Tanner®

Quarterly Earnings Report

September 2022

Table of Contents

I. Executive Summary

- **ROAE*:**

  9M22: 8.8% / 9M21: 12.0%

- **ROAA**:**

  9M22: 1.7% / 9M21: 2.5%

- **Equity:**

  9M22: Ch$365,033 million / Δ^{+}: 5.2% YTD

- **Net Profit:**

  3Q22: Ch$6,176 million / 3Q21: Ch$10,525 million
  Δ^{-}: 41.3% YoY
  9M22: Ch$25,849 million / 9M21: Ch$30,951 million
  Δ^{-}: 16.5% YoY

- **Net Loan Portfolio:**

  9M22: Ch$1,425,067 million / Δ^{-}: 1.3% YTD

- **NPLs > 90 Days[1]:**

  9M22: 5.8% / 12M21: 1.9%

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

Profit after tax in the January-September 2022 period decreased 16.5% YoY to Ch$25,849 million, while operating income increased 16.8% YoY. **Likewise, in 3Q22 profit after tax dropped 41.3% YoY to Ch$6,176 million,** and operating income increased 14.6% .

The consolidated net loan portfolio was Ch$1,425,067 million, dropping Ch$19,475 million (-1.3% YTD), due to a decrease in the corporate division that reported net loans of Ch$798,857 million (↓Ch$23,615 million / -2.9% YTD), driven by a decrease in corporate loans (↓Ch$24,006 million / -7.4% YTD), amounting to Ch$300,758 million, and in leasing (↓Ch$8,494 million / -13.0% YTD), amounting to Ch$57,082 million. On the other hand, factoring posted higher net loans of Ch$441,017 million (↑Ch$8,884 million / +2,1% YTD). **This decrease was offset by higher net loans in the auto financing division of Ch$610,459 million (↑Ch$10,465 million / +1.7% YTD).**

Compared to 2021, as of September 2022 non-performing loans (NPLs) over 30 days increased 650 basis points to 10.1%[1] (12M21: 3.6%). Likewise, NPLs over 90 days increased 393 basis points to 5.8% (12M21: 1.9%)[1]. The increase in non-performing loans over 90 days was the result of delinquency in the corporate division increasing 517 basis points to 7.0% (12M21: 1.8%), driven by higher delinquency in factoring of 603 basis points (12M21: 0.4% vs 9M22: 6.4%), in corporate loans of 489 basis points (12M21: 4.0% vs 9M22: 8.9%), in leasing of 84 basis points (12M21: 0.2% vs 9M22: 1.0%), and in the auto financing division of 253 basis points (12M21: 2.0% vs 9M22: 4.5%).

The liquidity index at the close of 3Q22 was 1.51 times, above the level at the end of 2021 (1.32x), while **ready cash of Ch$44,476 million** was lower than the Ch$57,913 million YoY. The company's **leverage ratio was 4.41 times (December 2021: 4.17x).**

---

[1] On November 3 and 4, 2022, two separate Judicial Reorganization Agreements of the debtors Supermercados Montserrat S.A.C and Industrias Campo Lindo S.A., respectively, were agreed, agreeing on, among others issues, a proposal to pay all the credits in capital and interest and the orderly sale of real estate assets. Additionally, 7 first-grade and 24 second-grade mortgages will be granted, shared with other creditors, giving a guarantee/debt ratio of 1.28, for the former debtor and 2.26 for the latter.

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 30-09-2022	01-01-2021 30-09-2021	Δ Ch$	Δ %	01-07-2022 30-09-2022	01-07-2021 30-09-2021	Δ Ch$	Δ %
Revenue	200,478	137,801	62,677	45.5%	71,502	47,378	24,124	50.9%
Sales cost	(106,496)	(54,276)	(52,220)	96.2%	(40,762)	(19,738)	(21,024)	106.5%
Gross margin	93,983	83,525	10,458	12.5%	30,740	27,640	3,100	11.2%
Administrative expenses	(42,308)	(38,793)	(3,516)	9.1%	(13,968)	(12,827)	(1,141)	8.9%
Other profits (losses)	7	(501)	508	-101.3%	(27)	(202)	175	-86.4%
Operating margin	51,681	44,232	7,450	16.8%	16,745	14,611	2,134	14.6%
Impairment losses	(30,003)	(8,364)	(21,639)	258.7%	(12,252)	(2,188)	(10,063)	459.8%
Share in the losses of associates and joint ventures accounted for using the equity method	(192)	-	(192)	-	(192)	-	(192)	-
Finance costs	(394)	(277)	(116)	41.9%	(143)	(97)	(46)	47.1%
Foreign exchange differences	477	382	95	25.0%	(150)	397	(546)	-137.7%
Gain from indexation units	249	68	181	266.5%	68	35	33	96.7%
Profit (loss) before tax	21,818	36,040	(14,222)	-39.5%	4,077	12,757	(8,681)	-68.0%
Income tax (expense) revenue	4,031	(5,089)	9,120	-179.2%	2,099	(2,232)	4,331	-194.1%
Profit (loss)	25,849	30,951	(5,102)	-16.5%	6,176	10,525	(4,349)	-41.3%
Profit (loss) attributable to owners of the parent	25,732	30,887	(5,155)	-16.7%	6,177	10,532	(4,355)	-41.3%
Profit (loss) attributable to non-controlling interests	117	64	54	84.0%	(1)	(6)	5	-84.6%

Table 1: Consolidated Income Statement

The company's net income in 9M22 decreased 16.5% YoY (↓Ch$5,102 million) to Ch$25,849 million against Ch$30,951 million YoY, and in 3Q22 net income dropped 41.3% YoY (↓Ch$4,349 million). **The gross margin in 9M22 was Ch$93,983 million** (↑Ch$10,458 million / +12.5% YoY) **and in 3Q22 it was Ch$30,740 million** (↑Ch$3,100 million / +11.2% YoY).

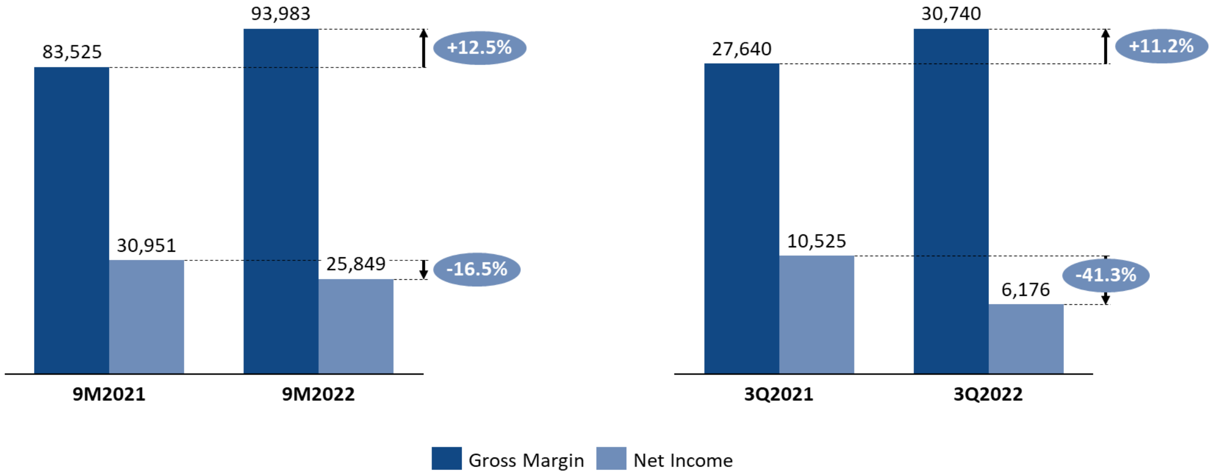

Chart 1: Consolidated Net Income and Gross Margin

Consolidated revenue amounted to Ch$200,478 million in 9M22, increasing 45.5% YoY (↑Ch$62,677 million), and ↑Ch$71,502 million in 3Q22, increasing 50.9% YoY (↑Ch$24,124 million), in line with: (i) income from interest (9M22: ↑Ch$35,364 million / +45.9% YoY and 3Q22: ↑Ch$17,678 million / +66.5% YoY), (ii) income from price differences (9M22: ↑Ch$18,388 million / +98.4% YoY and 3Q22: ↑Ch$8,351 million / +128.1% YoY), (iii) income from indexation (9M22: ↑Ch$14,577 million / +197.4% and 3Q22: ↑Ch$3,388 million / +136.5% YoY) and (iv) other income (9M22: ↑Ch$6,394 million / +32.2% YoY and 3Q22: ↑Ch$354 million / +5.3% YoY). These were offset by lower income from: (i) fees (9M22: ↓Ch$5,327 million / -64.6% YoY and 3Q22: ↓Ch$2,425 million / -67.8% YoY), (ii) fair value (9M22: ↓Ch$4,961 million / -517.5% YoY and 3Q22: ↓Ch$304 million / -22.6% YoY) and (iii) exchange rate differences (9M22: ↓Ch$1,758 million / -31.1% YoY and 3Q22: ↓Ch$2,918 million / -99.1% YoY).

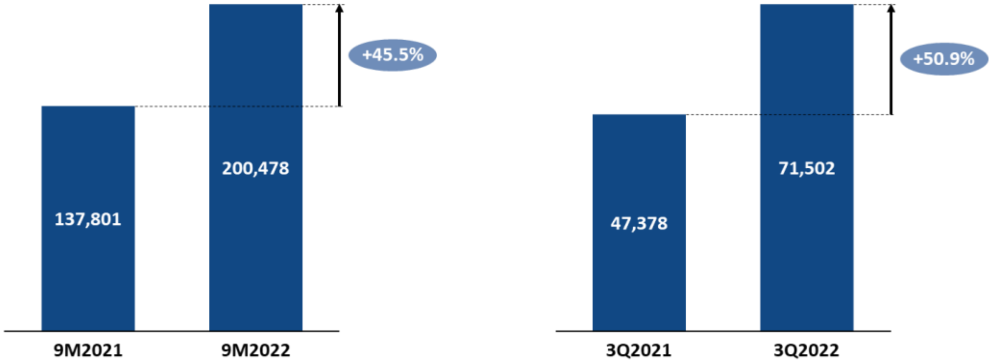

Chart 2: Consolidated Revenue

The consolidated cost of sales in 9M22 was Ch$106,496 million, increasing 96.2% YoY (↑Ch$52,220 million), and Ch$40,762 million in 3Q22, increasing 106.5% YoY (↑Ch$21,024 million)**,** in line with: (i) interest expenses (9M22: ↑Ch$32,425 million / +128.0% YoY and 3Q22: ↑Ch$22,917 million / +269.2% YoY), exchange rate difference costs (9M22: ↑Ch$11,523 million / +671.7% YoY and 3Q22: ↓Ch$2,010 million / -92.3% YoY), (iii) fee expenses (9M22: ↑Ch$4,609 million / +24.6% YoY and 3Q22: ↑Ch$1,604 million / +25.8% YoY) and (iv) indexation expenses (9M22: ↑Ch$3,900 million / +255.7% YoY and 3Q22: ↓Ch$2,040 million / -238.8% YoY). These were offset by lower other costs (9M22: ↓Ch$238 million / -3.4% YoY and 3Q22: ↑Ch$533 million / -28.2% YoY).

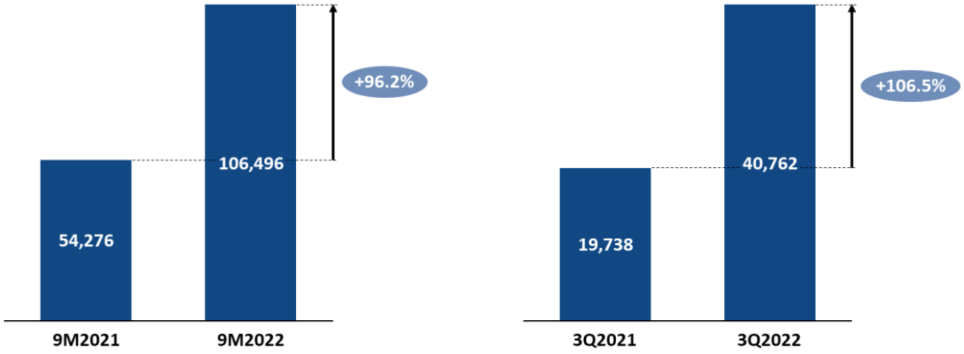

Chart 3: Sales Cost

SG&A expenses (including depreciation) were Ch$42,308 million in 9M22 and Ch$13,968 million in 3Q22, increasing 9.1% YoY and 8.9% YoY, respectively, mainly due to a higher labour expense, which accounts for 68% of the SG&A expenses that amounted to Ch$28,720 million in 9M22 (+8.6% YoY) and Ch$9,546 million in 3Q22 (+6.5% YoY), due to higher remuneration expenditure in 9M22 from inflation. General administrative expenses were Ch$13,588 million in 9M22 and Ch$4,422 million in 3Q22, increasing 10.1% YoY and 14.4% YoY, respectively.

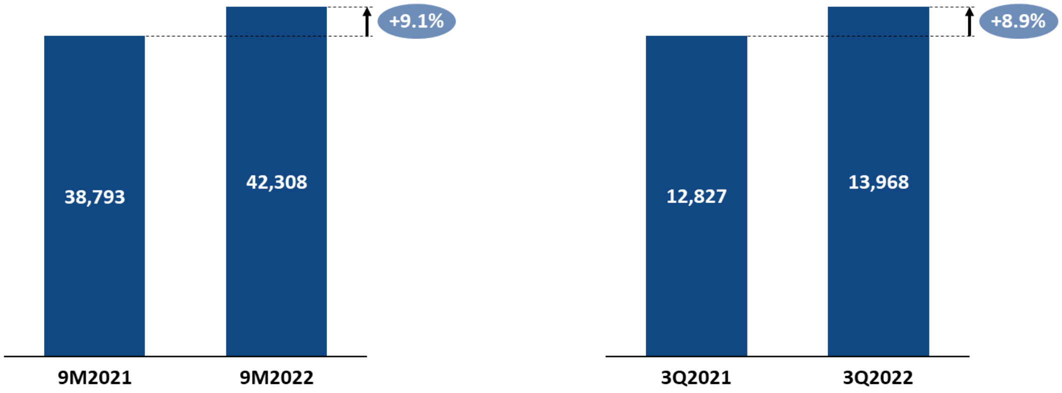

Chart 4: SG&A Expenses

III. Main Indicators

	Indicator	Definition	Unit	30-09-2022	31-12-2021
Liquidity and Solvency	Liquidity Ratio	*Current assets/Current liabilities*	*Times*	1.5	1.3
	Short-Term Leverage Ratio	*Current liabilities/Equity*	*Times*	2.5	2.6
	Immediate Liquidity	*Cash and cash equivalents/Current liabilities*	*Times*	0.0	0.1
	Stable Funding Ratio	*(Non-current liabilities + Equity)/(Current assets)*	*Times*	1.8	1.5
	Leverage Ratio	*Liabilities/Equity*	*Times*	4.4	4.2
	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*	*%*	56.5%	62.6%
	Long-Term Debt Ratio	*Total non-current liabilities/Total liabilities*	*%*	43.5%	37.4%
	Short-Term Bank Debt	*Current bank liabilities/Current liabilities*	*%*	33.3%	25.7%
	Long-Term Bank Debt	*Non-current bank liabilities/Non-current liabilities*	*%*	33.4%	26.5%
	Working Capital	*Current assets - Current liabilities*	*Ch$ million*	464,390	286,694
	Financial Expenditure Ratio	*(Profit before tax + Financial expenditure)/Financial expenditure*	*Times*	1.6	2.1
Asset Quality	Non-Performing Loans over 30 days	*Non-performing loans > 30 days/(Loans + Provisions)*	*%*	10.1%	3.6%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	*%*	5.8%	1.9%
		Non-Performing loans > 90 days/Equity	*%*	23.5%	8.1%
	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	*%*	17.5%	7.6%
		Non-Performing loans/Equity	*%*	70.3%	32.0%
	Provisions	*Provisions/(Loans + Provisions)*	*%*	2.9%	1.7%
		Provisions/Non-performing loans	*%*	16.5%	22.5%
		Provisions/Non-performing loans > 90 days	*%*	49.4%	94.4%
	Write-offs	*Write-offs (LTM)/(Loans + Provisions)*	*%*	1.4%	1.5%
	Provisions and Write-offs	*Annualised provisions and write-offs/(Loans + Provisions)*	*%*	3.0%	1.6%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	*%*	2.1%	1.9%

Table 2: Main Balance Sheet Indicators

	Indicator	Definition	Unit	30-09-2022	30-09-2021
Profitability	Return on Average Equity	*Net income LTM/Average equity*	*%*	8.8%	12.0%
	Return on Average Assets	*Net income LTM/Average assets*	*%*	1.7%	2.5%
	Gross Margin	*Gross margin (*)/Revenue*	*%*	31.9%	54.5%
	Operating Margin	*Operating margin/Revenue*	*%*	10.8%	26.0%
	Net Income Margin	*Net income/Revenue*	*%*	12.9%	22.5%
	Earnings Per Share (EPS)	*Net income/number of shares*	*Ch$'000*	21,325	25,534
	Expenditure Efficiency	*SG&A expenses/Gross margin (*)*	*%*	66.1%	51.6%

(*) Gross margin considers impairment.

Table 3: Main Profitability Indicators

As of 30 September 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$161,943 million (+11.2% YTD) compared to those at the close of December 2021 to Ch$1,608,094 million, while assets rose 10.0% (↑Ch$179,820 million) to Ch$1,973,127 million. Equity increased Ch$17,877 million (+5.1% YTD) amounting to Ch$365,033 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 worse performance of these indicators[1].

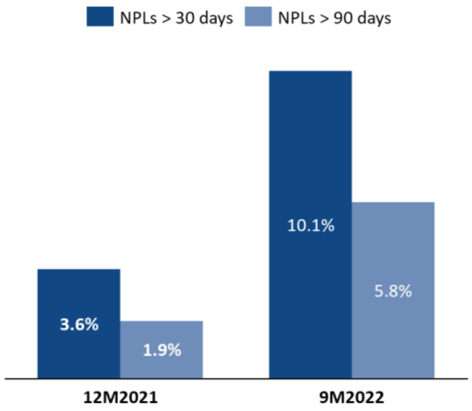

Chart 5: Consolidated NPLs

IV. Business Division Results

Tanner is organised into three divisions: Corporate[2], Auto Financing[3] and Treasury & Investments[4]. The results of these three divisions, which accounted for 43.5%, 39.9% and 16.7% of the consolidated gross margin in 9M22 and 45.7%, 38.8% and 15.5% in 3Q22, respectively, are shown below.

Business Division		01-01-2022 to 30-09-2022 Ch$ million	01-01-2021 to 30-09-2021 Ch$ million	Δ Ch$	Δ %	01-07-2022 to 30-09-2022 Ch$ million	01-07-2021 to 30-09-2021 Ch$ million	Δ Ch$	Δ %
CORPORATE DIVISION	REVENUE	73,641	46,970	26,671	56.8%	28,177	17,322	10,856	62.7%
	COSTS	32,797	12,190	20,607	169.0%	14,133	4,151	9,982	240.5%
	GROSS MARGIN	40,843	34,780	6,064	17.4%	14,045	13,171	873	6.6%
i. FACTORING	REVENUE	49,818	23,978	25,840	107.8%	19,633	8,605	11,028	128.2%
	COSTS	22,889	5,541	17,349	313.1%	10,351	1,967	8,384	426.2%
	GROSS MARGIN	26,929	18,437	8,492	46.1%	9,282	6,638	2,644	39.8%
ii. LEASING	REVENUE	3,781	3,802	(21)	-0.6%	1,163	930	233	25.0%
	COSTS	1,502	1,370	132	9.7%	522	395	127	32.2%
	GROSS MARGIN	2,279	2,432	(153)	-6.3%	640	535	105	19.7%
iii. CORPORATE LOANS	REVENUE	20,041	19,190	851	4.4%	7,381	7,786	(405)	-5.2%
	COSTS	8,406	5,280	3,126	59.2%	3,259	1,788	1,471	82.3%
	GROSS MARGIN	11,635	13,910	(2,275)	-16.4%	4,122	5,998	(1,876)	-31.3%
AUTO FINANCING DIVISION	REVENUE	88,204	70,935	17,269	24.3%	30,589	24,596	5,994	24.4%
	COSTS	50,740	33,763	16,976	50.3%	18,654	11,252	7,402	65.8%
	GROSS MARGIN	37,464	37,171	293	0.8%	11,936	13,344	(1,408)	-10.6%
TREASURY & INVESTMENTS DIVISION	REVENUE	53,136	21,162	31,974	151.1%	16,866	5,719	11,147	194.9%
	COSTS	37,460	9,588	27,873	290.7%	12,106	4,594	7,512	163.5%
	GROSS MARGIN	15,675	11,574	4,101	35.4%	4,760	1,126	3,635	322.9%
ADJUSTMENTS BETWEEN SEGMENTS	REVENUE	14,502	1,265	13,237	1046.0%	4,131	259	3,872	1497.4%
	COSTS	(14,502)	(1,265)	(13,237)	1046.0%	(4,131)	(259)	(3,872)	1497.4%
Tanner	REVENUE	200,478	137,801	62,677	45.5%	71,502	47,378	24,124	50.9%
	COSTS	106,496	54,276	52,220	96.2%	40,762	19,738	21,024	106.5%
	GROSS MARGIN	93,983	83,525	10,458	12.5%	30,740	27,640	3,100	11.2%

Table 4: Business Division Results

---

[2] Corporate Division: this includes factoring, leasing and corporate loans.

[3] This includes auto financing, floor plan and Tanner Corredora de Seguros Ltda.

[4] Treasury and Investments Division: this includes the Treasury of Tanner Servicios Financieros and the financial intermediation businesses of Tanner Corredores de Bolsa S.A. The comparison for the year 2021 includes Tanner Asset Management AGF S.A., whose shares were fully transferred on December 30, 2021.

The consolidated gross margin in 9M22 was Ch$93,983 million (↑Ch$10,458 million / +12.5% YoY), due to a higher increase in revenue (↑Ch$62,677 million / +45.5% YoY) than that of costs (↑Ch$52,220 million / +96.2% YoY). **The consolidated gross margin in 3Q22 was Ch$30,740 million** (↑Ch$3,100 million / +11.2% YoY), because of a higher increase in revenue (↑Ch$24,124 million / +50.9% YoY) than that of costs (↑Ch$21,024 million / +106.5% YoY).

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

CORPORATE DIVISION

9M22: Ch$40,843 million, up 17.4% YoY (↑Ch$6,064 million), due to an increase of Ch$26,671 million (+56.8% YoY) in revenue and 169.0% YoY (↑Ch$20,607 million) in the costs of the division.

3Q22: Ch$14,045 million, up 6.6% YoY (↑Ch$873 million), on account of an increase of Ch$10.856 million (+62.7% YoY) in revenue and ↑Ch$9,982 million (+240.5% YoY) in the costs of the division.

i. FACTORING

9M22: Ch$26,929 million, up 46.1% YoY (↑Ch$8,492 million), because of increases of ↑Ch$25,840 million (+107.8% YoY) in revenue and ↑Ch$17,349 million (+313.1% YoY) in costs.

3Q22: Ch$9,282 million, up 39.8% YoY (↑Ch$2,644 million), on account of increases of ↑Ch$11,028 million (+128.2% YoY) in revenue and ↑Ch$8,384 million (+426.2% YoY) in costs.

ii. LEASING

9M22: Ch$2,279 million, down 6.3% YoY (↓Ch$153 million), due to a decrease in revenue of -0.6% YoY (↓Ch$21 million) and an increase in costs of 9.7% YoY (↑Ch$132 million).

3Q22: Ch$640 million, up 19.7% YoY (↑Ch$105 million), due to an increase in revenue of +25.0% YoY (↑Ch$233 million) and an increase in costs of 32.2% YoY (↑Ch$127 million).

iii. CORPORATE LOANS

9M22: Ch$11,635 million, down 16.4% YoY (↓Ch$2,275 million), due to an increase in revenue (↑Ch$851 million / +4.4% YoY) and in costs (↑Ch$3,126 million / +59.2% YoY).

3Q22: Ch$4,122 million, down 31.3% YoY (↓Ch$1,876 million), due to a decrease in revenue (↓Ch$405 million / -5.2% YoY) and an increase in costs (↑Ch$1,471 million / +82.3% YoY).

AUTO FINANCING DIVISION

9M22: Ch$37,464 million, up 0.8% YoY (↑Ch$293 million), because of an increase in revenue (↑Ch$17,269 million / +24.3% YoY), and in costs (↑Ch$16,976 million / +50.3% YoY).

3Q22: Ch$11,936 million, down 10.6% YoY (↓Ch$1,408 million), because of an increase in revenue (↑Ch$5,994 million / +24.4% YoY), and in costs (↑Ch$7,402 million / +65.8% YoY).

TREASURY & INVESTMENTS DIVISION

9M22: Ch$15,675 million, up 35.4% YoY (↑Ch$4,101 million), due to an increase in revenue (↑Ch$31,974 million / +151.1% YoY) and in costs (↑Ch$27,873 million / +290.7% YoY).

3Q22: Ch$4,760 million, up 322.9% YoY (↑Ch$3,635 million), due to an increase in revenue (↑Ch$11,147 million / +194.9% YoY) and in costs (↑Ch$7,512 million / +163.5% YoY).

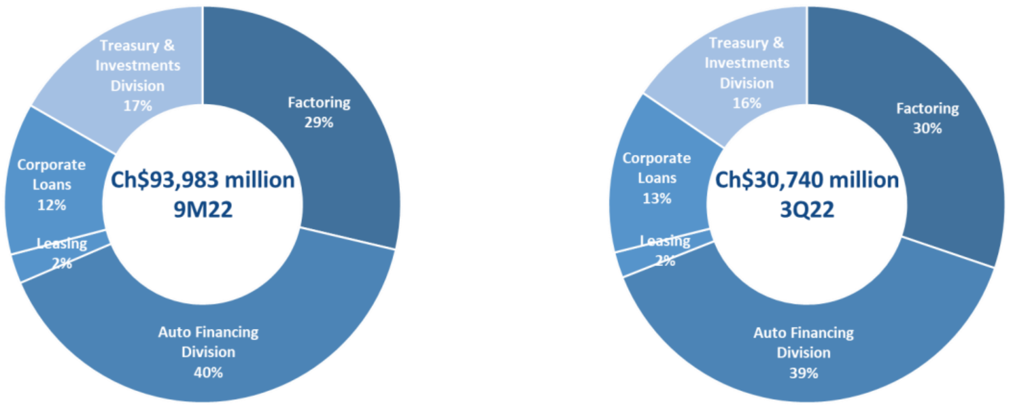

Chart 6: Gross Margin Breakdown by Business Line

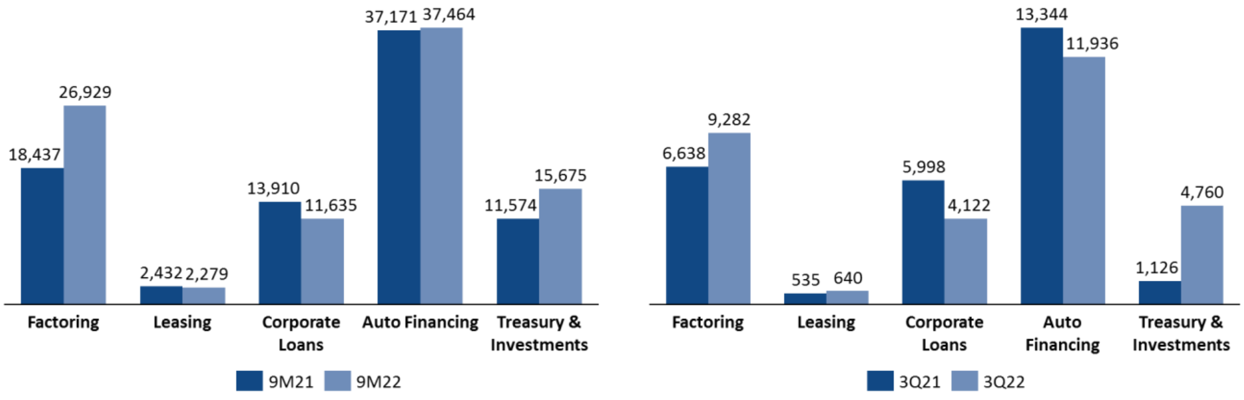

Chart 7: Gross Margin

The company's consolidated revenue was Ch$200,478 million in 9M22, increasing 45.5% YoY (↑Ch$62,677 million), while in 3Q22 the company´s consolidated revenue was Ch$71,502 million, increasing 50.9% YoY (↑Ch$24,124 million), explained by the following revenue:

CORPORATE DIVISION

9M22: Ch$73,640 million (↑Ch$26,671 million / +56.8% YoY).
3Q22: Ch$28,177 million (↑Ch$10,856 million / +62.7% YoY).
Driver: Higher revenue from the factoring business that accounts for 67.7% of the division's revenue.

i. FACTORING

9M22: Ch$49,818 million (↑Ch$25,840 million / +107.8% YoY).
3Q22: Ch$19,633 million (↑Ch$11,028 million / +128.2% YoY).
Driver: Higher price difference income, due to a higher price and average stock, and greater penal interest.

ii. LEASING

9M22: Ch$3,781 million (↓Ch$21 million / -0.6% YoY).
3Q22: Ch$1,163 million (↑Ch$233 million / +25.0% YoY).
Driver: Drop in income on account of a lower loan portfolio.

iii. CORPORATE LOANS

9M22: Ch$20,041 million (↑Ch$851 million / +4.4% YoY).
3Q22: Ch$7,381 million (↓Ch$405 million / -5.2% YoY).
Driver: Higher interest income received due to the increase in loans and higher average price in 2022.

AUTO FINANCING DIVISION

9M22: Ch$88,204 million (↑Ch$17,269 million / +24.3% YoY).
3Q22: Ch$30,589 million (↑Ch$5,994 million / +24.4% YoY).
Driver: Higher interest income, due to a higher price and increase in loans.

TREASURY & INVESTMENTS DIVISION

9M22: Ch$53,136 million (↑Ch$31,974 million / +151.1% YoY).
3Q22: Ch$16,866 million (↑Ch$11,147 million / +194.9% YoY).
Driver: Higher revenue from indexation and interest.

Consolidated accrued costs amounted to Ch$106,496 million in 9M22 and Ch$40,762 million in 3Q22, increasing Ch$52,220 million (+96.2% YoY) and Ch$21,024 million (+106.5% YoY), respectively, explained by the following costs:

CORPORATE DIVISION

9M22: Ch$32,797 million (↑Ch$20,607 million / +169.0% YoY).
3Q22: Ch$14,133 million (↑Ch$9,982 million / +240.5% YoY).
Driver: Higher interest cost due to an increase in the financing cost of the division.

i. FACTORING

9M22: Ch$22,889 million (↑Ch$17,349 million / +313.1% YoY).
3Q22: Ch$10,351 million (↑Ch$8,384 million / +426.2% YoY).
Driver: Higher interest cost, due to an increase in the financing cost of Tanner.

ii. LEASING

9M22: Ch$1,502 million (↑Ch$132 million / +9.7% YoY).
3Q22: Ch$522 million (↑Ch$127 million / +32.2% YoY).
Driver: Higher interest cost, due to an increase in the financing cost of Tanner.

iii. CORPORATE LOANS

9M22: Ch$8,406 million (↑Ch$3,126 million / +59.2% YoY).
3Q22: Ch$3,259 million (↑Ch$1,471 million / +82.3% YoY).
Driver: Higher interest cost, due to an increase in the financing cost of Tanner.

AUTO FINANCING DIVISION

9M22: Ch$50,740 million (↑Ch$16,976 million / +50.3% YoY).
3Q22: Ch$18,654 million (↑Ch$7,402 million / +65.8% YoY).
Driver: Higher fee cost and interest due to an increase in average loans and in the financing cost.

TREASURY & INVESTMENTS DIVISION

9M22: Ch$37,460 million (↑Ch$27,873 million / +290.7% YoY).
3Q22: Ch$12,106 million (↑Ch$7,512 million / +163.5% YoY).
Driver: Higher cost related to greater interest costs, exchange rate differences of the liability and adjustments of liabilities.

V. Business Division Portfolio Quality

	Indicator	Definition	Unit	30-09-2022	31-12-2021
CORPORATE DIVISION	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	18.2%	5.4%
		Non-Performing loans/Equity	%	40.8%	13.0%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.3%	1.2%
		Provisions/Non-performing loans	%	12.5%	21.7%
		Provisions/Non-performing loans > 90 days	%	32.5%	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)*	%	10.9%	2.7%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	%	7.0%	1.8%
		Non-Performing loans > 90 days/Equity	%	15.6%	4.4%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	2.4%	1.9%
		Renegotiated portfolio/Equity	%	5.4%	4.6%
	Clients	*Number of clients*	#	4,294	3,373
i. FACTORING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	14.4%	5.2%
		Non-Performing loans/Equity	%	17.8%	6.5%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.2%	1.0%
		Provisions/Non-performing loans	%	15.1%	18.9%
		Provisions/Non-performing loans > 90 days	%	33.7%	239.5%
	Provisions and Write-offs	*Provisions and write-offs/(Loans + Provisions)*	%	1.9%	1.1%
	Non-Performing Loans over 30 days	*Non-performing loans > 30 days/(Loans + Provisions)*	%	7.9%	0.8%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	%	6.4%	0.4%
		Non-Performing loans > 90 days/Equity	%	8.0%	0.5%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	1.9%	1.2%
		Renegotiated portfolio/Equity	%	2.3%	1.5%
	Clients	*Number of clients*	#	3,928	3,002
ii. LEASING	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	7.7%	2.9%
		Non-Performing loans/Equity	%	1.2%	0.5%
	Provisions	*Provisions/(Loans + Provisions)*	%	0.7%	0.3%
		Provisions/Non-performing loans	%	9.1%	11.8%
		Provisions/Non-performing loans > 90 days	%	70.0%	216.0%
	Provisions and Write-offs	*Provisions and write-offs/(Loans + Provisions)*	%	0.5%	-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)*	%	1.0%	0.2%
		Non-Performing loans > 90 days/Equity	%	0.2%	0.0%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	12.5%	9.0%
		Renegotiated portfolio/Equity	%	2.0%	1.7%
	Clients	*Number of clients*	#	127	148
iii. CORPORATE LOANS	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	25.7%	6.3%
		Non-Performing loans/Equity	%	21.8%	6.0%
	Provisions	*Provisions/(Loans + Provisions)*	%	2.7%	1.6%
		Provisions/Non-performing loans	%	10.5%	25.6%
		Provisions/Non-performing loans > 90 days	%	16.1%	29.1%
	Provisions and Write-offs	*Provisions and write-offs/(Loans + Provisions)*	%	3.8%	1.7%
	Non-Performing Loans over 30 days	*Non-performing loans > 30 days/(Loans + Provisions)*	%	16.9%	5.5%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	%	8.9%	4.0%
		Non-Performing loans > 90 days/Equity	%	7.5%	3.8%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	1.3%	1.5%
		Renegotiated portfolio/Equity	%	1.1%	1.4%
	Clients	*Number of clients*	#	637	582
AUTO FINANCING DIVISION	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	17.0%	10.7%
		Non-Performing loans/Equity	%	29.6%	19.0%
	Provisions	*Provisions/(Loans + Provisions)*	%	3.74%	2.39%
		Provisions/Non-performing loans	%	22.0%	22.3%
		Provisions/Non-performing loans > 90 days	%	83.3%	121.8%
	Provisions and Write-offs	*Provisions and write-offs/(Loans + Provisions)*	%	3.8%	2.2%
	Non-Performing Loans over 30 days	*Non-performing loans > 30 days/(Loans + Provisions)*	%	9.4%	4.9%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	%	4.5%	2.0%
		Non-Performing loans > 90 days/Equity	%	7.8%	3.5%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	1.8%	2.0%
		Renegotiated portfolio/Equity	%	3.1%	3.5%
	Clients	*Number of clients*	#	84,493	87,668
TREASURY & INVESTMENTS DIVISION	Non-Performing Loans	*Non-Performing loans/(Loans + Provisions)*	%	0.0%	12.2%
		Non-Performing loans/Equity	%	0.0%	0.7%
	Provisions	*Provisions/(Loans + Provisions)*	%	0.0%	2.6%
		Provisions/Non-performing loans	%	-	21.7%
		Provisions/Non-performing loans > 90 days	%	-	61.0%
	Provisions and Write-offs	*Provisions and write-offs/(Loans + Provisions)*	%	3.6%	2.7%
	Non-Performing Loans over 30 days	*Non-performing loans > 30 days/(Loans + Provisions)*	%	0.0%	4.3%
	Non-Performing Loans over 90 days	*Non-performing loans > 90 days/(Loans + Provisions)*	%	0.0%	4.3%
		Non-Performing loans > 90 days/Equity	%	0.0%	0.2%
	Renegotiated Porfolio	*Renegotiated portfolio/(Loans + Provisions)*	%	0.0%	1.5%
		Renegotiated portfolio/Equity	%	0.0%	0.1%
	Clients	*Number of clients*	#	1,745	1,708

Table 5: Business Division Main Indicators

CORPORATE DIVISION

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021, due to the deterioration of factoring and corporate loan portfolios[1].

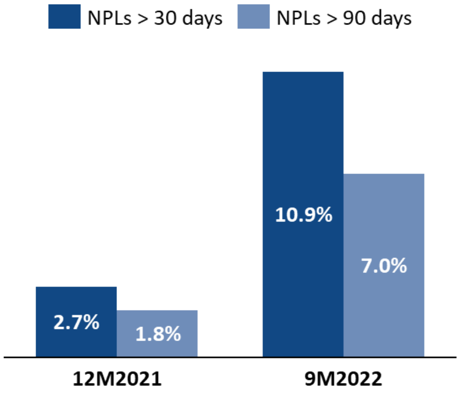

Chart 9: NPLs – Corporate Division

i. FACTORING

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021, in line with the deterioration of the economy.

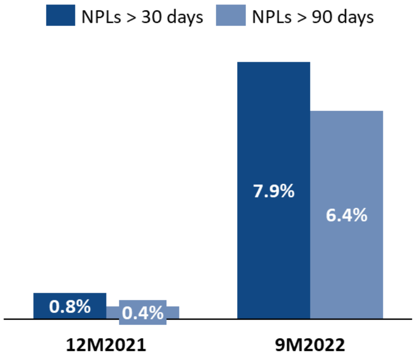

Chart 10: NPLs – Factoring Business

ii. LEASING

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021, remaining in a low NPL range.

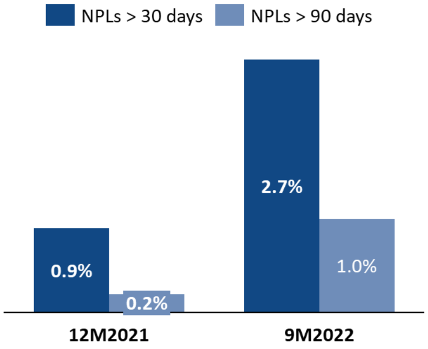

Chart 11: NPLs – Leasing Business

iii. CORPORATE LOANS

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

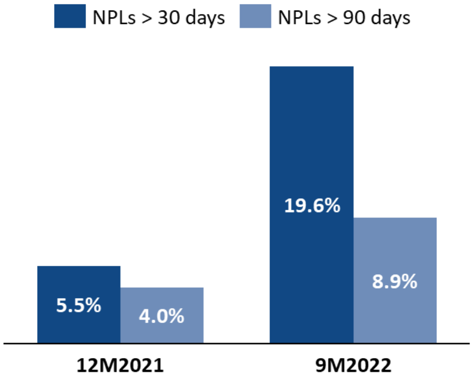

Chart 12: NPLs – Corporate Loan Business

AUTO FINANCING DIVISION

Both NPLs > 30 days and NPLs > 90 days increased compared to 12M2021, as a consequence of the end of state support measures, returning to pre-pandemic levels.

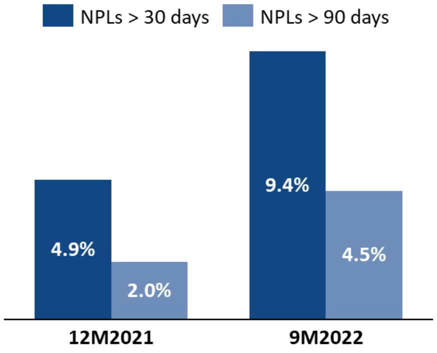

Chart 13: NPLs – Auto Financing Division

TREASURY & INVESTMENTS DIVISION

Both NPLs > 30 days and NPLs > 90 days decreased, due to the write-off of one client in particular.

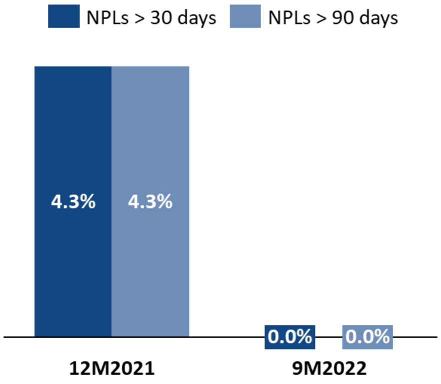

Chart 14: NPLs – Treasury & Investments Division

VI. Balance Sheet

Assets (Ch$ million)	30-09-2022	31-12-2021	Δ Ch$	Δ %
Current Assets				
Cash and cash equivalents	44,476	57,913	(13,437)	-23.2%
Other current financial assets	256,859	129,553	127,306	98.3%
Other current non-financial assets	41,351	2,010	39,341	1957.2%
Trade receivables and other current accounts receivable, net	983,678	974,486	9,192	0.9%
Accounts receivable from related parties	9,899	5,844	4,055	69.4%
Current tax assets	25,124	12,218	12,906	105.6%
Non-current assets or asset groups for disposal classified as held-for-sale	12,207	9,842	2,365	24.0%
Total Current Assets	**1,373,594**	**1,191,866**	**181,728**	**15.2%**
Non-Current Assets				
Other non-current financial assets	98,300	73,768	24,532	33.3%
Other non-current non-financial assets	4,679	7,301	(2,622)	-35.9%
Trade receivables and other non-current accounts receivable	441,389	470,056	(28,667)	-6.1%
Non-current accounts receivable from related parties	151	202	(50)	-25.0%
Investment accounted for using the equity method	11,308	-	11,308	-
Intangible assets other than goodwill	4,922	5,213	(291)	-5.6%
Goodwill	1,640	1,640	-	0.0%
Property, plant and equipment	8,858	8,913	(55)	-0.6%
Property Investments	-	-	-	-
Deferred tax assets	28,285	34,348	(6,063)	-17.7%
Total Non-Current Assets	**599,533**	**601,441**	**(1,909)**	**-0.3%**
Total Assets	**1,973,127**	**1,793,307**	**179,820**	**10.0%**

Liabilities (Ch$ million)	30-09-2022	31-12-2021	Δ Ch$	Δ %
Current Liabilities				
Other current financial liabilities	796,986	750,921	46,065	6.1%
Trade payables and other current accounts payable	100,392	145,378	(44,986)	-30.9%
Accounts payable to related parties, current	4,143	-	4,143	-
Current tax liabilities	4,127	4,984	(857)	-17.2%
Current provisions for employee benefits	3,556	3,889	(333)	-8.6%
Non-Current Liabilities				
Other non-current financial liabilities	698,590	540,705	157,885	29.2%
Non-current provisions for employee benefits	300	274	26	9.5%
Total Non-Current Liabilities	**698,889**	**540,978**	**157,911**	**29.2%**
Total Liabilities	**1,608,094**	**1,446,151**	**161,943**	**11.2%**
Total Equity and Liabilities	**1,973,127**	**1,793,307**	**179,820**	**10.0%**

Table 6: Consolidated Balance Sheet

a. Net Loan Portfolio[5]

The total gross loan portfolio in 3Q22 was Ch$1,467,356 million (↓Ch$2,167 million / -0.1% YTD) versus Ch$1,469,523 million in 12M2021, while provisions were Ch$42,289 million, increasing Ch$17,309 million (+69.3% YTD). Hence, **the total net loan portfolio amounted to Ch$1,425,067 million**, a decrease of Ch$19,475 million (-1.3% YTD) on the Ch$1,444,542 million in 12M2021.

Net loan portfolio by division in 3Q2022:

1. **Corporate Division: Ch$798,857 million** | -2.9% YTD | ↓Ch$23,615 million.
    a. **Factoring: Ch$441,017 million** | +2.1 YTD | ↑Ch$8,884 million.
    b. **Leasing: Ch$57,082 million** | -13.0% YTD | ↓Ch$8,494 million.
    c. **Corporate Loans: Ch$300,758 million** | -7.4% YTD | ↓Ch$24,006 million.
2. **Auto Financing Division: Ch$610,459 million** | +1.7% YTD | ↑Ch$10,465 million.
3. **Treasury and Investments Division: Ch$12,107 million** | -34.7% YTD | ↓Ch$6,438 million.
4. **Sundry Receivables: Ch$3,643 million** | +3.2% YTD | ↑Ch$113 million.

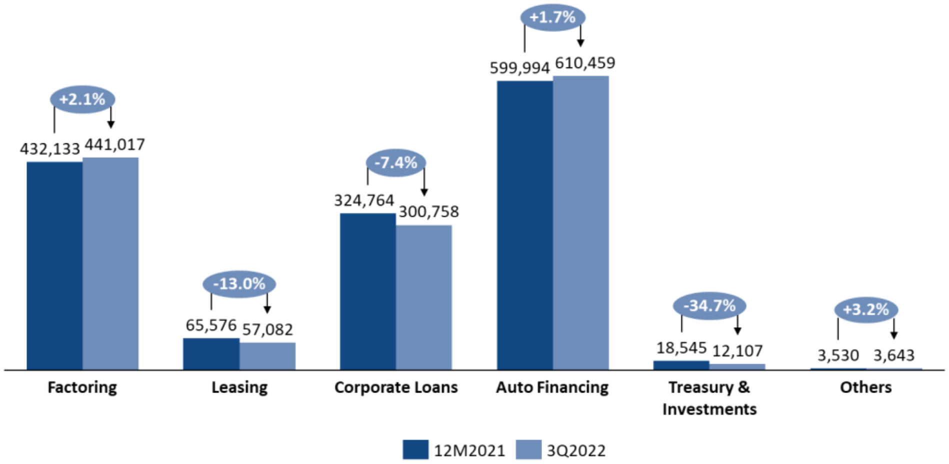

Chart 15: Net Loan Portfolio by Line of Business

The portfolio has remained with a higher concentration on the company's strategic businesses, such as factoring and auto financing. At the close of 3Q22, these accounted for 31% and 43% of the net loan portfolio, respectively.

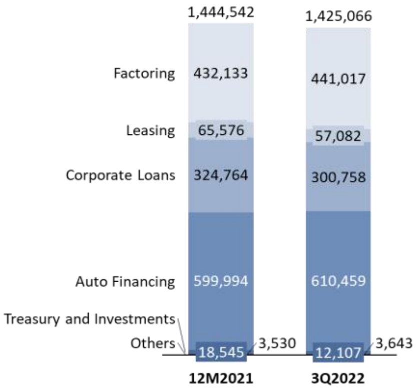

Chart 16: Net Loan Portfolio Breakdown

---

[5] Gross loans minus provisions.

b. Funding Sources

The company's financial liabilities in 3Q22 were Ch$1,495,576 million compared with Ch$1,291,626 million at the close of 2021 (↑Ch$203,950 million / +15.8% YTD), due to higher Chilean and international bank loans (↑Ch$160,553 million / +42.8% YTD), mainly due to a syndicated loan disbursed during 3Q22, bonds (↑Ch$53,428 million / +8.7% YTD), because of an increase of domestic market bond issues, and other financial liabilities (↑Ch$24,468 million / +21.1% YTD), which were mainly repos and forwards. This increase was offset by a decrease in commercial papers (↓Ch$34,499 million / -18.4% YTD).

In terms of the liability structure, 44.6% (Ch$666,912 million) corresponded to domestic and international bonds, 35.8% (Ch$535,931 million) to domestic and international bank loans and credit lines, and 10.2% (Ch$152,522 million) to commercial papers. The remaining Ch$140,211 million (9.4%) was related to other financial obligations comprising repos and forwards.

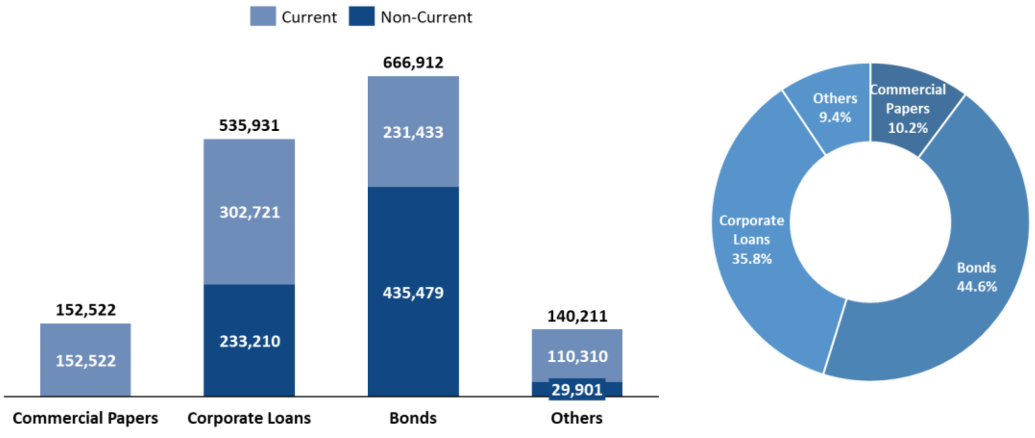

Chart 17: Breakdown of Funding Sources

VII. Cash Flow Statement

Ch$ million	30-09-2022	30-09-2021	Δ Ch$
Cash flow from operating activities	23,020	(117,350)	140,370
Cash flow from investing activities	(135,939)	(83,444)	(52,495)
Cash flow from financing activities	98,831	148,801	(49,970)
Effect of changes in exchange rates	650	988	(338)
Cash flow in the period	(13,437)	(51,005)	37,567
Cash and cash equivalents, opening balance	57,913	120,080	(62,167)
Cash and cash equivalents, closing balance	44,476	69,075	(24,600)

Table 7: Cash Flow Statement

In 9M22, the cash flow from **operating activities was Ch$23,020 million** against -Ch$117,350 million YoY, mainly due to cash receipts from the sale of goods and rendering of services increasing by Ch$809,970 million, arising from a lower auto financing stock portfolio (variation in gross loan sept-21: ↑Ch$113,619 million YTD vs sept-22: ↑Ch$19,520 million YTD) and corporate loans (variation in gross loan sept-21: ↑Ch$58,905 million YTD vs sept-22: ↑Ch$20,960 million YTD); and secondly from an increase in the collection of factoring (↑Ch$666,912 million).

The cash flow from **investing activities amounted to -Ch$135,939 million**, increasing Ch$52,495 million on the -Ch$83,444 million in 9M21, mainly due to a Ch$1,617,758 million difference of other payments to acquire equity or debt instruments of other entities, because of an increase in other financial assets to cover the maturity of a CHF200 million bond in the fourth quarter of 2022.

The cash flow from **financing activities amounted to Ch$98,831 million** against the Ch$148,801 million YoY, mainly because of higher disbursements of bonds and commercial papers compared to 2021.

Finally, **cash and cash equivalents in 9M22 were Ch$44,476 million,** a Ch$24,600 million decrease compared to 9M21.

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 pledges. 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) Dealer, Direct and Others and (iv) renegotiated.

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 September 2022 and 31 December 2021:

Business Line	30-09-2022			
	Gross Portfolio Ch$ million	Provisions Ch$ million	Net Portfolio Ch$million	Risk Ratio
Factoring	450,807	(9,790)	441,017	2.17%
Leasing	57,485	(402)	57,082	0.70%
Corporate Loans	309,127	(8,368)	300,758	2.71%
Auto Financing	634,188	(23,729)	610,459	3.74%
Treasury & Investments	12,107	(0)	12,107	0.00%
Sundry receivables	3,643	-	3,643	0.00%
Total	**1,467,356**	**(42,289)**	**1,425,067**	**2.88%**

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$5,532 million, climbing from Ch$4,258 million as of December 2021 to Ch$9,790 million as of September 2022. That was mainly due to an increase in NPLs > 90 days of Ch$27,251 million, rising from Ch$1,777 million in December 2021 to Ch$29,028 million in September 2022[1].

LEASING

The amount of provisions for the leasing portfolio increased by Ch$181, climbing from Ch$221 million as of December 2021 to Ch$402 million as of September 2022. That was mainly due to the fact that NPLs > 30 days increased by Ch$473 million, rising from Ch$102 million in December 2021 to Ch$575 million in September 2022.

CORPORATE LOANS

The amount of corporate loan portfolio provisions increased by Ch$3,045 million, climbing from Ch$5,323 million as of December 2021 to Ch$8,368 million as of September 2022. That was mainly due to an increase in the provision of a client of the individual model (Ch$1,793 million). In addition, NPLs > 90 days increased by Ch$14,274 million, climbing from Ch$13,244 million as of December 2021 to Ch$27,518 million as of September 2022[1].

AUTO FINANCING

The amount of provisions of the auto financing portfolio increased by Ch$9,055 million, climbing from Ch$14,674 million as of December 2021 to Ch$23,729 million as of September 2022. That mainly occurred because NPLs > 90 days increased by Ch$16,458 million, rising from Ch$12,044 million in December 2021 to Ch$28,502 million in September 2022.

TREASURY & INVESTMENTS

The amount of provisions of the treasury and investments portfolio decreased, due to the write-off of a particular client.

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.

Renegotiation provisions are calculated based on the expected loss model for each product, in which default and the new credit condition are the main variables to be considered. The renegotiation condition is considered to be an additional weighting in the risk factor determination model.

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	30-09-2022				
	Total Portfolio Ch$ million	Renegotiation Ch$ million	Provisions Ch$ million	Renegotiation by product %	Renegotiation by total portfolio %
Factoring	450,807	8,506	(9,790)	1.89%	0.58%
Corporate Loans	309,127	3,894	(8,368)	1.26%	0.27%
Auto Financing	634,188	11,190	(23,729)	1.76%	0.76%
Leasing (*)	57,485	7,196	(402)	12.52%	0.49%
Treasury & Investments	12,107	-	(0)	0.00%	0.00%
Sundry receivables	3,643	-	-	-	-
Total	**1,467,356**	**30,786**	**(42,289)**		**2.10%**

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.

As of 30 September 2022, the company had Ch$44,476 million of consolidated cash (Ch$57,913 million as of 31 December 2021) and a portfolio of liquid assets of Ch$199,146 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$1,242 million at 30 September 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 a loss of Ch$103 million as of 30 September 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$145,957 million (Ch$136,044 million as of 31 December 2021), with sensitivity measured by the dollar value of one basis point (DV01[6]) of Ch$30 million (Ch$36 million as of 31 December 2021) which, according to the historical Value at Risk (VaR[7]) methodology of the risk-free rate at 1 day with a confidence level of 99%, generated interest rate risk exposure of Ch$664 million as of 30 September 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 as of 30 September 2022:

Interest rate delta (basis points)	25	50	75	100	125	150	175	200
Net portfolio change due to a cut in interest rates	0.52%	1.03%	1.55%	2.06%	2.58%	3.10%	3.61%	4.13%
Net portfolio change due to a hike in interest rates	-0.52%	-1.03%	-1.55%	-2.06%	-2.58%	-3.10%	-3.61%	-4.13%

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	30-09-2022								
	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	3,419,926	(168,243,364)	187,393,814	-	(13,711,506)	3,086,602	(151,731,652)	(80,927,525)	209,217,692
1 to 3 years	-	-	-	-	-	161,201,938	(227,346,542)	(38,841,185)	121,078,699
Over 3 years	-	-	-	-	-	22,798,895	(67,032,252)	55,414,239	-
Total	**3,419,925**	**(168,243,364)**	**187,393,813**	**-**	**(13,711,506)**	**187,087,434**	**(446,110,446)**	**(64,354,471)**	**330,296,390**

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	30-09-2022								
	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	685	1,391	(2,511)	-	144	(150)	(14,699)	(944)	(3,182)
1 to 3 years	-	-	-	-	-	(27,424)	7,478	11,542	(19,092)
Over 3 years	-	-	-	-	-	(8,056)	16,854	(14,671)	-
Total	**685**	**1,391**	**(2,511)**	**-**	**144**	**(35,631)**	**9,634**	**(4,072)**	**(22,274)**

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

For further details regarding this section, please see Note 4 and Note 10 of the company's 3Q2022 financial statements.

---

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

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