

# The Merger of Banco Itaú Chile and CorpBanca

July 2015



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# Introduction

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## **On January 29, 2014 Itaú Unibanco, Banco Itaú Chile, CorpBanca and CorpGroup entered into a agreement, involving:**

- The merger of Banco Itaú Chile and CorpBanca, creating Itaú CorpBanca
- Itaú Unibanco will control Itaú CorpBanca
- Itaú Unibanco and CorpGroup will sign a Shareholders' Agreement
- Itaú CorpBanca will control CorpBanca's and Itaú Unibanco's Colombian entities
- CorpBanca to be the surviving legal entity

## **On June 26 and 30, 2015, CorpBanca and Banco Itaú Chile Extraordinary Shareholders Meetings approved the proposed merger and agreed to modify the afore mentioned agreement, involving:**

- Additional dividend for current CorpBanca's shareholders
- Reduction of Itaú Chile dividend
- New dividend policy for 2015 fiscal year
- Extension of the deadline for the purchase of CorpGroup's stake in CorpBanca Colombia
- Closing date between January 1, 2016 and May 2, 2016

# Fairness Opinions to the Board

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- In January 2014 the Board of Directors of CorpBanca received separate opinions of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co.
  - Each to the effect that and based upon and subject to the matters set forth therein, the Chilean Exchange Ratio is fair, from a financial point of view, to CorpBanca
- On August 2014 the Board of Directors of CorpBanca received a third opinion from the University of Chile regarding the proposed merger between Itaú Chile and CorpBanca
  - The study highlights that the operation is equally favorable to all CorpBanca's shareholders and affirms CorpBanca's Board of Directors recommendations

# Expert Report and other report to the Board

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- In April 2015 the Board of Directors of CorpBanca received from KPMG the expert report required by the Chilean law to perform the Extraordinary General Shareholders Meeting
- In May 2015 the Board of Directors of CorpBanca received an additional report from Citi to complement their analysis and deliver their opinion regarding the pending merger between Itaú and CorpBanca

# Transaction Rationale

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- Consolidates the 4<sup>th</sup> largest private bank in Chile by total loans, with a true potential of becoming the 3<sup>rd</sup> largest<sup>1</sup>
- Complementary segments, products and lines of business
- Solid capital base and improved funding profile
- Potential to generate relevant synergies
- Strong framework to reach a stronger position in the Colombian market

Source: Company financials, Superintendencia de Bancos e Instituciones Financieras ("SBIF") and Superintendencia Financiera de Colombia ("SFC").

<sup>1</sup> Pro-forma rankings based on gross loans as reported to the SBIF, excluding loans from CorpBanca Colombia and, SFC.



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# Transaction Terms

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- Operation will constitute a merger between CorpBanca and Banco Itaú Chile
  - Consequently, CorpBanca will issue new shares in exchange for all the assets and liabilities of Banco Itaú Chile which will be delivered to Itaú Unibanco
- Prior to this, Itaú will inject US\$652MM of capital into Banco Itaú Chile
  - ~Ch\$54 Bn (US\$99 MM\*) had already been injected in 2014
- The exchange ratio for net assets of Banco Itaú Chile will imply the following ownership structure post-merger:
  - Itaú Unibanco: 33.58% (controlling shareholder)
  - CorpGroup: 33.13%
  - Minorities: 33.29%

\*Note: Figures converted to US dollars at a rate of 544.10 CLP/USD.



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# A CorpBanca Shareholders' Point of View

## Before...

### Situation as of January 31, 2014 (CorpBanca Chile shareholder)

100% equity ownership in an entity that has:

- A 7.3% market share in Chile
- 66.3% of a Colombian bank with a 6.6% market share in Colombia
- Equity of US\$2.2BN<sup>2,5</sup>
- Annual net income of US\$256MM<sup>1,2,3,5</sup>

## Current

### Situation as of December 31, 2014 (CorpBanca Chile shareholder)

100% equity ownership in an entity that has:

- A 7.4% market share in Chile
- 66.3% of a Colombian bank with a 6.3% market share in Colombia
- Equity of US\$2.4BN<sup>2,5</sup>
- Annual net income of US\$374MM<sup>2,5</sup>

## ...After

### Post-Merger Situation (based on December 2014) (Itaú CorpBanca shareholder)

66.42% equity ownership in an entity that has:

- A 12.6% market share in Chile
- At least 78.64% of a Colombian bank with a 6.3% market share in Colombia
- Equity of ~US\$5.3BN<sup>2,4,5</sup>
- Annual net income of ~US\$516MM<sup>2,3,5</sup>

<sup>1</sup> Net income includes Helm Bank's results since August 2013.

<sup>2</sup> Excludes minority interest, reflecting a 66.3% ownership in CorpBanca Colombia.

<sup>3</sup> Does not include fully phased-in after-tax synergies of US\$80MM. Includes the dilution for the issuance of 172,048MM shares to Itaú Unibanco.

<sup>4</sup> Excludes special dividends

<sup>5</sup> Figures converted to US dollars at a rate of 605.5 CLP/USD



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# Pro-Forma Financials as of December 31, 2014 (US\$MM) <sup>8</sup>

	CorpBanca Chile <sup>1</sup>	Banco Itaú Chile <sup>1</sup>	Pro Forma Combined <sup>2</sup> (a)	Committed Dividends (b)	Pro Forma Combined (a) + (b)
<b>Assets</b>					
Cash and Equivalents	1,931	1,256	3,187	-369	2,818
Loans Portfolio, net	22,945	10,035	32,980		32,980
<b>Total Assets</b>	<b>33,616</b>	<b>13,463</b>	<b>48,839</b>	<b>-369</b>	<b>48,470</b>
<b>Liabilities</b>					
Deposits	19,872	7,961	27,833		27,833
Demand Deposits	6,532	1,461	7,993		7,993
Time Deposits	13,340	6,500	19,840		19,840
Total Liabilities	30,705	11,693	42,597		42,597
Total Shareholders' Equity	2,381	1,771	5,629	-369	5,260
<b>Total Liabilities and Shareholders' Equity</b>	<b>33,616</b>	<b>13,463</b>	<b>48,839</b>	<b>-369</b>	<b>48,470</b>
<b>Results</b>					
Operating Income, net of Loan Losses	1,430	426			1,856
Operating Expenses	-862	-272			-1,135
Net Income	438	142			579
<b>Net Income attributable to Shareholders</b>	<b>374</b>	<b>142</b>			<b>516</b>
<b>Main Financial Indicators</b>					
Net Interest Margin	3.3%	2.6%			3.1%
Return on Total Assets	1.11%	1.05%			1.06%
Return on Shareholders' Equity	12.9%	8.0%			8.8%
Efficiency Ratio (Consolidated)	47.5%	47.7%			47.6%

<sup>1</sup> Company filings with local regulatory authorities as of 12.31.2014.

<sup>2</sup> KPMG Expert Report as of 12.31.2014.

Note: Figures converted to US dollars at a rate of 605.5 CLP/USD.



# Significant Opportunity to Generate Synergies

- We estimate these synergies to be fully achieved in 3 years post-merger
- We also expect further funding cost improvements and substantial revenue synergies, which are not included in the cost synergies below
- We estimate total one-time integration costs of approximately US\$85MM to occur during the first 3 years

	Description	Low-End Pre-Tax Synergies <sup>1</sup>	High-End Pre-Tax Synergies <sup>1</sup>
1 <b>Human Resources</b>	<ul style="list-style-type: none"> <li>▪ Relevant synergies related to optimization of organizational structures</li> </ul>	US\$55MM	US\$67MM
2 <b>Administration</b>	<ul style="list-style-type: none"> <li>▪ Savings derived from a reduction in administrative expenses</li> <li>▪ Reduction of costs from services rendered by mutual service providers</li> </ul>	US\$15MM	US\$18MM
3 <b>Information Technology</b>	<ul style="list-style-type: none"> <li>▪ Relevant savings from scalable IT systems</li> </ul>	US\$16MM	US\$19MM
4 <b>Others</b>	<ul style="list-style-type: none"> <li>▪ Savings derived from enhanced branch network</li> </ul>	US\$8MM	US\$10MM
<b>Indicative Total Fully Phased-in Pre-Tax Synergies Range</b>		<b>US\$93MM</b>	<b>US\$114MM</b>

Source: Management projections.

<sup>1</sup> Denotes low-end and high-end fully phased-in pre-tax synergies from year 3 onward.



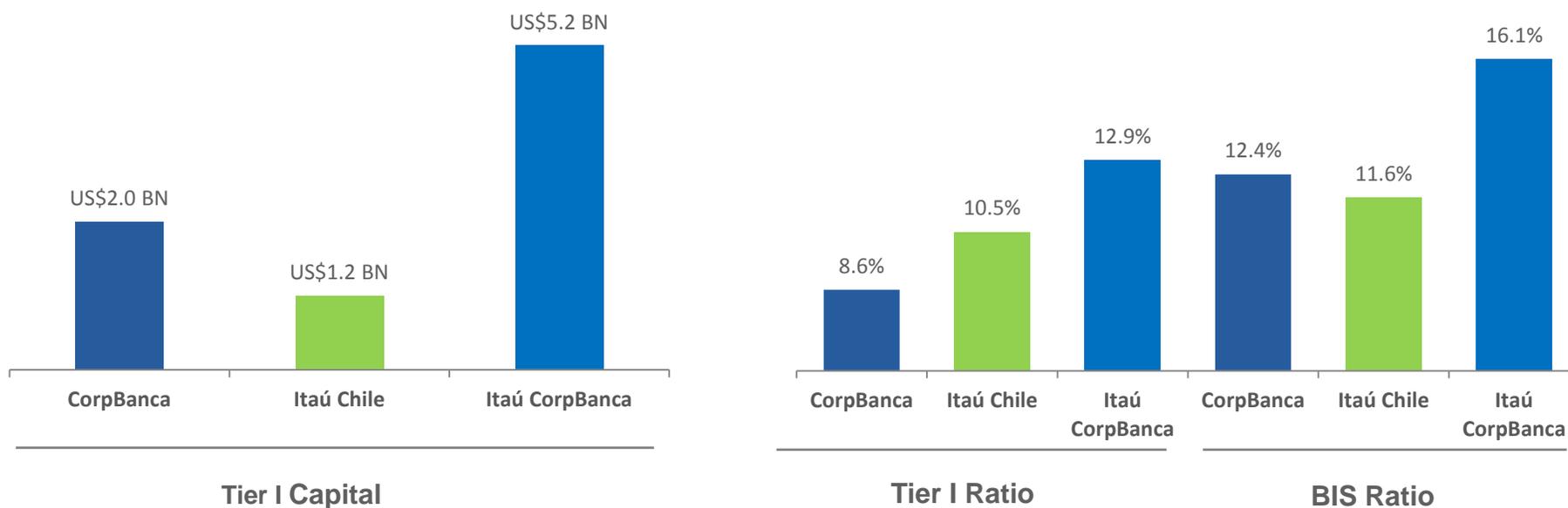
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# Significant Expected Improvement in Capital Position

- The pro-forma entity will have a much larger capital base to support further growth
  - CorpBanca will combine its current Tier I Capital of US\$2.0BN (net of special dividend) with Banco Itaú Chile's current capital of US\$1.2BN and US\$552MM additional common equity injection prior to closing of the transaction

## Capital Levels



Combination estimated by CorpBanca management, based on figures in December 2014.

Includes:

- US\$552MM of capital increase in Itaú Chile (620 CLP / USD)
- Purchase of 12.36% stake in CorpBanca Colombia
- Corresponding adjustments to derivatives accounting effects of the business combination based on the expert report

Excludes:

- Special dividend paid by CorpBanca on July 1, 2015
- Dividends that Itaú Chile approved not to distribute

It entails maximum utilization of subordinated bonds.

Note: Figures converted to US dollars at a rate of 605.5 CLP/USD



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# Creating a Regional Leader

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## Unique Partnership

### Unique opportunity to partner with a leading institution

- Itaú Unibanco is the largest private financial institution in Brazil and a premier LatAm franchise
- The new entity will benefit from the strength of a ~US\$57BN market cap partner in its existing markets while enhancing opportunities for growth abroad
- Opportunity to leverage Itaú Unibanco's strong global client relationships
- The merged entity will be able to expand its banking products' offering

2

## Banking Platform with Larger Scale

### Emergence of a leading banking platform in Chile and Colombia

- Greater scale and resources to grow and compete more effectively in Chile and Colombia
- Enhanced footprint in Chile and Colombia create a platform to expand in the region, particularly into Peru and Central America
- 4<sup>th</sup> largest private bank in Chile and 5<sup>th</sup> largest private bank in Colombia by total loans<sup>1</sup>

3

## Positive Impact to Itaú CorpBanca

### Merged bank will have a stronger financial profile and greater earnings power

- Estimated after-tax cost synergies of approximately US\$80MM per year on a fully phased-in basis and total one-time integration costs of approximately US\$85MM to occur during the first 3 years
- Improved funding profile and substantial revenue synergies
- Additional cross-selling opportunities
- Accretive transaction for both CorpBanca's and Itaú Unibanco's shareholders
- Improved pro-forma capital position opens room for further loan growth

Source: Company financials and SBIF.

<sup>1</sup> Pro-forma rankings based on gross loans as reported to the SBIF and SFC, excluding loans from CorpBanca Colombia .



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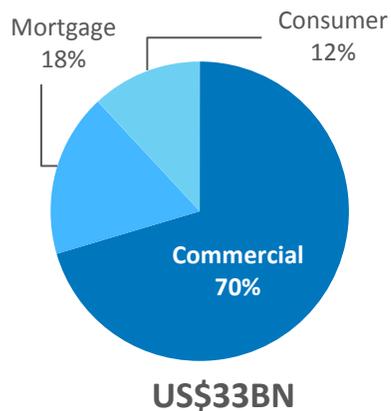
# Leading Regional Banking Platform

## Highlights

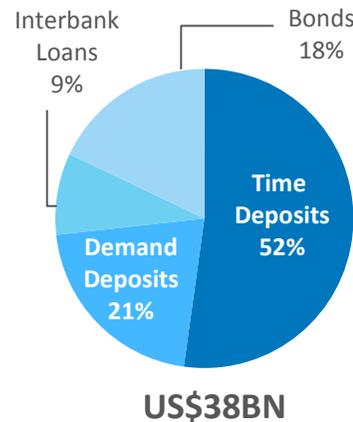
- Accretive transaction to all shareholders after synergies
- Significant improvement to capital position to support further growth

US\$BN	CorpBanca <sup>1</sup>	Itaú <sup>1</sup>	Pro-Forma <sup>2</sup>
Assets	33.6	13.5	48.5
Loans	22.9	10.0	33.0
Headcount	7,456	2,607	10,063
Branches	298	100	398
ATMs	594	70	664

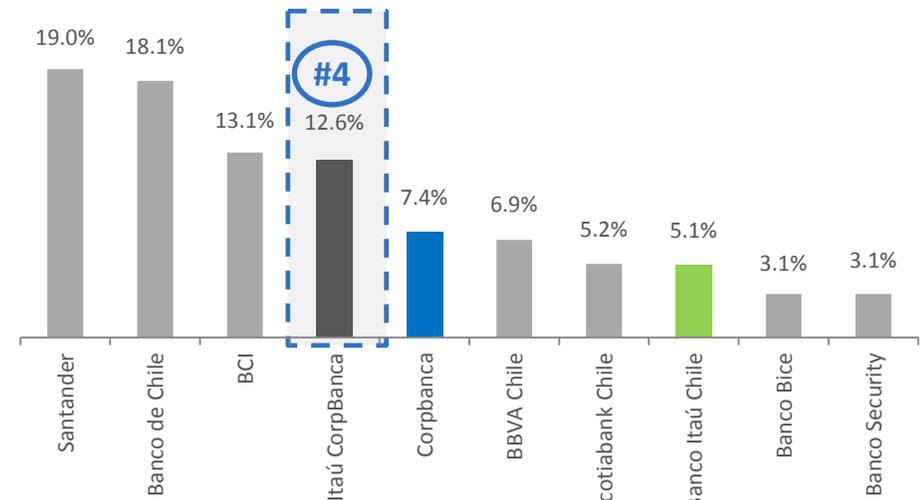
## Pro-Forma Loan Mix



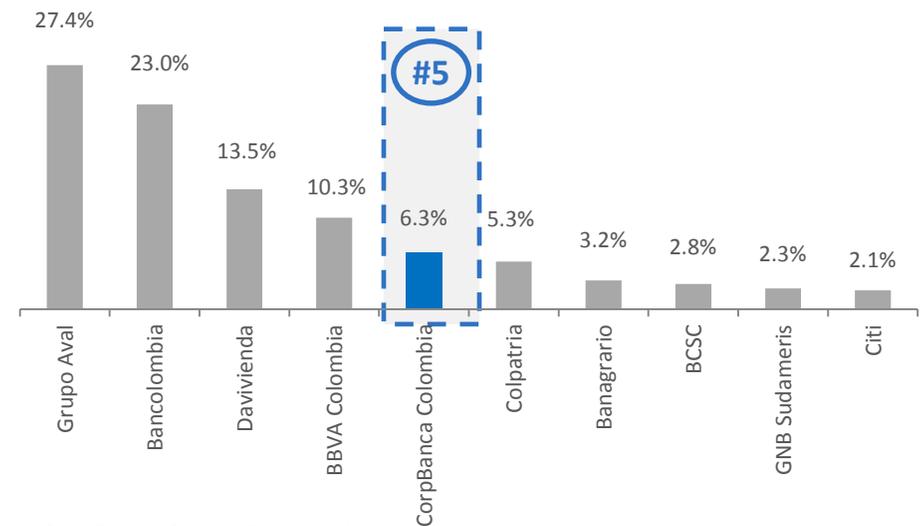
## Pro-Forma Funding Mix



## Market Share by Loans (Chile)<sup>3</sup>



## Market Share by Loans (Colombia)<sup>4</sup>



<sup>1</sup> Company management and filings with local regulatory authorities as of 12.31.2014.

<sup>2</sup> KPMG Expert Report as of 12.31.2014.

<sup>3</sup> Pro-forma rankings based on gross loans as reported to the SBIF and SFC, excluding loans from CorpBanca Colombia. Including loans from Colombia, CorpBanca would have a loan market share of 11.3% in Chile.

<sup>4</sup> Based on gross loans as reported to the SFC. Grupo Aval represents aggregate gross loans for Banco de Bogota, Banco Popular, Banco de Occidente and Banco AV Villas.

Note: Figures converted to US dollars at a rate of 605.5 CLP/USD.



# Transaction Conditions

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- Shareholders' Agreement to be executed between Itaú Unibanco and CorpGroup
- Itaú CorpBanca to offer to purchase 33.18% percent from minority shareholders in CorpBanca Colombia
- Obligation for CorpGroup to sell its 12.36% stake in CorpBanca Colombia to Itaú CorpBanca
- The merged bank may take advantage of the global relationship that Itaú Unibanco keeps with its clients and expands its offer of banking products

# Shareholders' Agreement Key Terms

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- CorpGroup to hold minimum share ownership that would allow the two parties to collectively have a majority ownership
- Liquidity option for CorpGroup to sell to Itaú Unibanco shares representing a stake of up to 6.6% in Itaú CorpBanca at market price and through the Santiago Stock Exchange
- Corporate Governance
  - Board of Directors of 11 members (2 alternates)
  - CEO to be Boris Buvinic
  - Key committees would include Credit, Asset & Liability Management and Talent committees
- Dividend Policy
  - Subject to optimum minimum capital requirements
  - Target of US\$370MM in dividends to all shareholders of CorpBanca

# Next Steps

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## Regulatory Approvals

- Chilean regulator's (SBIF) approval pending

## Extraordinary Shareholders' Meeting

- On June 26 and June 30, 2015 both banks EGM approved the merger

## Final Approval

- SBIF final operational approval to materialize the merger

## Expected Legal Merger

- Between January 1<sup>st</sup>, 2016 and May 2<sup>nd</sup>, 2016

# APPENDIX

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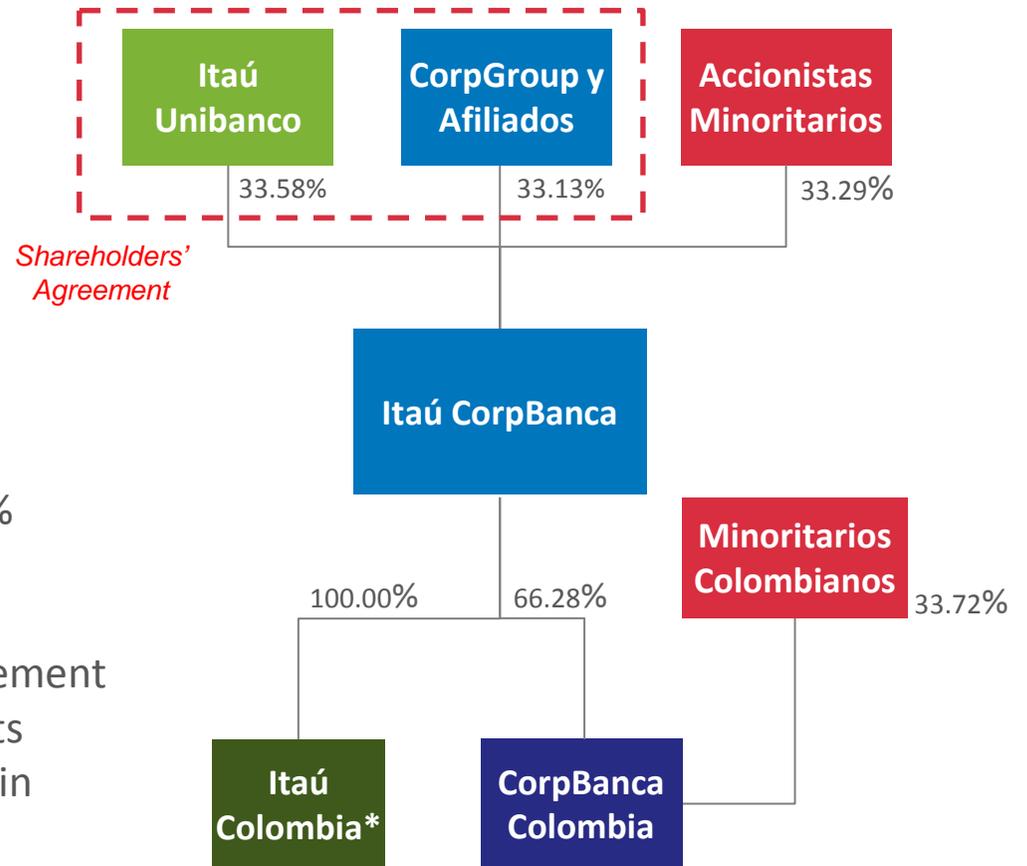
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# Transaction Structure

## Merged Bank

- Resulting shareholding structure of Itaú CorpBanca will be:
    - Itaú Unibanco: 33.58%
    - CorpGroup & Affiliates: 33.13%
    - Minority Shareholders: 33.29%
- } 66.42%
- Itaú Unibanco will sign a shareholders' agreement with CorpGroup to determine certain aspects related to corporate governance (described in Corporate Governance section)

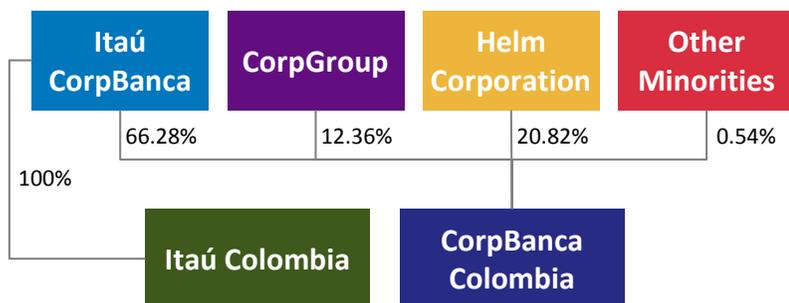


\*Itaú CorpBanca will offer to purchase 33.18% of the minorities' shares in CorpBanca Colombia

# Transaction Structure (Cont'd)

## Offer to Acquire Minority Stakes in CorpBanca Colombia

### Contemplated Structure in Colombia



- Itaú CorpBanca will offer to acquire the 33.18% aggregate minority stakes in CorpBanca Colombia:
  - ~US\$894MM aggregate cash offer\*
  - Includes CorpGroup's 12.36% indirect ownership (has agreed to sell shares in proposed transaction)
- Itaú CorpBanca will acquire Itaú Colombia at a price equivalent to its book value of ~US\$170MM

\* Of which US\$330 MM correspond to the payment to CorpGroup and that amount will accrue interest of Libor + 2.7% per year from August 2015 until the closing date

- Through the acquisition of minority stakes in CorpBanca Colombia, CorpBanca's shareholders could benefit further from synergies to be achieved from the merger with Helm Bank
- The purchase will not require additional capital, yielding additional income to Itaú CorpBanca's shareholders without the need for dilution

# Disclaimer

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This Presentation contains forward-looking statements, including statements related to the planned acquisition of Helm Bank and the timing thereof. Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “believe”, “expect”, “plan”, “intend”, “forecast”, “target”, “project”, “may”, “will”, “should”, “could”, “estimate”, “predict” or similar words suggesting future outcomes or language suggesting an outlook. Forward-looking statements and information are based on current beliefs as well as assumptions made by and information currently available to CorpBanca concerning anticipated financial performance, business prospects, strategies and regulatory developments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking statements. Furthermore, the forward-looking statements contained in this press release are made as of the date of this press release and CorpBanca does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

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