

Global Credit Research - 15 Jun 2015

Santiago, Chile

Ratings

Category	Moody's Rating
Outlook	Rating(s) Under Review
Bank Deposits	*Baa3/*P-3
Baseline Credit Assessment	**ba1
Adjusted Baseline Credit Assessment	**ba1
Senior Unsecured	***Baa3

* Rating(s) within this class was/were placed on review on January 31, 2014

** Placed under review for possible upgrade on March 17, 2015

*** Placed under review for possible upgrade on September 9, 2014

Contacts

Analyst	Phone
Jeanne Del Casino/New York City	1.212.553.1653
Georges Hatcherian/Mexico	52.55.1253.5700
M. Celina Vansetti/New York City	1.212.553.1653
Busy Juarez/Mexico	52.55.1253.5700

Key Indicators

CorpBanca (Consolidated Financials)[1]

	[2]3-15	[2]12-14	[2]12-13	[2]12-12	[2]12-11	Avg.
Total Assets (CLP billion)	20,050.8	20,359.8	17,490.0	13,528.2	8,887.7	[3]22.6
Total Assets (USD million)	32,163.7	33,549.9	33,285.8	28,254.4	17,109.8	[3]17.1
Tangible Common Equity (CLP billion)	667.4	648.5	545.1	465.9	720.0	[3]-1.9
Tangible Common Equity (USD million)	1,070.6	1,068.6	1,037.4	973.1	1,386.1	[3]-6.3
Problem Loans / Gross Loans (%)	1.4	1.5	1.2	1.3	1.6	[4]1.4
Tangible Common Equity / Risk Weighted Assets (%)	3.9	3.9	3.6	4.1	9.4	[5]5.0
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	20.2	21.7	18.6	20.7	13.1	[4]18.9
Net Interest Margin (%)	2.6	3.4	3.2	2.3	2.5	[4]2.8
PPI / Average RWA (%)	2.5	2.9	2.6	1.9	2.7	[5]2.5
Net Income / Tangible Assets (%)	1.0	1.4	1.0	0.9	1.4	[4]1.1
Cost / Income Ratio (%)	52.7	52.1	52.6	56.1	44.6	[4]51.6
Market Funds / Tangible Banking Assets (%)	25.5	25.7	21.7	20.7	24.0	[4]23.5
Liquid Banking Assets / Tangible Banking Assets (%)	18.7	21.0	16.6	18.5	19.1	[4]18.8
Gross Loans / Total Deposits (%)	120.0	118.1	121.3	115.5	123.7	[4]119.7

Source: Moody's

[1] All figures and ratios are adjusted using Moody's standard adjustments [2] Basel I; IFRS [3] Compound Annual Growth Rate based on IFRS reporting periods [4] IFRS reporting periods have been used for average calculation

[5] Basel I & IFRS reporting periods have been used for average calculation

Opinion

SUMMARY RATING RATIONALE

Following the introduction of the new bank rating methodology in March 2015, CorpBanca's ba1 BCA and Baa3 deposit and debt ratings remain unchanged, and remain on review for upgrade pending completion of its merger with Banco Itau Chile. Moody's has also assigned a Baa2 (cr) Counterparty Risk Assessment (CR assessment) to CorpBanca under the new methodology, which is also on review for upgrade in line with the other ratings.

CorpBanca's standalone baseline credit assessment (BCA) of ba1 reflects its established franchise and brand as the fifth largest bank in Chile and the sixth largest in Colombia. The bank's enhanced earnings capacity, through its two recent bank acquisitions in Colombia, and its strong asset quality also support the BCA. Key risk factors include the bank's tangible capitalization (TCE), after deducting goodwill and intangibles related to the Colombian acquisitions, and its use of market funds to support loan growth, areas of significant weight under the new bank rating methodology. Slower economic growth expected in Chile and Colombia in 2015 could negatively affect earnings and asset quality, however, recent earnings gains and reserve building position CorpBanca well to withstand such pressures. The Baa3 deposit and debt ratings reflect one notch of uplift due to our assessment of the probability of support from the Chilean government.

CorpBanca's ratings are on review for upgrade since January 2014 reflecting the bank's planned merger with Banco Itau Chile and change of control to Itau Unibanco Holdings (Itau, issuer Baa2, review down) and the beneficial effects such a merger could have on CorpBanca's funding flexibility, margins, and capitalization. The merger will cement CorpBanca's position as the fifth largest bank in Chile, under the name of Itau CorpBanca, and enhance its market presence and earnings potential across multiple customer segments. Backed by a strong regional partner, the combined bank will also be in a better position to compete and syndicate larger ticket corporate and structured transactions, a key business area for both banking companies. Itau's brand identity in Chile and co-management of the bank with the Saieh family and other current shareholders will also provide a strong platform to leverage both banks' expertise and customer relationships, notwithstanding the execution and integration risks inherent in a cross border expansion strategy. We will complete our rating review once the transaction is approved by shareholders and the Chilean regulator.

CORPBANCA'S BCA IS SUPPORTED BY A "STRONG" MACRO PROFILE SCORE

CorpBanca's "strong" macro profile is derived from the weighted average of our "Strong +" macro profile for Chile (64% of the loan portfolio) and our "Moderate+" macro profile for Colombia (36%). Chile's macro profile takes into account its strong economy, effective macroeconomic framework, solid institutions and rule of law, and proven regulation and supervision. The country's low susceptibility to event risk is reflected by its limited political transition risk, low debt levels and ample fiscal flexibility. Colombia's macro profile reflects its solid growth outlook tempered by low GDP per capita. The country benefits from a favorable investment climate and policy predictability. Colombia's event risks relate to its dependence on oil exports and ongoing problems with armed insurgencies, particularly as peace negotiations are progressing slowly (see also published macro profiles for Chile and Colombia).

Rating Drivers

Delinquencies remain low, but regional expansion presents potential asset quality risks

Capital is constrained by acquisition-related goodwill and higher regulatory requirements

Profitability benefits from benign market conditions in Chile and increasing earnings from Colombian operations

Funding and liquidity will strengthen with merger

Rating Outlook

All ratings are on review for upgrade.

What Could Change the Rating - Up

Review for upgrade points to likelihood of upgrade upon completion of the merger with Itau Chile.

MOODY'S INVESTORS SERVICE

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED,

REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and,

consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.