# Quarterly Earnings Report

*June 2020*

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# I. Executive Summary

- **ROAE*:**

  1H20: 9.4% / 1H19: 10.8%

- **ROAA**:**

  1H20: 2.0% / 1H19: 2.4%

- **Equity:**

  1H20: MCh$ 304,331 / Δ⁻: 0.9% YTD

- **Net Profit:**

  2Q20: MCh$ 5,070 / 2Q19: MCh$ 8,613
  Δ⁻: 41.1% YoY
  1H20: MCh$ 10,453 / 1H19: MCh$ 14,965
  Δ⁻: 30.1% YoY

- **Net Portfolio:**

  1H20: MCh$ 1,081,959 / Δ⁻: 16.9% YTD

- **NPLs > 90 days:**

  1H20: 3.7% / 1H19: 2.9%

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

**Profit after taxes in the first half of 2020 decreased 30.1% YoY, while between April and June the fall was 41.1% YoY, totaling Ch$ 10,453 million and Ch$ 5,070 million** respectively. triggered by decreases in operating margins of 31.4% YoY and 34.4% in 1H20 and 2Q20 respectively.

**Net loan portfolio at period-end June 2020 totaled Ch$ 1,081,959 million**, down Ch$ 220,245 million (-16.9% YTD) driven by moderate performances of: (i) the **corporate division portfolio which closed the period with net loans of Ch$ 613,664 million** (↓Ch$ 165,214 million / -21.2% YTD), mainly coming from factoring, which totaled Ch$ 260,927 million (↓Ch$ 143,599 million / -35.5% YTD), corporate lending which reached Ch$ 276,045 million (↓Ch$ 16,858 million / -5.8% YTD) and by (ii) the **auto-financing division, which ended the period with net loan portfolio amounting to Ch$ 434,585 million** (↓Ch$ 19,517 million / -4.3% YTD).

In terms of risk compared to the previous year, Tanner maintains suitable portfolio risk levels with **NPLs over 90 days increasing 83 bps to 3.71%** (1H18: 2.88%), while NPLs over 30 days increased 118 basis point, reaching 6.76% (1H18: 5.58%) during the first half of the year. **Non-performing loans over 90 days of the corporate division increased 41 bps to 2.59%** (1H19: 2.17%) driven by and 133 bps in corporate lending (1H20: 2.90% vs. 1H19: 1.58%), counteracted by decline of 93 bps in corporate lending (1H20: 3.82% vs. 1H19: 4.75%) while factoring maintained at (1H20: 1.89% vs. 1H19: 1.89%). Meanwhile, **NPLs over 90 days in the auto-financing division registered an increase of 87 bps totaling 5.52%** (1H19: 4.6%). These numbers reflect the deterioration in quality of our loan portfolio as a result of the Covid-19 pandemic, but also show the measures and actions taken to control these very effects on our assets.

**Liquidity index at period-end June 2020 reached 1.68 times**, slightly below the levels registered in 1H19 (1.57x) and above those registered to Dec-19 (1.53x), while **cash totaled Ch$ 103,619 million** versus Ch$ 53,660 million at the end of the previous year and $ 22,998 in June 2019. On the other hand, the Company's **leverage closed at 3.67 times** (1H19: 3.74x and Dec-19: 4.37x).

# 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$ | 01-01-2020 06-30-2020 | 01-01-2019 06-30-2019 | Δ $ | Δ % | 04-01-2020 06-30-2020 | 04-01-2019 06-30-2019 | Δ $ | Δ % |
|---|---|---|---|---|---|---|---|---|
| Revenue from ordinary activities | 99,543 | 92,941 | 6,602 | 7.1% | 35,329 | 45,984 | (10,655) | -23.2% |
| Sales cost | (46,611) | (40,997) | (5,614) | 13.7% | (9,487) | (19,429) | 9,942 | -51.2% |
| Gross profit | 52,932 | 51,944 | 988 | 1.9% | 25,843 | 26,555 | (713) | -2.7% |
| Impairment Losses | (16,566) | (12,960) | (3,606) | 27.8% | (7,518) | (5,936) | (1,582) | 26.6% |
| Other revenue, by function | 153 | 1,184 | (1,031) | -87.1% | 57 | 916 | (859) | -93.8% |
| Administrative expenses | (24,082) | (22,257) | (1,825) | 8.2% | (11,595) | (11,414) | (181) | 1.6% |
| Other profits (losses) | (148) | - | (148) | - | (148) | - | (148) | - |
| Operating margin | 12,290 | 17,912 | (5,622) | -31.4% | 6,639 | 10,121 | (3,482) | -34.4% |
| Financial revenue | 2 | 46 | (44) | -94.9% | (39) | 30 | (69) | -233.2% |
| Financial costs | (273) | (212) | (62) | 29.2% | (107) | (120) | 13 | -11.0% |
| Foreign exchange differences | 72 | 47 | 25 | 53.9% | (18) | 27 | (45) | -168.7% |
| Income by adjustment units | 89 | 8 | 82 | 1083.0% | 25 | 7 | 18 | 278.7% |
| Profit (losses) before taxes | 12,180 | 17,800 | (5,621) | -31.6% | 6,499 | 10,064 | (3,565) | -35.4% |
| Revenue (expense) from profit taxes | (1,726) | (2,835) | 1,109 | -39.1% | (1,429) | (1,450) | 21 | -1.5% |
| Profit (losses) | 10,453 | 14,965 | (4,512) | -30.1% | 5,070 | 8,613 | (3,543) | -41.1% |
| Profit (losses) attributable to controller's property owners | 10,558 | 14,730 | (4,172) | -28.3% | 5,033 | 8,455 | (3,422) | -40.5% |
| Profit (losses) attributable to non-controller shares | (105) | 235 | (340) | -144.6% | 36 | 158 | (121) | -76.9% |

*Table 1: Consolidated Income Statement*

The Company's **net profit in the first half of 2020 decreased 30.1% YoY** (↓Ch$ 4,512 million), totaling Ch$ 10,453 million, versus Ch$ 14,965 million in 1H19, while in the second quarter profit fell 41.1% YoY (↓Ch$ 3,543 million), reaching Ch$ 5,070 million (2Q19: Ch$ 8,613 million). **Gross margin in 1H20 reached Ch$ 52,932 million**, up 1.9% YoY (↑Ch$ 988 million) and in **2Q19 totaled Ch$ 25,843 million** (↓Ch$ 713 million / -2.7% YoY).

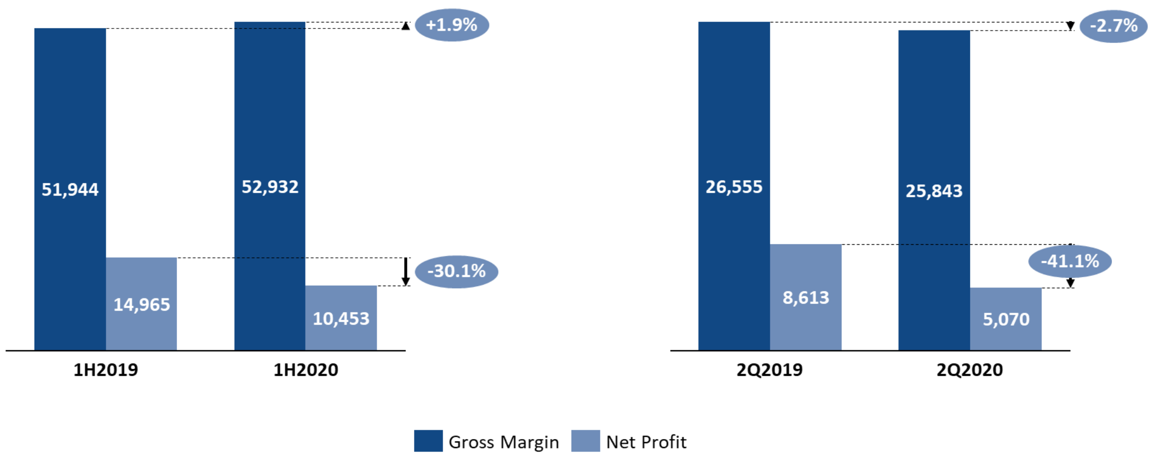


*Chart 1: Consolidated Net Profit and Gross Margin (MCh$)*

**Consolidated revenues totaled Ch$ 99,543 million during the first half of 2020, growing 7.1% YoY (↑Ch$ 6,602 million) and Ch$ 35,329 million (↓Ch$ 10,655 million / -23.2% YoY) during 2Q20,** in line with increases in (i) interests (1H20: ↑Ch$ 4,143 million / +8.2% YoY and 2Q20: ↑Ch$ 371 million / 1.5% YoY), (ii) other revenues[1] (1H20: ↑Ch$ 3,701 million / +19.5% YoY and 2Q20: ↑Ch$ 3,373 million / 36.8% YoY) due to the higher income of Tanner Investments, (iii) commissions (1H20: ↑Ch$ 294 million / +9.6% YoY and 2Q20: ↓Ch$ 562 million / -24.7% YoY), offset by decreases in (iv) price differences (1H20: ↓Ch$ 1,125 million / -5.8% YoY and 2Q20: ↓Ch$ 750 million / -8.0% YoY), and (v) income from readjustments (1H20: ↓Ch$ 409 million / -32.6% YoY and 2Q20: ↓Ch$ 13,087 million / -4706.3% YoY)

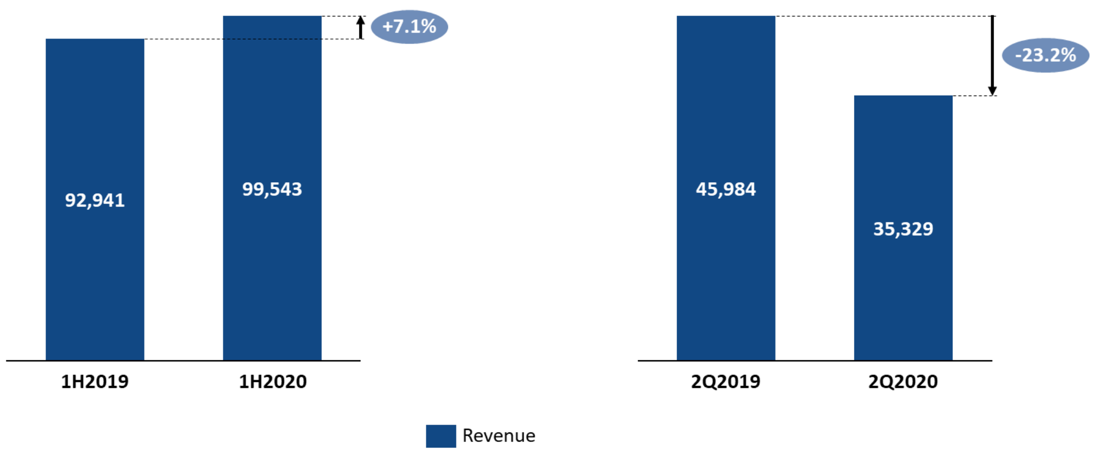


***Chart 2: Consolidated Revenues (MCh$)***

**Consolidated cost of sales at period-end June 2020, reached Ch$ 46,611 million** (↑Ch$ 5,614 million / +13.7% YoY), while in the **second quarter costs reached Ch$ 9,487 million** (↓Ch$ 9,942 million / --51.2% YoY) mainly derived from rises in: (i) Other costs[2] (1H20: ↑Ch$ 8,445 million / +123.6% YoY and 2Q20: ↑Ch$ 5,214 million / +154.4% YoY), and (ii) Commissions (1H20: ↑Ch$ 893 million / +7.6% YoY and 2Q20: ↑Ch$ 104 million / +1.7% YoY). These were offset by lower: (iii) readjustments (1H20: ↓Ch$ 2,342 million / -402.0% YoY and 2Q20: ↓Ch$ 13,668 million / -1427.0% YoY) and (iv) interest costs (1H20: ↓Ch$ 1,383 million / -6.3% YoY and 2Q20: ↓Ch$ 1,704 million / -15.5% YoY).

[1] Other revenues: Correspond mainly to income from our subsidiaries Tanner Corredora de Seguros Ltda., TAM Administradora General de Fondos S.A. y Tanner Investments SpA. Within this last one results associated to the purchase and sale of foreign currencies by TCVB, mainly involving commissions for brokerage and consulting fees. Additionally, these consider other income associated to Factoring, Corporate Loans, Leasing and Treasury.

[2] Other costs: Include other costs from our subsidiaries Tanner Corredora de Seguros Ltda., TAM Administradora General de Fondos S.A. and Tanner investments SpA. Within this last one other costs include results associated to the purchase or sale of foreign currencies by TCVB. Additionally these consider other costs associated to Factoring, Leasing, Corporate Loans and Treasury.

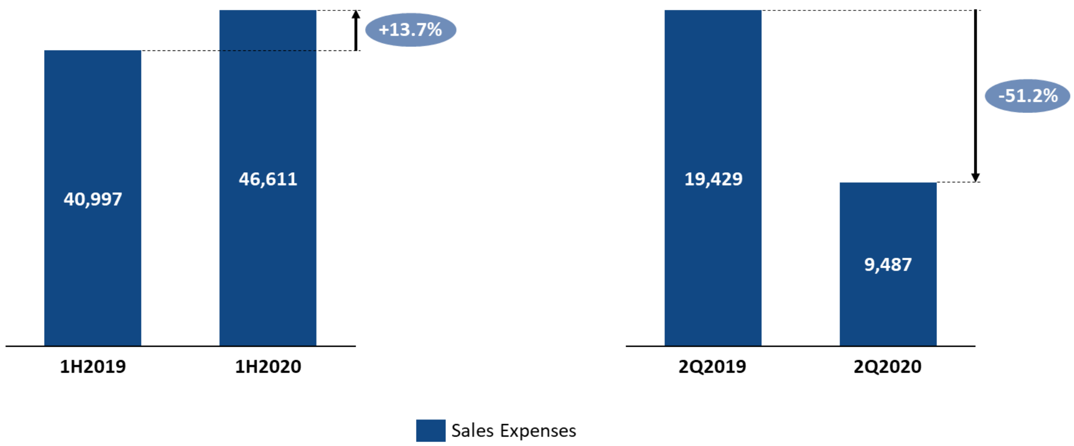


***Chart 3: Consolidated Expenses (MCh$)***

**SG&A expenses (including depreciation) reached Ch$ 24,082 million in 1H20 and Ch$ 11,595 million in 2Q20**, increasing 8.2% YoY and 1.6% YoY respectively, mainly as a consequence of higher remunerations. Human labor – which represents 65.2% of administrative expenses – totaled Ch$ 15,691 million in six months and $ 7,645 million in the quarter, reflecting increases of Ch$ 1,074 million (+7.35% YoY) and Ch$ 209 million (+2.8% YoY) respectively, while general expenses reached Ch$ 8,391 million (↑Ch$ 752 million / 9.8% YoY) in the first six months of the year and Ch$ 3,950 million (↓Ch$ 28 million -0.7% YoY) during the quarter.

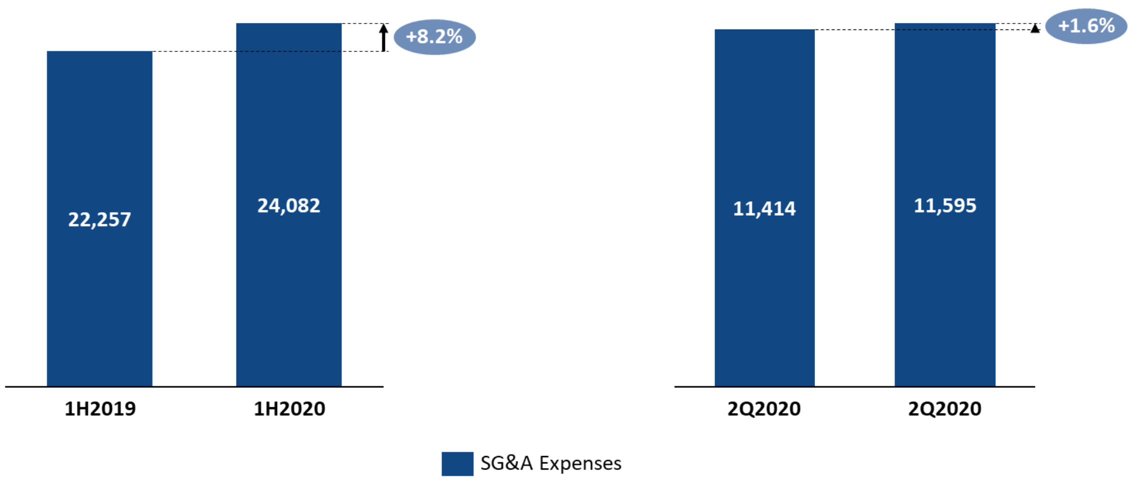


***Chart 4: Consolidated SG&A Expenses (MCh$)***

# III. Main Indicators

| | Indicator | Definition | Unit | 06-30-2020 | 12-31-2019 | 6-30-2019 |
|---|---|---|---|---|---|---|
| Liquidity and Solvency | Current Ratio | *Current Assets/Current Liabilities* | *times* | 1.7 | 1.2 | 1.6 |
| | Current Liabilities to Equity | *Current liabilities/Equity* | *times* | 1.8 | 2.8 | 1.8 |
| | Immediate Liquidity | *Cash and cash equivalent/Current Liabilities* | *times* | 0.2 | 0.1 | 0.0 |
| | Stable Funding Ratio | *(Non-current liabilities + Equity)/(Non-current loans + others non-liquid assets)* | *times* | 1.8 | 1.4 | 1.5 |
| | Debt to Equity | *Total liabilities/Equity* | *times* | 3.7 | 4.2 | 3.7 |
| | Capitalization | *Equity/Assets* | *%* | 21.4% | 19.1% | 21.1% |
| | Total Debt ratio | *Liabilities/Assets* | *times* | 0.8 | 0.8 | 0.8 |
| | Short Term Debt Ratio | *Current liabilities/Total liabilities* | *%* | 49.3% | 66.3% | 48.2% |
| | Long Term Debt Ratio | *Non-current liabilities/Total liabilities* | *%* | 50.7% | 33.7% | 51.8% |
| | Short Term Bank Debt | *Current bank liabilities/Current liabilities* | *%* | 44.4% | 37.0% | 31.3% |
| | Long Term Bank Debt | *Non-current bank liabilities/Non-current liabilities* | *%* | 5.3% | 10.5% | 13.0% |
| | Working Capital | *Current assets - Current liabilities* | *MCh$* | 375,985 | 210,372 | 302,590 |
| | Interest Coverage Ratio | *(Profit before taxes + Financial expenditure)/Financial expenditure* | *times* | 1.5 | 1.7 | 1.7 |
| Profitability | Return on Average Equity | *Annualized profit/ Average Equity* | *%* | 9.4% | 11.0% | 10.8% |
| | Return on Average Assets | *Annualized profit/ Average Assets* | *%* | 2.0% | 2.1% | 2.4% |
| | Gross Profit Margin | *Gross profit/Revenue from ordinary activities* | *%* | 53.2% | 21.5% | 55.9% |
| | Operating Profit Margin | *Operating Profit/Revenue from ordinary activities* | *%* | 12.3% | 10.1% | 19.3% |
| | Net Income Margin | *Net income/Revenue from ordinary activities* | *%* | 10.5% | 8.5% | 16.1% |
| | Earnings Per Share (EPS) | *Net income/number of shares* | *$* | 8,624 | 26,893 | 12,346 |
| | Efficiency of Expenditure | *SG&A Expenses/Gross profit (*)* | *%* | 66.2% | 56.1% | 57.1% |
| Asset Quality | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | *%* | 6.76% | 5.63% | 5.58% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | *%* | 3.71% | 2.75% | 2.88% |
| | | *Non-Performing loans >90 days/Equity* | *%* | 13.6% | 11.9% | 11.2% |
| | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | *%* | 12.7% | 11.4% | 12.5% |
| | | *Non-Performing loans/Equity* | *%* | 46.6% | 49.3% | 48.8% |
| | Provisions | *Provisions/(Loans + Provisions)* | *%* | 2.9% | 2.1% | 2.3% |
| | | *Provisions/Non-performing loans* | *%* | 22.4% | 18.8% | 18.6% |
| | | *Provisions/Non-performing loans >90 days* | *%* | 76.9% | 78.0% | 80.9% |
| | Write-offs | *Write-offs/(Loans + Provisions)* | *%* | 2.6% | 2.1% | 2.5% |
| | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | *%* | 3.3% | 2.3% | 2.5% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | *%* | 4.1% | 2.3% | 2.5% |

*(*) Gross Margin for June 2019 and 2020 includes impairments*

***Table 2: Main Indicators***

As of June 30, 2020, in terms of liquidity and leverage, the Company maintained a healthy and robust position, reflecting the strength of Tanner and its ability to meet its immediate and long-term commitments. At a general level, total liabilities decreased Ch$ 187,274 million (-14.4% YTD) since December 2019 and totaled Ch$ 1,116,343 million, while assets contract 11.8% (↓Ch$ 189,995 million) in the first six months of year, thus closing with Ch$ 1,420,673 million in total. Equity decreased Ch$ 2,721 million (-0.9% YTD), reaching $ 304,331 million.

Finally, asset quality indicators reflect slight deterioration from recent developments regarding the sanitary crisis evolving during the first half of 2020.

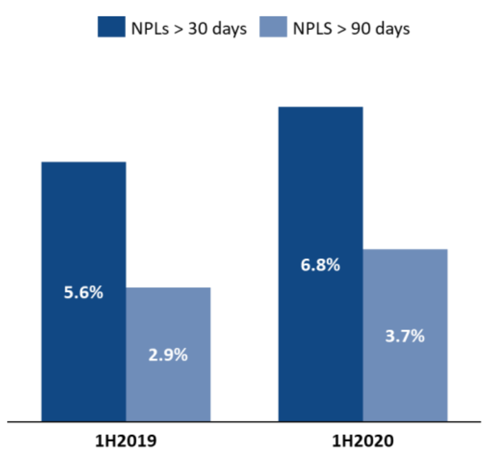


***Chart 5: Consolidated NPLs***

# IV. Business Divisions Results

Tanner is organized in three divisions – Corporate [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 Corporate, Auto-Financing and Subsidiaries, which comprises Tanner Investments and *Tanner Corredora de Seguros*. These three divisions represent 50.5%, 39.3% and 3.4% of the first half's gross profit respectively, and 52.2%, 35.9% and 6.2% for the second quarter of 2020. Additionally, revenues and costs generated by the Treasury unit are shown below.

| Business Division | | 01.01.2020 to 06.30.2020 MCh$ | 01.01.2019 to 06.30.2019 MCh$ | Δ $ | Δ % | 01.04.2019 to 06.30.2019 MCh$ | 01.04.2019 to 06.30.2019 MCh$ | Δ $ | Δ % |
|---|---|---|---|---|---|---|---|---|---|
| CORPORATE DIVISION | REVENUE | 39,204 | 39,677 | (473) | -1.2% | 18,544 | 20,155 | (1,610) | -8.0% |
| | COSTS | 12,473 | 13,862 | (1,389) | -10.0% | 5,043 | 6,844 | (1,800) | -26.3% |
| | GROSS PROFIT | 26,731 | 25,815 | 916 | 3.5% | 13,501 | 13,311 | 190 | 1.4% |
| *i. FACTORING* | REVENUE | 24,170 | 26,186 | (2,016) | -7.7% | 11,428 | 12,835 | (1,407) | -11.0% |
| | COSTS | 6,402 | 8,115 | (1,713) | -21.1% | 2,355 | 4,035 | (1,680) | -41.6% |
| | GROSS PROFIT | 17,768 | 18,071 | (303) | -1.7% | 9,073 | 8,800 | 273 | 3.1% |
| *ii. LEASING* | REVENUE | 4,070 | 3,990 | 80 | 2.0% | 1,867 | 1,939 | (72) | -3.7% |
| | COSTS | 1,599 | 2,192 | (594) | -27.1% | 154 | 1,155 | (1,001) | -86.6% |
| | GROSS PROFIT | 2,472 | 1,797 | 674 | 37.5% | 1,713 | 784 | 929 | 118.4% |
| *iii. CORPORATE LOANS* | REVENUE | 10,964 | 9,502 | 1,462 | 15.4% | 5,250 | 5,381 | (131) | -2.4% |
| | COSTS | 4,472 | 3,555 | 917 | 25.8% | 2,534 | 1,654 | 880 | 53.2% |
| | GROSS PROFIT | 6,492 | 5,947 | 545 | 9.2% | 2,716 | 3,727 | (1,011) | -27.1% |
| AUTO-FINANCING DIVISION | REVENUE | 44,706 | 41,177 | 3,529 | 8.6% | 21,341 | 20,780 | 560 | 2.7% |
| | COSTS | 23,883 | 23,544 | 340 | 1.4% | 12,071 | 12,130 | (59) | -0.5% |
| | GROSS PROFIT | 20,823 | 17,633 | 3,190 | 18.1% | 9,270 | 8,651 | 619 | 7.2% |
| SUBISIDIARIES | REVENUE | 13,193 | 9,689 | 3,504 | 36.2% | 8,242 | 4,594 | 3,647 | 79.4% |
| | COSTS | 11,380 | 2,683 | 8,697 | 324.1% | 6,627 | 1,222 | 5,405 | 442.3% |
| | GROSS PROFIT | 1,813 | 7,006 | (5,193) | -74.1% | 1,614 | 3,372 | (1,758) | -52.1% |
| TREASURY | REVENUE | 2,440 | 2,398 | 42 | 1.8% | (12,797) | 455 | (13,252) | -2915.4% |
| | COSTS | (1,126) | 908 | (2,034) | -224.0% | (14,255) | (767) | (13,488) | 1759.3% |
| | GROSS PROFIT | 3,566 | 1,490 | 2,076 | 139.3% | 1,458 | 1,221 | 236 | 19.4% |
| Tanner | REVENUE | 99,543 | 92,941 | 6,602 | 7.1% | 35,329 | 45,984 | (10,655) | -23.2% |
| | COSTS | 46,611 | 40,997 | 5,614 | 13.7% | 9,487 | 19,429 | (9,942) | -51.2% |
| | GROSS PROFIT | 52,932 | 51,944 | 988 | 1.9% | 25,843 | 26,555 | (713) | -2.7% |

***Table 3: Business Divisions Results***

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

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

**Gross margin in 1H19 reached Ch$ 52,932 million** (↑Ch$ 988 million / +1.9% YoY), with an increase in revenues (↑Ch$ 6,602 million / +7.1% YoY) offsetting the growth in costs (↑Ch$ 5,614 million / +13.7% YoY). By **2Q20, gross margin totaled Ch$ 25,843 million** (↓Ch$ 713 million / -2.7% YoY), with a fall in revenues (↓Ch$ 10,655 million / -23.2% YoY) greater than the fall in in costs (↓Ch$ 9,942 million / -51.2%). Gross margin breakdown by division/product, is as follows:

**CORPORATE DIVISION**

Tanner Empresas

**1H20:** Ch$ 26,731 million, rising 3.5% YoY (↑Ch$ 916 million), derived from a moderate fall in revenues (↓Ch$ 473 million / -1.2% YoY) and a fall in costs (↓Ch$ 1,389 million / 10.0% YoY).

**2Q20:** Ch$ 13,501 million, up 1.4% YoY (↑Ch$ 190 million), in line with a fall of Ch$ 1,610 million (-8.0% YoY) in revenues and a fall in costs (↓Ch$ 1,800 million / -26.3% YoY).

***i. FACTORING***

**1H20:** Ch$ 17,768 million, falling 1.7% YoY (↓Ch$ 303 million), due to a decrease of Ch$ 2,016 million (-7.7% YoY) in revenues and a fall of 21.1% YoY (↓Ch$ 1,713 million) in costs.

**2Q20:** Ch$ 9,073 million, up 3.1% YoY (↑Ch$ 273 million), with decreases of 11.0% YoY (↓Ch$ 1,407 million) in revenues and 41.6% YoY (↓Ch$ 1,680 million) in costs.

***ii. LEASING***

**1H20:** Ch$ 2,472 rising 37.5% YoY (↑Ch$ 674 million), since costs were reduced 27.1% (↓Ch$ 594 million), thus buffering the increase in revenues (↑Ch$ 80 million / +2.0% YoY).

**2Q20:** Ch$ 1,713 million, up 118.4% YoY (↑Ch$ 929 million), due to a drop of costs of 86.6% YoY (↓Ch$ 1,001 million) that offset lower revenues of Ch$ 72 million (-3.7% YoY).

***iii. CORPORATE LENDING***

**1H20:** Ch$ 6,492 million, up 9.2% YoY (↑Ch$ 545 million), due to an increase in revenues (↑Ch$ 1,462 million / +15.4% YoY) and rising costs of (↑Ch$ 917 million / +25.8% YoY).

**2Q20:** Ch$ 2,716 million, falling 27.1% YoY (↓Ch$ 1,011 million), in line with a decrease of 2.4% YoY (↓Ch$ 131 million) in revenues and an increment in costs (↑Ch$ 880 million / +53.2% YoY).

**AUTO-FINANCING DIVISION**

Tanner Automotriz

**1H20:** Ch$ 20,823 million, rising 18.1% YoY (↑Ch$ 3,190 million), derived from a greater increment in revenue (↑Ch$ 3,529 million / +8.6% YoY) than in costs (↑Ch$ 340 million / +1.4% YoY).

**2Q20:** Ch$ 9,270 million, up 7.2% YoY (↑Ch$ 619 million), with an increase in revenues (↑Ch$ 560 million / +2.7% YoY), while costs fell (↓Ch$ 59 million / -0.5% YoY).

**SUBSIDIARIES**

**1H20:** Ch$ 1,813 million, down 74.1% YoY (↓Ch$ 5,193 million), due to an increase of Ch$ 3,504 million (+36.2% YoY) in revenues offset by higher costs (↑Ch$ 8,697 million / + 324.1% YoY).

**2Q20:** Ch$ 1,614 falling 52.1% YoY (↓Ch$ 1,758 million), in line with a rise in revenues by Ch$ 3,647 million (+79.4% YoY) offset by increased costs (↑Ch$ 5,405 million / 442.3% YoY).

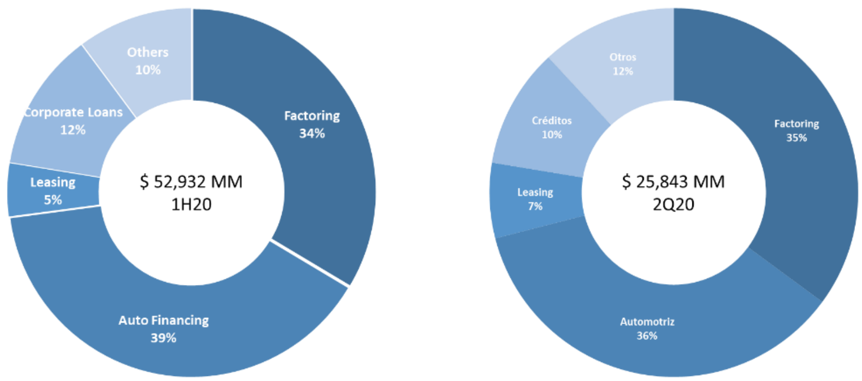


*Chart 6: Gross Margin Breakdown by Division*

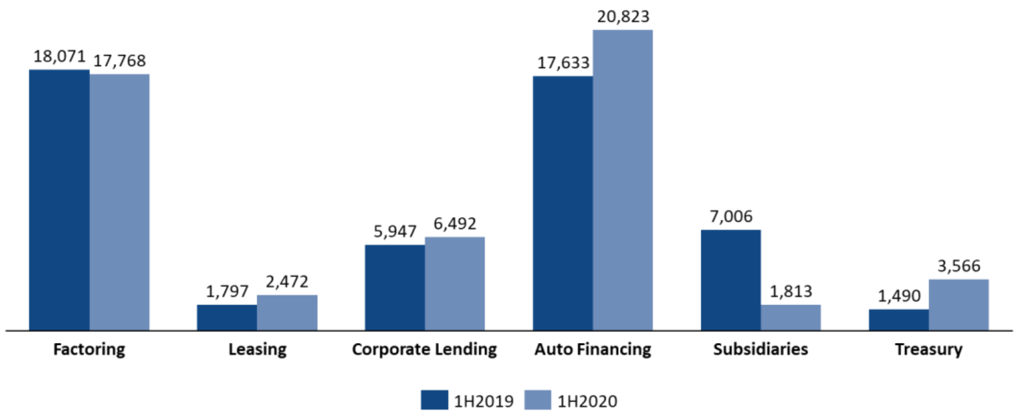


*Chart 7: Gross Margin Breakdown by Line of Business First Half 2020*

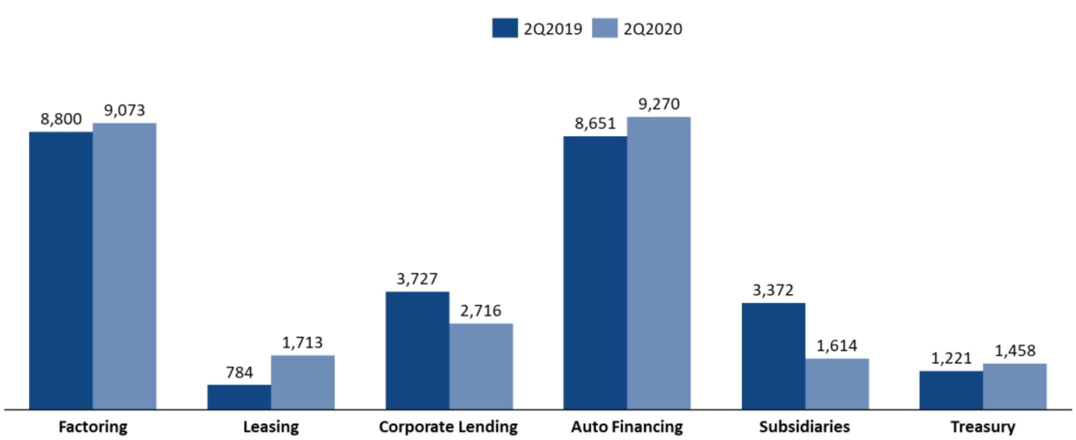


*Chart 8: Gross Margin Breakdown by Line of Business Second Quarter 2020*

**Consolidated revenue totaled Ch$ 99,543 million** on the first half of 2020, with a rise of 7.1% YoY (↑Ch$ 6,602 million), meanwhile **2Q20 totaled Ch $35,329 million,** with a fall of 23.2% YoY (↓Ch$ 10,655 million) explained by revenue of:

**CORPORATE DIVISION**

**1H20:** Ch$ 39,204 (↓Ch$ 473 million / -1.2% YoY);
**2Q20:** Ch$ 18,544 million (↓Ch$ 1,610 million / -8.0% YoY);
Driver**:** Decrease in price differences derived from factoring which represents 61.7% of the divisions revenues.

***i. FACTORING***

**1H20:** Ch$ 24,170 million (↓Ch$ 2,016 million / -7.7% YoY);
**2Q20:** Ch$ 11,428 million (↓Ch$ 1,407 million / -11.0% YoY);
Driver: Decrease in price differences.

***ii. LEASING***

**1H20:** Ch$ 4,070 million (↑Ch$ 80 million / +2.0% YoY);
**2Q20:** Ch$ 1,867 million (↓Ch$ 72 million / -3.7% YoY);
Driver: Higher income from commissions

***iii. CORPORATE LENDING***

**1H20:** Ch$ 10,964 million (↑Ch$ 1,462 million / +15.4% YoY);
**2Q20:** Ch$ 5,250 million (↓Ch$ 131 million / -2.4% YoY);
Driver: Higher interest income in line with a higher average portfolio.

**AUTO-FINANCING DIVISION**

**1H20:** Ch$ 44,706 million (↑Ch$ 3,529 million / +8.6% YoY);
**2Q20:** Ch$ 21,341 million (↑Ch$ 560 million / +2.7% YoY);
Driver: Higher interest income in line with a higher average portfolio.

**SUBSIDIARIES**

**1H20:** Ch$ 13,193 million (↑Ch$ 3,504 million / +36.2% YoY);
**2Q20:** Ch$ 8,242 million (↑Ch$ 3,647 million / +79.4% YoY);
Driver**:** Higher income associated to our subsidiary Tanner Corredores de Bolsa.

**Consolidated costs totaled Ch$ 46,611 million in the first half of 2020 and Ch$ 9,487 million in 2Q20**, expanding Ch$ 5,614 million (+13.7% YoY) and contracting Ch$ 9,942 million (-51.2% YoY), respectively, explained by the costs of:

**CORPORATE DIVISION**

**1H20:** Ch$ 12,473 (↓Ch$ 1,389 million / -10.0% YoY);
**2Q20:** Ch$ 5,043 million (↓Ch$ 1,800 million / -26.3% YoY);
Driver: Lower costs associated to a reduction of our loan portfolio.

***i. FACTORING***

**1H20:** Ch$ 6,402 million (↓Ch$ 1,713 million / -21.1% YoY);
**2Q20:** Ch$ 2,355 million (↓Ch$ 1,680 million / -41.6% YoY);
Driver: Reduced interest cost associated to a reduction of our loan portfolio.

***ii. LEASING***

**1H20:** $ 1,599 million (↓$ 594 million / -27.1% YoY);
**2Q20:** $ 154 million (↓$ 1,001 million / -86.6% YoY);
Driver: Lower costs associated to a reduction of our loan portfolio.

***iii. CORPORATE LENDING***

**1H20:** $ 4,472 million (↑$ 917 million / +25.8% YoY);
**2Q20:** $ 2,534 million (↑$ 880 million / +53.2% YoY);
Driver: Higher interest costs associated to a higher average portfolio for this product.

**AUTO-FINANCING DIVISION**

**1H20:** $ 23,883 million (↑$ 340 million / +1.4% YoY);
**2Q20:** $ 12,071 million (↓$ 59 million / -0.5% YoY);
Driver: Higher interest costs associated to a higher average portfolio for this product.

**SUBISIDIARIES**

**1H20:** $ 11,380 million (↑$ 8,697 million / +324.1% YoY);
**2Q20:** $ 6,627 million (↑$ 5,405 million / +442.3% YoY);
Driver: Higher costs associated to our subsidiary Tanner Corredores de Bolsa

# V. Business Divisions Portfolio Quality

| | Indicator | Definition | Unit | 06-30-2020 | 12-31-2019 | 06-30-2019 |
|---|---|---|---|---|---|---|
| ENTERPRISE DIVISION | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | % | 8.9% | 8.0% | 9.3% |
| | | *Non-Performing loans/Equity* | % | 18.3% | 20.6% | 21.6% |
| | Provisions | *Provisions/(Loans + Provisions)* | % | 1.7% | 1.2% | 1.5% |
| | | *Provisions/Non-performing loans* | % | 18.7% | 15.0% | 16.0% |
| Tanner Empresas | | *Provisions/Non-performing loans >90 days* | % | 64.7% | 60.5% | 68.7% |
| | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | % | 1.9% | 1.2% | 1.5% |
| | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | % | 3.4% | 3.4% | 2.9% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | % | 2.6% | 2.0% | 2.2% |
| | | *Non-Performing loans >90 days/Equity* | % | 5.3% | 5.1% | 5.0% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | % | 4.8% | 2.2% | 2.6% |
| | | *Securitized portfolio/Equity* | % | 9.8% | 5.7% | 6.1% |
| | Clients | *Number of clients* | # | 3,533 | 4,769 | 4,665 |
| | Efficiency | *SG&A Expenses/Gross profit (*)* | % | 50.9% | 48.6% | 53.5% |
| *i. FACTORING* | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | % | 8.9% | 9.0% | 10.6% |
| | | *Non-Performing loans/Equity* | % | 7.8% | 12.0% | 13.0% |
| | Provisions | *Provisions/(Loans + Provisions)* | % | 1.5% | 1.2% | 1.3% |
| | | *Provisions/Non-performing loans* | % | 17.2% | 13.4% | 12.1% |
| | | *Provisions/Non-performing loans >90 days* | % | 81.3% | 82.7% | 67.8% |
| | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | % | 1.6% | 1.7% | 2.0% |
| | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | % | 2.7% | 3.0% | 2.6% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | % | 1.9% | 1.5% | 1.9% |
| | | *Non-Performing loans >90 days/Equity* | % | 1.6% | 1.9% | 2.3% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | % | 1.1% | 0.5% | 0.6% |
| | | *Securitized portfolio/Equity* | % | 0.9% | 0.7% | 0.7% |
| | Clients | *Number of clients* | # | 2,649 | 3,650 | 3,465 |
| | Efficiency | *SG&A Expenses/Gross profit (*)* | % | 43.8% | 51.0% | 50.0% |
| *ii. LEASING* | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | % | 10.3% | 11.4% | 13.6% |
| | | *Non-Performing loans/Equity* | % | 2.6% | 3.1% | 4.3% |
| | Provisions | *Provisions/(Loans + Provisions)* | % | 1.5% | 1.3% | 2.3% |
| | | *Provisions/Non-performing loans* | % | 14.3% | 11.2% | 17.1% |
| | | *Provisions/Non-performing loans >90 days* | % | 38.8% | 29.8% | 49.0% |
| | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | % | 1.0% | -0.6% | 0.5% |
| | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | % | 4.1% | 5.9% | 6.3% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | % | 3.8% | 4.3% | 4.7% |
| | | *Non-Performing loans >90 days/Equity* | % | 1.0% | 1.1% | 1.5% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | % | 20.1% | 7.4% | 7.4% |
| | | *Securitized portfolio/Equity* | % | 5.1% | 2.0% | 2.3% |
| | Clients | *Number of clients* | # | 270 | 348 | 455 |
| | Efficiency | *SG&A Expenses/Gross profit (*)* | % | 37.7% | 78.0% | 98.0% |
| *iii. CORPORATE LENDING* | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | % | 8.6% | 5.8% | 5.5% |
| | | *Non-Performing loans/Equity* | % | 7.9% | 5.6% | 4.3% |
| | Provisions | *Provisions/(Loans + Provisions)* | % | 1.9% | 1.2% | 1.5% |
| | | *Provisions/Non-performing loans* | % | 21.6% | 20.5% | 27.0% |
| | | *Provisions/Non-performing loans >90 days* | % | 47.9% | 36.1% | 72.0% |
| | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | % | 2.4% | 0.9% | 1.1% |
| | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | % | 3.9% | 3.3% | 2.1% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | % | 2.9% | 2.1% | 1.6% |
| | | *Non-Performing loans >90 days/Equity* | % | 2.7% | 2.0% | 1.2% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | % | 4.0% | 3.1% | 4.0% |
| | | *Securitized portfolio/Equity* | % | 3.7% | 3.0% | 3.1% |
| | Clients | *Number of clients* | # | 614 | 771 | 745 |
| | Efficiency | *SG&A Expenses/Gross profit (*)* | % | 100.4% | 38.1% | 51.1% |
| AUTO FINANCING | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | % | 18.9% | 18.6% | 20.4% |
| | | *Non-Performing loans/Equity* | % | 28.3% | 28.7% | 27.2% |
| | Provisions | *Provisions/(Loans + Provisions)* | % | 4.7% | 4.0% | 4.2% |
| | | *Provisions/Non-performing loans* | % | 24.8% | 21.6% | 20.6% |
| | | *Provisions/Non-performing loans >90 days* | % | 84.8% | 91.2% | 90.8% |
| Tanner Automotriz | Provisions and Write-offs | *Annualized provisions and write-offs/(Loans + Provisions)* | % | 5.5% | 4.4% | 4.7% |
| | Non-Performing Loans over 30 days | *Non-performing loans >30 days/(Loans + Provisions)* | % | 11.9% | 10.2% | 11.3% |
| | Non-Performing Loans over 90 days | *Non-performing loans >90 days/(Loans + Provisions)* | % | 5.5% | 4.4% | 4.6% |
| | | *Non-Performing loans >90 days/Equity* | % | 8.3% | 6.8% | 6.2% |
| | Restructured Porfolio | *Securitized portfolio/(Loans + Provisions)* | % | 3.6% | 2.7% | 2.7% |
| | | *Securitized portfolio/Equity* | % | 5.4% | 4.2% | 3.6% |
| | Clients | *Number of clients* | # | 75,661 | 75,797 | 69,989 |
| | Efficiency | *SG&A Expenses/Gross profit (*)* | % | 116.2% | 97.7% | 85.4% |

*(*) Gross Margin for June 2019 and 2020 includes impairments*

***Table 4: Business Divisions Main Indicators***

## CORPORATE DIVISION

Portfolio quality declined slightly with respect to 1H19, reflected in the rise of both of NPLs > 30 and 90 days.

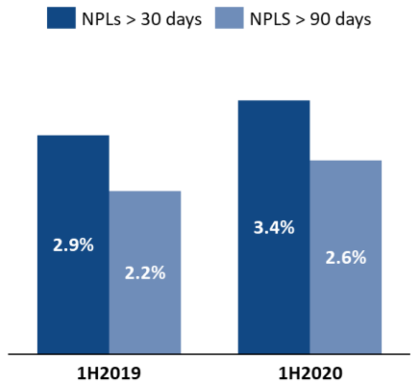


***Chart 9: NPLs – Corporate Division***

### *i. FACTORING*

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

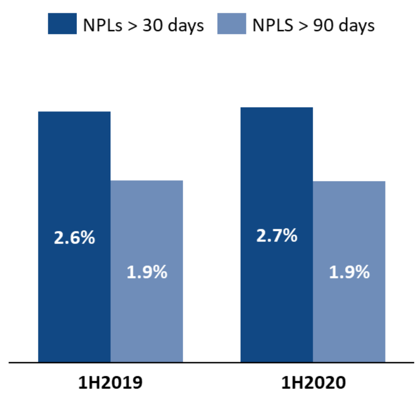


***Chart 10: NPLs – Factoring Business***

### *ii. LEASING*

Portfolio quality indicators improved in terms of both NPLs > 30 and 90 days.

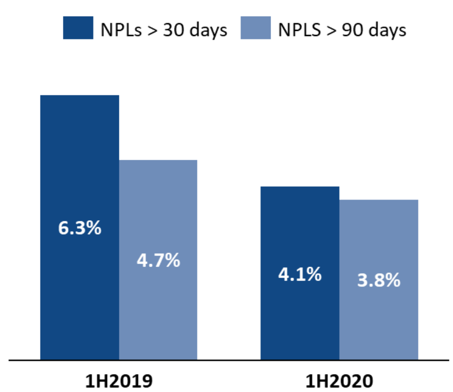


***Chart 11: NPLs – Leasing Business***

### *iii. CORPORATE LENDING*

Portfolio quality indicators show some deterioration compared to previously observed levels in 1H19.

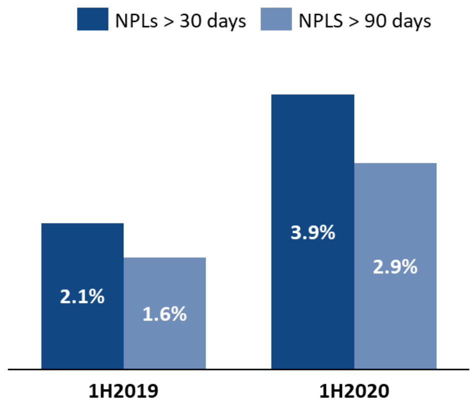


***Chart 12: NPLs – Corporate Lending Business***

### AUTO-FINANCING DIVISION

Both NPLs > 30 and 90 days deteriorated when compared to last years indicators mainly related to the impacts of Covid-19.

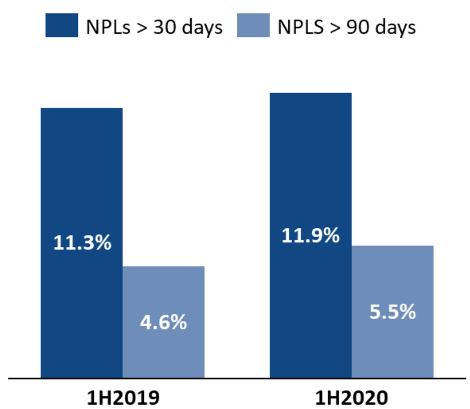


***Chart 13: NPLs – Auto-Financing Division***

# VI. Balance Sheet

| Assets (MCh$) | 06-30-2020 | 12-31-2019 | Δ $ | Δ % |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalent | 103,619 | 53,660 | 49,959 | 93.1% |
| Other current financial assets | 72,475 | 94,815 | (22,340) | -23.6% |
| Other current non-financial assets | 1,557 | 1,727 | (171) | -9.9% |
| Trade receivables and other current accounts receivable, net | 720,994 | 894,979 | (173,984) | -19.4% |
| Current accounts receivable from related parties | 3,455 | 381 | 3,074 | 806.7% |
| Current tax assets | 12,904 | 18,239 | (5,335) | -29.2% |
| Non-current assets held for sale | 10,789 | 10,519 | 270 | 2.6% |
| **Total Current Assets** | **925,794** | **1,074,320** | **(148,526)** | **-13.8%** |
| | | | | |
| **Non-Current Assets** | | | | |
| Other non-current financial assets | 60,913 | 62,456 | (1,542) | -2.5% |
| Other non-current non-financial assets | 5,724 | 4,638 | 1,086 | 23.4% |
| Trade receivables and other non-current accounts receivable, net | 360,965 | 407,225 | (46,261) | -11.4% |
| Non-current accounts receivable from related parties | 378 | 528 | (150) | -28.4% |
| Intangible assets other than goodwill | 6,901 | 6,759 | 143 | 2.1% |
| Goodwill | 1,640 | 1,764 | (124) | -7.0% |
| Property, plant and equipment | 11,279 | 11,632 | (352) | -3.0% |
| Property Investments | 12,874 | 11,381 | 1,493 | 13.1% |
| Deferred tax assets | 34,205 | 29,966 | 4,239 | 14.1% |
| **Total Non-Current Assets** | **494,880** | **536,348** | **(41,468)** | **-7.7%** |
| | | | | |
| **Total Assets** | **1,420,673** | **1,610,668** | **(189,995)** | **-11.8%** |

| Liabilities (MCh$) | 06-30-2020 | 12-31-2019 | Δ $ | Δ % |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Other current financial liabilities | 487,253 | 720,041 | (232,787) | -32.3% |
| Trade payables and other current accounts payables | 61,225 | 141,470 | (80,246) | -56.7% |
| Other short-term provisions | 775 | 528 | 246 | 46.6% |
| Short-term employee benefits provisions | 460 | 1,228 | (769) | -62.6% |
| Current tax liabilities | 96 | 680 | (584) | -85.8% |
| Other current non-financial liabilities | - | | - | 0.0% |
| **Total Current Liabilities** | **549,809** | **863,948** | **(314,139)** | **-36.4%** |
| | | | | |
| **Non-Current Liabilities** | | | | |
| Other non-current financial liabilities | 566,325 | 439,475 | 126,851 | 28.9% |
| Non-current employee benefits provisions | 208 | 194 | 15 | 7.5% |
| **Total Non-Current Liabilities** | **566,534** | **439,669** | **126,865** | **28.9%** |
| | | | | |
| **Total Liabilities** | **1,116,343** | **1,303,617** | **(187,274)** | **-14.4%** |
| | | | | |
| Equity | 304,331 | 307,052 | (2,721) | -0.9% |
| **Total Equity and Liabilities** | **1,420,673** | **1,610,668** | **(189,995)** | **-11.8%** |

***Table 5: Consolidated Balance Sheet***

## a. Loan Portfolio [5]

**Total gross loan portfolio at June 2020 reached Ch$ 1,113,725 million** (↓Ch$ 216,981 million / -16.3% YTD) versus Ch$ 1,330,706 million in December 2019, while provisions totaled Ch$ 31,766 million, increasing Ch$ 3,264 million (+11.5% YTD). Consequently, **total net loan portfolio amounted to Ch$ 1,1081,959 million**, equivalent to a fall of of Ch$ 220,245 million (-16.9% YTD) from Ch$ 1,302,204 million by the end of 2019.

Net loan portfolio at period-end June 2020:

1. **Corporate Division: Ch$ 613,664 million** | -21.2% YTD | ↓Ch$ 165,214 million;
    a. **Factoring: Ch$ 260,927 million** |-35.5% YTD | ↓Ch$ 143,599 million;
    b. **Leasing: Ch$ 76,692 million** | -5.8% YTD | ↓Ch$ 4,758 million;
    c. **Corporate Lending: Ch$ 276,045 million** | -5.8% YTD | ↓Ch$ 16,858 million; and,
2. **Auto-Financing Division: Ch$ 434,585 million** | -4.3% YTD | ↓Ch$ 19,517 million.

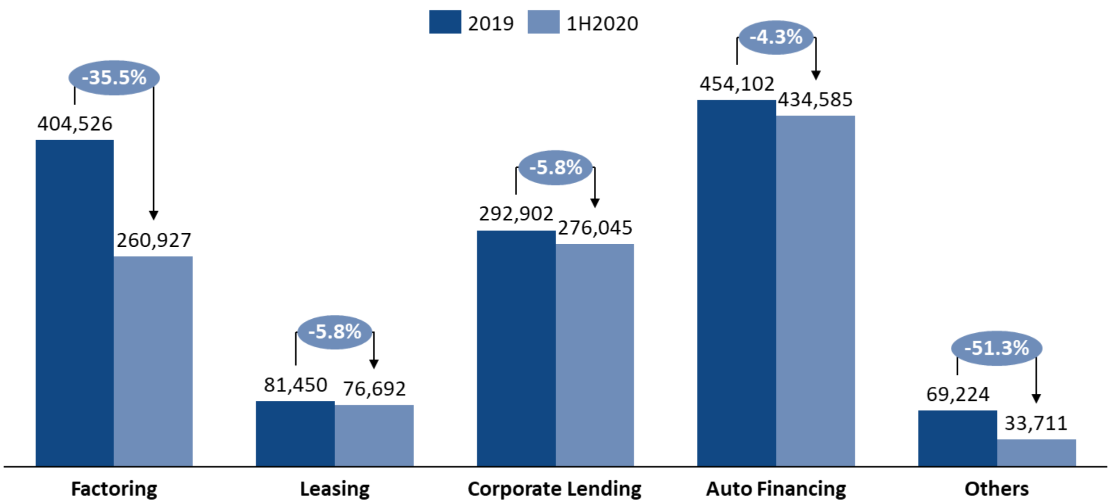


***Chart 14: Net Loan Portfolio Breakdown by Line of Business***

The portfolio has continued to concentrate in the Company's strategic businesses – factoring and auto-financing – which in 2Q20 represent 24.1% and 40.2% of our net loan portfolio, respectively.

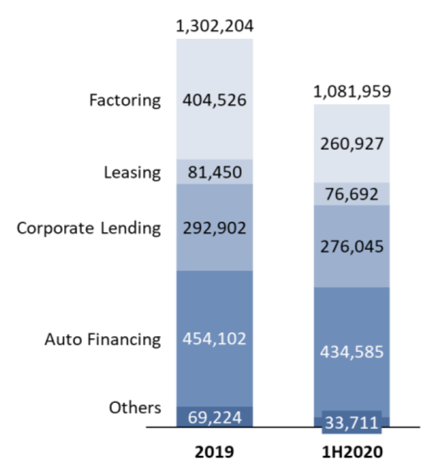


***Chart 15: Net Loan Portfolio Breakdown***

[5] Gross loans minus provisions.

## b. Funding Sources

**Financial liabilities as of June 30, 2020, totaled Ch$ 1,053,759 million,** compared with $ 1,159,515 million in December 2019 (↓Ch$ 105,937 million / -9.1% YTD), mainly due to the decrease of liabilities associated to: (i) commercial paper (↓Ch$ 146,959 million/ -87.7% YTD), (ii) banks and financial institutions (↓Ch$ 91,742 million/ -25.1% YTD) and (iii) other financial obligations (↓Ch$ 4,193 million / -5.1% YTD). These were offset by: (iv) bonds (↑Ch$ 136,957 million / +25.2% YTD).

In terms of liabilities structure, 64.6% (Ch$ 680,447 million) corresponds to local and international bonds, 26.0% (Ch$ 273,771 million) to bank loans and credit lines, and 2.0% (Ch$ 20,556 million) to commercial paper. Additionally, Ch$ 78,805 million (7.5%) are related to other financial obligations, corresponding to repos and forwards.

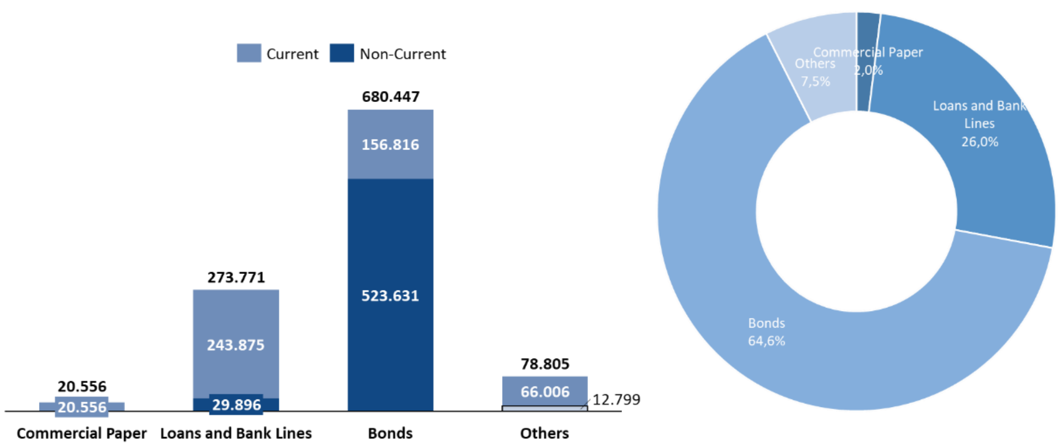


*Chart 16: Sources of Funding Breakdown*

# VII. Cash Flow Statement

| MCh$ | 06-30-2020 | 06-30-2019 | Δ $ |
|---|---|---|---|
| Cash flow provided by (used in) operating activities | 215,153 | 57,066 | 158,087 |
| Cash flow provided by (used in) investing activities | (25,703) | 49,072 | (74,774) |
| Cash flow provided by (used in) financing activities | (140,023) | (108,584) | (31,439) |
| Effect of changes in exchange rates | 531 | (30) | 561 |
| Net increase (decrease) in cash and cash equivalent | 49,959 | (2,476) | 52,435 |
| Cash and Cash Equivalent, Initial Balance | 53,660 | 25,474 | 28,186 |
| Cash and Cash Equivalent, Final Balance | 103,619 | 22,998 | 80,621 |

***Table 6: Cash Flow Statement***

During the second quarter of 2020, cash flow of **operating activities totaled Ch$ 215,153 million** versus Ch$ 57,066 million recorded in June 2019, mainly because collections increased by Ch$ 165,705 million.

Cash flow stemming from **investing activities reached Ch$ -25,703 million**, Ch$ 74,774 million less than Ch$ 49,072 million of June 2019, mainly because of payments for $258,290 million.

**Financing activities cash flow amounts to Ch$ -140,023 million** between January and June 2020, versus Ch$ -108,042 million during the same previous period, due to an increase in payments from borrowings made in the first six months of the year.

Finally, **cash and cash equivalents by period-end June 2020, totaled Ch$ 103.,619 million,** increasing Ch$ 80,621 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: 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 | 06.30.2020 | | | |
|---|---|---|---|---|
| | Gross Portfolio Ch$k | Provisions Ch$k | Net Portfolio Ch$k | Provisions Index |
| Factoring | 264,994,885 | (4,067,398) | 260,927,487 | 1.53% |
| Leasing | 77,844,287 | (1,152,612) | 76,691,675 | 1.48% |
| Corporate Loans | 281,262,151 | (5,217,561) | 276,044,590 | 1.86% |
| Automobile Loans | 455,913,435 | (21,328,841) | 434,584,594 | 4.68% |
| Others | 33,710,642 | - | 33,710,642 | 0.00% |
| **Total** | **1,113,725,400** | **(31,766,412)** | **1,081,958,988** | **2.85%** |

| Concept | 12.31.2019 | | | |
|---|---|---|---|---|
| | Gross Portfolio Ch$k | Provisions Ch$k | Net Portfolio Ch$k | Provisions Index |
| Factoring | 409,461,714 | (4,935,678) | 404,526,036 | 1.21% |
| Leasing | 82,501,245 | (1,051,432) | 292,902,192 | 1.27% |
| Corporate Loans | 296,432,919 | (3,530,727) | 454,101,922 | 1.19% |
| Automobile Loans | 473,086,185 | (18,984,263) | 81,449,812 | 4.01% |
| Others | 69,224,061 | - | 69,224,061 | 0.00% |
| **Total** | **1,330,706,123** | **(28,502,100)** | **1,302,204,023** | **2.14%** |

***Table 7: Portfolio, Provisions and Risk Index***

Additionally, the Company has a credit quality follow-up process, to identify potential changes in counterparty payment capacity on early stages, to evaluate potential losses resulting from the risks it is exposed to and adopts corrective measures, allowing the recovery of those credits that have entered a state of default.

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

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

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

| Concept | 06.30.2020 | | | | |
|---|---|---|---|---|---|
| | Total Portfolio Th Ch$ | Renegotiation Th Ch$ | Provision Ch$ Th | Renegotiation by product % | Total portfolio renegotiation % |
| Factoring | 264,994,885 | 2,878,972 | (4,067,398) | 1.09% | 0.26% |
| Corporate Lending | 281,262,151 | 11,199,539 | (5,217,561) | 3.98% | 1.01% |
| Auto Financing | 455,913,435 | 16,395,840 | (21,328,841) | 3.60% | 1.47% |
| Leasing (*) | 77,844,287 | 15,661,785 | (1,152,612) | 20.12% | 1.41% |
| Others | 33,710,642 | - | - | - | - |
| **Total** | **1,113,725,400** | **46,136,136** | **(31,766,412)** | | **4.14%** |

| Concept | 12.31.2019 | | | | |
|---|---|---|---|---|---|
| | Total Portfolio Th Ch$ | Renegotiation Th Ch$ | Provision Th Ch$ | 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%** |

*(*) mainly related to real estate backed leasing operations.*

***Table 8: Loan portfolio, renegotiations***

## *b) Liquidity Risk*

This is defined as the inability of the Company to meet its payment obligations as they are due, without incurring in large losses or being prevented from providing normal loan transactions to its clients. It arises from a cash flow mismatch, where cash flow payments fall due before the receipt of cash flow due on investments of loans. Another source of non-compliance is when customers fail to pay their commitments as they fall due.

The Company has a daily cash flow management process that includes a simulation of all assets and liabilities, in order to anticipate cash needs. Additionally, the Asset and Liabilities Committee (ALCO) meets monthly to review projections and defines an action plan based on the Company´s forecasts and market conditions.

The Company manages its liquidity risk at a consolidated level. Tanner's main source of liquidity is cash flows from operating activities (collections). As of June 30, 2020, the Company, on a consolidated level, totaled Ch$ 103,619 million of cash on hand, versus Ch$ 53,660 million in Dec-2019.

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].

### ii. Interest Rate Risk

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

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

Decreases:

| Negative Delta (bps) | -25 | -50 | -75 | -100 | -125 | -150 | -175 | -200 |
|---|---|---|---|---|---|---|---|---|
| Net Portfolio Variation | 0.53% | 1.06% | 1.60% | 2.13% | 2.66% | 3.19% | 3.73% | 4.26% |

Increases:

| Positive Delta (bps) | 25 | 50 | 75 | 100 | 125 | 150 | 175 | 200 |
|---|---|---|---|---|---|---|---|---|
| Net Portfolio Variation | -0.53% | -1.06% | -1.60% | -2.13% | -2.66% | -3.19% | -3.73% | -4.26% |

***Table 9: Sensitivity to Variations in 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%.

The Company keeps a derivative instrument portfolio of: (i) trading derivatives – whose maturity structure is very short term, and, therefore, have an associated interest rate risk with low impact on results – and (ii) hedging derivatives – aims to mitigate the rate (Libor) and currency risks of financial liabilities, keeping a limited exposure and low impact to income.

| Exposure | 06.30.2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trading Derivatives | | | | Hedging Derivatives | | | |
| | UF$K | CLP$K | USD$K | CHF$K | UF$K | CLP$K | USD$K | CHF$K |
| Up to 1 year | (57,330,595) | (116,174,184) | 175,972,841 | - | 90,422,320 | (227,961,961) | 57,028,671 | 88,349,197 |
| 1 to 3 years | - | - | - | - | 106,793,950 | (138,579,812) | (245,985,728) | 289,945,931 |
| 3 years and over | - | - | - | - | 121,939,318 | (111,140,346) | (37,829) | - |
| **Total** | **(57,330,595)** | **(116,174,184)** | **175,972,841** | - | **319,155,588** | **(477,682,119)** | **(188,994,886)** | **378,295,128** |

| Sens. +1bps | 06.30.2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Trading Derivatives | | | | Hedging Derivatives | | | |
| | UF$K | CLP$K | USD$K | CHF$K | UF$K | CLP$K | USD$K | CHF$K |
| Up to 1 year | 139 | 1,152 | (1,427) | - | (1,628) | 6,302 | (2,796) | (3,289) |
| 1 to 3 years | - | - | - | - | (15,756) | 21,747 | 1,785 | (58,210) |
| 3 years and over | - | - | - | - | (43,798) | 39,002 | 14 | - |
| **Total** | **139** | **1,152** | **(1,427)** | - | **(61,182)** | **67,051** | **(997)** | **(61,499)** |

***Table 10: Exposure and Sensitivity by Currency***

### *iii. Foreign Exchange*

It is defined as the exposure to potential loss caused by changes in the value of assets and liabilities subject to exchange rate revaluation. The Company, because of business activities and financing needs, holds a mismatch in US Dollars that is daily managed and mitigated mainly through instruments deriving from negotiation and hedging. In addition, it has operations in Swiss Francs whose currency risk is fully hedged.

As of June 30, 2020, the Company presents an exposure in US Dollars of US$ 2,014k, equivalent to 0.54% of equity, versus US$ 1,627k million in 2019. The sensitivity analysis to currency risk is calculated daily, considering as the main variable the exposure in US Dollars of mismatch held and the estimated variation of the Observed US Dollar.

| US$ Mismatch (US$K) | 06.30.2019 | 12.31.2019 |
|---|---|---|
| Assets | 232.987 | 331.187 |
| Liabilities | (249.118) | (381.989) |
| Derivative Instrument | 14.117 | 52.429 |
| **Total Mismatch** | **(2.014)** | **1.627** |

***Table 11: US Dollar Mismatch***

### *iv. Indexation Risk*

Corresponds to the exposure of assets and liabilities linked to *Unidades de Fomento* ("UF") and can generate loss when exposed to changes. The Company, because of activities inherent to the business and its financing needs, holds assets and liabilities in UF, and the related mismatch is managed in a daily basis and mitigated through hedging derivatives.

As of June 30, 2020, mismatch in UF amounted to UF 4,103k, equivalent to 38.69% of equity (2019: UF 2,814k equivalent to 25.94% of equity). As for currency risk, the sensitivity analysis of indexation risk is calculated on a daily basis, considering as the main variable the mismatch held in CLF and the future variations estimated in the UF value.

| UF Mismatch (UFK) | 06.30.2019 | 12.31.2019 |
|---|---|---|
| Assets | 7,257 | 6,803 |
| Liabilities | (11,654) | (13,564) |
| Derivative Instrument | 8,500 | 9,575 |
| **Total Mismatch** | **4,103** | **2,814** |

***Table 12: UF Mismatch***

## *d) Developing effects of the Covid-19 pandemic*

After COVID-19 was declared a global pandemic by the World Health Organization during March, the health crisis has caused tremendous impacts on local and global economies due to measures implemented in attempts to slow the virus from spreading rapidly. Local government following in the footsteps of other nations implemented measures to soften the economic and sanitary burdens that the crisis brought with it, applicable to companies and citizens alike (both segments the company services).

Tanner has implemented its own plan to protect workers, as well as to ensure the continuity of our operation as well as the fulfillment of all obligations. The goal has been met successfully as we observed no noticeable diminution of compliance, productivity or the service quality that distinguishes us.

Some of the main actions taken are:

- Implementation of telecommuting: a considerable portion of the company is currently working from home, to facilitate this several initiatives have been executed to reinforce our technological infrastructure, contracts have been modified to comply with new laws and several activities have been launched from the HR department. These measures are aimed at maintaining a "Corporate Culture" and improving communication channels. Additionally, measures have been taken to protect the health of all workers that due to their positions must work physically at our offices.

Liquidity Control: Models projecting our liquidity position are being closely monitored under different stress scenarios due to the market volatility. To ensure the company's liquidity several new funding sources have been executed, additionally the company has been successfully placing commercial papers in the local market. We have intensified communications with stakeholders such as creditors, risk rating agencies and other interested parties, in an effort to provide truthful information in a timely manner allowing for swift decision making, whilst complying with legislation.

Increased control over placements and collections: Aimed at controlling risks associated to our loan portfolio, we have reinforced our control and monitoring process for current customers in order to provide custom made solutions where payment capacity may be reduced due to the current crisis. Additionally, we are constantly tracking our collections and new placements in order to minimize risks for the company’s cash flow.

Notwithstanding the foregoing, the true impacts that this pandemic will have over the company’s future financial results are still dependent how the crisis develops, how long it lasts, and how deep it impacts the local economy. We must also consider the influences of measures and actions taken by clients, workers, leaders, suppliers and other related parties, as well as those taken by local authorities.

***For more details on these effects please refer to Note 4 of the company’s financial statements as of June 30, 2020.***