# Quarterly Earnings Report

*June 2022*

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# I. Executive Summary

- **ROAE*:**

  1H22: 10.1% / 1H21: 11.7%

- **ROAA**:**

  1H22: 2.0% / 1H21: 2.5%

- **Equity:**

  1H22: Ch$362,829 million / Δ⁺: 4.5% YTD

- **Net Profit:**

  2Q22: Ch$8,299 million / 2Q21: Ch$11,329 million
  Δ⁻: 26.8% YoY
  1H22: Ch$19,673 million / 1H21: Ch$20,425 million
  Δ⁻: 3.7% YoY

- **Net Loan Portfolio:**

  1H22: Ch$1,468,657 million / Δ⁺: 1.7% YTD

- **NPLs > 90 Days:**

  1H22: 2.5% / 12M21: 1.9%

* ROAE: return on average equity LTM
** ROAA: return on average assets LTM

**Profit after tax in 1H22 decreased 3.7% YoY to Ch$19,673 million,** in line with an operating income decrease of 26.7% YoY. **Likewise, in the April–June period profit after tax dropped 26.8% YoY to Ch$8,299 million,** commensurate with an operating income decrease of 62.3% in 2Q22.

**The consolidated net loan portfolio was Ch$1,468,657 million, increasing Ch$24,115 million (+1.7% YTD), due to an increase in the auto financing division that reported net loans of Ch$635,005 million (↑Ch$35,011 million / +5.8% YTD). This increase was offset by lower net loans in the corporate division of Ch$819,778 million (↓Ch$2,694 million / -0.3% YTD),** driven by a decrease in factoring (↓Ch$29,036 million / -6.7% YTD), amounting to Ch$403,096 million, and in leasing, with net loans of Ch$61,010 million (↓Ch4,565 million / -7.0% YTD). On the other hand, the corporate loans area posted higher net loans of Ch$355,671 million (↑Ch$30,907 million / +9.5% YTD).

**Compared to 2021, in 1H22 non-performing loans (NPLs) of over 90 days increased 56 basis points to 2.5% (12M21: 1.9%).** Furthermore, non-performing loans over 30 days increased 463 basis points to 8.3% (12M21: 3.6%). The increase in non-performing loans over 90 days was the result of delinquency in the auto financing division increasing 121 basis points to 3.2% (12M21: 2.0%), and in the corporate division of 4 basis points to 1.9% (12M21: 1.8%), driven by higher delinquency in factoring of 134 basis points (12M21: 0.4% vs 1H22: 1.7%), and in leasing of 46 basis points (12M21: 0.2% vs 1H22: 0.6%). Corporate loans had a decrease of 181 basis points in NPLs of over 90 days, dropping to 2.2% (12M21: 4.0%).

**The liquidity index at the close of 2Q22 was 1.39 times**, above the level at the end of 2021 (1.32x), while **ready cash of Ch$76,893 million** was higher than the Ch$57,913 million YoY. The company's **leverage ratio was 4.4 times (December 2021: 4.17x).**

# II. Consolidated Income Analysis

The following table shows the consolidated income of Tanner Servicios Financieros S.A. and subsidiaries. All the figures are stated in Chilean pesos (Ch$) and reported in accordance with the International Financial Reporting Standards (IFRS).

| CONSOLIDATED INCOME STATEMENT (Ch$ million) | 01-01-2022 30-06-2022 | 01-01-2021 30-06-2021 | Δ Ch$ | Δ % | 01-04-2022 30-06-2022 | 01-04-2021 30-06-2021 | Δ Ch$ | Δ % |
|---|---|---|---|---|---|---|---|---|
| Revenue | 128,976 | 90,423 | 38,553 | 42.6% | 70,191 | 45,431 | 24,760 | 54.5% |
| Sales cost | (65,733) | (34,538) | (31,195) | 90.3% | (37,833) | (16,141) | (21,692) | 134.4% |
| Gross margin | 63,243 | 55,885 | 7,358 | 13.2% | 32,358 | 29,290 | 3,068 | 10.5% |
| Impairment losses | (17,751) | (6,175) | (11,576) | 187.4% | (12,116) | (2,483) | (9,634) | 388.0% |
| Administrative expenses | (28,340) | (25,965) | (2,375) | 9.1% | (15,395) | (13,465) | (1,930) | 14.3% |
| Other profits (losses) | 34 | (299) | 333 | -111.4% | 109 | (206) | 315 | -153.1% |
| Operating margin | 17,185 | 23,445 | (6,260) | -26.7% | 4,957 | 13,137 | (8,180) | -62.3% |
| Finance costs | (251) | (180) | (71) | 39.2% | (134) | (87) | (47) | 54.7% |
| Foreign exchange differences | 626 | (15) | 642 | -4161.1% | 972 | (93) | 1,065 | -1146.7% |
| Gain from indexation units | 181 | 33 | 148 | 442.8% | -59 | -11 | (48) | 452.7% |
| Profit (loss) before tax | 17,741 | 23,283 | (5,541) | -23.8% | 5,735 | 12,946 | (7,211) | -55.7% |
| Income tax (expense) revenue | 1,932 | (2,857) | 4,789 | -167.6% | 2,563 | (1,617) | 4,180 | -258.5% |
| Profit (loss) | 19,673 | 20,425 | (752) | -3.7% | 8,299 | 11,329 | (3,031) | -26.8% |
| Profit (loss) attributable to owners of the parent | 19,555 | 20,355 | (801) | -3.9% | 8,211 | 11,307 | (3,097) | -27.4% |
| Profit (loss) attributable to non-controlling interests | 118 | 70 | 48 | 68.9% | 88 | 22 | 66 | 299.7% |

***Table 1: Consolidated Income Statement***

**The company's net income in 1H22 decreased 3.7% YoY** (↓Ch$752 million) to Ch$19,673 million against Ch$20,425 million YoY, and in 2Q22 net income dropped 26.8% YoY (↓Ch$3,031 million). **The gross margin in 1H22 was Ch$63,243 million** (↑Ch$7,358 million / +13.2% YoY) **and in 2Q22 it was Ch$32,358 million** (↑Ch$3,068 million / +10.5% YoY).

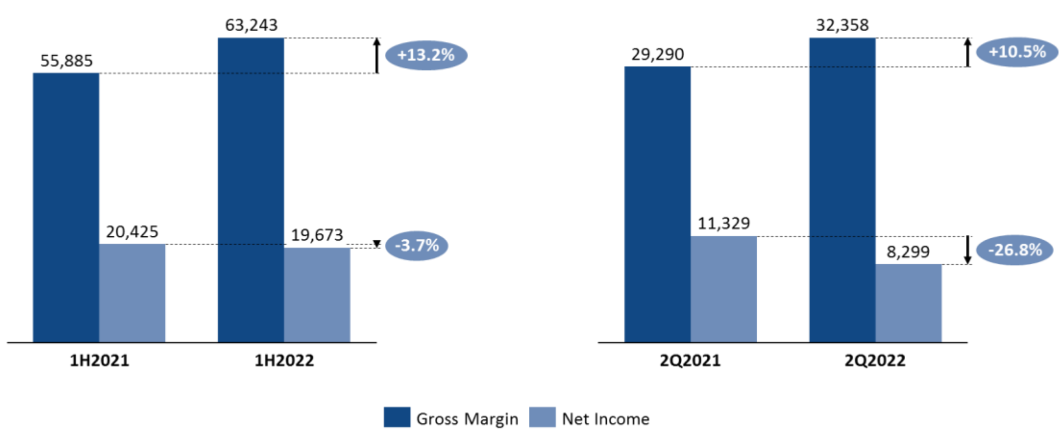



***Chart 1: Consolidated Net Income and Gross Margin***

**Consolidated revenue amounted to Ch$128,976 million in 1H22, increasing 42.6% YoY (↑Ch$38,553 million), and ↑Ch$70,191 million in 2Q22, increasing 54.5% YoY (↑Ch$24,760 million),** in line with: (i) income from interest (1H22: ↑Ch$17,686 million / +35.1% YoY and 2Q22: ↑Ch$9,679 million / +37.4% YoY); (ii) income from indexation (1H22: ↑Ch$11,190 million / +228.3% and 2Q22: ↑Ch$8,974 million / +626.7% YoY), (iii) income from price differences (1H22: ↑Ch$10,037 million / +82.5% YoY and 2Q22: ↑Ch$5,578 million / +92.8% YoY), (iv) other income (1H22: ↑Ch$6,039 / +45.6% YoY and 2Q22: ↑Ch$3,158 million / +51.6% YoY) and (v) foreign exchange differences (1H22: ↑Ch$1,161 million / +43.0% YoY and 2Q22: ↑Ch$2,593 million / +260.5% YoY). These were offset by lower income from: (i) fair value (1H22: ↓Ch$4,657 million / -202.2% YoY and 2Q22: ↓Ch$3,877 million / -145.9% YoY) and (ii) fees (1HS22: ↓Ch$2,903 million / -62.1% YoY and 2Q22: ↓Ch$1,344 million / -56.9% YoY).

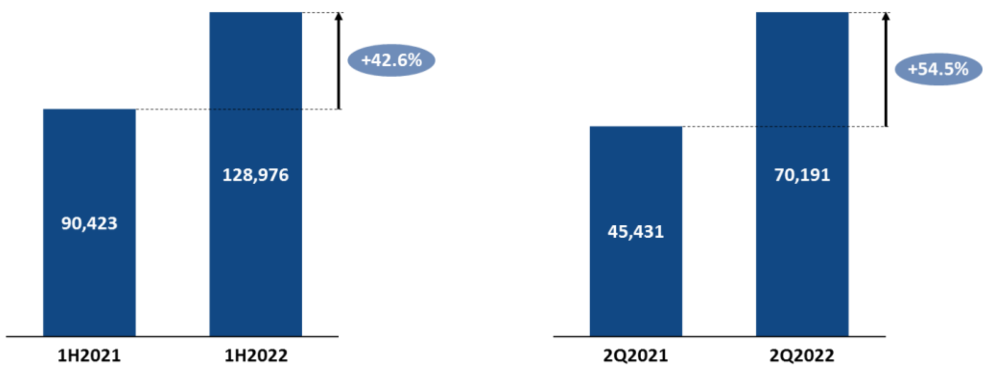



*Chart 2: Consolidated Revenue*

**The consolidated cost of sales in 1H22 was ↑Ch$65,733 million, increasing 90.3% YoY (↑Ch$31,195 million), and ↑Ch$37,833 million in 2Q22, increasing 134.4% YoY** (↑Ch$21,692 million)**,** in line with: (i) exchange rate difference costs (1H22: ↑Ch$13,533 million / +2,927.1% YoY and 2Q22: ↑Ch$9,489 million / +1,182.9 YoY), (ii) interest expenses (1H22: ↑Ch$9,509 million / +56.5% YoY and 2Q22: ↑Ch$7,081 million / +85.6% YoY), (iii) indexation expenses (1H22: ↑Ch$5,940 million / +884.4% YoY and 2Q22: ↑Ch$4,289 million / +2,370.3% YoY) and (iv) fee expenses (↑Ch$3,005 million / +24.1% YoY and 2Q22: ↑Ch$1,212 million / +19.0% YoY). These were offset by lower other costs (1H22: ↓Ch$791 million / -15.8% YoY and 2Q22: ↓Ch$379 million / -15.3% YoY).

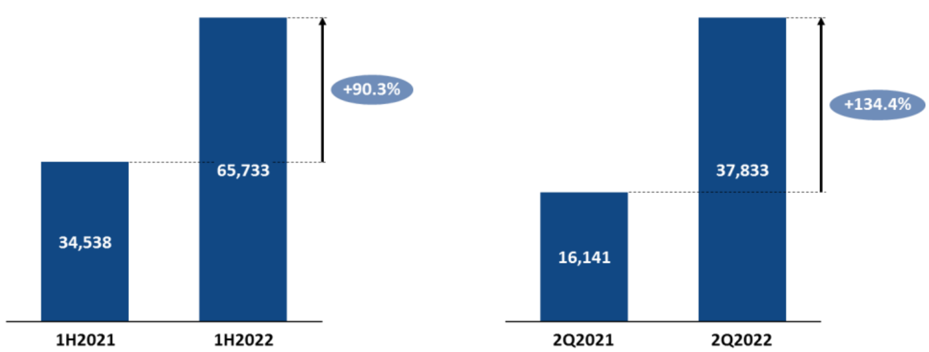



*Chart 3: Sales Cost*

**SG&A expenses (including depreciation) were Ch$28,340 million in 1H22 and Ch$15,395 million in 2Q22**, increasing 9.1% YoY and 14.3% YoY, respectively, mainly due to a higher labour expense, which accounts for 68% of the SG&A expenses that amounted to Ch$19,175 million in 1H22 (+9.6% YoY) and Ch$10,501 million in 2Q22 (+15.1% YoY), mainly due to higher remuneration expenditure. General administrative expenses were Ch$9,166 million in 1H22 and Ch$4,894 million in 2Q22, increasing 8.2% YoY and 12.6% YoY, respectively.

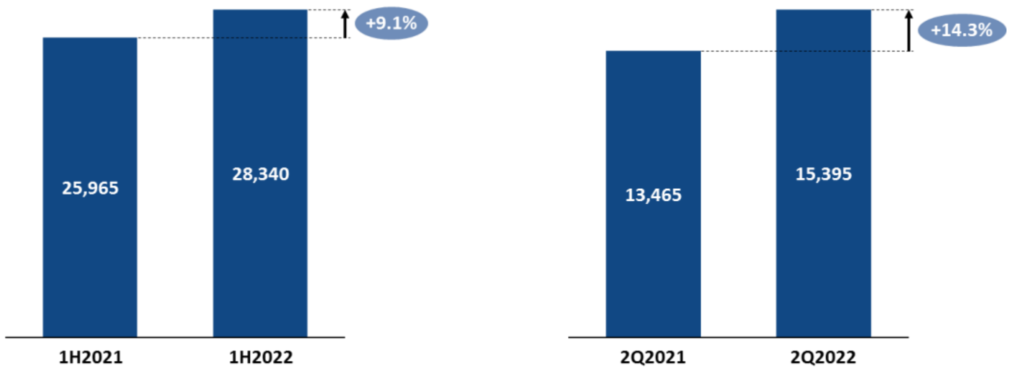



***Chart 4: SG&A Expenses***

# III. Main Indicators

| | Indicator | Definition | Unit | 30-06-2022 | 31-12-2021 |
|---|---|---|---|---|---|
| Liquidity and Solvency | Liquidity Ratio | *Current assets/Current liabilities* | *Times* | 1.39 | 1.32 |
| | Short-Term Leverage Ratio | *Current liabilities/Equity* | *Times* | 2.61 | 2.61 |
| | Immediate Liquidity | *Cash and cash equivalents/Current liabilities* | *Times* | 0.08 | 0.06 |
| | Stable Funding Ratio | *(Non-current liabilities + Equity)/(Current assets)* | *Times* | 1.59 | 1.48 |
| | Leverage Ratio | *Liabilities/Equity* | *Times* | 4.40 | 4.17 |
| | Capitalisation | *Equity/Assets* | *%* | 18.5% | 19.4% |
| | Total Leverage Ratio | *Liabilities/Assets* | *Times* | 0.8 | 0.8 |
| | Short-Term Debt Ratio | *Total current liabilities/Total liabilities* | *%* | 59.4% | 62.6% |
| | Long-Term Debt Ratio | *Total non-current liabilities/Total liabilities* | *%* | 40.6% | 37.4% |
| | Short-Term Bank Debt | *Current bank liabilities/Current liabilities* | *%* | 23.1% | 25.7% |
| | Long-Term Bank Debt | *Non-current bank liabilities/Non-current liabilities* | *%* | 25.5% | 26.5% |
| | Working Capital | *Current assets - Current liabilities* | *Ch$ million* | 374,225 | 286,694 |
| | Financial Expenditure Ratio | *(Profit before tax + Financial expenditure)/Financial expenditure* | *Times* | 1.9 | 2.1 |
| Asset Quality | Non-Performing Loans over 30 days | *Non-performing loans > 30 days/(Loans + Provisions)* | *%* | 8.3% | 3.6% |
| | Non-Performing Loans over 90 days | *Non-performing loans > 90 days/(Loans + Provisions)* | *%* | 2.5% | 1.9% |
| | | *Non-Performing loans > 90 days/Equity* | *%* | 10.2% | 8.1% |
| | Non-Performing Loans | *Non-Performing loans/(Loans + Provisions)* | *%* | 15.3% | 7.6% |
| | | *Non-Performing loans/Equity* | *%* | 63.2% | 32.0% |
| | Provisions | *Provisions/(Loans + Provisions)* | *%* | 2.3% | 1.7% |
| | | *Provisions/Non-performing loans* | *%* | 15.0% | 22.5% |
| | | *Provisions/Non-performing loans > 90 days* | *%* | 103.3% | 95.6% |
| | Write-offs | *Write-offs (LTM)/(Loans + Provisions)* | *%* | 1.3% | 1.5% |
| | Provisions and Write-offs | *Annualised provisions and write-offs/(Loans + Provisions)* | *%* | 2.8% | 1.6% |
| | Renegotiated Porfolio | *Renegotiated portfolio/(Loans + Provisions)* | *%* | 1.8% | 1.9% |

***Table 2: Main Balance Sheet Indicators***

| | Indicator | Definition | Unit | 30-06-2022 | 30-06-2021 |
|---|---|---|---|---|---|
| Profitability | Return on Average Equity | *Net income LTM/Average equity* | *%* | 10.1% | 11.7% |
| | Return on Average Assets | *Net income LTM/Average assets* | *%* | 2.0% | 2.5% |
| | Gross Margin | *Gross margin (*)/Revenue* | *%* | 35.3% | 55.0% |
| | Operating Margin | *Operating margin/Revenue* | *%* | 13.3% | 25.9% |
| | Net Income Margin | *Net income/Revenue* | *%* | 15.3% | 22.6% |
| | Earnings Per Share (EPS) | *Net income/number of shares* | *Ch$'000* | 16,230 | 16,851 |
| | Expenditure Efficiency | *SG&A expenses/Gross margin (*)* | *%* | 62.3% | 52.2% |

*(*) Gross margin considers impairment.*

***Table 3: Main Profitability Indicators***

As of 30 June 2022, in terms of liquidity and solvency the company has 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$151,958 million (+10.5% YTD) compared to those at the close of December 2021 to Ch$1,598,109 million, while assets rose 9.35% (↑Ch$167,630 million) to Ch$1,960,937 million. Equity increased Ch$15,672 million (+4.5% YTD) amounting to Ch$362,829 million.

The asset quality indicators, reflected by NPLs > 30 days and NPLs > 90 days, increased on those at the close of 2021. This was driven by a deterioration of the economy and the end of state aid, which have led to a normalization of the performance of these indicators.

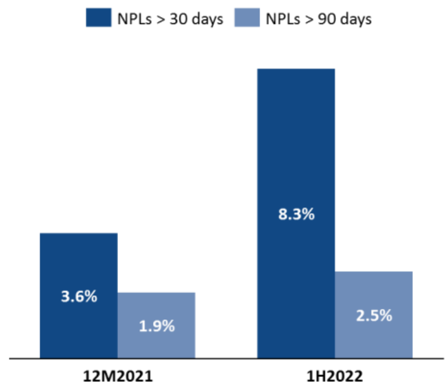



***Chart 5: Consolidated NPLs***

## IV. Business Division Results

Tanner is organised into three divisions: Corporate[1], Auto Financing[2] and Treasury & Investments[3]. The results of these three divisions, which accounted for 42.4%, 40.4% and 17.3% of the consolidated gross margin in 1H22 and 41.6%, 38.9% and 19.5% in 2Q22, respectively, are shown below.

| Business Division | | 01-01-2022 to 30-06-2022 Ch$million | 01-01-2021 to 30-06-2021 Ch$million | Δ Ch$ | Δ % | 01-04-2022 to 30-06-2022 Ch$million | 01-04-2021 to 30-06-2021 Ch$million | Δ Ch$ | Δ % |
|---|---|---|---|---|---|---|---|---|---|
| **CORPORATE DIVISION** Tanner Empresas | REVENUE | 45,463 | 29,648 | 15,815 | 53.3% | 24,263 | 15,036 | 9,226 | 61.4% |
| | COSTS | 18,665 | 8,040 | 10,625 | 132.2% | 10,801 | 3,987 | 6,814 | 170.9% |
| | GROSS MARGIN | 26,799 | 21,608 | 5,190 | 24.0% | 13,462 | 11,049 | 2,412 | 21.8% |
| ***i. FACTORING*** | REVENUE | 30,185 | 15,373 | 14,812 | 96.4% | 16,085 | 7,855 | 8,230 | 104.8% |
| | COSTS | 12,538 | 3,573 | 8,965 | 250.9% | 7,212 | 1,857 | 5,355 | 288.5% |
| | GROSS MARGIN | 17,647 | 11,799 | 5,847 | 49.6% | 8,873 | 5,998 | 2,875 | 47.9% |
| ***ii. LEASING*** | REVENUE | 2,618 | 2,872 | (253) | -8.8% | 1,269 | 1,350 | (81) | -6.0% |
| | COSTS | 980 | 974 | 5 | 0.5% | 512 | 460 | 52 | 11.3% |
| | GROSS MARGIN | 1,639 | 1,897 | (259) | -13.6% | 757 | 890 | (133) | -15.0% |
| ***iii. CORPORATE LOANS*** | REVENUE | 12,660 | 11,403 | 1,257 | 11.0% | 6,909 | 5,832 | 1,077 | 18.5% |
| | COSTS | 5,147 | 3,492 | 1,655 | 47.4% | 3,077 | 1,670 | 1,406 | 84.2% |
| | GROSS MARGIN | 7,513 | 7,912 | (398) | -5.0% | 3,832 | 4,161 | (329) | -7.9% |
| **AUTO FINANCING DIVISION** Tanner Automotriz | REVENUE | 57,614 | 46,339 | 11,275 | 24.3% | 29,375 | 23,644 | 5,731 | 24.2% |
| | COSTS | 32,086 | 22,511 | 9,574 | 42.5% | 16,800 | 11,418 | 5,382 | 47.1% |
| | GROSS MARGIN | 25,529 | 23,828 | 1,701 | 7.1% | 12,575 | 12,226 | 349 | 2.9% |
| **TREASURY & INVESTMENTS DIVISION** | REVENUE | 36,270 | 15,443 | 20,827 | 134.9% | 22,154 | 7,121 | 15,033 | 211.1% |
| | COSTS | 25,354 | 4,994 | 20,360 | 407.7% | 15,833 | 1,107 | 14,726 | 1330.9% |
| | GROSS MARGIN | 10,915 | 10,449 | 467 | 4.5% | 6,321 | 6,014 | 307 | 5.1% |
| **ADJUSTMENTS BETWEEN SEGMENTS** | REVENUE | 10,371 | 1,007 | 9,365 | 930.1% | 5,601 | 371 | 5,231 | 1411.4% |
| | COSTS | (10,371) | (1,007) | (9,365) | 930.1% | (5,601) | (371) | (5,231) | 1411.4% |
| Tanner | REVENUE | 128,976 | 90,423 | 38,553 | 42.6% | 70,191 | 45,431 | 24,760 | 54.5% |
| | COSTS | 65,733 | 34,538 | 31,195 | 90.3% | 37,833 | 16,141 | 21,692 | 134.4% |
| | GROSS MARGIN | 63,243 | 55,885 | 7,358 | 13.2% | 32,358 | 29,290 | 3,068 | 10.5% |

***Table 4: Business Division Results***

[1] Corporate Division: this includes factoring, leasing and corporate loans.
[2] This includes auto financing and Tanner Corredora de Seguros Ltda.
[3] Treasury and Investments Division: this includes the Treasury of Tanner Servicios Financieros and the subsidiary Tanner Corredores de Bolsa S.A.

**The consolidated gross margin in 1H22 was Ch$63,243 million** (↑Ch$7,358 million / +13.2% YoY), due to a higher increase in revenue (↑Ch$38,553 million / +42.6% YoY) than that of costs (↑Ch$31,195 million / +90.3% YoY). **The consolidated gross margin in 2Q22 was Ch$32,358 million** (↑Ch$3,068 million / +10.5% YoY), because of an increase in revenue (↑Ch$24,760 million / +54.5% YoY) and in costs (↑Ch$21,692 million / +134.4% YoY).

The gross margin breakdown by division/product was as follows:

**CORPORATE DIVISION**

Tanner Empresas

**1H22:** Ch$26,799 million, up 24.0% YoY (↑Ch$5,190 million), due to an increase of Ch$15,815 million (+53.3% YoY) in revenue and 132.2% YoY (↑Ch$10,625 million) in the costs of the division.
**2Q22:** Ch$13,462 million, up 21.8% YoY (↑Ch$2,412 million), on account of an increase of Ch$9,226 million (+61.4% YoY) in revenue and ↑Ch$6,814 million (+170.9% YoY) in the costs of the division.

***i. FACTORING***

**1H22:** Ch$17,647 million, up 49.6% YoY (↑Ch$5,847 million), because of increases of ↑Ch$14,812 million (+96.4% YoY) in revenue and ↑Ch$8,965 million (+250.9% YoY) in costs.
**2Q22:** Ch$8,873 million, up 47.9% YoY (↑Ch$2,875 million), on account of increases of ↑Ch$8,230 million (+104.8% YoY) in revenue and ↑Ch$5,355 million (+288.5% YoY) in costs.

***ii. LEASING***

**1H22:** Ch$1,639 million, down 13.6% YoY (↓Ch$259 million), due to a decrease in revenue of -8.8% YoY (↓Ch$253 million) and an increase in costs of 0.5% YoY (↑Ch$5 million).
**2Q22:** Ch$757 million, down 15.0% YoY (↓Ch$133 million), due to a decrease in revenue of -6.0% YoY (↓Ch$81 million) and an increase in costs of 11.3% YoY (↑Ch$52 million).

***iii. CORPORATE LOANS***

**1H22:** Ch$7,513 million, down 5.0% YoY (↓Ch$398 million), due to an increase in revenue (↑Ch$1,257 million / +11.0% YoY) and in costs (↑Ch$1,655 million / +47.4% YoY).
**2Q22:** Ch$3,832 million, down 7.9% YoY (↓Ch$329 million), due to an increase in revenue (↑Ch$1,077 million / +18.5% YoY) and in costs (↑Ch$1,406 million / +84.2% YoY).

**AUTO FINANCING DIVISION**

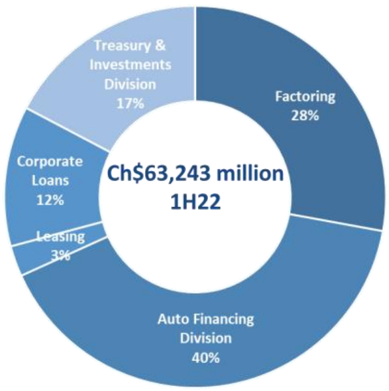
Tanner Automotriz

**1H22:** Ch$25,529 million, up 7.1% YoY (↑Ch$1,701 million), because of an increase in revenue (↑Ch$11,275 million / +24.3% YoY), and in costs (↑Ch$9,574 million / +42.5% YoY).
**2Q22:** Ch$12,575 million, up 2.9% YoY (↑Ch$349 million), because of an increase in revenue (↑Ch$5,731 million / +24.2% YoY), and in costs (↑Ch$5,382 million / +47.1% YoY).

## TREASURY & INVESTMENTS DIVISION

**1H22:** Ch$10,915 million, up 4.5% YoY (↑Ch$467 million), due to an increase in revenue (↑Ch$20,827 million / +134.9% YoY) and in costs (↑Ch$20,360 million / +407.7% YoY).

**2Q22:** Ch$6,321 million, up 5.1% YoY (↑Ch$307 million), due to an increase in revenue (↑Ch$15,033 million / +211.1% YoY) and in costs (↑Ch$14,726 million / +1,330.9% YoY).



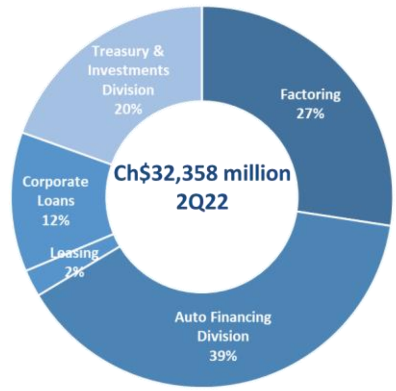
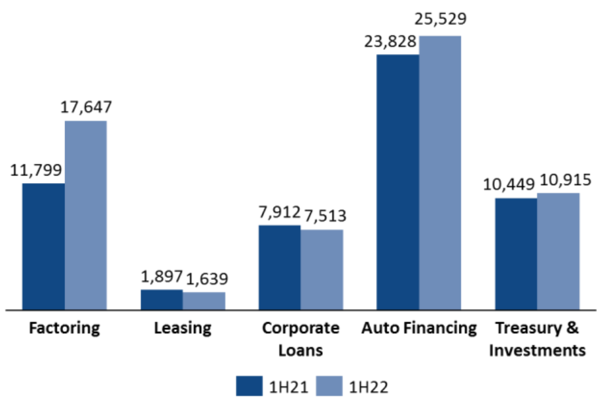




*Chart 6: Gross Margin Breakdown by Business Line*



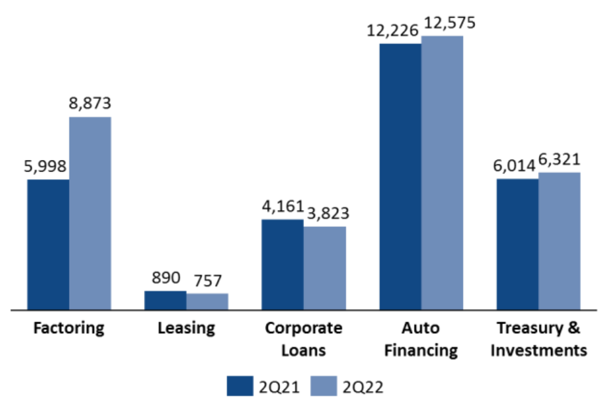




*Chart 7: Gross Margin by Business Line*

**The company's consolidated revenue was Ch$128,976 million** in 1H22, increasing 42.6% YoY (↑Ch$38,553 million), while in 2Q22 the company´s consolidated revenue was Ch$70,191 million, increasing 54.5% YoY (↑Ch$24,760 million), explained by the following revenue:

**CORPORATE DIVISION**

**1H22:** Ch$45,463 million (↑Ch$15,815 million / +53.3% YoY).
**2Q22:** Ch$24,263 million (↑Ch$9,226 million / +61.4% YoY).
Driver: Higher revenue from the factoring business that accounts for 66.4% of the division's revenue.

***i. FACTORING***

**1H22:** Ch$30,185 million (↑Ch$14,812 million / +96.4% YoY).
**2Q22:** Ch$16,085 million (↑Ch$8,230 million / +104.8% YoY).
Driver: Higher price difference income, due to a higher price and average stock.

***ii. LEASING***

**1H22:** Ch$2,618 million (↓Ch$253 million / -8.8% YoY).
**2Q22:** Ch$1,269 million (↓Ch$81 million / -6.0% YoY).
Driver: Drop in income on account of a lower loan portfolio.

***iii. CORPORATE LOANS***

**1H22:** Ch$12,660 million (↑Ch$1,257 million / +11.0% YoY).
**2Q22:** Ch$6,909 million (↑Ch$1,077 million / +18.5% YoY).
Driver: Higher interest income received due to the increase in loans.

**AUTO FINANCING DIVISION**

**1H22:** Ch$57,614 million (↑Ch$11,275 million / +24.3% YoY).
**2Q22:** Ch$29,375 million (↑Ch$5,731 million / +24.2% YoY).
Driver: Higher interest income, due to a higher price and increase in loans.

**TREASURY & INVESTMENTS DIVISION**

**1H22:** Ch$36,270 million (↑Ch$20,827 million / +134.9% YoY).
**2Q22:** Ch$22,154 million (↑Ch$15,033 million / +211.1% YoY).
Driver: Higher revenue from indexation and interest.

**Consolidated accrued costs amounted to Ch$65,733 million in 1H22 and Ch$37,833 million in 2Q22,** increasing Ch$31,195 million (+90.3% YoY) and Ch$21,692 million (+134.4% YoY), respectively, explained by the following costs:

**CORPORATE DIVISION**

Tanner Empresas

**1H22:** Ch$18,665 million (↑Ch$10,625 million / +132.2% YoY).
**2Q22:** Ch$10,801 million (↑Ch$6,814 million / +170.9% YoY).
**Driver:** Higher interest cost due to an increase in the financing cost of the division.

***i. FACTORING***

**1H22:** Ch$12,538 million (↑Ch$8,965 million / +250.9% YoY).
**2Q22:** Ch$7,212 million (↑Ch$5,355 million / +288.5% YoY).
**Driver:** Higher interest cost, due to an increase in the financing cost of Tanner and a higher portfolio.

***ii. LEASING***

**1H22:** Ch$980 million (↑Ch$5 million / +0.5% YoY).
**2Q22:** Ch$512 million (↑Ch$52 million / +11.3% YoY).
**Driver:** Higher other costs and costs between segments, due to a greater financing cost.

***iii. CORPORATE LOANS***

**1H22:** Ch$5,147 million (↑Ch$1,655 million / +47.4% YoY).
**2Q22:** Ch$3,077 million (↑Ch$1,406 million / +84.2% YoY).
**Driver:** Higher costs between segments, arising from an increase in the financing cost.

**AUTO FINANCING DIVISION**

Tanner Automotriz

**1H22:** Ch$32,086 million (↑Ch$9,574 million / +42.5% YoY).
**2Q22:** Ch$16,800 million (↑Ch$5,382 million / +47.1% YoY).
**Driver:** Higher fee cost, interest and costs between segments, due to an increase in average loans and in the financing cost.

**TREASURY & INVESTMENTS DIVISION**

**1H22:** Ch$25,354 million (↑Ch$20,360 million / +407.7% YoY).
**2Q22:** Ch$15,833 million (↑Ch$14,726 million / +1,330.9% YoY).
**Driver:** Higher cost related to the exchange rate difference cost of the liability.

# V. Business Division Portfolio Quality

| | Indicator | Definition | Unit | 30-06-2022 | 31-12-2021 |
|---|---|---|---|---|---|
| CORPORATE DIVISION | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 15.8% | 5.4% |
| | | Non-Performing loans/Equity | % | 36.3% | 13.0% |
| | Provisions | Provisions/(Loans + Provisions) | % | 1.7% | 1.2% |
| | | Provisions/Non-performing loans | % | 10.9% | 21.7% |
| | | Provisions/Non-performing loans > 90 days | % | 92.9% | 64.8% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 2.5% | 1.2% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 8.7% | 2.7% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 1.9% | 1.8% |
| | | Non-Performing loans > 90 days/Equity | % | 4.3% | 4.4% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 1.9% | 1.9% |
| | | Renegotiated portfolio/Equity | % | 4.4% | 4.6% |
| | Clients | Number of clients | # | 3,827 | 3,373 |
| *i. FACTORING* | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 17.7% | 5.2% |
| | | Non-Performing loans/Equity | % | 20.0% | 6.5% |
| | Provisions | Provisions/(Loans + Provisions) | % | 1.8% | 1.0% |
| | | Provisions/Non-performing loans | % | 10.3% | 18.9% |
| | | Provisions/Non-performing loans > 90 days | % | 104.8% | 239.5% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 1.8% | 1.1% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 8.0% | 0.8% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 1.7% | 0.4% |
| | | Non-Performing loans > 90 days/Equity | % | 2.0% | 0.5% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 1.5% | 1.2% |
| | | Renegotiated portfolio/Equity | % | 1.6% | 1.5% |
| | Clients | Number of clients | # | 3,455 | 3,002 |
| *ii. LEASING* | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 6.0% | 2.9% |
| | | Non-Performing loans/Equity | % | 1.0% | 0.5% |
| | Provisions | Provisions/(Loans + Provisions) | % | 0.8% | 0.3% |
| | | Provisions/Non-performing loans | % | 13.3% | 11.8% |
| | | Provisions/Non-performing loans > 90 days | % | 128.0% | 216.0% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 1.0% | -0.2% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 2.7% | 0.9% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 0.6% | 0.2% |
| | | Non-Performing loans > 90 days/Equity | % | 0.1% | 0.0% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 10.3% | 9.0% |
| | | Renegotiated portfolio/Equity | % | 1.8% | 1.7% |
| | Clients | Number of clients | # | 128 | 148 |
| *iii. CORPORATE LOANS* | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 15.3% | 6.3% |
| | | Non-Performing loans/Equity | % | 15.3% | 6.0% |
| | Provisions | Provisions/(Loans + Provisions) | % | 1.8% | 1.6% |
| | | Provisions/Non-performing loans | % | 11.5% | 25.6% |
| | | Provisions/Non-performing loans > 90 days | % | 16.7% | 29.1% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 3.6% | 1.7% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 10.6% | 5.5% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 2.2% | 4.0% |
| | | Non-Performing loans > 90 days/Equity | % | 2.2% | 3.8% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 1.0% | 1.5% |
| | | Renegotiated portfolio/Equity | % | 1.0% | 1.4% |
| | Clients | Number of clients | # | 588 | 582 |
| AUTO FINANCING DIVISION | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 14.9% | 10.7% |
| | | Non-Performing loans/Equity | % | 26.9% | 19.0% |
| | Provisions | Provisions/(Loans + Provisions) | % | 2.96% | 2.39% |
| | | Provisions/Non-performing loans | % | 19.8% | 22.3% |
| | | Provisions/Non-performing loans > 90 days | % | 93.6% | 121.8% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 3.2% | 2.2% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 7.8% | 4.9% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 3.2% | 2.0% |
| | | Non-Performing loans > 90 days/Equity | % | 5.7% | 3.5% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 1.6% | 2.0% |
| | | Renegotiated portfolio/Equity | % | 3.0% | 3.5% |
| | Clients | Number of clients | # | 87,172 | 87,668 |
| TREASURY & INVESTMENTS DIVISION | Non-Performing Loans | Non-Performing loans/(Loans + Provisions) | % | 6.9% | 12.2% |
| | | Non-Performing loans/Equity | % | 0.2% | 0.7% |
| | Provisions | Provisions/(Loans + Provisions) | % | 5.8% | 2.6% |
| | | Provisions/Non-performing loans | % | 83.5% | 21.7% |
| | | Provisions/Non-performing loans > 90 days | % | 85.0% | 61.0% |
| | Provisions and Write-offs | Provisions and write-offs/(Loans + Provisions) | % | 3.3% | 2.7% |
| | Non-Performing Loans over 30 days | Non-performing loans > 30 days/(Loans + Provisions) | % | 6.8% | 4.3% |
| | Non-Performing Loans over 90 days | Non-performing loans > 90 days/(Loans + Provisions) | % | 6.8% | 4.3% |
| | | Non-Performing loans > 90 days/Equity | % | 0.2% | 0.2% |
| | Renegotiated Porfolio | Renegotiated portfolio/(Loans + Provisions) | % | 0.0% | 1.5% |
| | | Renegotiated portfolio/Equity | % | 0.0% | 0.1% |
| | Clients | Number of clients | # | 1,640 | 1,708 |

***Table 5: Business Division Main Indicators***

## CORPORATE DIVISION

Tanner Empresas

NPLs > 90 days were at the same level as that at the close of 2021, whereas NPLs > 30 days increased.

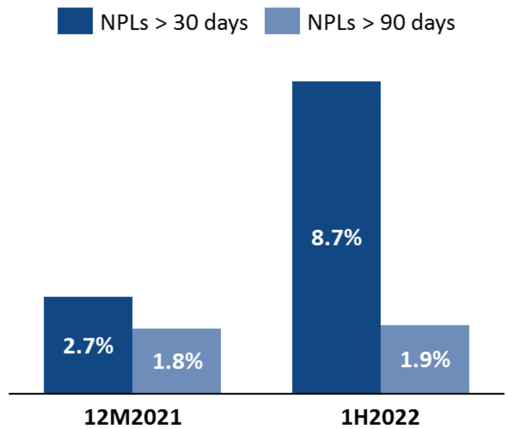



***Chart 9: NPLs – Corporate Division***

### *i. FACTORING*

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021.

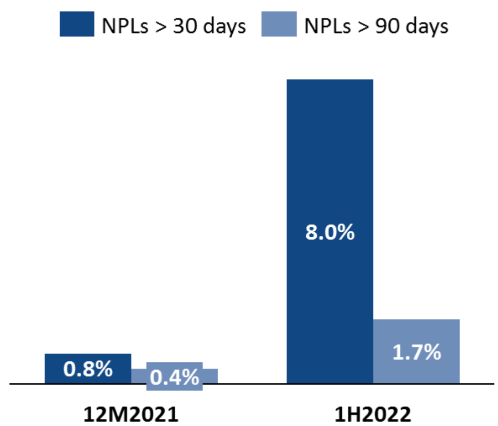



***Chart 10: NPLs – Factoring Business***

### *ii. LEASING*

NPLs > 30 days increased compared to 12M2021. On the other hand, NPLs > 90 days remained below 1%.

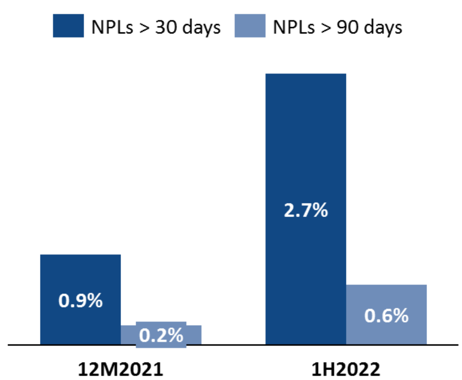



***Chart 11: NPLs – Leasing Business***

***iii. CORPORATE LOANS***

NPLs > 30 days increased, while NPLs > 90 days improved compared to 12M2021. It should be noted that the NPL portfolio mainly comprises loans with real collateral.

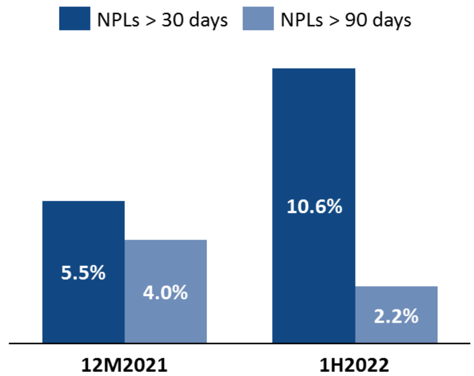



***Chart 12: NPLs – Corporate Loan Business***

**AUTO FINANCING DIVISION**

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021.

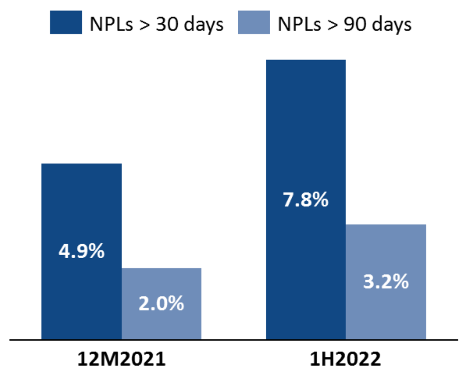



***Chart 13: NPLs – Auto Financing Division***

**TREASURY & INVESTMENTS DIVISION**

Both NPLs > 30 days and NPLs > 90 days increased, due to maintenance of the delinquency portfolio and a decrease in total loans.

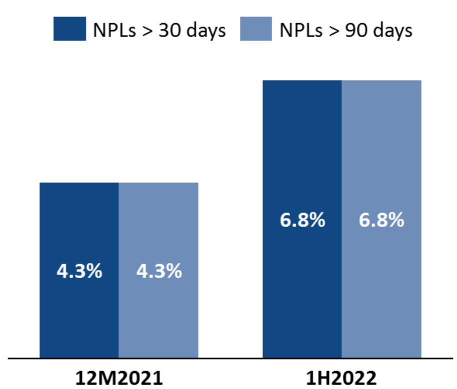



***Chart 14: NPLs – Treasury & Investments Division***

# VI. Balance Sheet

| Assets (Ch$ million) | 30-06-2022 | 31-12-2021 | Δ Ch$ | Δ % |
|---|---|---|---|---|
| **Current Assets** | | | | |
| Cash and cash equivalents | 76,893 | 57,913 | 18,980 | 32.8% |
| Other current financial assets | 231,586 | 129,553 | 102,033 | 78.8% |
| Other current non-financial assets | 1,430 | 2,010 | (581) | -28.9% |
| Trade receivables and other current accounts receivable, net | 979,582 | 974,486 | 5,095 | 0.5% |
| Accounts receivable from related parties | 5,673 | 5,844 | (171) | -2.9% |
| Current tax assets | 15,876 | 12,218 | 3,657 | 29.9% |
| Non-current assets or asset groups for disposal classified as held-for-sale | 11,803 | 9,842 | 1,961 | 19.9% |
| **Total Current Assets** | **1,322,842** | **1,191,866** | **130,976** | **11.0%** |
| **Non-Current Assets** | | | | |
| Other non-current financial assets | 75,132 | 73,768 | 1,364 | 1.8% |
| Other non-current non-financial assets | 24,778 | 7,301 | 17,477 | 239.4% |
| Trade receivables and other non-current accounts receivable | 489,075 | 470,056 | 19,019 | 4.0% |
| Non-current accounts receivable from related parties | 151 | 202 | (50) | -25.0% |
| Intangible assets other than goodwill | 5,245 | 5,213 | 32 | 0.6% |
| Goodwill | 1,640 | 1,640 | - | 0.0% |
| Property, plant and equipment | 8,515 | 8,913 | (398) | -4.5% |
| Investment property | - | - | - | - |
| Deferred tax assets | 33,558 | 34,348 | (790) | -2.3% |
| **Total Non-Current Assets** | **638,095** | **601,441** | **36,654** | **6.1%** |
| **Total Assets** | **1,960,937** | **1,793,307** | **167,630** | **9.3%** |

| Liabilities (Ch$ million) | 30-06-2022 | 31-12-2021 | Δ Ch$ | Δ % |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Other current financial liabilities | 823,925 | 750,921 | 73,004 | 9.7% |
| Trade payables and other current accounts payable | 113,387 | 145,378 | (31,991) | -22.0% |
| Accounts payable to related parties, current | 4,618 | - | 4,618 | - |
| Current provisions for employee benefits | 3,223 | 4,984 | (1,761) | -35.3% |
| Current tax liabilities | 3,465 | 3,889 | (425) | -10.9% |
| Other current non-financial liabilities | - | - | - | - |
| **Total Current Liabilities** | **948,617** | **905,173** | **43,444** | **4.8%** |
| **Non-Current Liabilities** | | | | |
| Other non-current financial liabilities | 649,229 | 540,705 | 108,524 | 20.1% |
| Non-current provisions for employee benefits | 263 | 274 | (11) | -4.1% |
| **Total Non-Current Liabilities** | **649,492** | **540,978** | **108,513** | **20.1%** |
| **Total Liabilities** | **1,598,109** | **1,446,151** | **151,958** | **10.5%** |
| Share capital | 195,224 | 195,224 | - | 0.0% |
| Retained earnings | 166,080 | 152,393 | 13,687 | 9.0% |
| Reserves | 468 | (1,425) | 1,893 | -132.8% |
| **Total equity attributable to the owners of the Parent** | **361,772** | **346,192** | **15,580** | **4.5%** |
| Non-controlling interests | 1,056 | 964 | 92 | 9.5% |
| Equity | **362,829** | **347,157** | **15,672** | **4.5%** |
| **Total Equity and Liabilities** | **1,960,938** | **1,793,307** | **167,630** | **9.3%** |

***Table 6: Consolidated Balance Sheet***

## a. Net Loan Portfolio[4]

**The total gross loan portfolio in 2Q22 was Ch$1,506,144 million** (↑Ch$33,621 million / +2.3% YTD) versus Ch$1,469,523 million in 12M2021, while provisions were Ch$34,486 million, increasing Ch$9,506 million (+38.1% YTD). Hence, **the total net loan portfolio amounted to Ch$1,468,657 million**, an increase of Ch$24,115 million (+1.7% YTD) on the Ch$1,444,542 million in 12M2021.

Net loan portfolio by division in 2Q2022:

1. **Corporate Division: Ch$819,778 million** | -0.3% YTD | ↓Ch$2,695 million.
    a. **Factoring: Ch$403,096 million** | -6.7% YTD | ↓Ch$29,036 million.
    b. **Leasing: Ch$61,010 million** | -7.0% YTD | ↓Ch$4,565 million.
    c. **Corporate Loans: Ch$355,671 million** | +9.5% YTD | ↑Ch$30,907 million.
2. **Auto Financing Division: Ch$635,005 million** | +5.8% YTD | ↑Ch$35,011 million.
3. **Treasury and Investments Division: Ch$11,509 million** | -37.9% YTD | ↓Ch$7,036 million.
4. **Sundry Receivables: Ch$2,365 million** | -33.0% YTD | ↓Ch$1,165 million.

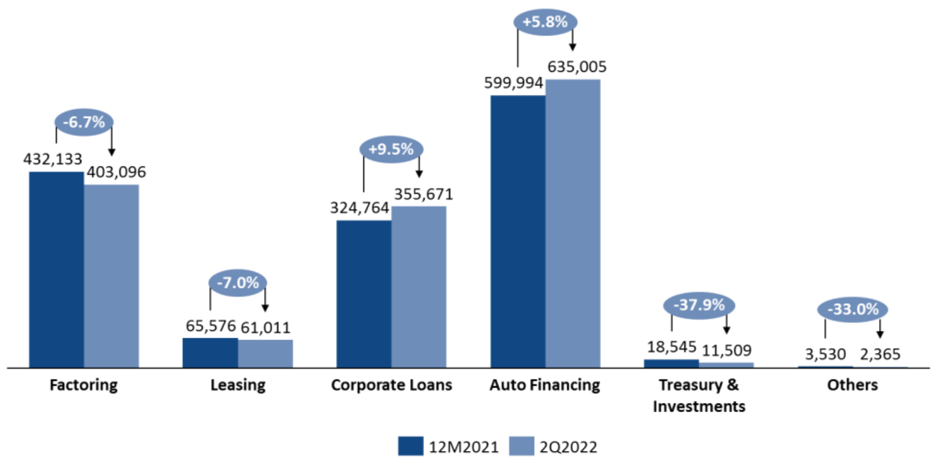



*Chart 15: Net Loan Portfolio by Line of Business*

The portfolio has remained with a higher concentration on the company's strategic businesses, such as factoring and auto financing. At the close of 2Q22, these accounted for 27% and 43% of the net loan portfolio, respectively.

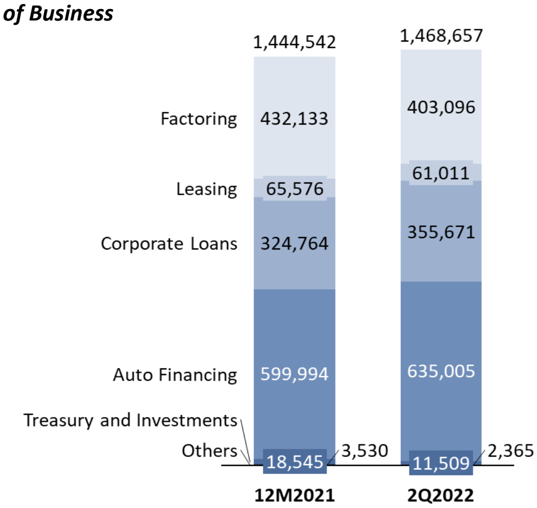


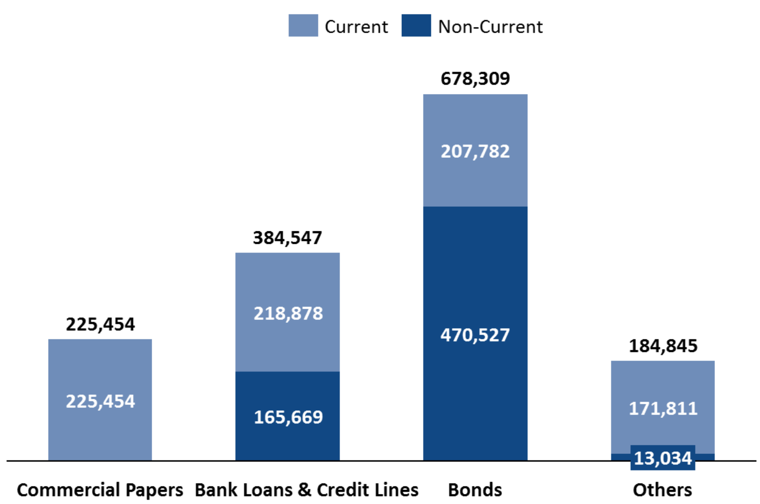

*Chart 16: Net Loan Portfolio Breakdown*

[4] Gross loans minus provisions.

## *b. Funding Sources*

**The company's financial liabilities in 2Q22 were Ch$1,473,154 million** compared with Ch$1,291,626 million at the close of 2021 (↑Ch$181,528 million / +14.1% YTD), due to higher Chilean and international bank loans (↑Ch$9,168 million / +2.4% YTD), bonds (↑Ch$64,825 million / +10.6% YTD), due to an increase of domestic market bond issues, commercial papers (↑Ch$38,433 million / +20.6% YTD) and other financial liabilities (↑Ch$69,102 million / +59.7% YTD), which were mainly repos and forwards.

In terms of the liability structure, 46.0% (Ch$678,309 million) corresponded to domestic and international bonds, 26.1% (Ch$384,547 million) to bank loans and credit lines, and 15.3% (Ch$225,454 million) to commercial papers. The remaining Ch$184,845 million (12.5%) was related to other financial obligations comprising repos and forwards.



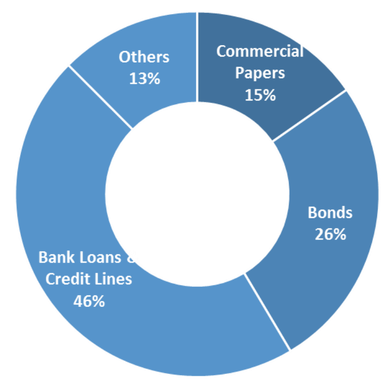




***Chart 17: Breakdown of Funding Sources***

## VII. Cash Flow Statement

| Ch$ million | 30/06/2022 | 30/06/2021 | Δ Ch$ |
|---|---|---|---|
| Cash flow from operating activities | (45,705) | (44,790) | (914) |
| Cash flow from investing activities | (75,360) | (71,971) | (3,389) |
| Cash flow from financing activities | 138,890 | 124,015 | 14,875 |
| Effect of changes in exchange rates | 1,155 | (242) | 1,397 |
| Cash flow in the period | 18,980 | 7,012 | 11,968 |
| Cash and cash equivalents, opening balance | 57,913 | 120,080 | (62,167) |
| Cash and cash equivalents, closing balance | 76,893 | 127,092 | (50,198) |

***Table 7: Cash Flow Statement***

In 1H21, the cash flow from **operating activities was -Ch$45,705 million** against -Ch$44,790 million YoY, because payments to suppliers of goods and services increased by Ch$584,542 million, arising from a higher volume of loans, particularly in the Auto Financing Division.

The cash flow from **investing activities amounted to -Ch$75,360 million**, decreasing Ch$3,389 million on the -Ch$71,971 million in 1H21, mainly due to a Ch$285,079 million difference from other payments to acquire equity or debt instruments of other entities.

The cash flow from **financing activities amounted to Ch$138,890 million** against the Ch$124,015 million YoY, mainly because of higher proceeds from loans, due to the increase in financial liabilities.

Finally, **cash and cash equivalents in 1H22 were Ch$76,893 million,** a Ch$50,198 million decrease on the Ch$127,092 million YoY.

# VIII. Risk Analysis

## *a. Credit Risk*

Credit risk is the possibility or probability of financial loss the company faces when a client or counterparty of a financial instrument fails to comply with its contractual obligations. This risk is inherent to the company's business activity.

Tanner manages credit risk by line of business or products with specific credit policies and based on a prior analysis of its clients' expected revenue, the financial information available and their payment track record, along with other commercial information, if any. This analysis also includes macroeconomic expectations and those of the sector in which the client operates (as a general case). In terms of factoring, it also includes debtor-specific information.

Another important and complementary aspect of credit risk assessment is the quality and quantity of the guarantees required. One of the company's policies is to have collateral that is a second source of payment of its clients' obligations in the event of default.

**FACTORING**

Most credit lines include the liability of the assignor for the insolvency of the assigned debtor. A framework agreement is entered into by every client to support future operations. Operations without any liability are generally covered by a credit insurance policy and/or specific collateral.

**LEASING**

Leasing operations are guaranteed by the leased assets. Insurance policies are required for all assets to cover any loss that may lead to a loss in value.

**CORPORATE LOANS**

Depending on the case, mortgages and/or stock pledges may be required. However, there is the possibility of defining a guarantor that is liable for the loan, and this is generally one of the partners of the borrower company.

**AUTO FINANCING**

Auto financing is guaranteed by the assets related to the financing, along with a credit analysis of the customer profile. There are two types of guarantees in this case: real (vehicle pledges) and personal (sureties and joint and several guarantees). Moreover, most of the operations have debtor life insurance, which pays the outstanding balance of the debt if the debtor dies.

**TREASURY & INVESTMENTS**

The receivables of the Treasury and Investments segment mainly correspond to the subsidiary Tanner Corredores de Bolsa S.A. and are classified on its individual balance sheet as intermediation receivables. The provisions associated with these kinds of receivables are determined in accordance with an expected loss model pursuant to IFRS 9.

Moreover, the company undertakes a credit quality follow-up process, whose aim is the early detection of possible changes in the payment capacity of counterparties and to recover past due or delinquent loans, enabling the company to assess the potential loss from risks and take corrective action.

**Trade receivable impairment provision policy**

IFRS 9 establishes the guidelines for the recognition of credit losses arising from the financial assets of an entity. This standard stipulates that expected credit losses must be recognised considering the following three aspects: (i) an amount of the expected probability, (ii) the temporary value of the money, and (iii) reasonable and substantiated information that is available without undue cost or effort on the reporting date of past events, current conditions and forecasts of future economic conditions.

The approach of IFRS 9 is a model that recognises three stages, according to the following definition:

- Stage 1: assets with a low risk of impairment or default.
- Stage 2: assets with a significantly greater risk of default.
- Stage 3: defaulted assets.

For assets classified in stage 1, it is necessary to estimate the expected credit losses due to default that occur in the next 12 months (weighted by the probability of such default occurring), while for stage 2 and 3 it is necessary to estimate the expected credit losses for the entire remaining life of the asset. In the case of defaulted assets (classified in stage 3), the default probability parameter is defined as 1.

Although the standard allows entities to determine the criteria to move from one stage to another, there are rebuttable presumptions stipulated, which are the basis of the model described in this document.

- Stage 1 to Stage 2: assets with more than 30 days of delinquency.
- Stage 2 to Stage 3: assets with 90 days or more of delinquency.

The regulatory requirements that were incorporated in the impairment models are:

a. Risk profile for each product.
b. Probability of default in 12 months and for the entire life of the asset.
c. Loss due to default over the entire life of the asset.
d. Total prepayment rates.
e. Credit exposure at the time of default.
f. Adjustment of the default probability to the economic cycle (forward- looking).

The profiles were modelled by means of business segmentation associated with different risk factors, except in the case of the auto financing product, for which logistic regression was used to build a scorecard. 90 days of delinquency were defined as the indicator of default.

For the modelling of the forward-looking adjustment, models were developed whose response variable is the industry default probability index and whose regressors are macroeconomic variables.

During the second half of 2021, Tanner Servicios Financieros S.A. calibrated its credit risk provision models, with the aim of improving the prediction parameters of customer behaviour and maintaining the statistical monitoring standards, which resulted in a greater provision with an effect of Ch$4,186 million on income.

The basic features of provision policies by business line are:

**FACTORING**

Provision calculations for the factoring business consider three profiles segmented by sub-product and risk profiles. It is important to highlight that any operation renegotiated as credit falls into the recognition sub-segment. The most influential variables by sub-segment are:

i. Invoices: (i) type or group, (ii) days of current delinquency.
ii. Cheques: (i) type of document, (ii) days of current delinquency, (iii) type or group.
iii. Others: (i) days of current delinquency, (ii) type or group.
iv. Due bill: (i) if it is credit or not, (ii) days of current delinquency, (iii) type or group.

**LEASING**

Provision calculations for the leasing business consider five risk profiles segmented by sub-product and risk profiles. The most influential variables are the following: (i) days of current delinquency, (ii) sub-product (real estate or vendor product and machinery or vehicle), and (iii) renegotiation.

**CORPORATE LOANS**

Provision calculations consider eight risk profiles with internal performance variables. The most influential variables are the following: (i) days of current delinquency and (ii) renegotiation that determines if it is a “normal” credit or “recognition” of the type variable.

**AUTO FINANCING**

Provision calculations for the auto financing business consider segmentation by sales channel and a performance score. Sales channel segmentation is as follows: (i) Nissan, (ii) AMICAR, (iii) renegotiated and (iv) non-AMICAR.

Each segment is subdivided into risk profiles according to their performance score, which in turn considers the following variables:

i. Percentage increase in the balance in the past three months.
ii. Maximum days of delinquency in the past three months.
iii. Unpaid instalments in the last month.
iv. Percentage of instalments paid.
v. The delinquent instalment average in the past month.
vi. If the operation has grace period months (this is a binary variable).

vii. If the operation had a partial prepayment in the last three months (this is a binary variable).
viii. Portfolio average in the last three months.

**TREASURY & INVESTMENTS**

Provision calculations for the intermediation business consider eight risk profiles with internal performance variables. The most influential variables are: (i) days of current delinquency, (ii) renegotiation.

Regarding updating the probability of default to the economic cycle (forward-looking) and population changes, at the beginning of the year the company will analyse possible population and macroeconomic changes associated, for example, with changes in the risk policy, the creation of new products and market indicators, and will update calibrations of the default probability curves that will ultimately impact provisioning factors.

In relation to the mitigation of exposure due to guarantees and/or insurance, for all operations that are guaranteed by real estate or insurance or another asset, the company will assign a target value to the guarantee, always based on an independent appraisal and this can only be more conservative than this. If they are general guarantees, they will mitigate the exposure in the following order:

(i) Corporate Loans
(ii) Leasing
(iii) Factoring
(iv) Treasury and Investments

**Provision for high amount customers**: the company has defined the creation of a group of high amount customers, which are those who have exposure of or greater than Ch$2 billion, either individually or aggregated with their economic group.

High amount customers are classified as impaired when they meet any of the following criteria:

i. External and internal delinquency of greater than 30 days that represents 15% or more of their line.
ii. They have three or more events of external delinquency.
iii. They have cases of reorganisation or receivership, as laid down in Law 20.720 on Reorganisation and Enterprise.
iv. They have legal cases of a high impact or amount.

High amount customers that are nor identified as impaired are provisioned for by applying the statistical expected loss models outlined above. On the other hand, impaired high amount clients are analysed individually by the Credit Committee, which decides on their solvency and the mitigating factors, thereby determining the expected risk of each one.

**Write-Off Policy**: Tanner Servicios Financieros S.A. has the following write-off policy:

Operations without any mitigating factors:

i. Factoring: 366 days of delinquency.
ii. Auto Financing: 366 days of delinquency.
iii. Corporate Loans: 541 days of delinquency.
iv. Real Estate Leasing: 541 days of delinquency.
v. Real Estate Leasing and Vendor: 901 days of delinquency.
vi. Accounts receivable TCB: 366 days of delinquency.

Operations with mitigating factors:

i. They will be written off upon reaching 901 days of delinquency.
ii. The uncovered portion will be 100% provisioned upon meeting the criteria for operations without any mitigating factors.

The following table shows the loan portfolios, the amount of provisions and the risk ratio as of 30 June 2022 and 31 December 2021:

| Business Line | 30-06-2022 | | | |
|---|---|---|---|---|
| | Gross Portfolio Ch$ million | Provisions Ch$ million | Net Portfolio Ch$million | Risk Ratio |
| Factoring | 410,603 | (7,507) | 403,096 | 1.83% |
| Leasing | 61,498 | (488) | 61,011 | 0.79% |
| Corporate Loans | 362,081 | (6,410) | 355,671 | 1.77% |
| Auto Financing | 654,384 | (19,379) | 635,005 | 2.96% |
| Treasury & Investments | 12,212 | (703) | 11,509 | 5.76% |
| Sundry receivables | 2,365 | - | 2,365 | 0.00% |
| **Total** | **1,503,144** | **(34,486)** | **1,468,657** | **2.29%** |

| Business Line | 31-12-2021 | | | |
|---|---|---|---|---|
| | Gross Portfolio Ch$ million | Provisions Ch$ million | Net Portfolio Ch$million | Risk Ratio |
| Factoring | 436,390 | (4,258) | 432,133 | 0.98% |
| Leasing | 65,797 | (221) | 65,576 | 0.34% |
| Corporate Loans | 330,087 | (5,323) | 324,764 | 1.61% |
| Auto Financing | 614,668 | (14,674) | 599,994 | 2.39% |
| Treasury & Investments | 19,050 | (505) | 18,545 | 2.65% |
| Sundry receivables | 3,530 | - | 3,530 | 0.00% |
| **Total** | **1,469,523** | **(24,980)** | **1,444,542** | **1.70%** |

*Table 8: Loan Portfolio, Provisions and Risk Ratio*

The variation in provisions was as follows:

**FACTORING**

The amount of provisions for factoring increased by Ch$3,249 million, climbing from Ch$4,258 million as of December 2021 to Ch$7,507 million as of June 2022. That was mainly due to an increase in NPLs > 90 days of Ch$5,383 million, rising from Ch$1,777 million in December 2021 to Ch$7,160 million in June 2022.

**LEASING**

The amount of provisions for the leasing portfolio increased by Ch$266, climbing from Ch$221 million as of December 2021 to Ch$488 million as of June 2022. That was mainly due to the fact that NPLs > 30 days increased by Ch$1,122 million, rising from Ch$561 million in December 2021 to Ch$1,683 million in June 2022.

**CORPORATE LOANS**

The amount of corporate loan portfolio provisions increased by Ch$1,087 million, climbing from Ch$5,323 million as of December 2021 to Ch$6,410 million as of June 2022. That was mainly due to the increase in the portfolio of 9.7% YTD, climbing from Ch$330,087 million as of December 2021 to Ch$362,081 million as of June 2022, and the increase of NPLs > 30 days of Ch$20,089 million, rising from Ch$18,264 million as of December 2021 to Ch$38,352 million as of June 2022.

**AUTO FINANCING**

The amount of provisions of the auto financing portfolio increased by Ch$4,705 million, climbing from Ch$14,674 million as of December 2021 to Ch$19,379 million as of June 2022. That mainly occurred because NPLs > 90 days increased by Ch$8,665 million, rising from Ch$12,044 million in December 2021 to Ch$20,709 million in June 2022.

**TREASURY & INVESTMENTS**

The amount of provisions of the treasury and investments portfolio increased by Ch$199 million. That was mainly due to a specific case that is in judicial collection.

**Renegotiated**: Impaired loans for which there is renegotiation are those for which the corresponding financial commitments have been restructured and where the company has assessed the likelihood of recovering these loans as sufficiently high. In all cases of renegotiation, there is always the express consent of the debtor. In the case of customer insolvency, there is also the option of returning the good in applicable cases.

In factoring, corporate loans and leasing an adequate renegotiation should seek to improve Tanner´s creditor position in terms of collateral, prior payment commitment and term, in addition to analysing and validating the payment capacity that supports the renegotiation and structuring the payments in accordance with it.

For auto loans, there is a policy of renegotiating cases of customers who are in arrears. All renegotiation requests are reviewed and approved by the Risk Area and must in general meet the following conditions: (a) the client must have at least 25% of the instalments paid, (b) it must pay an amount depending on the progress of the credit in the operation, and (c) it must prove a source of income. As a general rule, auto financing products are limited to one renegotiation.

For the purposes of estimating impairment and calculating provisions, each risk profile of the renegotiated segment includes a "probability of default" for the entire life of the loans, and these are higher compared to the other segments associated with each product. The company, adopting a conservative provision estimate policy, has decided not to incorporate a credit cure process. This means that in the period the loan remains in the renegotiated segment, even though there has been an improvement of the impairment estimate.

The table below shows the carrying amount of loans by business lines and the percentage of the total portfolio, whose terms have been renegotiated:

| Business Line | 30-06-2022 | | | | |
|---|---|---|---|---|---|
| | Total Portfolio Ch$ million | Renegotiation Ch$ million | Provisions Ch$ million | Renegotiation by product % | Renegotiation by total portfolio % |
| Factoring | 410,603 | 5,967 | (7,507) | 1.45% | 0.40% |
| Corporate Loans | 362,081 | 3,611 | (6,410) | 1.00% | 0.24% |
| Auto Financing | 654,384 | 10,766 | (19,379) | 1.65% | 0.72% |
| Leasing (*) | 61,498 | 6,358 | (488) | 10.34% | 0.42% |
| Treasury & Investments | 12,212 | - | (703) | 0.00% | 0.00% |
| Sundry receivables | 2,365 | - | - | - | - |
| **Total** | **1,503,144** | **26,702** | **(34,486)** | | **1.78%** |

| Business Line | 31-12-2021 | | | | |
|---|---|---|---|---|---|
| | Total Portfolio Ch$ million | Renegotiation Ch$ million | Provisions Ch$ million | Renegotiation by product % | Renegotiation by total portfolio % |
| Factoring | 436,390 | 5,066 | (4,258) | 1.16% | 0.34% |
| Corporate Loans | 330,087 | 4,925 | (5,323) | 1.49% | 0.34% |
| Auto Financing | 614,668 | 12,111 | (14,674) | 1.97% | 0.82% |
| Leasing (*) | 65,797 | 5,925 | (221) | 9.00% | 0.40% |
| Treasury & Investments | 19,050 | 291 | (505) | 1.53% | 0.02% |
| Sundry receivables | 3,530 | - | - | - | - |
| **Total** | **1,469,523** | **28,317** | **(24,980)** | | **1.93%** |

**These are mainly mortgage-secured operations.*

***Table 9: Renegotiated Loan Portfolio***

## *b. Liquidity Risk*

This is defined as the inability of the company to meet its payment obligations as they fall due, without incurring large losses or being prevented from providing normal loan transactions to its clients. It arises from a cash flow mismatch, which occurs when cash flows of liability payments are higher than the receipt of cash flows from investments or loans. The fact that customers fail to pay their loan commitments on the dates that they fall due could also generate a liquidity risk.

The main financing sources of Tanner Servicios Financieros S.A. are bonds (local and international) which have a defined payment schedule, unsecured bank lines of credit that are mainly short-term and renewed regularly, and commercial papers.

The company has a daily cash flow management system that includes a simulation of all maturities of assets and liabilities in order to anticipate cash needs. The Assets and Liabilities Committee (ALCO) convenes to review the forecasts and define action plans based on the company's projections and market conditions.

The company manages its liquidity risk at a consolidated level and its main source of liquidity is cash flows from its operating activities (collection) and a portfolio of high-quality liquid assets, mainly composed of instruments issued by the Central Bank of Chile, the General Treasury of the Republic and banking institutions of the market. The company had Ch$76,893 million of consolidated cash on hand as of 30 June 2022 (Ch$57,913 million as of 31 December 2021).

As of 30 June 2022, the company had Ch$76,893 million of consolidated cash (Ch$57,913 million as of 31 December 2021) and a portfolio of liquid assets of Ch$127,815 million (Ch$70,988 million as of 31 December 2021).

The indirect subsidiary Tanner Corredores de Bolsa S.A. is subject to regulatory liquidity indicators called the general liquidity index and brokerage liquidity index. In line with the requirements of the Financial Market Commission (CMF, according to the Spanish acronym, former SVS), the subsidiary has permanently complied with the mentioned indicators.

## *c. Market Risk*

Market risk is construed as the exposure to changes in market variables, such as price, interest rates, currencies, indexation, among others, which affect the value of the company's financial operations.

The company had a mismatch of readjustable operations in UF, so that a 1% decrease in inflation generated a profit of Ch$243 million at 30 June 2022 (loss of Ch$370 million at 31 December 2021).

In turn, the company had a mismatch of currency operations, so that a 1% decrease in the USD-CLP parity generated earnings of Ch$41 million as of 30 June 2022 and a gain of Ch$61 million as of 31 December 2021.

On the other hand, the company had a portfolio of fixed-income instruments in the domestic and international markets amounting to Ch$144,192 million (Ch$136,044 million as of 31 December

2021), with sensitivity measured by the dollar value of one basis point (DV01[5]) of Ch$29 million (Ch$36 million as of 31 December 2021) which, according to the historical Value at Risk (VaR[6]) methodology of the risk-free rate at 1 day with a confidence level of 99%, generated interest rate risk exposure of Ch$495 million as of 30 June 2022 (Ch$323 million as of 31 December 2021).

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

| Interest rate delta (basis points) | 25 | 50 | 75 | 100 | 125 | 150 | 175 | 200 |
|---|---|---|---|---|---|---|---|---|
| Net portfolio change due to a cut in interest rates | 0.43% | 0.86% | 1.29% | 1.72% | 2.16% | 2.59% | 3.02% | 3.45% |
| Net portfolio change due to a hike in interest rates | -0.43% | -0.86% | -1.29% | -1.72% | -2.16% | -2.59% | -3.02% | -3.45% |

***Table 10: Sensitivity to Interest Rate Variations***

The company has a portfolio of trading and hedging derivatives used to mitigate interest rate and exchange rate risks of financial liabilities. Since the portfolio of trading derivatives has a very short-term maturity structure, it has an interest rate risk with a low impact on profit and loss. On the other hand, hedging derivatives cover most of the liabilities structured in foreign currency and with variable rates (LIBOR), maintaining quite a limited risk exposure with a low impact on profit and loss of these kinds of operations.

| Exposure | 30-06-2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trading Derivatives | | | | | Hedging Derivatives | | | |
| | UF´000 | CLP´000 | USD´000 | EUR´000 | CHF´000 | UF´000 | CLP´000 | USD´000 | CHF´000 |
| Up to 1 year | 12,883,771 | (288,135,136) | 293,390,615 | 14,773,054 | (5,898,483) | 1,903,927 | (36,720,425) | (168,845,538) | 198,446,725 |
| 1 to 3 years | 264,687 | 1,413,721 | - | - | - | 113,504,442 | (140,215,051) | (91,124,322) | 134,189,493 |
| Over 3 years | - | - | - | - | - | 23,672,606 | (19,462,510) | - | - |
| **Total** | **13,148,457** | **(286,721,415)** | **293,390,614** | **14,773,054** | **(5,898,483)** | **139,080,976** | **(196,397,985)** | **(259,969,860)** | **332,636,218** |

Note: the table shows the exposure at the present value of the portfolio of trading and hedging derivatives, according to the currencies adopted and terms. The amounts have been transalated to Ch$´000 and are absolute values.

| Sens. +1bp | 30-06-2022 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Trading Derivatives | | | | | Hedging Derivatives | | | |
| | UF´000 | CLP´000 | USD´000 | EUR´000 | CHF´000 | UF´000 | CLP´000 | USD´000 | CHF´000 |
| Up to 1 year | (435) | 2,666 | (2,800) | (52) | 214 | (114) | 1,274 | 6,222 | (7,260) |
| 1 to 3 years | (36) | (142) | - | - | - | (23,283) | 22,802 | 18,911 | (23,869) |
| Over 3 years | - | - | - | - | - | (9,136) | 7,112 | - | - |
| **Total** | **(471)** | **2,523** | **(2,800)** | **(52)** | **214** | **(32,534)** | **31,188** | **25,133** | **(31,129)** |

Note: the table shows the potential loss or gain, expressed in Ch$´000, to which the portfolios of trading and hedging derivatives are exposed, if valuation rates rise by 1 basis point, according to the currencies adopted and terms on the refence date.

***Table 11: Exposure and Sensitivity by Currency***

[5] DV01 is the market value x the modified duration x 1 basis point.

[6] VaR is the maximum expected loss considering a history timeline of 1 year with a confidence level of 99%.

## *d. Fallout of the COVID-19 pandemic*

The global pandemic caused by COVID-19 has posed, and still poses, a series of global risks and challenges for Chile. The risks and challenges are not only present in the health area but also in the finances of all market agents.

Right from the outset, the company has striven to safeguard the health of its employees, adopting different related internal guidelines and policies. Due to the measures put in place since late 2019, the company has been able to adopt remote working for its employees. In line with the phases implemented by the Ministry of Health, the company has made a semi in-person work system more flexible, thereby assuring employee health and the continuity of operations in accordance with the highest standards of effectiveness and efficiency, besides fully complying with legislation and the applicable regulation on labour and stock market issues.

Although it is true that the pandemic is still evolving, according to the internal forecasts of the company and the performance of the market in the last few months it is estimated that this crisis could have a greater or lower impact on certain specific businesses, affecting the volume of their operations and the price of their assets. The company has, however, managed to mitigate the undesired effects with a series of measures.

The company is monitoring the evolution of the pandemic daily so it can make the best decisions, always safeguarding the wellbeing of its employees and fulfilment of its obligations.

***For further details regarding this section, please see Note 4 and Note 10 of the company's 2Q2022 financial statements.***