non-performing loans >90 days	%	60.5%	101.5%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.2%	1.3%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.4%	2.4%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	2.0%	1.4%
		Non-Performing loans >90 days/Equity	%	5.1%	3.9%
	RESTRUCTURED PORTFOLIO	Securitized portfolio/(Loans + Provisions)	%	2.2%	2.3%
		Securitized portfolio/Equity	%	5.7%	6.4%
	Clients	Number of clients	#	4,769	4,872
	Efficiency	SG&A Expenses/Gross profit	%	48.6%	66.4%
	II. FACTORING				
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	9.0%	8.1%
		Non-Performing loans/Equity	%	12.0%	12.9%
	Provisions	Provisions/(Loans + Provisions)	%	1.2%	1.0%
		Provisions/Non-performing loans	%	13.4%	12.9%
		Provisions/Non-performing loans >90 days	%	82.7%	98.5%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	1.7%	1.3%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.0%	2.1%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	1.5%	1.1%
		Non-Performing loans >90 days/Equity	%	1.9%	1.7%
	RESTRUCTURED PORTFOLIO	Securitized portfolio/(Loans + Provisions)	%	0.5%	1.4%
		Securitized portfolio/Equity	%	0.7%	2.2%
	Clients	Number of clients	#	3,650	3,734
	Efficiency	SG&A Expenses/Gross profit	%	51.0%	66.7%
	II. LEASING				
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	11.4%	18.4%
		Non-Performing loans/Equity	%	3.1%	5.3%
	Provisions	Provisions/(Loans + Provisions)	%	1.3%	2.8%
		Provisions/Non-performing loans	%	11.2%	15.4%
		Provisions/Non-performing loans >90 days	%	29.8%	86.7%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	-0.6%	1.0%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	5.9%	6.9%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.3%	3.3%
		Non-Performing loans >90 days/Equity	%	1.1%	0.9%
	RESTRUCTURED PORTFOLIO	Securitized portfolio/(Loans + Provisions)	%	7.4%	7.5%
		Securitized portfolio/Equity	%	2.0%	2.2%
	Clients	Number of clients	#	348	560
	Efficiency	SG&A Expenses/Gross profit	%	78.0%	102.1%
	III. CORPORATE LENDING				
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	5.8%	5.2%
		Non-Performing loans/Equity	%	5.6%	4.6%
	Provisions	Provisions/(Loans + Provisions)	%	1.2%	1.7%
		Provisions/Non-performing loans	%	20.5%	32.5%
		Provisions/Non-performing loans >90 days	%	36.1%	104.2%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	0.9%	1.4%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	3.3%	1.6%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	2.1%	1.5%
		Non-Performing loans >90 days/Equity	%	2.0%	1.3%
	RESTRUCTURED PORTFOLIO	Securitized portfolio/(Loans + Provisions)	%	3.1%	2.3%
		Securitized portfolio/Equity	%	3.0%	2.0%
	Clients	Number of clients	#	771	578
	Efficiency	SG&A Expenses/Gross profit	%	38.1%	57.9%
	AUTO FINANCING				
	Non-Performing Loans	Non-Performing loans/(Loans + Provisions)	%	18.6%	20.3%
		Non-Performing loans/Equity	%	28.7%	27.1%
	Provisions	Provisions/(Loans + Provisions)	%	4.0%	4.1%
		Provisions/Non-performing loans	%	21.6%	20.2%
		Provisions/Non-performing loans >90 days	%	91.2%	94.0%
	Provisions and Write-offs	Annualized provisions and write-offs/(Loans + Provisions)	%	4.4%	4.5%
	Non-Performing Loans over 30 days	Non-performing loans >30 days/(Loans + Provisions)	%	10.2%	10.6%
	Non-Performing Loans over 90 days	Non-performing loans >90 days/(Loans + Provisions)	%	4.4%	4.4%
		Non-Performing loans >90 days/Equity	%	6.8%	5.8%
	RESTRUCTURED PORTFOLIO	Securitized portfolio/(Loans + Provisions)	%	2.7%	2.9%
		Securitized portfolio/Equity	%	4.2%	3.8%
	Clients	Number of clients	#	75,797	67,577
	Efficiency	SG&A Expenses/Gross profit	%	97.7%	68.7%

Table 4: Business Divisions Main Indicators



ENTERPRISES DIVISION



Portfolio quality stays within stable levels compared to 2018, reflected in the slight deterioration of both NPLs > 30 days and NPLs > 90 days.

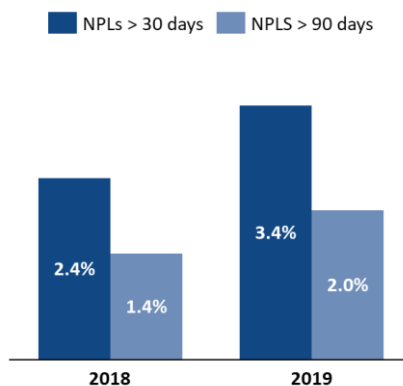


Chart 9: NPLs – Enterprises Division

i. FACTORING



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

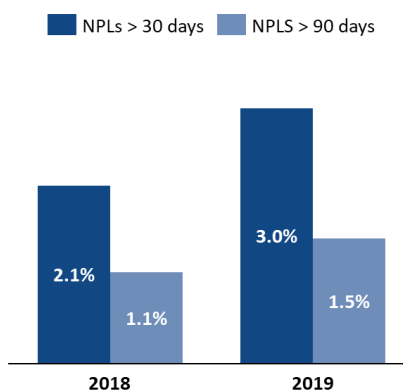


Chart 10: NPLs – Factoring Business

ii. LEASING



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

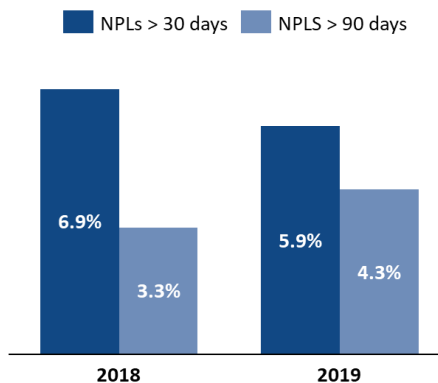




Chart 11: NPLs – Leasing Business

**iii. CORPORATE
LENDING**



Portfolio quality indicators saw moderate deterioration in terms of NPLs > 90 days while NPLs > 30 days deteriorated.

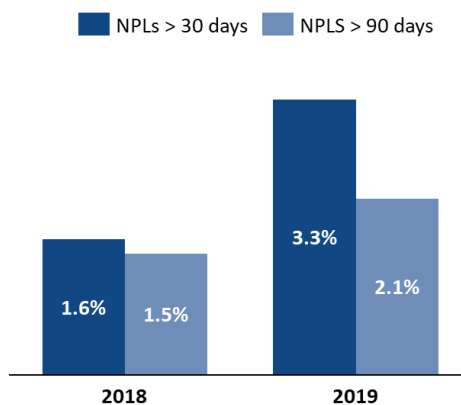


Chart 12: NPLs – Corporate Lending Business

**AUTO-FINANCING
DIVISION**



Portfolio quality indicators improved in terms of NPLs > 30 days improved YoY, while NPLs > 90 days remained unchanged.

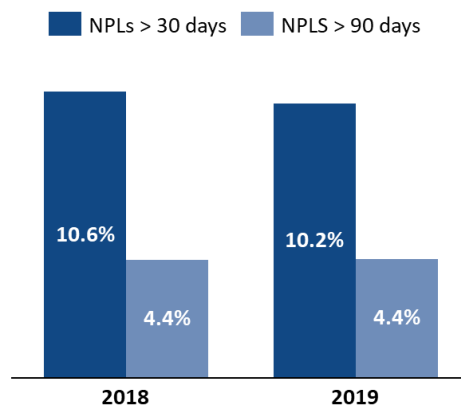


Chart 13: NPLs – Auto-Financing Division



VI. Balance Sheet

Assets (MCh\$)	12-31-2019	12-31-2018	Δ \$	Δ %
Current Assets				
Cash and cash equivalent	53,660	25,474	28,186	110.6%
Other current financial assets	94,815	104,324	(9,509)	-9.1%
Other current non-financial assets	1,727	1,765	(38)	-2.2%
Trade receivables and other current accounts receivable, net	894,979	770,975	124,004	16.1%
Current accounts receivable from related parties	381	458	(77)	-16.8%
Current tax assets	18,239	12,851	5,388	41.9%
Non-current assets held for sale	10,519	7,968	2,550	32.0%
Total Current Assets	1,074,320	923,816	150,504	16.3%
Non-Current Assets				
Other non-current financial assets	62,456	37,555	24,900	66.3%
Other non-current non-financial assets	4,638	2,822	1,816	64.4%
Trade receivables and other non-current accounts receivable, net	407,225	411,606	(4,381)	-1.1%
Non-current accounts receivable from related parties	528	681	(153)	-22.5%
Intangible assets other than goodwill	6,759	5,520	1,239	22.4%
Goodwill	1,764	1,764	-	0.0%
Property, plant and equipment	11,632	3,189	8,443	264.8%
Property Investments	11,381	9,316	2,065	22.2%
Deferred tax assets	29,966	31,278	(1,312)	-4.2%
Total Non-Current Assets	536,348	503,730	32,618	6.5%
Total Assets	1,610,668	1,427,546	183,122	12.8%
Liabilities (MCh\$)	12-31-2019	12-31-2018	Δ \$	Δ %
Current Liabilities				
Other current financial liabilities	720,041	597,596	122,445	20.5%
Trade payables and other current accounts payables	141,470	90,908	50,562	55.6%
Other short-term provisions	528	306	222	72.6%
Short-term employee benefits provisions	1,228	3,957	(2,729)	-69.0%
Current tax liabilities	680	2,306	(1,625)	-70.5%
Other current non-financial liabilities	-	-	-	0.0%
Total Current Liabilities	863,948	695,073	168,875	24.3%
Non-Current Liabilities				
Other non-current financial liabilities	439,475	449,213	(9,739)	-2.2%
Non-current accounts payable	-	-	-	-
Deferred tax liabilities	-	-	-	-
Non-current employee benefits provisions	194	113	80	70.9%
Total Non-Current Liabilities	439,669	449,327	(9,658)	-2.1%
Total Liabilities	1,303,617	1,144,400	159,217	13.9%
Equity	307,052	283,146	23,905	8.4%
Total Equity and Liabilities	1,610,668	1,427,546	183,122	12.8%

Table 5: Consolidated Balance Sheet



a. Loan Portfolio ⁵

Total gross loan portfolio by December 2019 reached Ch\$ 1,330,706 million (↑Ch\$ 121,369 million / +10.0% YTD) versus Ch\$ 1,209,337 million in December 2018, while provisions totaled Ch\$ 28,502 million, increasing Ch\$ 1,746 million (+6.5% YTD). Consequently, **total net loan portfolio amounted to Ch\$ 1,302,204 million**, equivalent to a rise of Ch\$ 119,623 million (+10.1% YTD) from Ch\$ 1,182,581 million by the end of 2018.

Net loan portfolio at period-end December 2019:

1. **Enterprises Division: Ch\$ 778,878 million** | +1.1% YTD | ↑Ch\$ 8,816 million;
 - a. **Factoring: Ch\$ 404,526 million** | -9.1% YTD | ↓Ch\$ 40,413 million;
 - b. **Leasing: Ch\$ 81,450 million** | +3.0% YTD | ↑Ch\$ 2,394 million;
 - c. **Corporate Lending: Ch\$ 292,902 million** | +19.0% YTD | ↑Ch\$ 46,834 million; and,
2. **Auto-Financing Division: Ch\$ 454,102 million** | +25.4% YTD | ↑Ch\$ 91,848 million.

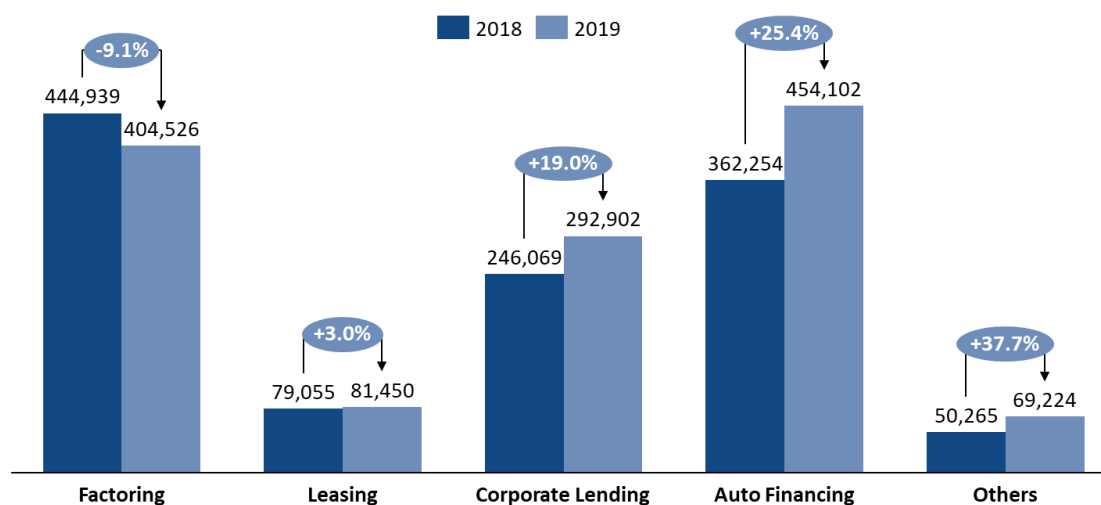


Chart 14: Net Loan Portfolio Breakdown by Line of Business

The portfolio has continued to concentrate in the Company's strategic businesses – factoring and auto-financing – which in 2019 represent 31.1% and 34.9% of the net loan portfolio, respectively.

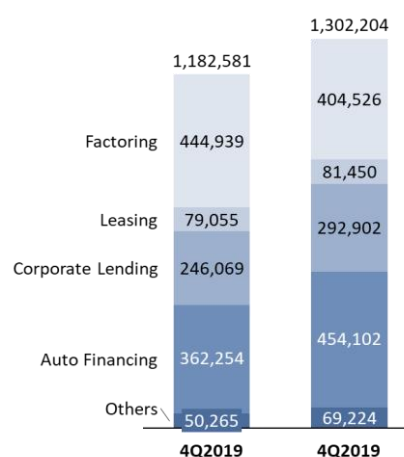


Chart 15: Net Loan Portfolio Breakdown

⁵ Gross loans minus provisions.



b. Funding Sources

Financial liabilities as of December 31, 2019, totaled Ch\$ 1,159,515 million, compared with \$ 1,046,809 million in December 2018 (↑Ch\$ 112,706 million / +10.8% YTD), mainly due to the increase of liabilities associated to: (i) bonds (↑Ch\$ 32,590 million / +6.4% YTD), the increase of those related to (ii) commercial paper (↑Ch\$ 58,877 million/ +54.2% YTD) and (iii) banks and financial institutions (↑Ch\$ 8,309 million/ +2.5% YTD)

In terms of liabilities structure, 46.9% (Ch\$ 543,490 million) corresponds to local and international bonds, 31.5% (Ch\$ 365,512 million) to bank loans and credit lines, and 14.4% (Ch\$ 167,515 million) to commercial paper. Additionally, Ch\$ 82,998 million (7.2%) are related to other financial obligations, corresponding to repos and forwards.

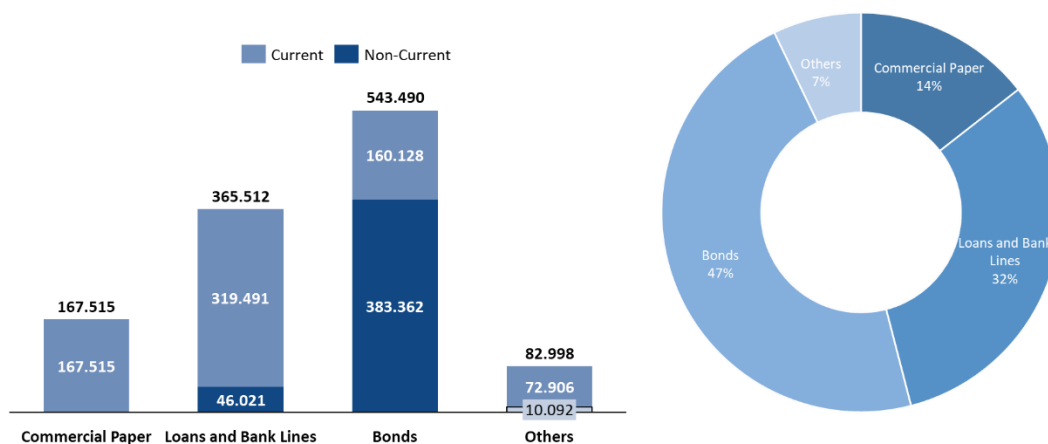


Chart 16: Sources of Funding Breakdown



VII. Cash Flow Statement

MCh\$	12-31-2019	12-31-2019	Δ \$
Cash flow provided by (used in) operating activities	(177,506)	(271,649)	94,143
Cash flow provided by (used in) investing activities	251,938	172,179	79,760
Cash flow provided by (used in) financing activities	(46,412)	40,277	(86,690)
Effect of changes in exchange rates	166	31	136
Net increase (decrease) in cash and cash equivalent	28,186	(59,162)	87,348
Cash and Cash Equivalent, Initial Balance	25,474	84,636	(59,162)
Cash and Cash Equivalent, Final Balance	53,660	25,474	28,186

Table 6: Cash Flow Statement

During the fourth of 2019, cash flow of **operating activities totaled Ch\$ -177,506 million** versus Ch\$ -271,649 million recorded in December 2018, mainly because collections increased by Ch\$ 337,012 million.

Cash flow stemming from **investing activities reached Ch\$ 251,938 million**, Ch\$ 79,760 million more than Ch\$ 172,179 million of 4Q18, mainly because of collections for \$238,016 million mainly involving futures, forward contracts, options and financial swap contracts.

Financing activities cash flow amounts to Ch\$ -46,412 million in 2019, versus Ch\$ 40,277 million during the previous period, due to the fall in payments for other equity participations and bank loans.

Finally, **cash and cash equivalents by period-end 2019, totaled Ch\$ 53.660 million**, increasing Ch\$ 28,186 million when compared to 2018.



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: three risk profiles that consider internal behavior variables and variables captured in admission. The influencing variables are the following: (i) current days of delinquency, (ii) debtor classification.
- ii. Checks: two risk profiles that consider internal behavior variables. The influencing variable is the current days of delinquency.
- iii. Returned Checks, Renegotiated and Others: two risk profiles that consider internal behavior variables. The influencing variables are: (i) current days of delinquency, (ii) Group or type.

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

LEASING



Provisions calculations considers five profiles based on a segmentation by sub-product and risk profiles. The influencing variables are: (i) current days of delinquency, (ii) sub product (Real estate, Vendor, Machinery and vehicle leasing) and (iii) renegotiation.

The write-off policy has as maximum term of 366 days past due, except for real estate leasing and leasing vendor in which case the maximum term is extended to 901 days.

CORPORATE LENDING



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

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 sales channel and risk profiles based on internal behavior. Sales channel segmentation is as follows: (i) First options, (ii) Dealers and Direct (iii) Renegotiated.

Each segment is subdivided into risk profiles according to their internal behavior “score” which considers the following variables: (i) maximum days of delinquency in the past three months, (ii) past three months unpaid balance ratio, (iii) Loan to value and (iv) segment.

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



Concept	12.31.2019			
	Gross Portfolio Ch\$K	Provisions Ch\$K	Net Portfolio Ch\$K	Provisions Index
Factoring	409,461,713	(4,935,677)	404,526,035	1.21%
Leasing	82,501,245	(1,051,432)	81,449,813	1.27%
Corporate Loans	296,432,919	(3,530,728)	292,902,192	1.19%
Automobile Loans	473,086,185	(18,984,263)	454,101,921	4.01%
Others	69,224,061	-	69,224,061	0.00%
Total	1,330,706,123	(28,502,100)	1,302,204,022	2.14%

Concept	12.31.2018			
	Gross Portfolio Ch\$K	Provisions Ch\$K	Net Portfolio Ch\$K	Provisions Index
Factoring	449,641,169	(4,702,600)	444,938,568	1.05%
Leasing	81,373,247	(2,317,836)	246,068,521	2.85%
Corporate Loans	250,298,644	(4,230,124)	362,253,890	1.69%
Automobile Loans	377,759,357	(15,505,467)	79,055,410	4.10%
Others	50,264,519	-	50,264,519	0.00%
Total	1,209,336,935	(26,756,027)	1,182,580,908	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	12.31.2019				
	Total Portfolio Th Ch\$	Renegotiation Th Ch\$	Provision Ch\$ Th	Renegotiation by product %	Total portfolio renegotiation %
Factoring	409,461,713	2,065,500	(4,935,678)	0.50%	0.16%
Corporate Lending	296,432,919	9,183,347	(3,530,727)	3.10%	0.69%
Auto Financing	473,086,185	12,774,134	(18,984,263)	2.70%	0.96%
Leasing	82,501,245	6,134,445	(1,051,432)	7.44%	0.46%
Others	69,224,061	-	-	-	-
Total	1,330,706,123	30,157,426	(28,502,100)		2.27%

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	377,759,358	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	50,264,518	-	-	-	-
Total	1,209,336,936	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 December 31, 2019, the Company, on a consolidated level, totaled Ch\$ 53,660 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 VaR⁶.

By December 2019, investments on corporate bonds – valued at market prices – reached MUS\$ 31,048 (MUS\$ 20,892 by December 31, 2018). By December 31, 2019, the average duration of the portfolio was 2.53 years, sensitivity measured by DV01⁷ was US\$ 7,464 (USD 2,938 by December 31, 2018) and parametric VaR⁹, with a 1-day horizon was US\$ 67,109 (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%	0.08%	0.12%	0.16%	0.20%	0.25%	0.29%	0.33%

Increases:

Positive Delta (bps)	25	50	75	100	125	150	175	200
Net Portfolio Variation	-0.04%	-0.08%	-0.12%	-0.16%	-0.19%	-0.23%	-0.27%	-0.31%

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	12.31.2019							
	Trading Derivatives				Hedging Derivatives			
	UF\$K	CLP\$K	USD\$K	CHF\$K	UF\$K	CLP\$K	USD\$K	CHF\$K
Up to 1 year	-	(25,514,397)	25,048,325	-	90,268,540	(254,437,448)	97,329,586	79,666,912
1 to 3 years	-	-	-	-	92,778,948	(122,948,561)	(62,269,437)	98,801,288
3 years and over	-	-	-	-	118,850,178	(107,404,479)	(44,574)	-
Total	-	(25,514,397)	25,048,325	-	301,897,665	(484,790,488)	35,015,575	178,468,201

Sens. +1bps	12.31.2019							
	Trading Derivatives				Hedging Derivatives			
	UF\$K	CLP\$K	USD\$K	CHF\$K	UF\$K	CLP\$K	USD\$K	CHF\$K
Up to 1 year	-	160	(159)	-	(5,968)	12,297	(3,165)	(6,924)
1 to 3 years	-	-	-	-	(17,551)	21,665	(5,084)	(19,109)
3 years and over	-	-	-	-	(48,280)	42,262	17	-
Total	-	160	(159)	-	(71,799)	76,224	(8,232)	(26,033)

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 December 31, 2019, the Company presents an exposure in US Dollars of MUS\$1,627 equivalent to 0.40% 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)	12.31.2019	12.31.2018
Assets	331,186	269,335
Liabilities	(381,989)	(390,432)
Derivative Instrument	52,429	115,474
Total Mismatch	1,627	(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 December 31, 2019, mismatch in UF amounted to UF 2,814k, equivalent to 25.94% 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)	12.31.2019	12.31.2018
Assets	6,803	7,737
Liabilities	(13,564)	(12,717)
Derivative Instrument	9,575	6,966
Total Mismatch	2,814	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 December 31, 2019.

