

[Table of Contents](#)

**ANNUAL REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2017**  
**As filed with the Securities and Exchange Commission on April 10, 2018**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**  
**FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

**For the fiscal year ended December 31, 2017**

Commission file number 001-32305

**ITAÚ CORPBANCA**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

**Republic of Chile**

(Jurisdiction of incorporation or organization)

**Rosario Norte 660  
Las Condes  
Santiago, Chile**

(Address of principal executive offices)

**Investor Relations, Telephone: +(562) 2660-2555, Facsimile: +(562) 2660-2476,  
Address: Rosario Norte 660, Las Condes, Santiago, Chile**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
<b>American Depositary Shares representing common shares Common shares, no par value*</b>	<b>New York Stock Exchange New York Stock Exchange*</b>

\* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

(Title of Class)

[Table of Contents](#)

Securities registered for which there is a reporting obligation pursuant Section 15(d) of the Act.

**3.125% Senior Notes due January 15, 2018**

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

512,406,760,091

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

[Table of Contents](#)**CAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 20-F contains statements that constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements preceded by, followed by or that include “believes,” “expects,” “intends,” “plans,” “projects,” “estimates” or “anticipates” and similar expressions. These statements appear throughout this Annual Report, including, without limitation, under “Item 3. Key Information—D. Risk Factors,” “Item 4. Information on the Company” and “Item 5. Operating and Financial Review and Prospects,” are not based on historical facts but instead represent only our belief regarding future events, many of which, by their nature, are inherently uncertain and outside our control and include statements regarding our current intent, belief or expectations with respect to (1) our asset growth and financing plans, (2) trends affecting our financial condition or results of operations, (3) the impact of competition and regulations, (4) projected capital expenditures, and (5) liquidity. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those described in such forward-looking statements included in this Annual Report as a result of various factors (including, without limitation, the actions of competitors, future global economic conditions, market conditions, currency exchange rates and operating and financial risks), many of which are beyond our control. The occurrence of any such factors, not currently expected by us, would significantly alter the results set forth in these statements.

Factors that could cause actual results to differ materially and adversely include, but are not limited to:

- trends affecting our financial condition or results of operations;
  - our dividend policy;
  - changes in the participation of our shareholders or any other factor that may result in a change of control;
  - the amount of our indebtedness;
  - natural disasters;
  - cyber-attacks, terrorism and other criminal activities;
  - changes in general economic, business, regulatory, political or other conditions in the Republic of Chile, or Chile, or the Republic of Colombia, or Colombia, or changes in general economic or business conditions in Latin America or the global economy;
  - changes in capital markets in general that may affect policies or attitudes towards lending to Chile or Colombia, Chilean or Colombian companies or securities issued by Chilean companies;
  - the monetary and interest rate policies of the Central Bank of Chile (Banco Central de Chile), or the Central Bank of Colombia (Banco de la República de Colombia);
  - inflation or deflation;
  - unemployment;
  - our counterparties’ failure to meet contractual obligations;
  - unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
  - unanticipated turbulence in interest rates;
  - movements in currency exchange rates;
  - movements in equity prices or other rates or prices;
  - changes in Chilean, Colombian and foreign laws and regulations;
  - changes in Chilean or Colombian tax rates or tax regimes;
  - competition, changes in competition and pricing environments;
-

[Table of Contents](#)

- concentration of financial exposure;
- our inability to hedge certain risks economically;
- the adequacy of our loss allowances, provisions or reserves;
- technological changes;
- changes in consumer spending and saving habits;
- successful implementation of new technologies;
- loss of market share;
- changes in, or failure to comply with, applicable banking, insurance, securities or other regulations;
- changes in accounting standards;
- difficulties in successfully integrating recent and future acquisitions into our operations;
- our ability to successfully complete the implementation of a new information technology core banking system in Colombia, as part of the integration process in Colombia;
- consequences of the merger of Banco Itaú Chile with and into Corpbanca on April 1, 2016 (the “Merger”) and the acquisition of the assets and liabilities of Itaú BBA Colombia S.A., Corporación Financiera (“Itaú BBA Colombia”) by us (the “Itaú Colombia Acquisition”);
- our ability to achieve revenue benefits and cost savings from the integration between former Corpbanca’s and former Banco Itaú Chile’s businesses and assets;
- our ability to address and forecast economic and social trends affecting our business, and to effectively implement the appropriate strategies; and
- the other factors identified or discussed under “Item 3. Key Information—D. Risk Factors” in this Annual Report.

You should not place undue reliance on such statements, which speak only as of the date that they were made. These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may make in the future. We do not undertake any obligation to release publicly any revisions to such forward-looking statements after the date of this Annual Report to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Neither Itaú Corpbanca’s independent auditors, nor any other independent accountants, have complied with, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, or disclaim any association with, the prospective financial information.

#### ENFORCEMENT OF CIVIL LIABILITIES

We are a banking corporation organized under the laws of Chile. The majority of our directors or executive officers are not residents of the United States and a substantial portion of our assets and the assets of these persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us or such persons or to enforce against them or us in the United States or other foreign courts, judgments obtained in the United States predicated upon the civil liability provisions of the federal securities laws of the United States.

No treaty exists between the United States and Chile for the reciprocal enforcement of court judgments. Chilean courts, however, have enforced final judgments rendered in the United States, subject to the review in Chile of the United States judgment in order to ascertain whether certain basic principles of due process and public policy have been respected, without reviewing the merits of the subject matter of the case. If a United States court grants a final judgment in an action based on the civil liability provisions of the federal securities laws of the United States, enforceability of this judgment in Chile will be subject to the obtaining of the relevant “*exequatur*” (i.e., recognition and enforcement of the foreign judgment) according to Chilean civil procedure law in force at that time, and consequently, subject to the satisfaction of certain factors. Currently, the most important of these factors are the absence of any conflict between the foreign judgment and Chilean laws (excluding for this purpose the laws of civil procedure) and public policies;

[Table of Contents](#)

the absence of a conflicting judgment by a Chilean court relating to the same parties and arising from the same facts and circumstances; the absence of any further means for appeal or review of the judgment in the jurisdiction where judgment was rendered; the Chilean courts' determination that the United States courts had jurisdiction; that service of process was appropriately served on the defendant and that the defendant was afforded a real opportunity to appear before the court and defend its case; and that enforcement would not violate Chilean public policy.

In general, the enforceability in Chile of final judgments of United States courts does not require retrial in Chile.

[Table of Contents](#)

TABLE OF CONTENTS

<b><u>PART I</u></b>	<b>1</b>
<a href="#">ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</a>	1
<a href="#">ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</a>	1
<a href="#">ITEM 3. KEY INFORMATION</a>	1
<a href="#">ITEM 4. INFORMATION ON THE COMPANY</a>	29
<a href="#">ITEM 4A. UNRESOLVED STAFF COMMENTS</a>	106
<a href="#">ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</a>	106
<a href="#">ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</a>	136
<a href="#">ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS</a>	145
<a href="#">ITEM 8. FINANCIAL INFORMATION</a>	149
<a href="#">ITEM 9. OFFER AND LISTING DETAILS</a>	151
<a href="#">ITEM 10. ADDITIONAL INFORMATION</a>	152
<a href="#">ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK</a>	181
<a href="#">ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</a>	203
<b><u>PART II</u></b>	<b>204</b>
<a href="#">ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</a>	204
<a href="#">ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</a>	204
<a href="#">ITEM 15. CONTROLS AND PROCEDURES</a>	204
<a href="#">ITEM 16. RESERVED</a>	205
<a href="#">ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</a>	205
<a href="#">ITEM 16B. ETHICS</a>	205
<a href="#">ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</a>	205
<a href="#">ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</a>	206
<a href="#">ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</a>	206
<a href="#">ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT</a>	206
<a href="#">ITEM 16G. CORPORATE GOVERNANCE</a>	206
<a href="#">ITEM 16H. MINE SAFETY DISCLOSURE</a>	208
<b><u>PART III</u></b>	<b>209</b>
<a href="#">ITEM 17. FINANCIAL STATEMENTS</a>	209
<a href="#">ITEM 18. FINANCIAL STATEMENTS</a>	209
<a href="#">ITEM 19. EXHIBITS</a>	209

[Table of Contents](#)**PART I****ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION****PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

We are a Chilean bank and maintain our financial books and records in Chilean pesos and prepare our consolidated financial statements presented herewith in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As required by local regulations, our consolidated financial statements filed with the Chilean Superintendency of Banks and Financial Institutions (*Superintendencia de Bancos e Instituciones Financieras*), also referred to as the SBIF, and that are the basis for dividend distributions, have been prepared in accordance with Chilean accounting principles or Chilean Banking GAAP, issued by the SBIF. SBIF regulations provide that for those matters not specifically regulated by this agency, our financial statements prepared under Chilean Banking GAAP should follow the accounting principles established by IFRS. Unless otherwise indicated herein, as used hereafter IFRS refers to the standards issued by the IASB. Therefore, our consolidated financial statements filed herewith differ from the financial statements prepared in accordance with Chilean Banking GAAP. We have included herein certain information in Chilean Banking GAAP with respect to the Chilean financial system and the financial performance of the bank. These disclosures are not considered non-GAAP measures as they are required for regulatory purposes in Chile.

The selected consolidated financial information included herein as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017, is derived from, and presented on the same basis as, our consolidated financial statements prepared under IFRS and should be read together with such consolidated financial statements.

Our financial statement data as of and for the years ended December 31, 2015 and 2016 are not comparable to the data as of and for the year ended December 31, 2017 because of the Merger, which was consummated on April 1, 2016. The Merger has been accounted for as a reverse acquisition, based on guidance in IFRS 3 “Business Combinations,” with Banco Itaú Chile (the legal acquiree) considered as the accounting acquirer and Corpbanca (the legal acquirer) considered as the accounting acquiree. Accordingly, the financial statements of Itaú Corpbanca for periods prior to the acquisition date of April 1, 2016 reflect the historical financial information of Banco Itaú Chile. Before the Merger, former Banco Itaú Chile (the legal acquiree) only produced financial statements pursuant to Chilean Banking GAAP, while former Corpbanca (the legal acquirer) from 2009 to 2015 issued financial statements according to Chilean Banking GAAP and according to IFRS.

Readers should exercise caution in determining trends based on prior annual reports. See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—The Economy—Critical Accounting Policies and Estimates.”

Our auditors, PricewaterhouseCoopers Consultores Auditores SpA, or PwC, an independent registered public accounting firm, have audited our consolidated financial statements in accordance with IFRS as of December 31, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017. See pages F-1 and F-2 of this report for further details on PwC’s opinions.

**Foreign Currency Markets**

In this Annual Report, references to “\$,” “US\$,” “U.S. dollars” and “dollars” are to United States dollars, references to “Chilean pesos,” “Ch\$” or “CLP” are to Chilean pesos, references to “UF” are to *Unidades de Fomento* and references to “Colombian pesos” or “COP\$” are to Colombian pesos. The UF is an inflation-indexed, Chilean peso-denominated unit that is linked to and adjusted daily to reflect changes in the previous month’s Chilean Consumer Price Index (CPI) of the Chilean National Statistics Institute (*Instituto Nacional de Estadísticas*). As of December 31, 2017, one UF equaled US\$43.61, Ch\$26,798.14 and COP\$130,213.11 and as of April 2, 2018, one UF equaled US\$44.54, Ch\$26,966.89 and COP\$124,578.69. See “Item 5. Operating and Financial Review and Prospects.”

This Annual Report contains translations of certain Chilean peso amounts into U.S. dollars and Colombian pesos at specified rates solely for the convenience of the reader. These translations should not be construed as representations that such Chilean peso amounts actually represent such U.S. dollar or Colombian pesos amounts, were converted from U.S. dollars or Colombian pesos amounts at the rate indicated in preparing our consolidated financial statements or could be converted into U.S. dollars or Colombian pesos amounts at the rate indicated or any particular rate at all. Unless otherwise indicated, such U.S. dollar and Colombian pesos amounts have been translated from Chilean pesos based on our own exchange rate of Ch\$614.48 and COP\$2,985.78, respectively, per US\$1.00 as of December 31, 2017.

[Table of Contents](#)**Specific Loan Information**

Unless otherwise specified, all references in this Annual Report to total loans are to loans and financial leases before deduction for allowances for loan losses, and they do not include loans to banks or unfunded loan commitments. In addition, all market share data and financial indicators for the Chilean banking system when compared to Itau Corpbanca's financial information, presented in this Annual Report or incorporated by reference into this Annual Report are based on information published periodically by the SBIF, which is published under Chilean Banking GAAP and prepared on a consolidated basis. Non-performing loans include the principal and accrued interest on any loan with at least one installment more than 90 days overdue. Impaired loans include those loans on which there is objective evidence that customers will not meet some of their contractual payment obligations. Past due loans include all installments and lines of credit more than 90 days overdue, provided that the aggregate principal amount of such loans is not included. Under IFRS, a loan is evaluated on each financial statement reporting date to determine whether objective evidence of impairment exists. A loan will be impaired if and only if, objective evidence of impairment exists as a result of one or more events that occurred after the initial recognition of the loan, and such event or events have an impact on the estimated future cash flows of such loan that can be reliably estimated. It may not be possible to identify a single event that was the individual cause of the impairment. An impairment loss relating to a loan is calculated as the difference between the carrying amount of the loan and the present value of estimated future cash flows discounted at the effective interest rate. Individually significant loans are individually tested for impairment. The remaining financial loans are evaluated collectively in groups with similar credit risk characteristics. The reversal of an impairment loss occurs only if it can be objectively related to an event occurring after the initial impairment loss was recorded. In the case of loans recorded at amortized cost, the reversal is recorded in income. See "Item 4. Information on the Company—Business Overview—Selected Statistical Information—Classification of Banks and Loan Portfolios; Allowances for Loan Losses."

According to Decree with Force of Law No. 3 of 1997, as amended, the *Ley General de Bancos* or the Chilean General Banking Act, a bank must have effective net equity (*patrimonio efectivo*) of at least 8% of its risk weighted assets, net of required allowance for loan losses, and paid in capital and reserves, or basic capital (*capital básico*), of at least 3% of its total assets, net of required allowance for loan losses.

For these purposes, the effective net equity of a bank is the sum of (1) the bank's basic capital, (2) subordinated bonds issued by the bank valued at their issue price for an amount of up to 50% of its basic capital (provided that the value of the bonds shall decrease by 20% for each year that elapses during the period commencing six years prior to their maturity), (3) its voluntary allowances for loan losses, for an amount of up to 1.25% of its risk weighted assets to the extent voluntary allowances exceed those that banks are required to maintain by law or regulation, (4) minority interests of up to 20% of the basic capital (provided that if such minority interests exceed 20%, only 20% will be taken into account), minus (5) goodwill or premiums, paid balances and investments in companies that are not consolidated and (6) certain deductions to be made in accordance with provisions of chapter 12-1 of the regulations of the SBIF (*Recopilación Actualizada de Normas*), or the Regulations of the SBIF.

**Rounding and Other Matters**

Certain figures included in this Annual Report and in our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017 have been rounded for ease of presentation. Percentage figures included in this Annual Report have in all cases not been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this Annual Report may vary slightly from those obtained by performing the same calculations using the figures in our consolidated financial statements as of and for the years ended December 31, 2015, 2016 and 2017. Certain other amounts that appear in this Annual Report may similarly not sum due to rounding.

Inflation figures relating to Chile are those reported by the Chilean National Statistics Institute (*Instituto Nacional de Estadísticas*) or INE, unless otherwise stated herein or required by the context. Inflation figures relating to Colombia are those reported by the Colombian National Administrative Department of Statistics (*Departamento Administrativo Nacional de Estadística*) or DANE, unless otherwise stated herein or required by the context. See "—Exchange Rate Information" below.

In this Annual Report, all macroeconomic data related to the Chilean economy is based on information published by the Central Bank of Chile and all macroeconomic data related to the Colombian economy is based on information published by the Central Bank of Colombia. All market share and other data related to the Chilean financial system is based on information published by the SBIF as well as other publicly available information and all market share and other data related to the Colombian financial system is based on information published by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) as well as other publicly available information. The SBIF publishes the consolidated risk index (ratio of allowance for loans losses over total loans) of the Chilean financial system on a monthly basis. The Colombian Superintendency of Finance publishes every month the consolidated data required to calculate the risk index of the Colombian banking system (loan loss allowances and total loans).

[Table of Contents](#)**EXCHANGE RATE INFORMATION****Exchange Rates**

Chile has two currency markets, the Formal Exchange Market (*Mercado Cambiario Formal*) and the Informal Exchange Market (*Mercado Cambiario Informal*). The Formal Exchange Market is comprised of banks and other entities authorized by the Central Bank of Chile. The Informal Exchange Market is comprised of entities that are not expressly authorized to operate in the Formal Exchange Market, such as certain foreign exchange houses and travel agencies, among others. The Central Bank of Chile is empowered to require that certain purchases and sales of foreign currencies be carried out on the Formal Exchange Market. Both the Formal and Informal Exchange Markets are driven by free market forces. Current regulations require that the Central Bank of Chile be informed of certain transactions and that they be effected through the Formal Exchange Market.

The U.S. dollar observed exchange rate (*dólar observado*), or the Observed Exchange Rate, which is reported by the Central Bank of Chile and published daily in the Official Gazette (*Diario Oficial*) is the weighted average exchange rate of the previous business day's transactions in the Formal Exchange Market. Nevertheless, the Central Bank of Chile may intervene by buying or selling foreign currency on the Formal Exchange Market to attempt to maintain the Observed Exchange Rate within a desired range. Even though the Central Bank of Chile is authorized to carry out its transactions at the Observed Exchange Rate, it often uses spot rates instead. Many other banks carry out foreign exchange transactions at spot rates as well.

The Informal Exchange Market reflects transactions carried out at an informal exchange rate. There are no limits imposed on the extent to which the rate of exchange in the Informal Exchange Market can fluctuate above or below the Observed Exchange Rate.

The Federal Reserve Bank of New York does not report a noon buying rate for Chilean pesos.

As of December 31, 2017, the U.S. dollar exchange rate used by us was Ch\$614.48 per US\$1.00 and the Colombian peso exchange rate used by us was Ch\$2,985.78 per COP\$1.00.

The following table sets forth the annual low, high, average and period-end Observed Exchange Rate for U.S. dollars for the periods set forth below, as reported by the Central Bank of Chile.

	Daily Observed Exchange Rate (Ch\$ per US\$) <sup>(1)</sup>			
	Low <sup>(2)</sup>	High <sup>(2)</sup>	Average <sup>(3)</sup>	Period-End <sup>(4)</sup>
<b>Year Ended December 31,</b>				
2013	466.50	533.95	495.00	523.76
2014	524.61	621.41	570.01	607.38
2015	597.10	715.66	654.25	707.34
2016	645.22	730.31	676.83	667.29
2017	615.22	679.05	649.33	615.22
<b>Quarterly period</b>				
2016 1st Quarter	671.97	730.31	702.07	675.10
2016 2nd Quarter	657.90	696.96	677.69	661.49
2016 3rd Quarter	645.22	680.28	661.65	659.08
2016 4th Quarter	649.40	679.24	665.80	667.29
2017 1st Quarter	638.35	673.36	655.58	662.66
2017 2nd Quarter	647.47	679.05	664.68	663.21
2017 3rd Quarter	615.58	666.61	643.23	636.85
2017 4th Quarter	615.22	655.74	633.36	615.22
2018 1st Quarter	588.28	614.75	602.08	605.26
<b>Month ended</b>				
September 2017	615.58	638.28	625.54	636.85
October 2017	619.68	640.52	629.55	636.49
November 2017	629.21	642.41	633.77	642.41
December 2017	615.22	655.74	636.92	615.22
January 2018	599.33	614.75	605.53	604.42
February 2018	588.28	603.25	596.84	589.15
March 2018	593.61	609.58	603.45	605.26
April 2018 <sup>(5)</sup>	603.39	603.39	603.39	603.39

(1) Nominal figures.

(2) Exchange rates are the actual low and high, on a day-by-day basis for each period.

(3) The average of the exchange rates on the last day of each month during the period.

(4) Each annual period ends on December 31, and the respective period-end exchange rate is published by the Central Bank of Chile on the first business day following December 31. Each monthly period ends on the last calendar day of such month and the respective period-end exchange rate is published by the Central Bank of Chile on the first business day following the last calendar day of such month.

(5) The information for April 2018 is as of April 2, 2018.

[Table of Contents](#)

The following table sets forth the annual low, high, average and period-end exchange rate for U.S. dollars for the periods set forth below under our policy to calculate our own exchange rate:

Year Ended December 31,	Bank's Exchange Rate Ch\$ per US\$1			Period-End
	Low <sup>(2)</sup>	High <sup>(2)</sup>	Average <sup>(3)</sup>	
2013	466.48	533.95	495.31	526.41
2014	605.46	621.56	612.85	605.46
2015	593.49	714.82	654.55	710.32
2016	643.04	731.70	677.15	669.81
2017	614.48	678.23	649.12	614.48
<b>Quarterly period</b>				
2016 1st Quarter	667.08	731.70	701.17	667.08
2016 2nd Quarter	658.95	695.94	677.29	659.55
2016 3rd Quarter	643.04	692.91	662.75	658.20
2016 4th Quarter	648.87	680.20	666.36	669.81
2017 1st Quarter	637.03	673.91	655.53	662.26
2017 2nd Quarter	645.88	678.23	664.68	663.97
2017 3rd Quarter	615.78	667.07	642.65	639.14
2017 4th Quarter	614.48	655.24	633.14	614.48
2018 1st Quarter	587.93	610.47	601.93	604.18
<b>Month ended</b>				
September 2017	615.78	639.14	626.07	639.14
October 2017	619.19	639.49	629.68	636.19
November 2017	627.64	647.50	634.61	647.50
December 2017	614.48	655.24	635.16	614.48
January 2018	598.10	610.47	605.12	601.18
February 2018	587.93	603.30	596.22	594.62
March 2018	595.74	610.19	604.03	604.18
April 2018 <sup>(4)</sup>	605.52	605.52	605.52	605.52

(1) Nominal figures.

(2) Exchange rates are the actual low and high, on a day-by-day basis for each period.

(3) The average of the exchange rates on the last day of each month during the period.

(4) The information for April 2018 is as of April 2, 2018.

### Exchange Controls Considerations

Investments made in our common shares and our American Depositary Shares, or ADSs, are subject to the following requirements:

- any foreign investor acquiring common shares to be deposited into an ADS facility who brought funds into Chile for that purpose must bring those funds through an entity participating in the Formal Exchange Market;
- the entity participating in the Formal Exchange Market through which the funds are brought into Chile must report such investment to the Central Bank of Chile;
- all remittances of funds from Chile to the foreign investor upon the sale of common shares underlying ADSs, or from dividends or other distributions made in connection therewith must be made through the Formal Exchange Market; and

[Table of Contents](#)

- all remittances of funds made to the foreign investor must be reported to the Central Bank of Chile.

When funds are brought into Chile for a purpose other than to acquire common shares to convert them into ADSs and subsequently are used to acquire common shares to be deposited into the ADS facility, such investment must be reported to the Central Bank of Chile by the custodian within ten days following the end of each month within which the custodian is obligated to deliver periodic reports to the Central Bank of Chile.

All payments made within Chile in foreign currency in connection with ADSs through the Formal Exchange Market must be reported to the Central Bank of Chile by the entity participating in the transaction. In the event there are payments made outside of Chile, the foreign investor must provide the relevant information to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first ten calendar days of the month following the date on which the payment was made.

We cannot assure you that additional Chilean restrictions applicable to the holders of the ADSs, the disposition of shares underlying ADSs or the conversion or repatriation of the proceeds from such disposition will not be imposed in the future, nor can we assess the duration or impact of such restriction if imposed.

This summary does not purport to be complete and is qualified by reference to Chapter XIV of the Central Bank Foreign Exchange Regulations, a copy of which is available in the original Spanish version at the Central Bank of Chile's website at [www.bcentral.cl](http://www.bcentral.cl).

## A. SELECTED FINANCIAL DATA

The following tables present our selected financial data as of the dates and for the periods indicated. You should read the following information together with our consolidated financial statements, including the notes thereto, included in this Annual Report and the information set forth in "Item 5. Operating and Financial Review and Prospects."

	For the fiscal years ended December 31,			
	2015	2016	2017	2017 <sup>(1)</sup>
	Ch\$	Ch\$	Ch\$	US\$
	(in millions of Ch\$ and thousands of US\$, except for number of shares and per share data) <sup>(2)</sup>			
Interest income	501,982	1,509,203	1,646,329	2,679,223
Interest expense	(278,692)	(870,028)	(863,347)	(1,405,004)
<b>Net interest income</b>	<b>223,290</b>	<b>639,175</b>	<b>782,982</b>	<b>1,274,219</b>
Net service fee income	71,088	150,796	177,571	288,978
Trading and investment, foreign exchange gains and other operating income	50,040	83,551	95,965	156,173
<b>Operating income before provision for loan losses</b>	<b>344,418</b>	<b>873,522</b>	<b>1,056,518</b>	<b>1,719,369</b>
Provisions for loan losses	(42,929)	(245,990)	(315,417)	(513,307)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>301,489</b>	<b>627,532</b>	<b>741,101</b>	<b>1,206,062</b>
Total operating expenses	(178,460)	(616,627)	(731,147)	(1,189,863)
<b>Total net operating income before income taxes</b>	<b>123,029</b>	<b>10,905</b>	<b>9,954</b>	<b>16,199</b>
Income attributable to investment in other companies	—	—	—	—
<b>Income before income taxes</b>	<b>123,029</b>	<b>10,905</b>	<b>9,954</b>	<b>16,199</b>
Income taxes	(17,263)	3,568	52,871	86,042
Income from continuing operations	105,766	14,473	62,825	102,241
Income from discontinued operations	—	(504)	—	—
<b>Net income for the year</b>	<b>105,766</b>	<b>13,969</b>	<b>62,825</b>	<b>102,241</b>

[Table of Contents](#)

	For the fiscal years ended December 31,			
	2015	2016	2017	2017 <sup>(1)</sup>
	Ch\$	Ch\$	Ch\$	US\$
	(in millions of Ch\$ and thousands of US\$, except for number of shares and per share data) <sup>(2)</sup>			
Equity holders of the bank	105,757	14,407	67,821	110,371
Non-controlling interest	9	(438)	(4,996)	(8,130)
Net income per common share <sup>(3)</sup>	0.919	0.035	0.132	0.00022
Dividend per common share <sup>(4)</sup>	18,448	36,387	0.00121	0.000002
Gross dividends per ADS <sup>(4)</sup>	n.a.	n.a.	1.80814	0.00294
Shares of common stock outstanding	115,039,690,651	512,406,760,091	512,406,760,091	

- (1) Amounts stated in U.S. dollars as of December 31, 2017 and for the year ended December 31, 2017 have been translated from Chilean pesos at our exchange rate of Ch\$614.48 per US\$1.00 as of December 31, 2017.
- (2) Amounts stated in millions of Chilean pesos and thousands of U.S. dollars except for net income per share, dividends per common share and dividend per ADS expressed in Chilean pesos and in U.S. dollars.
- (3) Net income per common share has been calculated on the basis of net income attributable to the equity holders of the bank divided by the weighted average number of shares outstanding for the period. For further information on basic earnings and diluted earnings please see Notes 1(ee) and 22(d) to our consolidated financial statements.
- (4) Represents dividends or net dividends paid to common shareholders or to ADS holders in respect of net income earned in the prior fiscal year.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As of December 31,			
	2015	2016	2017	2017 <sup>(1)</sup>
	Ch\$	Ch\$	Ch\$	US\$
	(in millions of Ch\$ and thousands of US\$)			
Cash and deposits in banks	477,809	1,487,137	964,030	1,568,855
Cash in the process of collection	62,095	145,769	157,017	255,528
Trading portfolio financial assets	17,765	632,557	415,061	675,467
Investments under agreements to resell	10,293	170,242	28,524	46,420
Derivative financial instruments	227,984	1,102,769	1,248,775	2,032,247
Loans and receivables from banks, net	99,398	150,568	70,077	114,043
Loans and receivables from customers, net	6,705,492	20,444,648	19,764,078	32,163,908
Financial investments available-for-sale	514,985	2,074,077	2,663,478	4,334,523
Held to maturity investments	—	226,433	202,030	328,782
Intangible assets	51,809	1,614,475	1,562,654	2,543,051
Property, plant equipment, net	33,970	121,043	130,579	212,503
Current income taxes	8,275	164,296	238,452	388,055
Deferred income taxes	13,930	110,765	140,685	228,950
Other assets	135,742	427,394	429,025	698,192
Non-current assets held for sale	1,785	37,164	18,308	29,794
<b>TOTAL ASSETS</b>	<b>8,361,332</b>	<b>28,909,337</b>	<b>28,032,773</b>	<b>45,620,318</b>
Checking accounts and demand deposits	981,349	4,453,191	4,141,667	6,740,117
Transaction in the course of payment	26,377	67,413	109,496	178,193
Obligations under repurchase agreements	43,727	373,879	420,920	685,002
Time deposits and saving accounts	3,952,573	11,581,710	10,065,243	16,380,099
Derivative financial instruments	253,183	907,334	1,095,154	1,782,245
Borrowings from financial institutions	658,600	2,179,870	2,196,130	3,573,965
Debt issued	1,504,335	5,460,253	5,950,038	9,683,046
Other financial obligations	20,733	25,563	17,066	27,773
Current income tax provision	543	1,886	624	1,015
Deferred income taxes	67	57,636	26,354	42,888
Provisions	75,924	100,048	117,889	191,852
Other liabilities	52,480	269,810	463,435	754,191
Liabilities directly associated with non-current assets held for sale	—	7,032	—	—
<b>TOTAL LIABILITIES</b>	<b>7,569,891</b>	<b>25,485,625</b>	<b>24,604,016</b>	<b>40,040,385</b>
Equity attributable to equity holders of the bank	791,382	3,184,743	3,211,477	5,226,333
Non-controlling interest	59	238,969	217,280	353,600
<b>TOTAL EQUITY</b>	<b>791,441</b>	<b>3,423,712</b>	<b>3,428,757</b>	<b>5,579,933</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,361,332</b>	<b>28,909,337</b>	<b>28,032,773</b>	<b>45,620,318</b>

- (1) Amounts stated in U.S. dollars as of December 31, 2017 and for the year ended December 31, 2017 have been translated from Chilean pesos at our exchange rate of Ch\$614.48 per US\$1.00 as of December 31, 2017.

[Table of Contents](#)**CONSOLIDATED RATIOS**

	<b>As of and for the Year Ended December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Profitability and Performance</b>			
Net interest margin <sup>(1)</sup>	3.0%	3.0%	3.2%
Return on average total assets <sup>(2)</sup>	1.3%	0.1%	0.2%
Return on average equity <sup>(3)</sup>	13.9%	0.5%	1.8%
Efficiency ratio (consolidated) <sup>(4)</sup>	49.6%	68.0%	67.3%
Dividend payout ratio <sup>(5)</sup>	50.0%	30.0%	40.0%
<b>Capital</b>			
Average equity as a percentage of average total assets	9.4%	11.3%	11.9%
Shareholders' equity as a percentage of total liabilities	10.5%	12.5%	13.1%
<b>Asset Quality</b>			
Allowances for loan losses as a percentage of non-performing loans <sup>(6)</sup>	104.9%	158.6%	133.9%
Non-performing loans as a percentage of total loans <sup>(6)</sup>	1.3%	1.7%	2.3%
Allowances for loan losses as a percentage of total loans (Risk Index)	1.4%	2.7%	3.0%
Past due loans as a percentage of total loans <sup>(7)</sup>	0.8%	0.5%	0.6%
<b>Other Data</b>			
Inflation rate	4.4%	2.7%	2.3%
Revaluation (devaluation) rate (Ch\$/US\$) (foreign exchange rate)	17.3%	(5.7)%	(8.3)%
Number of employees	2,549	9,659	9,492
Number of branches and offices	97	398	375

(1) Net interest margin is defined as net interest income divided by average interest-earning assets.

(2) Return on average total assets is defined as net income divided by average total assets.

(3) Return on average equity is defined as net income divided by average shareholders' equity.

(4) Efficiency ratio (consolidated) is defined as total operating expenses as a percentage of operating income consisting of aggregate of net interest income, net service fee income, net gains from make-to-market and trading exchange differences (net) and other operating income (net).

(5) Dividend payout ratio represents dividends divided by net income paid in each period.

(6) Non-performing loans include the principal and interest on any loan with one installment more than 90 days overdue.

(7) Past due loans include all installments and lines of credit more than 90 days overdue and does not include the aggregate principal amount of such loans.

[Table of Contents](#)**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

We wish to caution readers that the following important factors, and those important factors described in other reports submitted to, or filed with the Securities and Exchange Commission, or the SEC, among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf. In particular, as we are a non-U.S. company, there are risks associated with investing in our ADSs that are not typical for investments in the shares of U.S. companies. Prior to making an investment decision, you should carefully consider all of the information contained in this document, including the following factors.

**Risks Associated with our Business*****The growth and composition of our loan portfolio may expose us to increased loan losses.***

In 2017 our aggregate gross loan portfolio decreased by 3.0% due to weak economic activity in both Chile and Colombia, in addition to a devaluation of 7.8% of the Colombian peso against the Chilean peso. Our business strategy is to grow profitably while increasing the size of our loan portfolio.

Through the further expansion of our loan portfolio in retail segments, we are seeking to decrease our corporate segment concentration and, as a result, balance our loan portfolio and strengthen our retail operation (particularly in the consumer segment), which may expose us to a higher level of loan losses and require us to establish higher levels of provisions for loan losses.

As of December 31, 2017, commercial loans represented 67.3% of our total loan portfolio compared to 69.7% as of December 31, 2016. As of December 31, 2017, mortgage loans represented 20.4% of our total loan portfolio compared to 18.5% as of December 31, 2016 and consumer loans represented 12.3% of our total loan portfolio compared to 11.8% as of December 31, 2016.

Although the consumer loans portfolio represents the single highest level of risk in our loan portfolio, the most material loan losses experienced during 2016 and 2017 came from our largest wholesale clients. As of December 31, 2017, the risk index (ratio of allowance for loan losses over total loans) of the consumer segment was 5.4% while other business units of our loan portfolio, such as mortgage loans and commercial loans, had lower risk indexes of 0.8% and 3.3%, respectively.

Our consumer loan portfolio may experience loan losses due to the absence of collateral in respect of unsecured loans, insufficient collateral in collateralized loans, and risks relating to the circumstances of individual borrowers, including unemployment or incapacitation of our consumer borrowers.

We believe our total allowances for loan losses is adequate as of the date hereof to cover all known losses in our total loan portfolio. The growth of our loan portfolio may expose us to a higher level of loan losses and require us to establish proportionately higher levels of provisions for loan losses, which would offset the increased income that we can expect to receive as our loan portfolio grows.

***Our loan portfolio may not continue to grow at the same or similar rate.***

Past performance of our loan portfolio may not be indicative of future performance. Our loan portfolio may not continue to grow at the same or similar rates as the growth rate that we historically experienced, particularly in light of the growth in recent years attributable to the acquisitions in Colombia of Banco Santander Colombia S.A., now Itaú Corpbanca Colombia S.A. ("Itaú Corpbanca Colombia"), in May 2012 (the "Santander Colombia Acquisition"), Helm Bank in August 2013 (the "Helm Bank Acquisition") and the Merger in Chile in April 2016. Additionally, changes in the Chilean or Colombian economies, a slowdown in the growth of customer demand, an increase in market competition or changes in governmental regulations could also adversely affect the rate of growth of our loan portfolio and our risk index.

***Our allowances for loan losses may not be adequate to cover the future actual losses to our loan portfolio.***

As of December 31, 2017, our allowance for loan losses was Ch\$618,527 million (excluding allowances for loan losses on loans and receivable to banks) and the risk index (or allowances for loan losses to total loans) was 3.0%. The amount of allowance for

[Table of Contents](#)

loan losses is based on our current assessment and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among others, our customers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, Chilean and Colombian economies, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond our control. In addition, as these factors evolve, the models we use to determine the appropriate level of allowance for loan losses require recalibration, which may lead to increased provision for loan losses. If our assessment of, and expectations concerning, the above mentioned factors differ from actual developments, if the quality of our loan portfolio deteriorates or if the future actual losses exceed our estimates, our provisions may not be adequate to cover actual losses and we may need to make additional reserves, which may materially and adversely affect our results of operations and financial condition.

***If we are unable to maintain the quality of our loan portfolio, our financial condition and results of operations may be materially and adversely affected.***

As of December 31, 2017, our non-performing loans were Ch\$462,015 million, which resulted in a non-performing to total loans ratio of 2.3% as of December 31, 2017. We seek to continue to improve our credit risk management policies and procedures. However, we cannot assure you that our credit risk management policies, procedures and systems are free from any deficiency. Failure of credit risk management policies may result in an increase in the level of non-performing loans and adversely affect the quality of our loan portfolio. In addition, the quality of our loan portfolio may also deteriorate due to various other reasons, including factors beyond our control, such as the macroeconomic factors affecting the Chilean or Colombian economies. If such deterioration were to occur, it could materially and adversely affect our financial conditions and results of operations.

Additionally, due to limitations in the availability of information and the developing information infrastructure in Chile and Colombia, our assessment of the credit risks associated with a particular customer may not be based on complete, accurate or reliable information. In addition, although we have been improving our credit scoring systems to better assess borrowers' credit risk profiles, we cannot assure you that our credit scoring systems collect complete or accurate information reflecting the actual behavior of customers or that their credit risk can be assessed correctly.

Furthermore, a substantial number of our customers consist of individuals and small-to-medium-sized enterprises, or SMEs. Our business results relating to our lower-income individual and SME customers are, however, more likely to be adversely affected by downturns in the Chilean and Colombian economies, including increases in unemployment, than our business from large corporations and high-income individuals. For example, unemployment directly affects the capacity of individuals to obtain and repay consumer loans. Consequently, this could materially and adversely affect the liquidity, business and financial condition of our customers, which may in turn cause us to experience higher levels of past due loans, and result in higher allowances for loan losses, which could in turn materially affect our asset quality, results of operations and financial conditions.

***The value of any collateral securing our loans may not be sufficient, and we may be unable to realize the full value of the collateral securing our loan portfolio.***

From time to time, we require our borrowers to collateralize their loans with guarantees, pledges of particular assets or other security. The value of any collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control. Such factors include market factors, environmental risks, natural disasters, macroeconomic factors and political events affecting the Chilean or Colombian economies. Any decline in the value of the collateral securing our loans may result in a reduction in the recovery from collateral realization and may have an adverse impact on our results of operations and financial condition.

In addition, we may face difficulties in perfecting our liens and enforcing our rights as a secured creditor. In particular, timing delays and procedural problems in enforcing against collateral and local protectionism in the markets in which we operate may make foreclosures on collateral and enforcement of judgments difficult, and may result in losses that could materially and adversely affect our results of operations and financial condition.

***We may be unable to meet requirements relating to capital and liquidity adequacy.***

Chilean banks are required by the Chilean General Banking Act to maintain regulatory capital of at least 8% of risk-weighted assets, net of required allowance for loan losses and deductions, and basic capital of at least 3% of total assets, net of required allowance for loan losses. Due to the Merger, the SBIF considered the bank to be a systemically important bank and therefore imposed a larger regulatory minimum capital of 10% on the bank instead of 8%. For the purposes of maintaining a high solvency classification from the SBIF and continued compliance with the SBIF's capital requirements on us, our intention is to have the highest classification from the SBIF. As of December 31, 2017, our regulatory capital to risk weighted assets ratio was 14.7% according to the rules issued by the SBIF, which implement the Basel I capital requirements standards in Chile.

In line with the pending adoption of Basel III regulations in Chile, the SBIF has proposed an increase to the minimum effective BIS capital adequacy ratio from the current 8% to 10.5%, not including the cyclical buffer requirements and those for the designated Systemically Important Financial Institutions ("SIFI"). However, given that this regulation is not yet applicable, it is not possible to determine a precise new capital position. In this way, the bank contemplates periodic reviews in order to volatility in the projections.

[Table of Contents](#)

Considering the above, Itau Corpbanca expects to target a capital ratio based on the greater of 1.2 times the minimum regulatory capital requirement or the average regulatory capital ratio of the three largest private banks in Chile and Colombia. As of December 31, 2017, according to public information published by the SBIF, the average regulatory capital ratio of the three largest private banks in Chile was 13.9%. See “Item 4—Information on the Company—B. Business Overview— Capital Adequacy Requirements” for more information on capital adequacy requirements in Chile.

Additionally, Colombian financial institutions are subject to capital adequacy requirements that are based on applicable Basel Committee standards. The regulations establish four categories of assets, which are each assigned different risk weights, and require that a credit institution’s Technical Capital (as defined below) be at least 9% of that institution’s total risk-weighted assets, and that its ordinary basic capital be at least 4.5% of that institution’s total risk-weighted assets. Technical Capital for the purposes of the Colombian regulations consists of the sum of tier one capital (ordinary basic capital), additional tier one capital (additional basic capital) and tier two capital (additional capital). As of December 31, 2017, the consolidated ratio for our Colombian operations (calculated according to the Colombian Superintendency of Finance definitions for “Total Solvency” (“*Solvencia Total*”)) was 12.7%. See “Item 4—Information on the Company—B. Business Overview— Capital Adequacy Requirements” for more information on capital adequacy requirements in Colombia.

Certain developments could affect our ability to continue to satisfy the current capital adequacy requirements applicable to us, including:

- the increase of risk-weighted assets as a result of the expansion of our business;
- the failure to increase our capital correspondingly;
- losses resulting from a deterioration in our asset quality;
- declines in the value of our available-for-sale investment portfolio;
- goodwill and minority interest;
- changes in accounting rules;
- changes in the guidelines regarding the calculation of the capital adequacy ratios of banks in the countries we operate; and
- fluctuations in exchange rates that could impact our loan portfolio, valuation adjustments due to the translation effects in equity or hedging strategies.

Although we have historically complied with our capital maintenance obligations in the jurisdictions where we operate, there can be no assurance that we will continue to do so in the future. We may be required to raise additional capital in the future in order to maintain our capital adequacy ratios above the minimum required levels. Our ability to raise additional capital may be limited by numerous factors, including: our future financial condition, results of operations and cash flows; any necessary government regulatory approvals; our credit ratings; general market conditions for capital raising activities by commercial banks and other financial institutions; and domestic and international economic, political and other conditions. If we require additional capital in the future, we cannot assure you that we will be able to obtain such capital on favorable terms, in a timely manner or at all. If we fail to meet the capital adequacy requirements, we may be required to take corrective actions or subject to sanctions in the jurisdictions where we operate. These measures or sanctions could materially and adversely affect our business reputation, financial condition and results of operations.

In 2015, the SBIF and the Central Bank published new liquidity standards and ratios to be implemented and calculated by all banks. The first stage of these new liquidity requirements, which is currently being implemented, is intended to improve the information—in quantity and quality—about the actual situation of banks without imposing specific limits, except liquidity mismatches for 30-day and 90-day periods, for which thresholds with respect to banks’ capital, are already in place. As of December 31, 2017, the liquidity coverage ratio (LCR) for our Chilean operations was 161.4%. Since we have no certainty regarding the limits to be imposed by the regulator to the banking industry and Itau Corpbanca in particular, we cannot assure you that new liquidity requirements will not have a material impact on our financial condition or results of operations in the future. See “Item 4—Information on the Company—B. Business Overview— Reserve Requirements” for more information on liquidity requirements in Chile.

Liquidity adequacy requirements for Colombian financial institutions (as set forth in Resolución Externa No. 5 de 2008, as amended, issued by the board of directors of the Central Bank of Colombia) include 11% on demand and savings deposits, with the exception of time certificates of deposit under 18 months, in which case the percentage is 4.5% or 0% when they exceed that term. As of December 31, 2017, the LCR for our Colombian operations (calculated according to the Colombian Superintendency of Finance) was 444% (121.4% under our internal models based on Basel III standards). Although we have historically complied with our required liquidity ratios, there can be no assurance that we will continue to do so in the future. See “Item 4—Information on the Company—B. Business Overview— Reserve Requirements” for more information on liquidity requirements in Colombia.

[Table of Contents](#)***We are dependent on key personnel.***

Our development, operation and growth depends significantly upon the efforts and experience of our board of directors, senior management and other key executives. The loss of key personnel for any reason, including retirement or our inability to timely attract and retain qualified management personnel to replace them, could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to market risk.***

We are directly and indirectly affected by changes in local and international market conditions. Market risk, or the risk of losses in positions arising from movements in market prices, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

***Our results of operations are affected by interest rate volatility and inflation rate volatility.***

Our results of operations depend to a great extent on our net interest income. In 2015, 2016 and 2017, our ratio of net interest income to total operating income was 64.8%, 73.2% and 74.1%, respectively. Changes in market interest rates in Chile or Colombia could affect the interest rates earned on our interest-earning assets differently from the interest rates paid on our interest-bearing liabilities leading to a reduction in our net interest income. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the Central Bank of Chile and the Central Bank of Colombia, changes in regulation of the financial sector in Chile and Colombia, domestic and international economic and political conditions and other factors. Yields on the Chilean government's 90-day benchmark rate reached a high of 3.1% and a low of 2.8% in 2015, a high of 3.6% and a low of 3.5% in 2016 and a high of 3.2% and a low of 2.5% in 2017. On the other hand, the Colombian government does not issue short-term bonds of 30, 60 or 90 days as the Chilean government does. Instead, every month the board of directors of the Central Bank of Colombia determines the benchmark rate in order to achieve a specific goal of inflation. Yields on the Colombian benchmark rate reached a high of 5.8% and a low of 4.5% for 2015, a high of 7.8% and a low of 5.8% for 2016 and a high of 7.5% and a low of 4.8% for 2017. As of December 31, 2015, 2016 and 2017, we had Ch\$515 million, Ch\$2,074 million, and Ch\$2,663 million, respectively, in financial investments available-for-sale. In the current global economic climate, there is a greater degree of uncertainty and unpredictability in the policy decisions and the setting of interest rates by the Central Bank of Chile and the Central Bank of Colombia and, as a result, any volatility in interest rates could adversely affect us, including our future financial performance and the market value of our securities. In addition, inflation rate volatility could adversely affect our net interest income due to fluctuations in the gap between assets and liabilities that are indexed to the UF.

***Increased competition and industry consolidation may adversely affect the results of our operations.***

The Chilean and Colombian markets for financial services are highly competitive and competition is likely to increase.

In Chile, we face competition from banking and non-banking institutions with respect to the different products we offer. In the consumer and other loans businesses, we compete with other banks, credit unions and public social security funds (*cajas de compensación*). In some of our credit products, we face competition from department stores, large supermarket chains and leasing, factoring and automobile finance companies, and in the saving products and mortgage loans businesses we compete with mutual funds, pension funds, insurance companies and with residential mortgage loan managers (*Administradoras de Mutuos Hipotecarios*). Furthermore, under the Chilean General Banking Act, representative offices of non-Chilean banks are allowed to promote the credit products and services of their headquarters, which has increased, and may further increase, competition in our industry and, thus, have an adverse effect on our results of operation and financial condition.

In Colombia, we also operate in a highly competitive environment and increased competitive conditions are to be expected in the jurisdictions where we operate. Intensified merger activity in the financial services industry produces larger, better capitalized and more geographically diverse firms that are capable of offering a wider array of financial products and services at more competitive prices. Our ability to maintain our competitive position in Colombia depends mainly on our ability to fulfill new customers' needs through the development of new products and services and offer adequate services and strengthen our customer bases through cross-selling. Our Colombian operations will be adversely affected if we are not able to maintain efficient service strategies, or overcome certain delays or difficulties in the transition of the integration of the operational services and activities of Itau Corpbanca Colombia and Helm Bank. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of opportunities is undermined by competitive pressures.

[Table of Contents](#)***Our risk management system may not be sufficient to avoid losses that could have a material adverse effect on our business, financial condition and results of operations.***

In addition to granting loans, part of our financial portfolio consists of trading transactions by our treasury division. Our financial success depends on, among other factors, our ability to accurately balance the risks we take and the returns we gain from our transactions. We use various processes to identify, analyze, manage and control our risk exposure, both in favorable and adverse market conditions. However, these processes involve subjective and complex judgments and assumptions, including projections of economic conditions and assumptions on the ability of our borrowers to repay their loans. Because of the nature of these risks, we cannot guarantee that our risk management efforts will prevent us from experiencing material losses. In particular, we may experience losses that could have a material adverse effect on our business, financial condition and results of operations if, among other factors:

- we are not capable of identifying all of the risks that may affect our portfolio;
- our risk analysis or our measures taken in response to such risks are inadequate or inaccurate;
- the markets move in an unexpected and adverse way with respect to speed, direction, strength or other aspects and our ability to manage risks in such a scenario is restricted;
- our clients are affected by unforeseen events resulting in their default or losses in an amount higher than those considered in our risk analyses; or
- collateral pledged in our favor is insufficient to cover our clients' obligations to us if they default.

***We are subject to concentration risk.***

Concentration risk is the risk associated with potential high financial losses triggered by significant exposure to a particular component of risk, whether it be related to a particular counterparty, industry or geographic concentration. Examples of such risks include significant exposure to a single counterparty, counterparties operating in the same economic sector or geographic region, or financial instruments that depend on the same index or currency.

We believe that an excessive concentration with respect to a particular risk factor could have a material adverse effect on our business, financial condition and results of operations.

***We make estimates and assumptions in connection with the preparation of our consolidated financial statements, and any changes to those estimates and assumptions could have a material adverse effect on our operating results.***

In connection with the preparation of our consolidated financial statements, we use certain estimates and assumptions based on historical experience and other factors. While we believe that these estimates and assumptions are reasonable under the current circumstances, they are subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to have been incorrect, our reported operating results could be materially adversely affected.

***Changes in accounting standards could impact reported earnings.***

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. We cannot assure you that future changes in financial accounting and reporting standards will not substantially affect our results of operations or performance indicators, as we do not know the extent of future standards.

***The preparation of our tax returns requires the use of estimates and interpretations of complex tax laws and regulations and is subject to review by taxing authorities.***

We are subject to the tax laws and regulations of Chile and certain foreign countries. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are sometimes subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgments and interpretations about the application of these inherently complex tax laws.

If the judgment, estimates and assumptions we use in preparing our tax returns are subsequently found to be incorrect, there could be a material adverse effect on our results of operations.

[Table of Contents](#)

***As a result of the inherent limitations in our disclosure and accounting controls, misstatements due to error or misconduct may occur and not be detected.***

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports we file with or submit to the SEC under the Exchange Act of 1934, as amended (the “Exchange Act”), is accumulated and communicated to management, recorded, processed summarized and reported within the time periods specified in SEC rules and forms. We believe that any disclosure controls and procedures or internal controls and procedures, including related accounting controls, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. In addition, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls.

***Any failure by us to maintain effective internal control over financial reporting may adversely affect investor confidence and, as a result, the value of investments in our securities.***

We are required under the Sarbanes-Oxley Act of 2002 to furnish a report by our management on the effectiveness of our internal control over financial reporting and to include a report by our independent auditors attesting to such effectiveness. Any failure by us to maintain effective internal control over financial reporting could adversely affect our ability to report accurately our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent auditors determine that we have a material weakness or significant deficiency in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market prices of our shares and ADSs could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies subject to SEC regulation, also could restrict our future access to the capital markets.

***Our reliance on short-term deposits as our principal source of funds exposes us to sudden increases in our costs of funding which could have a material adverse effect on our revenue.***

Time deposits and other term deposits are our primary sources of funding, which represented 40.9% of our liabilities as of December 31, 2017. If a substantial number of our depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, our liquidity position, results of operations and financial condition may be materially and adversely affected. We cannot assure you that in the event of a sudden or unexpected shortage of funds, any money markets in which we operate will be able to maintain levels of funding without incurring higher funding costs or the liquidation of certain assets. If this were to happen, our business, results of operations and financial condition may be materially and adversely affected.

***Currency fluctuations could adversely affect our financial condition and results of operations and the value of our securities.***

Economic policies and any future changes in the value of the Chilean peso or the Colombian peso against the U.S. dollar could affect the dollar value of our securities, since the equity value of Itau Corpbanca is hedged against our base currency Chilean peso. The Chilean peso and the Colombian peso have been subject to significant fluctuations in their value against the U.S. dollar in the past and could be subject to similar fluctuations in the future. As of December 31, 2015, the Chilean peso depreciated against the U.S. dollar by 17.3% and the Colombian peso depreciated against the U.S. dollar by 31.64%, each as compared to December 31, 2014. As of December 31, 2016, the Chilean peso appreciated against the U.S. dollar by 5.7% and the Colombian peso appreciated against the U.S. dollar by 4.72%, each as compared to December 31, 2015. As of December 31, 2017, the Chilean peso appreciated against the U.S. dollar by 8.3% and the Colombian peso appreciated against the U.S. dollar by 0.56%, each as compared to December 31, 2016.

Our results of operations may be affected by fluctuations in exchange rates between and among the Chilean peso, the Colombian peso and the U.S. dollar despite our internal policy and Chilean and Colombian regulations relating to the general avoidance of material exchange rate gaps. As of December 31, 2015, 2016 and 2017, the gap between foreign currency denominated assets and foreign currency denominated liabilities, excluding derivatives, was Ch\$222,673 million, Ch\$(606,535) million and Ch\$(571,951) million, respectively.

We may decide to change our policy regarding exchange rate gaps. Regulations that limit such gaps may also be amended or eliminated. Greater exchange rate gaps could increase our exposure to the devaluation of the Chilean peso and/or the Colombian peso, and any such devaluation may impair our capacity to service our foreign-currency obligations and may, therefore, materially and adversely affect our financial condition and results of operations.

***Our business is highly dependent on proper functioning and improvement of information technology systems.***

Our business is highly dependent on the ability of our information technology systems to accurately process a large number of transactions across numerous and diverse markets and products in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. We have backup data for our key data processing systems that could be used in the event of a catastrophe or a failure of

[Table of Contents](#)

our primary systems, and have established alternative communication networks where available. However, we cannot assure you that our business activities would not be materially disrupted if there were a partial or complete failure of any of these primary information technology systems or communication networks. Such failures could be caused by, among other things, software bugs, computer virus attacks, cyber-attacks or conversion errors due to system upgrading. In addition, a cyber-attack, including any security breach caused by unauthorized access to information or systems, intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, could have a material adverse effect on our business, results of operations and financial condition.

Our ability to remain competitive and achieve further growth will depend in part on our ability to upgrade our information technology systems and increase our capacity on a timely and cost effective basis. Any substantial failure to improve or upgrade information technology systems effectively or on a timely basis could materially and adversely affect our business, financial condition and results of operations.

***Our business in Colombia is dependent on certain technology service agreements with affiliates of Banco Santander, S.A.***

Upon our acquisition of Banco Santander Colombia in 2012, Banco Santander, S.A. agreed to cause certain of its affiliates to provide us certain technology services. Our business in Colombia is still dependent on such service and support of such affiliates of Banco Santander, S.A. We have recently extended the technology service agreements entered into with such affiliates (including Prohuban Servicios Informáticos Generales S.L. and Ingeniería de Software Bancario S.L.) until at least May 31, 2018. If the affiliates of Banco Santander, S.A. are unable to service and support our business in Colombia or if we are unable to integrate our information technology systems into our business in Colombia after the expiration of the technology service agreements, then such failure could materially and adversely affect our business, financial condition and results of operations.

***A worsening of labor relations in Chile or Colombia could impact our business.***

As of December 31, 2017, on a consolidated basis we had 5,848 employees in Chile (including 31 at our New York Branch), of which 62.3% were unionized, and 3,644 employees in Colombia, of which 27.9% were unionized. We are parties to collective bargaining agreements with unions representing our employees in Chile and Colombia. Itaú Corpbanca's current labor agreements with five unions in Chile were subscribed on 2017 and expire on May 31, 2020, November 23, 2020 and December 4, 2020. Itaú Corpbanca Colombia's current labor agreement with 23 unions in Colombia was subscribed on September 1, 2017 and expires on August 31, 2019. We generally apply the relevant terms of our collective bargaining agreement to unionized and non-unionized employees in each of the markets in which we operate. We have traditionally enjoyed good relations with our employees and their unions. However, we may not be able to renew our collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could result in substantial losses. The terms of existing or renewed agreements could also significantly increase our costs or negatively affect us. Also, a strengthening of cross-industry labor movements may result in increased employee or labor costs that could materially and adversely affect our business, financial condition or results of operations.

Law 20,940, which became effective on April 1, 2017, introduces significant amendments to the Chilean labor system. The principal amendments enacted by Law 20,940 to the existing labor framework in Chile include, among others:

- Collective bargaining coverage was expanded to certain employees who were prevented from exercising this right, such as apprentices, temporary workers and others. Before the amendments to the labor law, employees who could hire and dismiss employees, were not able to bargain collectible as part of the employees. After the amendments to the labor law, only employees with legal capacity to represent the employer are not able to bargain collectible, unless they do so representing the employer.
- Collective bargaining agreements currently in effect will constitute a floor for the negotiation of new conditions of employment. The financial situation of the company or business as of the date of discussions for a new agreement would not have any bearing on collective bargaining negotiations.
- The employer's right to replace those workers participating in a strike with current or new employees while the strike is taking place will be curtailed and replaced with an obligation from unions to provide the personnel required to comply with "minimum services" through "emergency teams."
- Unions may annually request from large companies information regarding the remunerations and duties associated with each category of employees.
- After the amendments to the labor law, unions will have to agree in the extension of benefits to those employees who are not currently unionized.
- In case of unions that include employees from several companies of the same industry (*Sindicato Interempresa*) the companies will be forced to bargain with them and not only with their own employees.

[Table of Contents](#)

The implementation of Law 20,940, as it increases the collective bargaining power of labor unions, may have adverse effects on our overall employment and operating costs and may increase the likelihood of business disruptions on our activities in Chile, which could negatively affect our financial condition and results of operations. The amendments to the labor law intend to encourage the collective bargaining and increase the unionization rates.

***We are subject to counterparty risk.***

We are exposed to counterparty risk in addition to credit risks associated with our lending activities. We routinely conduct transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties.

We may incur losses if any of our counterparties fail to meet their contractual obligations, due to bankruptcy, lack of liquidity, operational failure or other reasons that are exclusively attributable to our counterparties. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, clearing houses or other financial intermediaries. Failure to meet contractual obligations by our counterparties could have a material adverse effect on our business, financial condition and results of operations.

***We rely on third parties for important products and services.***

Third-party vendors provide key components of our business infrastructure such as different loan servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to customers and otherwise to conduct business. Replacing these third-party vendors could also entail significant delays and expense and could negatively impact our business.

***We may experience operational problems, errors or misconduct.***

We are exposed to many types of operational risks, including the risk of misconduct by employees and outsiders, failure to obtain proper authorizations, failure to properly document transactions, equipment failures and errors by employees. Although we maintain a system of operational controls, there can be no assurances that operational problems or errors will not occur and that their occurrence will not have a material adverse effect on our business, financial condition and results of operations.

***Our anti-money laundering and anti-terrorist financing measures may not prevent third parties from using us as a conduit for those activities, which could have a material adverse effect on our business, financial condition and results of operations.***

We are required to comply with applicable anti-money laundering and anti-terrorist financing laws and regulations, and we have adopted various policies and procedures, including internal controls and “know-your customer” procedures, aimed at preventing money laundering and terrorist financing. In addition, because we also rely on our correspondent banks having their own appropriate anti-money laundering and anti-terrorist financing procedures, we use what we believe are commercially reasonable procedures for monitoring our correspondent banks. However, these measures, procedures and compliance may not be entirely effective in preventing third parties from using us (and our correspondent banks) as a conduit for money laundering (including illegal cash operations) or terrorist financing without our (and our correspondent banks’) knowledge or consent. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could be harmed and we could become subject to fines, sanctions or legal enforcement (including being added to any “blacklists” that would prohibit certain parties from engaging in transactions with us), which could have a material adverse effect on our business, financial condition and results of operation.

***Banking regulations may restrict our operations and thereby adversely affect our financial condition and results of operations.***

We are subject to regulation in the markets in which we operate, including by the SBIF and by the Central Bank of Chile in Chile, and by the Central Bank of Colombia, the Colombian Ministry of Finance, the Colombian Superintendency of Finance, the Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*), or SIC, and the Self-Regulatory Organization (*Autorregulador del Mercado de Valores-AMV*, or the SRO) in Colombia.

Pursuant to the Chilean General Banking Act in Chile and the Financial System Organic Act (*Estatuto Orgánico del Sistema Financiero*) in Colombia, we may, subject to the necessary regulatory approvals, engage in the commercial banking business and in certain businesses in addition to traditional commercial banking. Such additional businesses may include securities brokerage, mutual fund management, securitization, insurance brokerage, leasing, factoring, financial advisory, custody and transportation of securities, loan collection and financial services. Regulators may in the future impose more restrictive limitations on the activities of banks, including us.

[Table of Contents](#)

New capital adequacy requirements could require us to inject further capital into our business as well as in businesses we acquire, or to capitalize dividends, restrict the type or volume of transactions we enter into, or set limits on or require the change of rates or fees that we charge on certain loans or other products, any of which could lower the return on our investments, assets and equity. We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities.

As a result of the 2008 global financial crisis, there has been an increase in government regulation of the financial services industry in many countries. Such regulation may also be increased in Chile and/or in Colombia, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, numerous novel regulatory proposals have been discussed or proposed. If enacted, new regulations could require us to inject further capital into our business, restrict the type or volume of transactions we enter into, or set limits on or require the modification of rates or fees that we charge on certain loans or other products, any of which could lower the return on our investments, assets and equity. We may also face increased compliance costs and limitations on our ability to pursue certain business opportunities.

On February 23, 2017, Law No. 21,000, was published. This new law modifies, among other matters, the corporate governance and operation of the Chilean regulator for securities and insurance and establishes the Chilean Commission for the Financial Market (*Comisión para el Mercado Financiero*, or the CMF). For more information, see “Item 4. Information on the Company—B. Business Overview—Changes in the Governance of Our Regulators.” These changes in our regulators’ laws may result in further changes in banking regulations or other consequences that could have a material adverse effect on our financial condition or results of operations.

***The banking regulatory and capital markets environment in which we operate is continually evolving and may change.***

Changes in banking regulations may materially and adversely affect our business, financial condition and results of operations. Chilean laws, regulations, policies and interpretations of laws relating to the financial system are continually evolving and changing.

In Chile, new regulations have been enacted in the past years which have, among others things, (a) increased the limit on the amount that a bank is allowed to grant as an unsecured loan to a single individual or entity (currently set at 10% of its regulatory capital and up to 30% of its regulatory capital if any loans granted in excess of the 10% are secured by certain collateral, for persons non-related to the bank and at 5% or 25% if loans in excess of 5% are secured by certain collateral, for certain groups of persons related to the bank), (b) allowed marketing and promotion activities of credit products and services by non-Chilean banks with representative offices in Chile, (c) strengthened consumers’ rights in connection with financial products and services; and (d) lowered the maximum legal interest rate that can be imposed in general loans valued at over UF 200. These amendments have affected the Chilean banking industry in several ways including by increasing competition, increasing the risks associated with the growth of loan portfolios, providing additional scrutiny regarding prices and contracts for financial products and have caused a loss of flexibility in the determination of price and product distribution strategies in the retail banking unit.

Colombia has also experienced recent changes in applicable laws, regulations and policies, such as those regarding financial inclusion and consumer protection. In order to promote financial inclusion, the Colombian Congress passed Law No. 1,735 of 2014, which created a new type of financial entity called Specialized Electronic Deposit and Payment Institutions (*Sociedades Especializadas en Depósitos y Pagos Electrónicos*, or SEDPEs). Previously, the only activities these entities were authorized to perform were remote cash-in and cash-out deposit operations, the allocation of customers’ funds in electronic deposit accounts and the offering of transactional services such as remittances, transfers and payments. However, SEDPEs have recently been authorized to use correspondent networks and open accounts remotely, and SEDPE customers are authorized to have more than one account per SEDPE, which may further encourage the utilization of SEDPEs in the Colombian financial market. Additionally, along with the global trend to increase the use of technology for different financial services, new regulations may be issued by the Colombian government in order to facilitate the incorporation of these entities into the financial system. Such changes and trends may increase competition in the Colombian financial market and may impair our ability to expand or retain our customer base.

In addition, recently, the Colombian government has expressed its intention to submit this year a bill before the Colombian Congress to change the equivalency of the Colombian Peso by removing three zeroes from current denomination, which may oblige us to incur various operational costs in order to guarantee the continuity of our daily operations.

We also have limited operations outside of Chile and Colombia, including Peru, Spain and the United States. Changes in the laws or regulations applicable to our business in the countries where we operate, or the adoption of new laws, and related regulations or their applicability or interpretation, may have an adverse effect on our operations and financial condition.

[Table of Contents](#)***We are subject to regulatory inspections, examinations and to the imposition of fines by regulatory authorities in Chile and in Colombia.***

We are also subject to various inspections, examinations, inquiries, audits and other regulatory requirements by Chilean and Colombian regulatory authorities.

We cannot assure you that we will be able to meet all of the applicable regulatory requirements and guidelines, or that we will not be subject to other sanctions, fines, restrictions on our business or other penalties in the future as a result of non-compliance. If other sanctions, fines, restrictions on our business or other penalties are imposed on us for failure to comply with applicable requirements, guidelines or regulations, our business, financial condition, results of operations and our reputation and ability to engage in business may be materially and adversely affected.

Pursuant to letter No. 16,191, the SBIF fined the bank for an alleged infringement to the individual lending limits provided by article 84 No. 1, in relation to article 85 of the Chilean General Banking Act. The total amount was Ch\$21,765 million. In an extraordinary meeting on January 4, 2016, the bank's board of directors agreed: to communicate the letter as a material event, expressing disagreement with the alleged infringement and to instruct management to exercise each and every legal action in order to obtain the annulment of the fines.

On January 8, 2016, the bank paid the full amount of the fines as a mandatory condition precedent to exercise its appeal rights. On January 18, 2016, the bank brought an action before the Santiago Court of Appeals seeking the annulment of the fines. Pursuant to a final ruling by the Court of Appeals of Santiago dated August 31, 2016, the fines imposed by the SBIF pursuant to letter No.16,191 were declared illegal. In accordance with Article 22 of the General Law on Banks, the favorable ruling obtained by Itau Corpbanca is not subject to appeal.

On September 6, 2016, the SBIF filed a complaint (*recurso de queja*) against the judges of the Court of Appeals of Santiago before the Supreme Court, which was dismissed by the Supreme Court on May 9, 2017.

On October 19, 2017, the SBIF filed a complaint against Itau Corpbanca regarding the same alleged violations, giving rise to a new administrative procedure. On November 14, 2017, Itau Corpbanca filed a special constitutional rights action (*acción de protección*) before the Santiago Court of Appeals that was declared inadmissible. This ruling was confirmed by the Supreme Court. The administrative procedure is still pending.

***Failure to protect personal information could materially and adversely affect our business, financial condition and results of operations.***

We manage and hold confidential personal information of customers in the conduct of our banking operations, and offer various internet-based services to our clients, including online banking services. We could be liable for breaches of security in our online banking services, including cybersecurity breaches. The secure transmission of confidential information over the Internet is essential to maintain our clients' confidence in our online services. In certain cases, we are responsible for protecting customers' proprietary information as well as their accounts with us. We have security measures and processes in place to defend against these cybersecurity risks but these cyber-attacks are rapidly evolving (including computer viruses, malicious code, phishing or other information security breaches), and we may not be able to anticipate or prevent all such attacks, which could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers' confidential, proprietary and other information. Individuals may also seek to intentionally disrupt our online banking services or compromise the confidentiality of customer information with criminal intent. Although we have procedures and controls to safeguard personal information in our possession, as well as systems and processes that are designed to recognize and assist in preventing security breaches, failure to protect against or mitigate breaches of security or other unauthorized disclosures could constitute a breach of privacy or other laws, subject us to legal actions and administrative sanctions as well as damages, adversely affect our ability to offer and grow our online services, result in the loss of customer relationships, negatively impact our reputation, and have an adverse effect on our business, results of operations and financial condition.

In recent years, computer systems of companies and organizations have been targeted, not only by cyber criminals, but also by activists and rogue states. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could disrupt our electronic systems used to service our customers. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in order to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our customers. If we fail to effectively manage our cyber security risk, for example by failing to update our systems and processes in response to new threats, our reputation could be harmed and our operating results, financial condition and prospects could be adversely affected through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. In addition, we may also be impacted by cyber-attacks against national critical infrastructures of the countries where we operate; for example, the telecommunications network. Our information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect

[Table of Contents](#)

our ability to service our customers. As we do not operate such national critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of such a cyber-attack.

***Our loan and investment portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.***

Our loan and investment portfolios are subject to prepayment risk, which results from the ability of a borrower or issuer to pay a debt obligation prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and adversely affects our operating results. Prepayment risk also has an adverse impact on our residential mortgage portfolio, since prepayments could shorten the weighted average life of this portfolio, which may result in a mismatch in funding or in reinvestment at lower yields. Prepayment risk is inherent to our commercial activity and an increase in prepayments could have a material adverse effect on our business, financial condition and results of operations.

***Exposure to government debt could have an adverse effect on our business, financial condition and results of operations.***

We invest in debt securities issued by the Chilean and Colombian governments, the Central Bank of Chile and the Chilean Ministry of Finance that, for the most part, are short-term and highly liquid instruments. As of December 31, 2017, 6.4% of our total assets comprised of securities issued by the Chilean government and 3.9% of our total assets comprised securities issued by foreign governments, mostly by the Colombian government. If the Chilean or Colombian governments default on the timely payment of such securities, our business, financial condition and results of operations may be adversely affected.

***A downgrade of Itaú Corpbanca's counterparty credit rating by international or domestic credit rating agencies could materially and adversely affect our debt credit rating for domestic and international debt, our business, our future financial performance, shareholders' equity and the value of our securities.***

Following the consummation of the Merger, Standard & Poor's and Moody's upgraded our long and short term ratings to BBB+/A-2 and A3/Prime-2, respectively. On August 4, 2017, Standard and Poor's confirmed the aforementioned ratings and removed the 'CreditWatch Negative' assigned on July 14, 2017 following the sovereign downgrade. The Outlook is 'Negative' reflecting S&P's view that there is at least a one-in-three chance that they could downgrade us and other eight Chilean financial institutions if growth in lending and property prices picks up in Chile, leading to pressures on economic imbalances given the country's already weakened external position. The latter led to a downgrade of Chile sovereign rating on July 13, 2017.

Any adverse revision to our credit ratings in Chile or Colombia for domestic and international debt by international and domestic rating agencies may adversely affect our debt ratings, and, as a result, our cost of funding, including interest rates paid on our deposits and securities. If this were to happen, it could have a material adverse effect on our business, future financial performance, shareholders' equity and the value of our securities.

***Mismatches in the maturity of our loan portfolio and our funding sources as well as exchange rate fluctuations related to our funding sources could materially and adversely affect our business, financial condition and results of operations and our capacity to expand our loan business.***

We are exposed to maturity mismatches between our loans and sources of funding. The majority of our loan portfolio consists of fixed interest rate loans, and the yield from our loans depends on our ability to balance our cost of funding with the interest rates we charge to our borrowers. An increase in market interest rates in Chile or Colombia could increase our cost of funding, especially the cost of time deposits, and could reduce the spread we earn on our loans, materially and adversely affecting our business, financial condition and results of operations.

Any mismatch between the maturity of our loan portfolio and our sources of funding would magnify the effect of any imbalance in interest rates, also representing a liquidity risk if we fail to obtain funding on an ongoing basis. In addition, since part of our funding comes from securities denominated in U.S. dollars or other foreign currencies that we issue abroad, any devaluation of the Chilean or Colombian peso against the U.S. dollar or such other foreign currencies could increase the cost of funding in relation to these securities. An increase in our total cost of funds for any of these reasons could result in an increase in the interest rates on our loans, which could, as a result, affect our business, financial condition and results of operations and our ability to attract new customers and expand our loan business.

***We are subject to financial and operational risks associated with derivative transactions.***

We enter into derivative transactions primarily to deliver services to our clients, for hedging purposes and, on a limited basis, for trading purposes. These transactions are subject to market, liquidity, counterparty (the risk of insolvency or other inability of a counterparty to perform its obligations to us) and operational risks.

Market practices and documentation for derivative transactions in Chile and Colombia may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on our ability to develop adequate control and

[Table of Contents](#)

administration systems and to hire and retain qualified personnel. Moreover, our ability to monitor and analyze these transactions depends on our information technology systems. These factors may further increase risks associated with derivative transactions and, if they are not adequately controlled, could materially and adversely affect our results of operations and financial condition.

***Our level of insurance might not be sufficient to fully cover all liabilities that may arise in the course of our business and insurance coverage might not be available in the future.***

We maintain insurance for losses resulting from fire, explosions, floods and electrical shorts and outages at our various buildings and facilities. We also have civil liability insurance covering material and physical losses and damages that may be suffered by third parties. We cannot assure you that our level of insurance is sufficient to fully cover all liabilities that may arise in the course of our business or that insurance will continue to be available in the future. In addition, we may not be able to obtain insurance on comparable terms in the future. Our business and results of operations may be adversely affected if we incur liabilities that are not fully covered by our insurance policies.

***The occurrence of natural disasters or terrorist events in the regions where we operate could impair our ability to conduct business effectively and could adversely affect our results of operations.***

We are exposed to the risk of natural disasters such as earthquakes or tsunamis as well as floods, mudslides and volcanic eruptions in the regions where we operate. We also recognize that natural disasters could be amplified by the effects of the climate change phenomenon. In the event of a natural disaster, unanticipated problems with our disaster recovery systems could have a material adverse impact on our ability to conduct business in the affected region, particularly if those problems affect our computer-based data processing, transmission, storage and retrieval systems and destroy valuable data. In addition, if a significant number of our local employees and managers were unavailable in the event of a disaster, our ability to effectively conduct business could be severely compromised. A natural disaster, such as the earthquake and tsunami that affected Chile in 2010, could damage some of our branches and automated teller machines, or ATMs, forcing us to close damaged facilities or locations, increased recovery costs as well as cause economic harm to our clients. A natural disaster or multiple catastrophic events could have a material adverse effect on local businesses in the affected region and could result in substantial volatility or adverse harm in our business, financial condition and results of operations for any fiscal quarter or year. Furthermore, we are exposed to terrorist events resulting in physical damage to our buildings (including our headquarters, offices, branches and ATMs) and/or injury to customers, employees and others. Although we maintain comprehensive contingency plans and security procedures, there can be no assurance that terrorist events will not occur and that their occurrence will not have a material adverse impact on our business and results of operations for any fiscal quarter or year.

***Other businesses controlled by Itaú Unibanco may face difficulties from a business or reputational standpoint and affect us.***

We are currently controlled by Itaú Unibanco, which as of April 2, 2018 had a 36.06% beneficial ownership stake in us. Since we are part of a larger conglomerate of companies owned by Itaú Unibanco, if other businesses controlled by Itaú Unibanco face difficulties from a business or reputational standpoint, we may suffer adverse consequences. If we were to be associated with these events, our reputation could be harmed, which could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to arbitration and litigation proceedings that could materially adversely affect our business, financial position and results of operations if an unfavorable ruling were to occur.***

As described in “Item 8. Financial Information—A. Consolidated Statements and other Financial Information—Legal Proceedings,” we are currently subject to legal proceedings. Litigation is subject to inherent uncertainties, and unfavorable rulings may occur. From time to time, we may become involved in arbitration, litigation and other legal proceedings relating to claims arising from our operations in the normal course of business. We cannot assure you that the current or other legal proceedings will not materially affect our ability to conduct our business in the manner that we expect or otherwise have a material adverse effect on our business, financial condition and results of operations should an unfavorable ruling occur. See “Item 8. Financial Information—A. Consolidated Statements and other Financial Information—Legal Proceedings.”

On December 20, 2016, Helm LLC initiated an arbitration proceeding (the “Arbitration”) against respondents Itaú Corpbanca and Corp Group Holding Inversiones Ltda. (“Corp Group”), and nominal respondent Itaú Corpbanca Colombia (collectively with Corp Group and Itaú Corpbanca, “Respondents”), by filing a Request for Arbitration in the ICC’s International Court of Arbitration in New York. Helm LLC alleged that Corp Group and Itaú Corpbanca had breached the Amended and Restated Shareholders Agreement of HB Acquisition S.A.S., dated July 31, 2013, between shareholders of Itaú Corpbanca Colombia (the “SHA”). As relief, Helm LLC is seeking, among other things, damages of \$598 million, reflecting what it claims is the value to which it is entitled in return for its shares in Itaú Corpbanca Colombia, plus interest. On February 14, 2017, Respondents filed their answers to Helm LLC’s Request for Arbitration, denying Helm LLC’s claims, and Corp Group and Itaú Corpbanca filed a counterclaim against Helm LLC for breaching the SHA. As relief under their counterclaim, Corp Group and Itaú Corpbanca are seeking, among other things, for Helm LLC’s rights under the SHA to be terminated. On April 19, 2017, Helm LLC filed a reply to Corp Group and Itaú Corpbanca’s counterclaim. The Arbitration has continued pursuant to the applicable procedures and an evidentiary hearing is expected to take place in July 2018. Itaú Corpbanca believes Helm LLC’s claim is without merit and intends to enforce its rights under the SHA and applicable law.

[Table of Contents](#)***We may incur financial losses and damages to our reputation from environmental and social risks.***

In recent years, environmental and social risks have been recognized as increasingly relevant, since they can affect the creation of shared value in the short, medium and long terms from the standpoint of the organization and its main stakeholders.

Environmental and social issues may affect our activities and the revenue of our clients, causing reputational damage, delays in payments or default, especially in the case of significant environmental and social incidents. Environmental and social risks become more evident when we finance projects, where should there be environmental damage caused by projects in which we were involved with respect to the financing thereof, we could be deemed to be indirectly responsible for such damage and could consequently be held liable for certain damages.

**Risks Relating to Chile, Colombia and Other Countries in Which We Operate*****Chile has different corporate disclosure and accounting standards than those you may be familiar with in the United States.***

As a regulated financial institution, we are required to submit to the SBIF unaudited consolidated and unconsolidated balance sheets and income statements on a monthly basis. As of January 2008, the statements have to be prepared in accordance with the Compendium of Accounting Standards (*Compendio de Normas Contables y Manual del Sistema de Información*), or the “Compendium,” and the rules of the SBIF. Although Chilean banks are required to apply IFRS as of January 1, 2009, certain exceptions introduced by the SBIF prevent banks from achieving full convergence, for example loan loss provisions, assets received in lieu of payment among others. Also, the SBIF is vested with the authority to issue specific orders to banks, including on accounting matters. In situations not addressed by the guidance issued by the SBIF, institutions must follow the generally accepted accounting principles issued by the Association of Chilean Accountants, which coincide with IFRS. However, our consolidated financial statements as of and for the three years ended December 31, 2017 have been prepared in accordance with IFRS in order to comply with SEC requirements.

Our consolidated financial statements include the necessary adjustments and reclassifications to the incorporated financial statements of each of Itau Corpbanca’s subsidiaries and the New York Branch to bring their accounting policies and valuation criteria into line with those applied by the bank, in accordance with IFRS.

The securities laws of Chile, which govern open or publicly listed companies such as ours, have as one of their principal objectives promoting disclosure of all material corporate information to the public. Chilean disclosure requirements, however, differ from those in the United States in some important respects. Although Chilean law imposes restrictions on insider trading and price manipulation, applicable Chilean laws are different from those in the United States and in certain respects the Chilean securities markets are not as highly regulated and supervised as the United States securities markets.

***Chile may impose controls on foreign investment and repatriation of investments that may affect our investors’ investment in, and earnings from, our ADSs.***

Investors who are not Chilean residents are required to provide the Central Bank of Chile with information related to equity investments and conduct such operations within the Formal Exchange Market. See “Item 10. Additional Information—D. Exchange Controls” for a discussion of the types of information required to be provided.

Owners of ADSs are entitled to receive dividends on the underlying shares to the same extent as the holders of shares. Dividends received by holders of ADSs will be converted into U.S. dollars and distributed net of foreign currency exchange fees and fees of the depositary and will be subject to Chilean withholding tax, currently imposed at a rate of 35% (subject to credits in certain cases). If for any reason, including changes in Chilean laws or regulations, the depositary were unable to convert Chilean pesos to U.S. dollars, investors in our ADSs may receive dividends and other distributions, if any, in Chilean pesos.

Additional Chilean restrictions applicable to holders of our ADSs, the disposition of the shares underlying them or the repatriation of the proceeds from such disposition or the payment of dividends could be imposed in the future and we cannot advise you as to the duration or impact of such restrictions, if imposed.

***The legal restrictions on the exposure of Chilean pension funds may adversely affect our access to funding.***

Chilean regulations impose restrictions on the share of assets that a Chilean pension fund management company (*Administradora de Fondos de Pensiones*, or AFP) may allocate: (i) per fund (considering all sub-funds within an AFP (A, B, C, D or E)), to deposits in checking accounts and term deposit accounts and in debt securities issued by a single banking institution (or guaranteed by such bank); (ii) per type of sub-fund, to shares, deposits, derivatives and debt securities of a single banking institution (or guaranteed by such bank); and (iii) per fund (considering all sub-funds), to shares issued by a single banking institution. Additionally, each fund managed by an AFP is permitted to make deposits with a bank for an amount not to exceed the equivalent of such bank’s equity. If the exposure of a pension fund managed by an AFP to a single bank exceeds such limit for investments in securities, the AFP for such pension fund is required to reduce the fund’s exposure below the limit within three years.

[Table of Contents](#)

As of December 31, 2017, the aggregate exposure of AFPs to us was US\$5,996 million or 2.8% of their total assets. If the exposure of any AFP to us exceeds the regulatory limits, we would need to seek alternative sources of funding, which could be more expensive and, as a consequence, may have a material adverse effect on our business, financial condition and results of operations.

***Future increases in the corporate tax rate or additional modifications to the tax systems of the countries in which we operate may have a material adverse effect on us.***

On September 29, 2014, Law No. 20,780 (the “Tax Reform”) went into effect, introducing significant changes to the Chilean tax system and strengthening the powers of the Chilean IRS (*Servicio de Impuestos Internos*) to control and prevent tax avoidance. One of the main purposes of this reform was to finance major educational reforms under discussion in the Chilean Congress. Subsequently, on February 8, 2016, Law No. 20,899, which simplifies the income tax system and modifies other legal tax provisions, went into effect.

As a corporation (*sociedad anónima*), we are subject to the partially-integrated tax regime (corporate tax of 25.5% for 2017 and 27% beginning in 2018). Under this system, when the income is actually withdrawn from a company, non-Chilean resident shareholders would be subject to a 35% withholding tax, while Chilean resident shareholders would be required to pay the progressive Complementary Global Tax, with rates ranging between 0% and 35%, against which only a 65% of the corporate tax will be allowed to be used as a credit against the withholding tax or the Complementary Global Tax; provided that, the deduction available to shareholders resident in a country with which Chile has an agreed tax treaty would be 100%. See “Item 4—Information on the Company—B. Business Overview—Recent Regulatory Developments in Chile—Tax Reform.”

In addition, on December 29, 2016, the Colombian Government approved a tax reform under Law No. 1,819. See “Item 4—Information on the Company—B. Business Overview—Recent Regulatory Developments in Colombia — Tax Reform.”

Changes in legislation, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting stated expenses and deductions, and eliminating incentives and non-taxed income. We cannot assure you that the manner in which corporate taxes are interpreted and applied in the jurisdictions where we operate will not change in the future. In addition, governments may decide to levy additional taxes in the jurisdictions where we operate. The current tax reforms and any further changes to taxes in the jurisdictions where we operate could have a material adverse effect on our business, financial condition and results of operations. Furthermore, uncertainty relating to tax legislation in the jurisdictions where we operate poses a constant risk to Itau Corpbanca.

***Potential changes to the pension system in Chile may impose an increase in our labor costs and therefore have a material adverse effect on our financial results.***

On August 10, 2017, former President Michelle Bachelet submitted a bill of law (No. 117-65) with the purpose of introducing changes to the existing Chilean pension funds system. Under the current private system, employees make contributions to fund their individual pension accounts. Under former President Bachelet’s proposal, for the first time, companies would have to contribute to the system. The proposal contemplates, among other measures, a gradual increase over the next six years from the current 10% contribution funded by employees to a 15% contribution in which the additional 5% will be exclusively funded by employers. As proposed, part of this additional contribution would go to a common fund (the “solidarity fund” or *pilar solidario*), rather than employees’ personal savings accounts, in order to increase the pensions for certain lower-income individuals. There are several economic and political discussions over the content of this bill of law. However, it is possible to anticipate that some additional contribution from the employers to the Chilean social security system will be approved, which may cause a relevant increase in our labor costs and, therefore, have a material adverse effect on our financial results.

***Colombian tax haven regulation could adversely affect our business and financial results.***

Decree No. 1,966 of 2014 amended by Decree No. 2,095 of 2014 designates 37 jurisdictions as tax havens for Colombian tax purposes. In October 2014, Panama and Colombia signed a memorandum of understanding by which they agreed to execute a double taxation treaty. However, if Panama is considered a tax haven under Colombian tax regulations, the clients of our Colombian subsidiaries in Panama who are residents in such jurisdiction would be subject to the following regulations: (i) higher withholding tax rates including a higher withholding rates over financial yields derived from investments in the Colombian securities market, (ii) the Colombian transfer pricing regime and its reporting duties, (iii) an assumption for Colombian authorities of residency for the purposes of qualifying a conduct as abusive under tax regulations, (iv) the disallowance of payments made to residents or entities located in tax havens as costs or deductions, unless the respective withholding tax has been applied and (v) other additional information disclosure requirements.

***Any downgrading of Chile’s or Colombia’s debt credit rating for domestic and international debt by international credit rating agencies may also affect our business and future financial performance.***

Any adverse revisions to Chile’s or Colombia’s credit ratings for domestic and international debt by international rating agencies may adversely affect our ratings, and, as a result, our cost of funding, including interest rates paid on our deposits and

[Table of Contents](#)

securities. In December 2017, S&P downgraded the rating of its long-term foreign currency sovereign credit ratings on Colombia from “BBB” to “BBB-,” on the grounds of Colombia’s weakened fiscal and external profiles generating diminished policy flexibility. Additionally, in February 2018 Moody’s changed Colombia’s rating outlook from stable to negative. This was driven by (i) expectation of a slower pace of fiscal consolidation and weakening fiscal metrics and (ii) the risk that new government, post the 2018 presidential elections, will not have an effective mandate to pass additional fiscal measures to preserve Colombia’s fiscal strength. Currently, Colombia’s long-term debt denominated in foreign currency is rated “BBB-” by S&P, “Baa2” with negative outlook by Moody’s and “BBB” by Fitch. We cannot assure you that Colombia’s credit rating or rating outlook will not be further downgraded in the future. In July 2017, S&P downgraded Chile’s long-term foreign currency rating to “A+” from “AA-”, with a stable outlook. Also, Fitch Ratings downgraded Chile’s long-term foreign-currency issuer default rating (IDR) to “A” from “A+”, and long-term local-currency IDR to “A+” from “AA-” with a stable outlook. Finally, Moody’s changed outlook on Chile’s ratings to negative. We cannot assure you that Chile’s credit rating or rating outlook will not be further downgraded in the future. If further adverse revisions to Chile’s or Colombia’s credit ratings or rating outlook were to occur, it could have a material adverse effect on our business, future financial performance, shareholders’ equity and the value of our securities.

***Chilean and Colombian authorities exercise influence on the Chilean and Colombian economies. Changes in monetary, fiscal and foreign exchange policies or in the Chilean and Colombian governments’ structures may adversely affect us.***

Chilean and Colombian authorities intervene from time to time in the Chilean and Colombian economies, through changes in fiscal, monetary, and foreign exchange policies, which may adversely affect us. These changes may impact variables that are crucial for our growth strategy (such as foreign exchange and interest rates, liquidity in the currency market, tax burden, and economic growth), thus limiting our operations in certain markets, affecting our liquidity and our clients’ ability to pay and, consequently, affecting us.

In addition, changes in the Chilean and Colombian governments’ structure may result in changes in government policies, which may affect us. This uncertainty may, in the future, contribute to an increase in the volatility of the Chilean and Colombian capital markets, which, in turn, may have an adverse impact on us. Other political, diplomatic, social and economic developments in Chile, Colombia or other countries that affect Chile and Colombia may also affect us.

***Our growth and profitability depend on the level of economic activity in Chile, Colombia and other emerging markets.***

Substantially all of our loans are to borrowers doing business in Chile or Colombia. Accordingly, the recoverability of these loans in particular, our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Chile and Colombia. The Chilean and Colombian economies have been influenced, to varying degrees, by economic conditions in other emerging market countries. Future developments in or affecting the Chilean or Colombian economies, including consequences of economic difficulties in emerging and developed markets, including some of our neighbor countries, or a deceleration in the economic growth of Asian or other developed nations to which Chile and Colombia export a majority of their respective goods, could materially and adversely affect our business, financial condition or results of operations.

Our results of operations and financial condition could also be affected by changes in economic or other policies of the Chilean or Colombian governments, which have each exercised and continue to exercise a substantial influence over many aspects of the private sector, or other political or economic developments in Chile. In addition, our financial condition and results of operations could also be affected by regulatory changes in administrative practices or other political or economic developments in or affecting Chile or Colombia, over which we have no control.

***Inflation and government measures to curb inflation could adversely affect our financial condition and results of operations.***

Although Chilean and Colombian inflation have been low in recent years, Chile and Colombia have experienced high inflation in the double-digit levels in the past. Such high levels of inflation in Chile or Colombia could adversely affect the Chilean and Colombian economies and have an adverse effect on our results of operations if such inflation is not accompanied by a matching devaluation of the local currency. We cannot make any assurances that Chilean or Colombian inflation will not revert to prior levels in the future.

***We may be unsuccessful in addressing the challenges and risks presented by our operations in countries outside Chile.***

We now operate a banking business in Colombia through Itau Corpbanca Colombia and in Panama through subsidiaries of Itau Corpbanca Colombia. Our operations are focused on retail banking, as well as wholesale and commercial banking and providing financing and deposit services to SMEs and individuals with medium-high income levels. Itau Corpbanca Colombia provides a broad range of commercial and retail banking services to its customers, operating principally in the cities of Bogotá, Medellín, Cali, Bucaramanga, Cartagena and Barranquilla.

We have limited experience conducting credit card and consumer finance businesses in countries outside Chile. Accordingly, we may not be successful in managing credit card and consumer finance operations outside of our traditional domestic market in

[Table of Contents](#)

Chile. We may face delays in payments by customers and higher delinquency rates in any market we enter into, which could necessitate higher provisions for loan losses and, consequently, have an adverse effect on our financial performance.

***Colombia has experienced internal security issues that have had or could have in the future a negative effect on the Colombian economy.***

Colombia has experienced internal security issues, primarily due to the activities of guerrilla groups such as the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*, or the FARC), National Liberation Army (*Ejército de Liberación Nacional*, or the ELN), paramilitary groups and drug cartels. In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting, and rendering services to drug traffickers.

Despite the peace agreement between the Colombian government and FARC, which have reduced guerrilla and criminal activity, particularly in the form of terrorism attacks, homicides, kidnappings and extortion, such activities persist in Colombia, and possible escalation of such activities and the effects associated with them have had and may have in the future a negative impact on the Colombian economy and on our operations in Colombia, including our customers, employees, results of operations and financial condition, and physical assets.

The final peace agreement was reached in September 2016 and the government submitted it to a referendum that was not approved. However, the Colombian Congress subsequently approved the peace agreement, and in December 2016 the agreement implementation process began. The final agreement is expected to provide FARC with several benefits including: (i) changes in legislation concerning access to credit and financial services; (ii) tax benefits; and (iii) more favorable labor regulations. Such agreements and other legislative changes arising therefrom may have a negative impact on the Colombian economy and on our operations in Colombia.

In addition, the peace agreement reached with FARC may be modified by future governments, including the new president that will take office in 2018. If there are deviations from the peace agreement, there can be no assurance that criminal actions will not escalate in Colombia.

ELN, paramilitary groups and drug cartels' were not part of the peace negotiations. It is expected that their activities will continue.

***The peace agreement signed with FARC may result in the enactment of new laws and regulations, whose potential impact cannot be predicted.***

The implementation of the peace agreement between the Colombian government and FARC will require the enactment of new laws and regulations, which may impact our activity in ways we cannot anticipate. Recently, legislation was enacted in connection with the implementation of the Rural Reform (*Reforma Rural Integral*) as provided under the peace agreement, such legislation included the creation of a Land Fund for the Rural Reform (*Fondo de Tierras para la Reforma Rural Integral*), and set forth the parameters to grant land to certain benefited populations and which properties are subject to be granted. Additionally, on April 2, 2018, the Colombian Superintendency of Finance issued External Circular No. 005, which sets forth rules governing the integration of former FARC members into the financial system. The impact of such new legislation is still unknown, and further regulations may be required for such legislation to be implemented. New laws or regulations enacted in connection with the implementation of the peace agreement may impact our activity and may have a negative effect on our financial condition and results of operations in Colombia.

***Tensions with Venezuela and Ecuador may affect the Colombian economy and, consequently, our results of operations and financial condition.***

Diplomatic relations with Venezuela and Ecuador, two of Colombia's historical main trading partners, have from time to time been tense and affected by events surrounding the Colombian armed forces combat of the FARC throughout Colombia, particularly on Colombia's borders with Venezuela and Ecuador.

Additionally, further deterioration in relations with Venezuela and Ecuador may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative impact on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition. In 2015, the Venezuelan government abruptly closed the Colombian-Venezuelan border which resulted in a substantial decrease in trade between Colombia and Venezuela, representing in that year less than 0.7% of total Colombian exports. In recent years, diplomatic tensions between the two governments have increased. We cannot assure you that there will not be further closures of the border, which may result in further deterioration of trade and could have a negative impact in the Colombian economy, especially in private consumption.

Recently Colombia has faced an increase in migration from Venezuela. The unprecedented migration wave is putting strains on Colombia. Mass migration threatens to increase political instability and social conflict in Colombia. Additionally, mass migration of Venezuelans to Colombia has created tense diplomatic relations which will likely hinder regional cooperation in reaching a solution to the migration crisis.

[Table of Contents](#)***Constitutional collective actions (acciones populares), class actions (acciones de grupo) and other similar legal actions in Chile and Colombia involving claims for significant monetary awards against financial institutions may have an adverse effect on our business and results of operations.***

Under the Chilean Consumer Protection Act and under the Colombian Constitution and Law 472 of 1998, individuals may initiate collective or class actions to protect their collective or class rights, as applicable. See “Item 4—Information on the Company—B. Business Overview—Promulgation of Bill of Law Amending Consumer Protection Act.” In the past few years, Chilean financial institutions have experienced limited numbers of collective and class actions mostly relating to abusive clauses in standard contracts.

In the past few years, Colombian financial institutions, including Itau Corpbanca Colombia, have experienced a substantial increase in the aggregate number of these actions. The great majority of such actions have been related to fees, financial services and interest rates, and their outcome is uncertain. Pursuant to Law No. 1,425 of 2010, monetary awards for plaintiffs in constitutional collective actions were eliminated as of January 1, 2011. Nevertheless, individuals continue to have the right to initiate constitutional or class actions against Itau Corpbanca Colombia.

***Future restrictions on interest rates or banking fees could negatively affect our profitability.***

In the future, additional regulations in the jurisdictions where we operate could impose limitations regarding interest rates or fees charged by Itau Corpbanca. Any such limitations could materially and adversely affect our results of operations and financial situation.

The Colombian Commerce Code limits the amount of interest that may be charged in commercial transactions. In the future, regulations could impose limitations regarding interest rates or fees we charge. Any such limitations could materially and adversely affect our results of operations and financial position. In the past, there have been disputes in Colombia among merchants, payment services and banks regarding interchange fees. Although such disputes have been resolved, the SIC, may initiate new investigations relating to the interchange fees. This possibility may lead to additional decreases in such fees, which in turn could adversely affect our operations in Colombia and our consolidated financial results.

Furthermore, the Colombian government has the authority to establish and define criteria and formulas applicable to the calculation of banking fees and other charges and to establish caps on the banking fees, credit card fees, and other charges that we impose on our customers. The Colombian government has established a cap on the fees banks can charge on withdrawals from ATMs outside their own networks. Additionally, under Colombian regulation, banks are prohibited from charging prepayment penalties or fees on loans, other than in mortgage loans, except when the outstanding amount of a loan is more than the equivalent of 880 monthly minimum wages, or SMMLV (approximately US\$240,000). In mortgage loans, irrespective of their principal amount or in other loans in which the outstanding amount is greater than 880 SMMLV, prepayment penalties or fees may be charged but only when expressly contemplated under the governing loan agreement. Further limits or regulations regarding banking fees, and uncertainties with respect thereto could have a negative effect on Itau Corpbanca Colombia and our results of operations and financial condition.

***Insolvency laws may limit our monetary collection and ability to enforce our rights.***

On January 9, 2014, a new insolvency act was published in Chile in the Official Gazette (*Ley No. 20,720 de Reorganización y Liquidación de Empresas y Personas*, or the Chilean Insolvency Act) and came into effect on October 10, 2014. Under the Chilean Insolvency Act, monetary collection and enforcement of rights by a creditor may face limitations such as those arising from the Insolvency Protection (as defined below) recognized by the act. For more information on these limitations please see “Item 4—Information on the Company—B. Business Overview—Recent Regulatory Developments in Chile.”

Colombian insolvency laws provide that creditors of an insolvent debtor in default are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of such debtor. In addition, all collection proceedings outstanding at the beginning of any bankruptcy or reorganization process of any insolvent debtor must be suspended and creditors are prevented from enforcing their rights against the collateral and other assets of the debtor until the reorganization has been agreed (in which case the collection proceeding is resolved within the reorganization agreement) or it is declared that no reorganization was agreed. Additionally, Colombian laws provide insolvency protection for non-merchant individuals. This insolvency protection entails that, once a non-merchant individual has ceased paying his or her debts, such individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with its creditors. The terms of any agreement reached with a group (two or more) of creditors that represent more than 50% of the total amount of the claims will be mandatorily applicable to all relevant creditors. There are other protections such as an automatic stay for 80 days, which could be extended by 30 additional days. These legal limitations make it difficult to recover on defaulted loans, and as a result, may cause Itau Corpbanca Colombia to enhance its credit requirements which would result in decreased lending to individuals by making it more expensive. In addition, increased difficulties in enforcing debt and other monetary obligations due to this insolvency law could have an adverse effect on Itau Corpbanca Colombia and our results of operations and financial condition.

[Table of Contents](#)***The Central Bank of Colombia may impose requirements on our (and other Colombian residents') ability to obtain loans in foreign currency.***

The Central Bank of Colombia may impose certain mandatory deposit requirements in connection with foreign currency denominated loans obtained by Colombian residents, including Itau Corpbanca Colombia, although no such mandatory deposit requirement is currently in effect. We cannot predict or control future actions by the Central Bank of Colombia in respect of deposit requirements, which may involve the establishment of a mandatory deposit percentage, and the use of such measures by the Central Bank of Colombia may raise our cost of raising funds and reduce our financial flexibility.

**Risks Relating to Expansion and Integration of Acquired Businesses*****We may not be able to manage our growth successfully.***

We have been expanding the scope of our operations over the past few years, and we expect that this expansion will continue. As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to integrate, monitor and manage expanded operations could have a material adverse effect on our business, reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

***Integration of acquired or merged businesses involves certain risks that may have a material adverse effect on us.***

We have engaged in a number of mergers and acquisitions in the past, including the Merger, the Santander Colombia Acquisition, the Helm Bank Acquisition and the subsequent merger of Helm Bank with and into Itau Corpbanca Colombia, consummated on June 1, 2014, that may make further mergers and acquisitions in the future as part of our growth strategy. We believe that these transactions will contribute to our continued growth and competitiveness in the Chilean, Colombian, and international banking sectors.

These acquisitions and mergers and the integration of such institutions and assets involve certain risks, which as of the current stage of such transactions may still include remaining risks such as:

- integrating new networks, information systems, financial and accounting systems, risk and other management systems, financial planning and reporting, products and customer bases into our existing business may run into difficulties, cause us to incur unexpected costs and operating expenses and place additional demands on management time; and
- the expected operation and financial synergies and other benefits from such mergers or acquisitions may not be fully achieved.

If we fail to achieve the business growth opportunities, cost savings and other benefits we anticipate from mergers and acquisition transactions, or incur greater integration costs than we have estimated, our results of operations and financial condition may be materially and adversely affected.

***Acquisitions and strategic partnerships may not perform in accordance with expectations or may disrupt our operations and adversely affect our business financial condition and results of operations.***

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy we have consummated (i) the Santander Colombia Acquisition in 2012 (now "Itau Corpbanca Colombia"); (ii) the Helm Bank Acquisition in 2013 (Helm Bank was merged with and into Itau Corpbanca Colombia on June 1, 2014); and (iii) the Merger in 2016. We will continue to consider additional strategic acquisitions and alliances from time to time, inside and outside of Chile and Colombia. Strategic acquisitions and alliances, could expose us to risks with which we have limited or no experience. Future acquisitions may also be subject to regulatory approval, which we may not receive, particularly in view of our increasing market share in the Colombian banking industry.

We must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions and alliances may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our business, financial condition and results of operations.

In addition, new demands on our existing organization, management and employees resulting from the integration of new acquisitions could disrupt our operations and adversely affect our business, financial condition and results of operations.

***Itau Corpbanca may be unable to fully realize the anticipated benefits of the combination of Corpbanca and Banco Itau Chile.***

On April 1, 2016, Corpbanca and Banco Itau Chile completed a business combination, which was consummated through the Merger. The Merger brought together two large financial institutions that had previously operated as independent companies. Significant management attention and resources have been and will continue to be required to integrate certain aspects of the business

[Table of Contents](#)

practices and operations of Corpbanca and Banco Itaú Chile. The success of the Merger will depend, in part, on the ability of Itaú Corpbanca to realize anticipated revenue synergies, cost savings and growth opportunities resulting from the combination of the businesses of former Corpbanca and former Banco Itaú Chile. We expect to generate synergies resulting from optimization of organizational structures, scalable IT systems, savings related to the branch network and reductions in administrative expenses. There is a risk, however, that Itaú Corpbanca may not be able to combine the businesses of Corpbanca and Banco Itaú Chile in a manner that permits Itaú Corpbanca to realize these revenue synergies, cost savings and growth opportunities in the time, manner or amounts it expects or at all. Potential difficulties Itaú Corpbanca may encounter as part of the merger process include, among other things:

- complexities associated with managing the combined companies;
- the need to implement, integrate and harmonize various business-specific operating procedures and systems, as well as the financial, accounting, information and other systems of Corpbanca and Banco Itaú Chile;
- the need to coordinate the existing products and customer bases of Corpbanca and Banco Itaú Chile; and
- potential unknown liabilities and unforeseen increased expenses or delays associated with the Merger and the other transactions described in the Transaction Agreement (as defined below).

In addition, it is possible that the integration process could result in:

- diversion of management's attention from their normal areas of responsibility to address integration issues; and
- the disruption of Itaú Corpbanca's ongoing businesses or inconsistencies in its standards, controls, procedures and policies,

each of which could adversely affect Itaú Corpbanca's ability to maintain good relationships with its customers, suppliers, employees and other constituencies, or to achieve the anticipated benefits of the Merger, and could increase costs or reduce its earnings or otherwise adversely affect the business, financial condition, results of operations and/or prospects of Itaú Corpbanca. Actual revenue synergies, cost savings, growth opportunities and efficiency and operational benefits resulting from the Merger may be lower and may take longer than Itaú Corpbanca currently expects. Therefore if the benefits from the Merger are not as expected, we may be required to record impairment losses on the carrying amount (including goodwill) of the acquired business, which may have a material adverse effect on our financial condition and results of operations. See "Item 5. Operating and Financial Review and Prospects – A. Operating Results - Critical Accounting Policies and Estimates – Estimate of Impairment of Goodwill."

The integration of two large companies also presents significant management challenges. In order to achieve the anticipated benefits of the Merger, the operations of the two companies are being reorganized and their resources will need to be combined in a timely and flexible manner. There can be no assurance that Itaú Corpbanca will be able to implement these steps as anticipated or at all. If Itaú Corpbanca fails to achieve the planned restructuring within the time frame that is currently contemplated or to the extent that is currently planned, or if for any other reason the expected revenue synergies, cost savings and growth opportunities fail to materialize, the Merger may not produce the benefits that Itaú Corpbanca currently anticipates.

***Itaú Corpbanca has incurred significant costs and expenses in connection with the Merger and will continue to incur additional costs and expenses.***

Itaú Corpbanca has incurred and will continue to incur substantial expenses in connection with the integration process derived from the Merger. In 2014 and 2015, after the Merger was announced but prior to its consummation, expenses were related to transaction costs associated to the closing of the Merger, such as investment banks, legal advisors, auditors, filing fees, printing expenses and other related charges. After the Merger, expenses have been related to restructuring costs associated to one-time integration expenses. There are also many processes, policies, procedures, operations, technologies and systems that must be integrated in connection with the Merger. Any delay in the integration of the business operations of former Corpbanca and former Banco Itaú Chile or factors beyond Itaú Corpbanca's control could affect the total amount or the timing of the integration and implementation expenses.

If additional unanticipated significant costs are incurred in connection with the Merger, these costs and expenses could, particularly in the near term, exceed the savings that Itaú Corpbanca expects to achieve from the elimination of duplicative expenses and the realization of economies of scale, other efficiencies and cost savings. Although Itaú Corpbanca expects to achieve savings and economies of scale sufficient to offset these integration and implementation costs over time, this net benefit may not be achieved in the near term or at all.

***Itaú Corpbanca's future results will suffer if it cannot effectively manage its expanded operations following completion of the Merger.***

The size of Itaú Corpbanca's combined business following the completion of the Merger is significantly larger and more complex than the previous businesses of former Corpbanca or former Banco Itaú Chile individually. Itaú Corpbanca's future success will depend, in part, on its ability to manage this expanded business, posing substantial challenges for management. There can be no

[Table of Contents](#)

assurances that Itau Corpbanca will be successful or that it will fully realize the expected operating efficiencies, cost savings, revenue synergies and other benefits currently anticipated from the Merger.

***We may have problems successfully completing the implementation of a new information technology core banking system in Colombia.***

A key element of our expansion strategy consists in the acquisition of existing businesses and their integration into our business model and administration and management processes. During 2017, we continued the technology integration process of the bank in Colombia, which includes the implementation of a unique integrated information technology core banking system in Colombia. The original project, which we had been implementing since February 2013, was discontinued after the Merger. New management decided to maintain the existing proprietary platform that Helm Bank had and to integrate all existing IT information instead of implementing a fully new information technology core banking system as originally planned. If we are unable to successfully complete the integration into one platform, the integration process in Colombia could be adversely affected, which could adversely affect our financial condition, results of operations and liquidity. The integration into one single information technology core banking system in Itau Corpbanca Colombia is underway, on 2017 the branch network migration began, and it is expected to finish in the first half of 2018.

## **Risks Relating to Our Securities**

***Our controlling shareholder is able to exercise significant control over us which could result in conflicts of interest.***

Itau Unibanco is the sole controlling shareholder of Itau Corpbanca. As of April 2, 2018, Itau Unibanco beneficially owned 36.06% of our voting common shares. In addition, (i) Itau Unibanco and (ii) Inversiones Gasa Limitada, CorpGroup Holding Inversiones Limitada, CorpGroup Banking S.A., Compañía Inmobiliaria y de Inversiones Saga SpA and CorpGroup Interhold SpA (together, “CorpGroup”) have signed a shareholders’ agreement to determine certain aspects related to corporate governance, dividend policy, transfer of shares, liquidity and other matters (the “Itau CorpGroup Shareholders’ Agreement”). Itau Unibanco and CorpGroup are in position to elect 11 of the 13 members of our board of directors. The Itau CorpGroup Shareholders’ Agreement provides that the directors appointed by Itau Unibanco and CorpGroup will vote, to the extent permitted by the law, in a block and in accordance with the recommendation of Itau Unibanco, subject to certain exceptions. Accordingly, Itau Unibanco is able to control the actions taken by the board of directors of Itau Corpbanca on most matters, which could result in conflicts of interest.

***U.S. securities laws do not require us to disclose as much information to investors as a U.S. issuer is required to disclose.***

The corporate disclosure requirements applicable to us may not be equivalent to the requirements applicable to a U.S. company and, as a result, you may receive less information about us than you might otherwise receive in connection with a comparable U.S. company. We are subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that apply to “foreign private issuers.” The periodic disclosure required of foreign private issuers under the Exchange Act is more limited than the periodic disclosure required of U.S. issuers.

We are required to file an annual report on Form 20-F, but we are not required to file any quarterly reports. A U.S. registrant must file an annual report on Form 10-K and three quarterly reports on Form 10-Q.

We are required to furnish current reports on Form 6-K, but the information that we must disclose in those reports is governed primarily by Chilean law disclosure requirements and may differ from Form 8-K’s current reporting requirements imposed on a U.S. issuer.

We are not subject to the proxy requirements of Section 14 of the Exchange Act and our officers, directors and principal shareholders are not subject to the short swing insider trading reporting and recovery requirements under Section 16 of the Exchange Act.

***Our status as a controlled company and a foreign private issuer exempts us from certain of the corporate governance standards of the New York Stock Exchange.***

We are a “controlled company” and a “foreign private issuer” within the meaning of the New York Stock Exchange (NYSE) corporate governance standards, which exempts us from certain NYSE corporate governance requirements. In addition, a foreign private issuer may elect to comply with the practice of its home country and not to comply with certain NYSE corporate governance requirements, including the requirements that (i) a majority of our board of directors (*directorío*), consist of independent directors, (ii) a nominating and corporate governance committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities, (iii) a compensation committee be established that is composed entirely of independent directors and has a written charter addressing the committee’s purpose and responsibilities, (iv) an annual performance evaluation of the nominating and corporate governance and compensation committees be undertaken, and (v) the members of the audit committee meet the Exchange Act Rule 10A-3(b)(1) independence requirements. We currently use these exemptions and intend to continue using these exemptions. Accordingly, you will not have the same protections afforded to investors

[Table of Contents](#)

in companies that are subject to all NYSE corporate governance requirements. See “Item 16G. Corporate Governance” for a comparison of the corporate governance standards of the New York Stock Exchange and Chilean practice.

***Investors may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.***

We are organized under the laws of Chile and our principal place of business (*domicilio social*) is in Santiago, Chile. Most of our directors, officers and controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the United States federal securities laws.

**Risks Relating to Our ADSs and Common Shares**

***There may be a lack of liquidity and market for our ADSs and common shares.***

A lack of liquidity in the markets may develop for our ADSs, which would negatively affect the ability of the holders to sell our ADSs or the price at which holders of our ADSs desire to sell them. Future trading prices of our ADSs will depend on many factors including, among other things, prevailing interest rates, our operating results and the market for similar securities.

Our common shares underlying the ADSs are listed and traded on the Santiago Stock Exchange and the Chilean Electronic Exchange, although the trading market for the common shares is small by international standards.

In addition, according to article 14 of the *Ley No. 18,045 de Mercado de Valores* (the “Chilean Securities Market Act”), the CMF –formerly *Superintendencia de Valores y Seguros* or Chilean Superintendency of Securities and Insurance– may suspend the offer, quotation or trading of shares of any company listed on the Chilean stock exchanges for up to 30 days if, in its opinion, such suspension is necessary to protect investors or is justified for reasons of public interest. Such suspension may be extended for up to 120 days. If, at the expiration of the extension, the circumstances giving rise to the original suspension have not changed, the CMF will then cancel the relevant listing in the registry of securities. These and other factors may substantially limit your ability to sell the common shares underlying your ADSs at a price and time at which you wish to do so.

***You may be unable to exercise preemptive rights.***

The *Ley 18,046 sobre Sociedades Anónimas* and the *Reglamento de Sociedades Anónimas*, which we refer to collectively as the Chilean Corporations Act, and applicable regulations establish that whenever we issue new common shares for cash, we are obligated by law to grant preemptive rights to all of our shareholders (including the depositary on behalf of the holders of ADSs), giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. However, we may not be able to offer shares to United States holders of ADSs pursuant to preemptive rights granted to our shareholders in connection with any future issuance of common shares unless a registration statement under the U.S. Securities Act of 1933, as amended, or the Act, is effective with respect to such rights and common shares, or an exemption from the registration requirements of the Act is available.

Our existing shareholders who do not participate in any future preemptive rights offering will suffer an immediate dilution of their percentage equity participation in us. In addition, investors who purchase ADSs or common shares may be subject to dilution of their equity participation in us upon the completion of any future preemptive rights offering. Investors will not know the extent to which they will be diluted until the expiration of any future preemptive rights offering in Chile.

***You may have fewer and less well defined shareholders’ rights than with shares of a company in the United States.***

Our corporate affairs are governed by our *Estatutos Sociales*, or By-laws, and the laws of Chile. Under such laws, our shareholders may have fewer or less well-defined rights than they might have as shareholders of a corporation incorporated in a U.S. jurisdiction. For example, under legislation applicable to Chilean banks, our shareholders would not be entitled to appraisal rights in the event of a merger or other business combination undertaken by us.

***Holders of ADSs are not entitled to attend shareholders’ meetings, and they may only vote through the depositary.***

Under Chilean law, a shareholder is required to be registered in our shareholders’ registry at least five business days before a shareholders’ meeting in order to vote at such meeting. A holder of ADSs will not be able to meet this requirement, and accordingly is not entitled to vote at shareholders’ meetings, because the shares underlying the ADSs will be registered in the name of the depositary. While a holder of ADSs is entitled to instruct the depositary as to how to vote the shares represented by ADSs in accordance with the procedures provided for in the deposit agreement, a holder of ADSs will not be able to vote its shares directly at a shareholders’ meeting or to appoint a proxy to do so. In certain instances, a discretionary proxy may vote our shares underlying the ADSs if a holder of ADSs does not instruct the depositary with respect to voting. In addition, the vote of a holder of ADSs may not be necessary to approve certain matters since under Chilean law, substantially all of the forms of corporate action can be approved with the votes of our controlling shareholder, Itaú Unibanco, in a duly summoned shareholders’ meeting, except for certain matters requiring supermajority approval according to Chilean law.

[Table of Contents](#)***U.S. holders of our ADSs or common shares could suffer adverse tax consequences if we are characterized as a passive foreign investment company.***

If you are a U.S. holder (as defined in “Item 10. Additional Information—E. Taxation—U.S. federal income tax considerations”) and we are a passive foreign investment company, or PFIC, for any taxable year during which you own our ADSs or common shares, you could be subject to adverse U.S. tax consequences. As of the date of this Annual Report, we do not expect to be classified as a PFIC for U.S. federal income tax purposes for our current taxable year or for any taxable year in the foreseeable future. However, the determination of whether we are a PFIC is made on an annual basis and will depend on the composition and nature of our income and the composition, nature and value of our assets from time to time, and therefore no assurance can be provided regarding our PFIC status. You should consult your tax advisor regarding the U.S. federal, state and local and other tax consequences of owning and disposing of the ADSs or common shares in your particular circumstances. See “Item 10. Additional Information—E. Taxation—U.S. federal income tax considerations” for additional information related to the PFIC rules and their application to the bank.

***Holders of the ADSs or our common shares could be subject to a 30% U.S. withholding tax.***

Pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, or the Code, and U.S. Treasury Regulations promulgated thereunder, a 30% withholding tax may, in the future, be imposed on all or some of the payments on the ADSs or our common shares to holders and non-U.S. financial institutions receiving payments on behalf of holders that, in each case, fail to comply with information reporting, certification and related requirements. This withholding tax, if it applies, could apply to any payment made with respect to the ADSs or our common shares, and ADSs or shares of our common shares held through a non-compliant institution may be subject to withholding even if the holder otherwise would not be subject to withholding. U.S. holders are urged to consult their tax advisers regarding the application of these rules to their ownership of the ADSs or our common shares. See “Item 10. Additional Information—E. Taxation—U.S. federal income tax considerations” for additional information related to these rules and their application to holders of ADSs or our common shares.

***Exchange controls and withholding taxes in Chile may limit repatriation of your investment.***

Equity investments in Chile by persons who are not Chilean residents may be subject to exchange control regulations that govern the repatriation of investments and earnings.

Dividends received by holders of ADSs are paid net of foreign currency exchange fees and fees and expenses of the depository and are subject to Chilean withholding tax, currently imposed at a rate of 35%, subject to credits in certain cases as described under “Item 10. Additional Information—E. Taxation—Chilean Tax Considerations.” In order to facilitate capital movements from and into Chile and to encourage foreign investment, the Central Bank of Chile eliminated many foreign exchange restrictions and adopted the Compendium of Foreign Exchange Regulations (*Compendio de Normas de Cambios Internacionales*) effective April 19, 2001.

We cannot assure you that additional Chilean restrictions applicable to the holders of ADSs, the disposition of the shares underlying the ADSs or the repatriation of the proceeds from such disposition or the payment of dividends will not be imposed in the future, nor can we advise as to the duration or impact of such restrictions, if imposed. If for any reason, including changes in the Foreign Investment Agreement or Chilean law, the depository is not able to convert Chilean pesos to U.S. dollars, investors would receive dividends or other distributions, if any, in Chilean pesos.

**ITEM 4. INFORMATION ON THE COMPANY****A. HISTORY AND DEVELOPMENT OF THE COMPANY**

We are a publicly traded company (*sociedad anónima*) organized under the laws of Chile and licensed by the SBIF to operate as a commercial bank. Our legal name is Itaú Corpbanca, and our commercial name is Banco Itaú and/or Itaú. Our principal executive offices are located at Rosario Norte 660, Las Condes, Santiago, Chile. Our telephone number is 56-2-2660-8000 and our website is [www.itaui.cl](http://www.itaui.cl). Our agent in the United States is Itaú Corpbanca New York Branch, Attention: Joaquín Rojas Walbaum, located at 885 Third Avenue, 33<sup>rd</sup> Floor, New York, NY 10022. Information set forth on our website does not constitute a part of this Annual Report. Itaú Corpbanca is organized under the laws of Chile and its subsidiaries are organized under the laws of Chile and Colombia. The terms “Itaú Corpbanca,” “Itaú,” “the bank,” “we,” “us” and “our” in this Annual Report refer to Itaú Corpbanca together with its subsidiaries unless otherwise specified.

**History**

The bank’s history has been extensive and with a challenging road that has led us to become the oldest private operating bank in Chile, incorporated as Banco de Concepción by Decree No. 180 of the Chilean Ministry of Finance on October 3, 1871, and legally began operations as a bank on October 16 of the same year. We were founded by a group of residents of the city of Concepción, Chile, led by Aníbal Pinto, who would later become President of Chile.

[Table of Contents](#)

In 1971, Banco de Concepción was transferred to a government agency, *Corporación de Fomento de la Producción* (the Chilean Corporation for the Development of Production, or CORFO). Also in 1971, Banco de Concepción acquired Banco Francés e Italiano in Chile, which provided for the expansion of Banco de Concepción into Santiago. In 1972 and 1975, the bank acquired Banco de Chillán and Banco de Valdivia, respectively. In November 1975, CORFO sold its shares of the bank to private business persons, who took control of the bank in 1976. In 1980, the name of the bank was changed to Banco Concepción. In 1983, control of Banco Concepción was assumed by the SBIF. The bank remained under the control of the SBIF through 1986, when it was acquired by *Sociedad Nacional de Minería* (the Chilean National Mining Society, or SONAMI). Under SONAMI's control, Banco Concepción focused on providing financing to small- and medium-sized mining interests, increased its capital and sold a portion of its high-risk portfolio to the Central Bank of Chile.

Investors led by Mr. Alvaro Saieh Bendeck purchased a majority interest of Banco Concepción from SONAMI in 1996. Following the acquisition by Mr. Alvaro Saieh Bendeck in 1996, the brand name changed to Corpbanca, hired a management team with substantial experience in the Chilean financial services industry and commenced a period of significant growth fueled by organic expansion and acquisitions. Our first significant transactions were the acquisition of the assets of the consumer loan division of Corfinsa and the finance company Financiera Condell S.A. in 1998. Both combined created the bank's Consumer Division, Banco Condell, focused on the middle-low income segment of the population in Chile.

With a view to its internationalization in November 2004, the bank completed the listing process that enabled it to trade its ADSs on the New York Stock Exchange. Five years later, the New York Branch was opened as a support for clients who can see their possibilities of financing in the United States expanded. Two years later, Corpbanca opened its representative office in Spain, whose role is to inform and promote the bank with foreign companies and serve as a liaison with bank clients in Chile and Colombia.

In June 2012, former Corpbanca finalized the acquisition of Banco Santander Colombia S.A. (now Itaú Corpbanca Colombia). With this acquisition, we became the first Chilean bank to have a banking subsidiary outside the country. In 2013, we acquired Helm Bank S.A., and the following year, merged it with and into Itaú Corpbanca Colombia, maintaining the networks of branches separately: Itaú Corpbanca Colombia and Helm.

Becoming a large bank with a regional presence prompted our former controlling shareholder to enter, in early 2014, into a merger agreement with Itaú Unibanco and Banco Itaú Chile.

Itaú financial group expanded into Chile in September 2006 after the acquisition of BankBoston (Chile). On February 28, 2007, BankBoston (Chile) was named Banco Itaú Chile, after the Superintendency of Banks and Financial Institutions approved the acquisition.

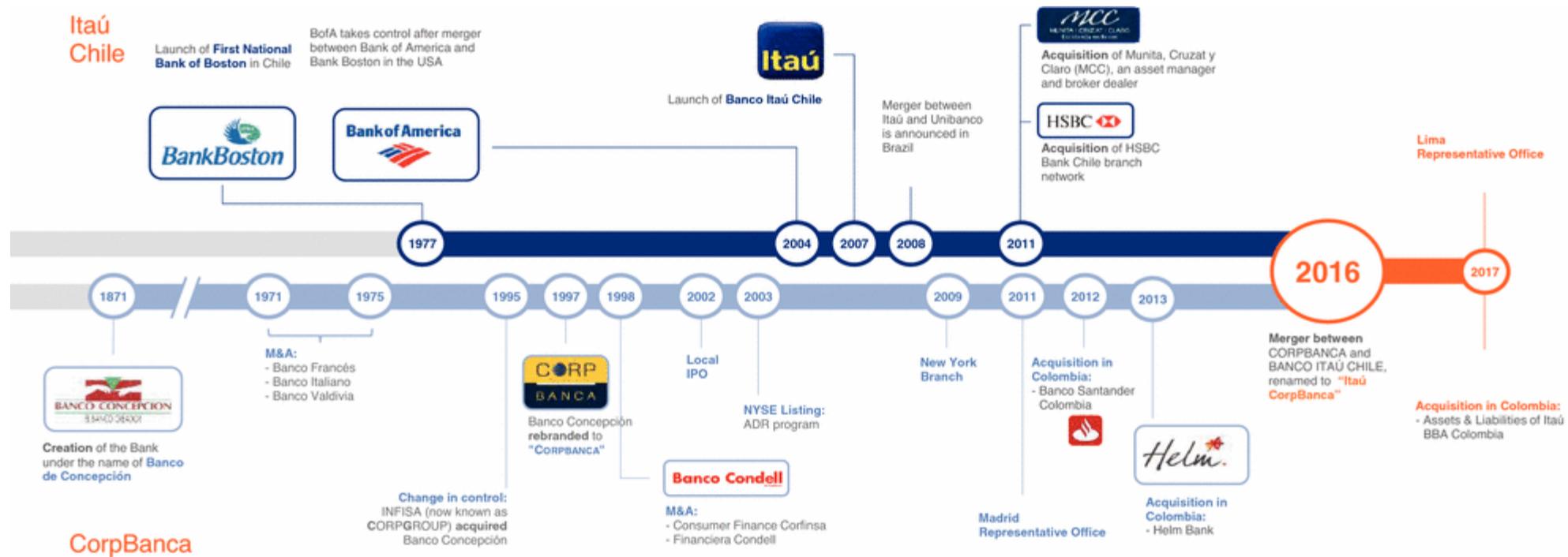
In June 2015, the Extraordinary Shareholders Meetings of Corpbanca and Banco Itaú Chile agreed to the merger, which was approved by the Superintendency of Banks and Financial Institutions in September of the same year. The Merger was consummated on April 1, 2016, the date on which the bank was renamed "Itaú Corpbanca."

As of December 31, 2017, the bank is the fourth largest private bank in Chile with approximately 10.8% market share in the local credit market.

In this way, the stories of Banco Itaú Chile and Corpbanca were merged into a single one, with Corpbanca contributing a long and successful business trajectory which, since its beginning in 1871 in the city of Concepción, has had a clear goal: offering clients a service of excellence being faithful to what inspired its founders. On the other hand, Itaú Unibanco, with more than 90 years of history in Brazil, contributed all its experience as the largest private bank in Latin America and one of the largest banks in the world measured in market capitalization with a leading presence in the Brazilian market.

Our business model is the result of the combination of the local banks' strengths and local knowledge, which will allow us to reach more clients, with an extended range of products and financial solutions.

A summary of the main milestones in the history of the bank is set forth in the following chart:



**The Merger**

On January 29, 2014, Corpbanca and Itaú Chile agreed to merge (the “Transaction Agreement”). The shareholders of former Corpbanca approved the Merger in an extraordinary shareholders’ meeting held on June 26, 2015, and the shareholders of former Banco Itaú Chile gave their consent to the merger in an extraordinary shareholders’ meeting held on June 30, 2015.

On April 1, 2016 the Merger was consummated and Banco Itaú Chile was merged with and into Corpbanca. As of April 2, 2018, Itaú Unibanco and CorpGroup beneficially own 36.06% and 30.65% of our outstanding common shares, respectively. Itaú Unibanco and CorpGroup also entered into the Itaú CorpGroup Shareholders’ Agreement. Upon the consummation of the Merger, Itaú Unibanco became the controlling shareholder of the merged bank. For a description of the Itaú CorpGroup Shareholders’ Agreement and the Transaction Agreement, see “Item 10. Additional Information—C. Material Contracts.”

Immediately following the Merger, the corresponding subsidiaries of Banco Itaú Chile and Corpbanca continued to operate independently and their respective clients were served by their current executives. In January 2017, December 2017 and April 2018, respectively, each of our securities brokerage (*corredoras de bolsa*) subsidiaries, our general fund managers’ (*administradoras generales de fondos*) subsidiaries, and our insurance broker’s subsidiaries, were consolidated, leaving one entity for each business.

By consolidating operations in Chile and Colombia, the new bank became one of Chile’s largest private financial institutions, ranking fourth in the industry with a market share by loans of 10.8% in Chile at the end of 2017. The Merger and combination of the strengths of both banks has translated into an expansion in the offer of products and services for our clients, with a large branch platform in Chile (201) and Colombia (174).

*Client Migration*

In order to migrate our clients from Corpbanca’s platform systems to Banco Itaú Chile’s, we set forth a gradual process defined as “migration waves,” which started after we consummated the Merger. For this purpose, we scheduled several waves to migrate Corpbanca’s customers. The migration waves also included the change of image of certain Corpbanca branches. This process was completed during the fourth quarter of 2017.

In parallel to the migration waves, we started to integrate the processes and systems of the merged banks, which contemplate the following three stages in order to achieve the Target Operational Model, or TOM:

- **TOM LD1**: This stage included integrating all the financial statements, balance sheets and regulatory reports (SBIF, SII, Central Bank of Brazil) of both banks. It also included delivering a single credit position (credit, financial and market risk) of customers from both of the merged banks, and having one single trading desk. This stage was completed with the first filing of financial information of Itaú Corpbanca with the SBIF in early May 2016.
- **TOM Migration**: This stage included migrating customers, developing functional gaps for customers of both banks to enjoy the functionalities offered by each bank separately, and building the necessary drivers of coexistence of both bank’s systems. This stage was completed by the end of 2017.

[Table of Contents](#)

- **TOM Technology and Operations:** This stage refers to the technological integration and implementation of improvements of both banks supported in a single core banking. This stage is in progress, and we expect to complete it by 2018.

*The Itau Colombia Acquisition*

The obligation of the parties to the Transaction Agreement to cause Itau Corpbanca to acquire all of the outstanding shares of Itau BBA Colombia or to carry out a merger of Itau Corpbanca Colombia, formerly Banco Corpbanca Colombia, with Itau BBA Colombia was amended on January 20, 2017 and replaced with the obligation of the parties to cause Itau Corpbanca Colombia to acquire the assets and liabilities of Itau BBA Colombia at their book value in accordance with the terms and conditions agreed by Itau Corpbanca Colombia and Itau BBA Colombia on November 1, 2016 (the "Itau Colombian Asset & Liabilities Acquisition"). The Itau Colombian Asset & Liabilities Acquisition was approved by the shareholders of Itau Corpbanca Colombia and the Colombian Superintendency of Finance (the "CFS") and completed on June 16, 2017, as established in the agreement signed on June 1, 2017 between Itau Corpbanca Colombia, as assignee, and Itau BBA Colombia S.A. Corporación Financiera, as assignor. Pursuant to the Itau Colombian Asset & Liabilities Acquisition transaction, Itau Corpbanca Colombia paid to Itau BBA Colombia S.A. Corporación Financiera Ch\$33,205 million. This agreement also contemplated the rendering of certain services by Itau Corpbanca Colombia in favor of Itau BBA Colombia and the hiring of the senior management of Itau BBA Colombia by Itau Corpbanca Colombia.

Additionally, the amendment to the Transaction Agreement also included the postponement of the date for Itau Corpbanca to purchase the shares that CorpGroup holds in Itau Corpbanca Colombia. The purchase of those shares of Itau Corpbanca Colombia held by CorpGroup (currently representing 12.36% of shares outstanding), which was previously agreed to be carried out no later than January 29, 2017, was postponed until January 28, 2022, subject to receipt of the applicable regulatory approvals. The purchase price for the shares has not changed and will be US\$3.5367 per share plus (i) interest from (and including) August 4, 2015 until (but excluding) the payment date at an annual interest rate equal to Libor plus 2.7% minus (ii) the sum of (x) the aggregate amount of dividends paid by Itau Corpbanca Colombia to CorpGroup since the date of the Transaction Agreement, plus (y) the accrued interest with respect to the amount of such dividends since the date of their payment until the payment date of the purchase price, at an annual interest rate equal to Libor plus 2.7%.

**Capital Expenditures**

The following table reflects our capital expenditures in the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Land and buildings	—	11,002	27,125
Machinery and equipment	15,766	87,600	50,681
Furniture and fixtures	—	—	—
Vehicle	—	—	—
Other	715	6,555	9,349
<b>Total</b>	<b>16,481</b>	<b>105,157</b>	<b>87,155</b>

Total capital expenditures in 2017 of Ch\$87,155 million consisted mainly of Ch\$42,903 million in expenses relating to the purchase of software and computer equipment and other IT-related expenses, including those related to the post-Merger integration of IT systems. For further details relating to these results and related divestitures, see Notes 1(m) and 13 of our consolidated financial statements included herein.

**B. BUSINESS OVERVIEW****COMPETITIVE STRENGTHS**

We believe that the Merger will enable us to emerge as a leading banking platform in Chile and Colombia as a result of the following strengths:

**Banking Platform with Larger Scale**

We believe that as a result of the Merger, we have greater scale and resources to grow and compete more effectively in Chile and Colombia. The merged bank has become the fourth largest private bank in Chile and will result in a banking platform for future expansion in the Andean Region. According to the SBIF, as of December 31, 2017, we ranked fourth among private banks in total loans with 10.8% market share on an unconsolidated basis (taking into account only our operations in Chile). Additionally, as of the same date, the SBIF ranked us fourth in total deposits with 8.5% market share among private banks in the Chilean market.

[Table of Contents](#)

In 2017, our operations in Chile and Colombia reached an aggregate net income of Ch\$ 62,825 million. This result was primarily driven by both macroeconomic impacts and specific events to Itaú Corpbanca particularly higher provisions for loan losses in Chile as further discussed below in “Item 5—Operating and Financial Review and Prospects—A. Operating Results—The Economy—Results of Operations for the Years Ended December 31, 2015, 2016 and 2017—Net Income.”

### **Unique Control and Support from a Leading Institution**

We believe that the Merger has provided us with a competitive advantage over our competitors. Since Itaú Unibanco is the largest private financial institution in Brazil and a premier Latin American franchise, the Merger provides us with an opportunity to leverage Itaú Unibanco’s strong global client relationships in the markets the bank operates while enhancing opportunities for growth abroad.

We expect that Itaú Corpbanca will be able to expand its offering of banking products through a successful managing model, segmentation and digitalization, all based on Itaú Unibanco’s strategy. Our balance sheet provides us with cross-selling opportunities and allows us to benefit from additional synergies through: (i) the optimization of cost structures; (ii) savings derived from an enhanced branch network; (iii) savings derived from scalable IT systems; and (iv) improvements in the cost of funding.

### **Diversified Footprint in Chile and Colombia**

We believe that the enhanced footprint that Itaú Corpbanca has in Chile and Colombia gives us an increased ability to grow and compete more effectively within those countries, further consolidating our market position in Chile and Colombia.

We believe that our acquisitions in Colombia give us a distinct advantage over our competitors in Chile and Colombia. We are the first, and until September 30, 2015 we were the only, Chilean-based bank to acquire a universal bank outside Chile. As of today, we remain the only Chilean-based bank to have a footprint in Colombia through a universal bank. As of December 31, 2017, according to the SBIF, Itaú Corpbanca was the fourth largest private bank in Chile by loans and deposits and according to the Colombian Superintendency of Finance, Itaú Corpbanca Colombia was the seventh largest bank in Colombia in terms of loans and deposits.

### **Experienced Management Team**

The chairman of our board of director, Mr. Jorge Andrés Saieh Guzmán, became chairman in February 2012. He has over 17 years of experience as a member of our board of directors. Our chief executive officer (CEO), Milton Maluhy, assumed office in 2016. He is part of Itaú Unibanco since 2002 and a partner since 2010. Mr. Maluhy was president director of Rede S.A. (former Redecar S.A.) and executive director of Itaú Unibanco, responsible for alliances between Itaú Unibanco and retail chains, as well as head of Itaú Unibanco’s credit card area. Our chief financial officer (CFO), Gabriel Moura, has over 21 years of experience in the banking and financial industry. He is part of Itaú Unibanco since 2000 and a partner since 2010. The CEO of Itaú Corpbanca Colombia, Alvaro Pimentel, has over 21 years of experience in Itaú Unibanco. He has a degree in economics from the Universidade Estadual de Campinas—Unicamp in Brazil and an Executive MBA in finance from Insper in Brazil. A number of the members of the board of directors of Itaú Corpbanca Colombia also have a wealth of experience in the Colombian market and the banking and financial services industry.

### **Sound Risk Management**

We believe that our asset quality is superior to the market average in terms of credit risk metrics, despite negative credit events during 2017. As of December 2017, our non-performing loan to total loans and our write-offs to average outstanding loans ratios were 2.3% and 1.1%, respectively. After the Merger, we revised our risk policies to align credit criteria to Itaú’s internal risk policies. This risk management philosophy enables us to identify risks and resolve potential problems on a timely basis.

### **Operating in a Stable Economic Environment Within Latin America**

We conduct a majority of our business in Chile and a significant amount in Colombia. The Chilean and Colombian economies have generally demonstrated a stable macroeconomic environment in terms of growth and inflation. The Chilean economy is generally recognized as among the most stable in Latin America, as evidenced by its investment grade ratings of Aa3 by Moody’s, A+ by Standard & Poor’s and A by Fitch Ratings, the highest ratings in the region. Chile has consistently received investment-grade credit ratings since Standard & Poor’s and Moody’s started coverage in 1992 and 1994, respectively. Moody’s and Fitch Ratings have an investment grade rating of Colombia of Baa2 and BBB, respectively, with a “negative” and “stable” outlook, respectively. Standard & Poor’s has an investment grade rating of Colombia of BBB-, with a “stable” outlook.

[Table of Contents](#)**STRATEGY**

Our strategy aims at enhancing our market position in the Chilean and Colombian financial services industry in terms of profitability, market share and service coverage. The key elements of our strategy are:

**Continue to Grow our Operations Profitably as a Universal Bank**

We seek to achieve organic growth in all of our lines of business in Chile and Colombia by offering competitive products and services to our clients. We believe that we have developed a successful wholesale banking business model, which allows us to realize high margins on the cross-selling of our products to our large corporate clients. Our intention is to continue to expand the wholesale banking business model to our operations in Colombia. We are focusing our marketing and sales efforts on adapting this business model to apply to our SME clients in Chile and Colombia. Additionally, we believe that our strong franchise in the retail banking unit offers us the potential for significant growth in our loan portfolio, in the low-, mid- and high-income segments. In particular, we believe that there is significant opportunity to expand our wealth management business through the offering of unique investment products and opportunities. We believe that the Merger has given us a complementary banking operations and an improved market position, which enhances our client servicing models. In addition, we seek to identify and pursue growth throughout enhancing strategic opportunities. We will continue to evaluate additional strategic acquisitions and alliances from time to time, inside and outside of Chile and Colombia.

**Further Penetrate the Colombian Financial Services Market**

We intend to capitalize on the growth of the Colombian market given that we believe that our Colombian operation will offer us significant opportunities for growth. Specifically, we benefit from comparable lower banking penetration rates in terms of GDP per capita in Colombia. The strategic acquisitions in Colombia and Itaú Corpbanca's mandate to expand businesses in the Andean Region demonstrate our commitment to the Colombian financial market. With respect to our current operations in Colombia, in order to improve our operational efficiency and increase our market share in key sectors, we are putting in place our commercial and operational standards and best practices, while capitalizing on the local management expertise, customer base, services and products. As a result of the Itaú Colombian Asset & Liabilities Acquisition, we expect to achieve a stronger penetration of the wholesale market. We also expect to leverage on Itaú Unibanco's retail banking best practices, our new controlling shareholder.

**Actively Pursue Cross-Selling Opportunities**

We intend to increase our market share and profitability by continuing to cross-sell services and products to our existing clients. We have instituted processes that facilitate our ability to offer additional financial services to our clients, which we believe will increase our revenue from high-value-added services. In addition, we cross-sell loan products to our checking and savings account customers that are tailored to their individual needs and financial situation. We believe that the Merger has provided us with further opportunities to offer our clients an improved product menu leveraging the strong position of Itaú Unibanco in both wholesale and retail business.

**Efficiency**

We are committed to continuing to improve our operating efficiency and profitability. We are working to increase use of internet and mobile banking by our customers, by offering them better technology solutions. Our senior management is focused on implementing technological solutions aimed to identify means of improving our overall profitability and to optimize our cost structure, such as online time deposits which have been an innovative product of great success in Chile. Through these initiatives, we will continue to strive to improve our efficiency ratio. As of December 31, 2017, we had a consolidated efficiency ratio of 67.3% (defined as operating expenses as a percentage of operating income consisting of aggregate of net interest income, net service fee income, net gains from mark-to-market and trading, exchange differences (net) and other operating income (net)).

After the Merger, we have started to enjoy several benefits, including a greater scale and resources to compete more effectively and more efficiently. We believe the merged bank has the potential to continue to generate synergies in Chile which will result in efficiency improvements.

**Focus on Building Customer Satisfaction**

The quality of service that we provide to our customers is key to our growth strategy. We not only focus on gaining new customers, but on strengthening and establishing long-term relationships. We believe this is done through a constant effort to identify and understand our clients' needs and to measure their satisfaction. We also continue to develop new processes and technological solutions to improve our customer service. This is a key component of our strategy to continuously create value.

**OWNERSHIP STRUCTURE**

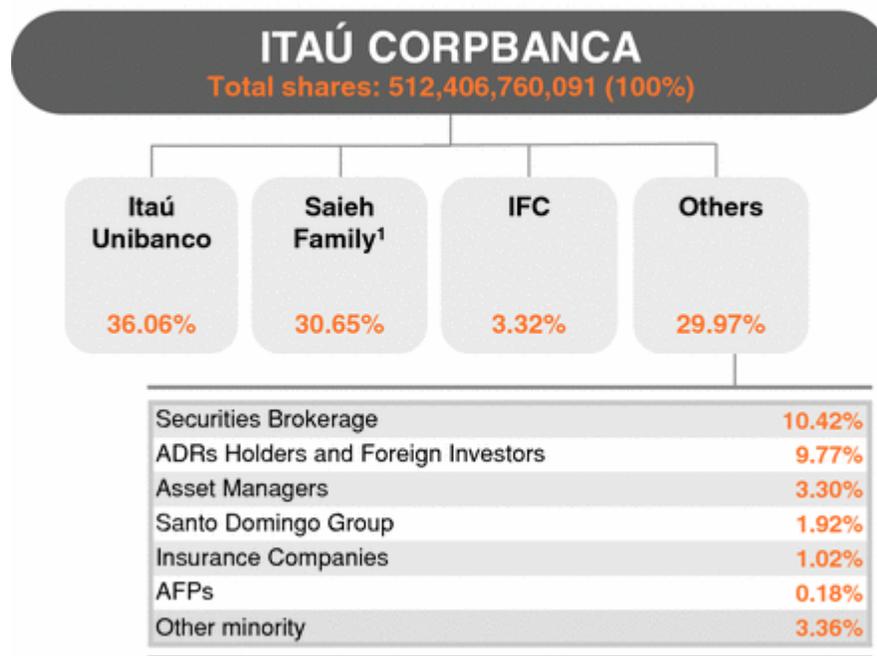
Itaú Corpbanca capital stock is comprised of 512,406,760,091 common shares traded on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange. Shares are also traded as depositary receipts on the New York Stock Exchange in the form of ADSs.

Since the consummation of the Merger on April 1, 2016, Itaú Corpbanca has been controlled by Itaú Unibanco. After the Merger, Itaú Unibanco indirectly acquired an additional 2.13% and 0.35% share capital of Itaú Corpbanca from the Saieh Family, on

[Table of Contents](#)

October 26, 2016 and on September 15, 2017, respectively. As a result of these acquisitions, the current shareholder structure is as follows:

**Shareholders - % Total share capital**  
December 31, 2017



1– Includes 182,125,023 shares owned by Cía.Inmobiliaria y de Inversiones Saga SpA that are under custody.

### PRINCIPAL BUSINESS ACTIVITIES

We provide a broad range of wholesale and retail banking services to our customers in Chile and Colombia. In addition, we provide financial advisory services, mutual fund management, insurance brokerage and securities brokerage services through our subsidiaries, and banking services through our New York Branch.

The following table sets forth a breakdown of our revenue by geographic market for the years ended December 31, 2015, 2016 and 2017:

	Net Interest Income by Geographic Market								
	2015			2016			2017		
	Chile	Colombia	Total	Chile	Colombia	Total	Chile	Colombia	Total
	(in millions of Ch\$)								
Interest income	501,982	—	501,982	1,013,951	495,252	1,509,203	1,067,124	579,205	1,646,329
Interest expense	(278,692)	.	(278,692)	(554,246)	(315,782)	(870,028)	(529,584)	(333,763)	(863,347)
<b>Net interest income</b>	<b>223,290</b>	<b>—</b>	<b>223,290</b>	<b>459,705</b>	<b>179,470</b>	<b>639,175</b>	<b>537,540</b>	<b>245,442</b>	<b>782,982</b>

The business units presented in this Annual Report correspond to the business units used by the bank after the Merger. Information for 2015, referring to former Banco Itaú Chile's historical information, is presented using the same segmenting criteria. However, the results for the year ended December 31, 2015 are not comparable to the results for the years ended December 31, 2016 and 2017 because of the Merger. See "Item 3. Key Information—Presentation of Financial and Other Information."

[Table of Contents](#)

The following table provides information on the composition of our loan portfolio net of allowances as of December 31, 2015 and 2016

	As of December 31,			
	2015	2016	Variation	Variation
	(in millions of constant Ch\$)			(%)
<b>Commercial loans</b>				
Commercial loans	3,568,144	11,625,087	8,056,943	225.8%
Foreign trade loans	414,953	720,792	305,839	73.7%
Current account debtors	37,115	125,996	88,881	239.5%
Factoring operations	56,144	74,433	18,289	32.6%
Student loans	173,254	597,946	424,692	245.1%
Leasing transactions	244,627	1,043,046	798,419	326.4%
Other loans and receivables	10,234	28,243	18,009	176.0%
<b>Subtotals</b>	<b>4,504,471</b>	<b>14,215,543</b>	<b>9,711,072</b>	<b>215.6%</b>
<b>Mortgage loans</b>				
Letters of credit loans	16,482	57,589	41,107	249.4%
Endorsable mutual mortgage loans	8,720	151,167	142,447	1,633.6%
Other mutual mortgage loans	1,502,395	3,344,285	1,841,890	122.6%
Leasing transactions	—	283,084	283,084	—
Other loans and receivables	—	28,920	28,920	—
<b>Subtotal</b>	<b>1,527,597</b>	<b>3,865,045</b>	<b>2,337,448</b>	<b>153.0%</b>
<b>Consumer loans</b>				
Consumer loans	370,612	1,703,973	1,333,361	359.8%
Current account debtors	109,913	172,938	63,025	57.3%
Credit card debtors	192,591	396,514	203,923	105.9%
Consumer leasing transactions	308	16,519	16,211	5,263.3%
Other loans and receivables	—	74,116	74,116	—
<b>Subtotal</b>	<b>673,424</b>	<b>2,364,060</b>	<b>1,690,636</b>	<b>251.1%</b>
<b>Total</b>	<b>6,705,492</b>	<b>20,444,648</b>	<b>13,739,156</b>	<b>204.9%</b>

The following table provides information on the composition of our loan portfolio net of allowances as of December 31, 2016 and 2017

	As of December 31,			
	2016	2017	Variation	Variation
	(in millions of constant Ch\$)			(%)
<b>Commercial loans</b>				
Commercial loans	11,625,087	10,734,858	(890,229)	(7.7)%
Foreign trade loans	720,792	671,478	(49,314)	(6.8)%
Current account debtors	125,996	134,597	8,601	6.8%
Factoring operations	74,433	140,375	65,942	88.6%
Student loans	597,946	640,209	42,263	7.1%
Leasing transactions	1,043,046	923,507	(119,539)	(11.5)%
Other loans and receivables	28,243	24,608	(3,635)	(12.9)%
<b>Subtotals</b>	<b>14,215,543</b>	<b>13,269,632</b>	<b>(945,911)</b>	<b>(6.7)%</b>
<b>Mortgage loans</b>				
Letters of credit loans	57,589	47,260	(10,329)	(17.9)%
Endorsable mutual mortgage loans	151,167	134,103	(17,064)	(11.3)%
Other mutual mortgage loans	3,344,285	3,637,164	292,879	8.8%
Leasing transactions	283,084	273,175	(9,909)	(3.5)%
Other loans and receivables	28,920	26,032	(2,888)	(10.0)%
<b>Subtotal</b>	<b>3,865,045</b>	<b>4,117,734</b>	<b>252,689</b>	<b>6.5%</b>
<b>Consumer loans</b>				
Consumer loans	1,703,973	1,709,981	6,008	0.4%
Current account debtors	172,938	195,661	22,723	13.1%
Credit card debtors	396,514	401,505	4,991	1.3%
Consumer leasing transactions	16,519	10,778	(5,741)	(34.8)%
Other loans and receivables	74,116	58,787	(15,329)	(20.7)%
<b>Subtotal</b>	<b>2,364,060</b>	<b>2,376,712</b>	<b>12,652</b>	<b>0.5%</b>
<b>Total</b>	<b>20,444,648</b>	<b>19,764,078</b>	<b>(680,570)</b>	<b>(3.3)%</b>

[Table of Contents](#)

Business activities in Chile have been strategically aligned onto three commercial business units directly related not only to our medium term strategy but to our customers' needs: 1) Wholesale Banking (a. Corporate, b. Large Companies and c. Real Estate); 2) Retail Banking (a. Itaú Personal Bank, b. Itaú, c. Itaú Private Bank, d. Midsize Companies, e. SMEs and f. Banco Condell, our Consumer Finance Division); and 3) Treasury.

A description of each of the business units in Chile and of our Colombian banking subsidiary as well as of our New York branch is presented below:

**Wholesale Banking**

Wholesale Banking serves large economic groups, state-owned and private companies, mining companies, utilities, energy, seaports, airports, public hospitals or any business. Wholesale Banking also serves our real estate and project finance customers. It focuses on offering clients a broad range of services tailored to fit their specific needs. These services include deposit-taking and lending in both Chilean pesos and foreign currencies, trade financing, general commercial loans, working capital loans, letters of credit, interest rate, foreign exchange derivatives (including foreign exchange options) and cash flow management.

*Corporate Banking.* This business unit specializes in institutional customers and customers with annual sales in excess of US\$100 million.

*Large Companies.* This business unit includes a wide range of products and financial services to companies with annual sales between US\$8 million to US\$100 million.

*Real Estate Companies.* This business unit is focused on companies or economic groups in the real estate or construction industry with annual sales in excess of US\$100,000.

**Retail Banking**

Retail Banking serves retail individuals customers in Chile across all income levels, from low-income to high-income individuals, and also targets midsize companies and SMEs, the latter two grouped under "Itaú Companies." Retail Banking is organized into the following four business units:

*Itaú Personal Bank.* In 2017 we launched a new business unit for high-income individuals, with a monthly income in excess of Ch\$2.5 million. The business model for Itaú Personal Bank is based in our relationship with the customers. This is the first high-income individuals segment in Chile with differentiated branches at ground floor to be access directly from the street, and additionally with differentiated mobile and web channels. Currently, we have 20 premium branches and 37 traditional branches with a space for Personal Bank.

*Private Banking.* Within our Private Banking Division, we provide private banking services to our high-income and high net worth customers in Chile. We consider high-income individuals to be customers with a monthly income in excess of US\$1 million. Each client under our private banking or "Private Banking" program is provided with a liaison officer who oversees the client's entire relationship with us across all product lines. In addition to the products and services we provide to private banking customers, we offer tailored lending products designed to help keep their businesses growing.

*Itaú (Traditional Banking).* Our Traditional Banking Division is mainly oriented toward individuals in Chile with medium-high income levels (focused on clients between Ch\$600,000 and Ch\$2.5 million monthly income). Our traditional banking services are marketed and operated under the Itaú and Corpbanca brand names. We offer our traditional and private banking clients products in Chile such as checking accounts, credit lines, credit and debit cards, personal installment loans, mortgage loans, insurance banking, time deposits and savings accounts in Chilean pesos, Euros, UF and U.S. dollars, among others. In addition, we provide mutual fund and securities brokerage services. This segment is served under 120 branches.

*Banco Condell (Consumer Finance).* Our Consumer Finance Division operates under the trade name Banco Condell and is focused on clients in Chile with an annual income between Ch\$2.4 million and Ch\$7.2 million. Products and services we offer focus on the traditionally underserved low-to-middle income segments of the Chilean population, where the consumer loans represent the core of the business. Banco Condell has 56 standalone branches and its own brand identity.

**Treasury**

Our Treasury specializes in financial management and is largely responsible for our funding and liquidity as well as management of any gap on our balance sheet. In addition, through our Treasury we manage proprietary trading functions, market making and distribution and sales of flow and non-flow instruments for our corporate clients. This area is responsible for obtaining foreign currency-denominated credit lines from financial institutions outside of Chile.

[Table of Contents](#)

As of December 31, 2017, the outstanding loans from foreign banks to Itau Corpbanca were US\$1,872 million with approximately 26 financial institutions from the U.S., Canada, Germany, France, England, Japan, Switzerland and other countries, including Latin America. The international global risk assets outstanding as of December 31, 2017 were US\$2,734 million.

**Itau Corpbanca Colombia**

Itau Corpbanca Colombia provides a broad range of commercial and retail banking services to its customers in Colombia, operating principally in the cities of Bogotá, Medellín, Cali, Bucaramanga, Cartagena and Barranquilla. As of December 31, 2017, according to the Colombian Superintendency of Finance, Itau Corpbanca Colombia was the sixth largest bank in Colombia in terms of total assets, the seventh largest bank in Colombia in terms of total loans and the seventh largest bank in Colombia, in terms of total deposits as reported under local regulatory and accounting principles.

As of December 31, 2017, Itau Corpbanca Colombia had total assets of Ch\$6,253,642 million (US\$10,177 million), including total loans of Ch\$4,479,791 million (US\$7,290 million), total deposits of Ch\$3,939,179 million (US\$6,411 million) and total shareholders' equity of Ch\$621,428 million (US\$1,011 million). As of December 31, 2017, Itau Corpbanca Colombia had total net interest income of Ch\$228,877 million (US\$372.5 million) and a loss before tax of Ch\$32,653 million (US\$53.1 million). As of December 31, 2017, Itau Corpbanca Colombia had 174 branches, 176 ATMs and 3,644 employees in Colombia and Panama.

**New York Branch**

Our New York Branch offers a wide range of credit operations and services to both Chilean and non-Chilean retail customers and large and medium-sized companies. Operating with an offshore foreign branch of a Chilean bank is especially attractive to clients abroad as it provides a sense of proximity and it allows us to accompany our customers as they operate overseas, responding to their needs and service requirements. Our target market on the liability side consists of retail customers with sophisticated financial needs, medium and large Chilean companies, Latin American companies, and Chilean and Latin American banks without offshore branch offices, among others. The New York Branch has a Yankee Certificate of Deposits program that is placed directly to clients or through U.S. dealers.

Our New York Branch supports the commercial needs of Chilean and Latin American companies doing business overseas. Another important service is the participation in syndicated loans, together with other international institutions, to finance a variety of investment projects. Our New York Branch also has a private banking unit to provide checking accounts and other associated services. As of December 31, 2017, the branch had US\$1,703 million in assets.

**Financial Services Offered Through Subsidiaries**

We have made several strategic long-term investments in financial services companies in Chile (each of which are regulated and supervised by either the SBIF or the CMF), which are engaged in activities complementary to our core banking activities. Through wholly-owned subsidiaries, we intend to continue to develop a comprehensive financial services group able to meet the diverse financial needs of our current and potential clients. As of December 31, 2017, assets of our subsidiaries represented 0.8% of total consolidated. For the year ended December 31, 2017, net income of our subsidiaries totaled Ch\$27,019 million (US\$44.0 million).

The following table sets forth certain financial information with respect to our financial services subsidiaries as of December 31, 2015, 2016 and 2017, in millions of Chilean pesos. Amounts relating to inter-company transactions have not been removed for purposes of this table.

**Financial Services Offered Through Subsidiaries**

	As of and for the Year Ended December 31,								
	2015			2016			2017		
	Assets	Equity	Net Income	Assets	Equity	Net Income	Assets	Equity	Net Income
	(in millions of Ch\$)								
Itau Corpbanca Corredores de Bolsa S.A. <sup>(1)</sup>	—	—	—	56,121	39,482	365	118,651	42,567	(515)
Itau Adm. General de Fondos S.A. <sup>(2)</sup>	37,302	35,374	6,532	14,823	11,628	5,263	15,870	11,084	4,951
Itau Asesorías Financieras S.A. <sup>(3)</sup>	—	—	—	4,473	3,207	3,031	2,865	1,773	1,590
Itau Corredores de Seguros S.A. <sup>(4)</sup>	—	—	—	19,792	14,681	8,056	20,589	13,666	7,421
Itau Chile Corredora de Seguros Limitada <sup>(4)</sup>	51,998	50,945	8,049	18,168	13,093	10,499	18,965	12,389	9,796
Corp Legal S.A.	—	—	—	2,654	2,306	(277)	1,819	1,815	(491)
Itau Corpbanca Recaudaciones y Cobranzas S.A. <sup>(5)</sup>	—	—	—	2,473	1,098	447	3,833	1,211	91
Itau Corredor de Seguros Colombia S.A.	—	—	—	3,534	1,692	388	3,826	1,898	(25)
Itau Securities Services Colombia S.A. Sociedad Fiduciaria	—	—	—	13,888	13,484	600	12,652	12,268	945
Itau Asset Management Colombia S.A. Sociedad Fiduciaria	—	—	—	18,771	15,530	2,392	19,188	15,807	2,916
Itau Comisionista de Bolsa S.A.	—	—	—	11,267	10,012	890	12,303	7,214	352
Itau (Panamá) S.A.	—	—	—	—	—	—	—	—	—
Itau Casa de Valores S.A.	—	—	—	616	501	43	570	450	(12)
Corpbanca Securities Inc. <sup>(6)</sup>	—	—	—	481	467	(259)	—	—	—

- (1) On January 1, 2017, Itau BBA Corredor de Bolsa Limitada merged into Itau Corpbanca Corredores de Bolsa S.A. The legal name of the merged entity was changed to "Itau Corpbanca Corredores de Bolsa S.A." and the commercial name was changed to "Itau Corredores de Bolsa."
- (2) On December 29, 2017, Itau Chile Administradora General de Fondos S.A. merged into Corpbanca Administradora General de Fondos S.A. The legal name of the merged entity was changed to "Itau Administradora General de Fondos S.A." and the commercial name was changed to "Itau Asset Management."

- (3) On April 21, 2016, the legal name of Corpbanca Asesorías Financieras S.A. was changed to Itau Asesorías Financieras S.A.
- (4) On April 1, 2018, Itau Chile Corredora de Seguros Limitada merged into Corpbanca Corredores de Seguros S.A. The legal name of the merged entity was changed to "Itau Corredores de Seguros S.A." and the commercial name was changed to "Itau Corredores de Seguros."
- (5) On October 25, 2017, the legal name of Recaudaciones y Cobranzas S.A. was changed to Itau Corpbanca Recaudaciones y Cobranzas S.A.
- (6) Corpbanca Securities Inc., the broker-dealer in the United States, was dissolved on December 18, 2017.

[Table of Contents](#)***Itaú Corpbanca Corredores de Bolsa S.A. (formerly Corpbanca Corredores de Bolsa S.A.)***

Our subsidiary Itaú Corpbanca Corredores de Bolsa S.A., or ICCB, is a member of the Santiago Stock Exchange and is registered with the CMF as a security broker. ICCB's primary activities are providing brokerage services in equities, fixed income, and foreign currency exchange. ICCB's net income was Ch\$515 million for the year ended December 31, 2017. ICCB had assets under custody of Ch\$640,087 million as of December 31, 2017. For the year ended December 31, 2017, ICCB's net income was driven by a decrease in our customers' investments in local equity adversely affecting operating revenue. Our customer base is mainly comprised of the retail customer unit, which has historically shown a higher risk aversion than other customer business units.

On January 1, 2017, Itaú BBA Corredor de Bolsa Limitada merged into Corpbanca Corredores de Bolsa S.A. Itaú BBA Corredor de Bolsa Limitada, or ICB, was a member of the Santiago Stock Exchange and was registered with the CMF as a security broker. ICB's primary activities were providing brokerage services in equities, fixed income, and foreign currency exchange.

***Itaú Administradora General de Fondos S.A. (formerly Itaú Chile Administradora General de Fondos S.A.)***

We incorporated Itaú Administradora General de Fondos S.A., or IAGF, to complement banking services offered to our individual and corporate clients. IAGF's current function is to provide asset management services to individual, corporate and institutional clients. For the years ended December 31, 2015, 2016 and 2017, IAGF had net income of Ch\$6,532 million, Ch\$5,263 million and Ch\$4,951 million, respectively. IAGF had total assets of Ch\$37,302 million, Ch\$14,823 million and Ch\$15,870 million as of December 31, 2015, 2016 and 2017, respectively. As of December 31, 2017, IAGF managed 49 mutual funds, including fixed income funds and had total assets under management amounting to Ch\$1,681,483 million, an increase of Ch\$588,187 million as compared to December 31, 2016. During 2017, IAGF experienced an increase of 65% of its assets under management, explained mostly by the withdrawals observed in the last quarter of 2017, due to a higher volatility environment observed in local and international markets.

On December 29, 2017, Corpbanca Administradora General de Fondos S.A., or CAGF, merged into Itaú Chile Administradora General de Fondos S.A. CAGF's primary activities were providing asset management services to individual, corporate and institutional clients. For the year ended December 31, 2016, CAGF had net income of Ch\$3,067 million. CAGF had total assets of Ch\$6,363 million as of December 31, 2016. As of December 31, 2016, CAGF managed 24 mutual funds, including fixed income funds and six private investment funds, and had total assets under management amounting to Ch\$1,013,732 million. In 2016, CAGF's assets under management were impacted mostly by the withdrawals observed in the last quarter of 2016, due to a higher volatility environment observed in local and international markets.

The legal name of the merged entity was changed to "Itaú Administradora General de Fondos S.A." and the commercial name was changed to "Itaú Asset Management."

***Itaú Asesorías Financieras S.A.***

Itaú Asesorías Financieras S.A., or ICAF, provides a broad range of financial advisory services to a variety of corporations and government agencies, including those services related to debt restructurings, syndicated loans, structured loans, structured investment funds, bilateral grants, mergers and acquisitions, privatizations and company valuations. For the year ended December 31, 2017, ICAF had net income of Ch\$1,590 million. ICAF had total assets of Ch\$2,865 million as of December 31, 2017.

[Table of Contents](#)***Itaú Corredores de Seguros S.A. (formerly Corpbanca Corredores de Seguros S.A.)***

In accordance with our strategy of expanding the breadth of financial services that we offer, our subsidiary Itaú Corredores de Seguros S.A., or ICS, offers a full line of insurance products. Many of these products complement our banking services by offering clients unemployment and life insurance related to personal loans, as well as insurances in connection with mortgage loans. Through ICS, we also provide non-credit-related insurance to existing clients and the general public. For the year ended December 31, 2017, ICS had net income of Ch\$7,421 million. ICS had total assets of Ch\$20,589 million as of December 31, 2017.

On April 1, 2018, Itaú Chile Corredora de Seguros Limitada, or ICCS, merged into Corpbanca Corredores de Seguros S.A. ICCS's primary activities were providing a full line of insurance products to our clients. For the years ended December 31, 2015, 2016 and 2017, ICCS had net income of Ch\$8,049 million, Ch\$10,499 million and Ch\$9,796 million, respectively. ICCS had total assets of Ch\$51,998 million, Ch\$18,168 million and Ch\$18,695 million as of December 31, 2015, 2016 and 2017, respectively.

The legal name of the merged entity was changed to "Itaú Corredores de Seguros S.A." and the commercial name was changed to "Itaú Corredores de Seguros."

***Corp Legal S.A.***

Corp Legal S.A. was created in 2007 and is regulated by the SBIF. It provides standard legal services to Itaú Corpbanca, its subsidiaries and its clients.

***Itaú Corpbanca Recaudaciones y Cobranzas S.A. (formerly Recaudaciones y Cobranzas S.A.)***

On February 25, 2015, former Corpbanca, directly and indirectly, acquired all of the issued and outstanding shares of Recaudaciones y Cobranzas S.A., or Instacob, a debt collection company providing court and out-of-court collections services for loans. As a result of this transaction, Instacob became a wholly owned subsidiary of ours.

***Itaú Corredor de Seguros Colombia S.A. (formerly Helm Corredor de Seguros S.A.)***

Itaú Corredor de Seguros Colombia S.A. is a Colombian corporation (*sociedad anónima*), which acts as an insurance broker. It has its main domicile in the city of Bogota, D.C., Colombia, and is regulated by the Colombian Superintendency of Finance.

***Itaú Securities Services Colombia S.A. Sociedad Fiduciaria (formerly Corpbanca Investment Trust Colombia S.A. Sociedad Fiduciaria)***

We acquired a 91.9% equity interest in Corpbanca Investment Trust Colombia S.A. Sociedad Fiduciaria, now Itaú Securities Services Colombia S.A. Sociedad Fiduciaria, or ISS Colombia, in 2012 as part of the acquisition of Banco Santander Colombia. ISS Colombia is a financial services company operating in Colombia that specializes in trust and custodial services.

During 2015, ISS Colombia completed the implementation of a new custody software and became the first custodian to be certified with the Colombia Stock Exchange for the automation of processes for the development of the custodian activities. Its operations have grown starting with a value of assets under custody of COP\$1.6 billion (Ch\$363 million) in July 2015, to COP\$5.2 billion (Ch\$1,155 million) as of December 31, 2016 and to COP\$6.8 billion (Ch\$1,399 million) as of December 31, 2017. The value of assets under local and global custody were COP\$3.1 billion (Ch\$638 million) and COP\$3.7 billion (Ch\$761 million), respectively, as of December 31, 2017. ISS has contracts with entities in Panama, Mexico, Brazil and Luxembourg for global custody arrangements.

***Itaú Asset Management Colombia S.A. Sociedad Fiduciaria (formerly Helm Fiduciaria S.A.)***

Itaú Asset Management Colombia S.A. Sociedad Fiduciaria, is a Colombian corporation (*sociedad anónima*), which is engaged in trust portfolio management, including investment trust management, administration, security, real estate trusts and fund administration. It has its main domicile in the city of Bogota, D.C., Colombia and is regulated by the Colombian Superintendency of Finance.

***Itaú Comisionista de Bolsa S.A. (formerly Helm Comisionista de Bolsa S.A.)***

Itaú Comisionista de Bolsa S.A. is a licensed securities broker dealer operating in Colombia that is the result of the consolidation of two previously separate subsidiaries of Itaú Corpbanca Colombia, Corpbanca Investment Valores Colombia S.A. and Helm Comisionista de Bolsa S.A.

Itaú Comisionista de Bolsa S.A. offers and maintains a complete portfolio of products and services dedicated especially to the distribution of investments, and it complements its value proposition with financial advisory services.

[Table of Contents](#)***Itaú Casa de Valores S.A. (formerly Helm Casa de Valores (Panamá) S.A.)***

Itaú Casa de Valores S.A. is a Panamanian corporation (*sociedad anónima*) that acts as a brokerage firm. It has its main domicile in Panama City and is regulated by the Panamanian Superintendency of Securities Market.

**SEASONALITY**

Our business is not materially affected by seasonality.

**RAW MATERIALS**

On a consolidated basis, Itaú Corpbanca is not dependent on sources or availability of raw materials.

**DISTRIBUTION CHANNELS, ELECTRONIC BANKING AND TECHNOLOGY*****Itaú Corpbanca***

Our distribution network provides integrated financial services and products to our customers through diverse channels, including ATMs, traditional branches, mobile banking, internet banking and telephone banking. As of December 31, 2017, we operated 201 branch offices in Chile and New York, which includes 145 branches operating as Itaú, 56 branches operating as Banco Condell, our consumer finance division and our New York Branch. In addition, as of December 31, 2017, we owned and operated 469 ATMs in Chile, and our customers have access to over 7,620 ATMs (including Banco del Estado de Chile's ATMs) in Chile through our agreement with Redbanc. We utilize a number of different sales channels including account executives, telemarketing and the internet to attract new clients. Our branch system serves as the main distribution network for our full range of products and services.

We offer internet and mobile banking to our customers 24 hours a day through our password-protected internet site, [www.itau.cl](http://www.itau.cl). Our internet site offers a broad range of services, including up-to-date information on balances in deposit, checking, loan, credit card and other accounts and transactional capabilities such as transfers and payments. As of December 31, 2017, we had 219,721 customers with activated internet passwords in Chile, allowing them to access our internet banking services. We are a member of the *Sociedad Interbancaria de Transferencias Electrónicas S.A.*, an organization that facilitates electronic banking transactions on behalf of our customers as well as other Chilean banks. We also provide our customers with access to a 24-hour phone-banking call center that grants them access to account information and allows them to effect certain payments by telephone.

As part of the Merger process, during 2017 we conducted an operational and brand integration in Chile. As of December 31, 2017, we migrated our retail customers from the legacy IT systems to the platform used by former Banco Itaú Chile. For the activities of former Corpbanca, we maintain several service and lease agreements with IBM de Chile S.A.C., which provides us with the computer hardware and network build-out that we use in our headquarters and branch offices, the recovery data center is in NetGlobalis. Our main platform is Altamira. For the activities of former Corpbanca, our platform uses IBS (Integrated Banking System) with additional internal developments. We also have our own main data centers as well as a recovery data centers.

***Itaú Corpbanca Colombia***

Itaú Corpbanca Colombia's distribution channel provides integrated financial services and products to its customers in Colombia through several diverse channels, including ATMs, branches, internet banking and telephone banking.

As of December 31, 2017, Itaú Corpbanca Colombia operated 174 branch offices in Colombia and Panama and owned and operated 176 ATMs in Colombia, and also provided its customers with access to over 15,290 additional ATMs through Colombia's other financial institutions. Itaú Corpbanca Colombia utilizes a number of different sales channels including account executives, telemarketing and the internet to attract new clients. Itaú Corpbanca Colombia's branch system serves as the main distribution network for its full range of products and services.

Itaú Corpbanca Colombia offers internet banking to its customers 24 hours a day through its password-protected internet site, [www.bancoCorpbanca.com.co](http://www.bancoCorpbanca.com.co). Itaú Corpbanca Colombia's internet site offers a broad range of services, including up-to-date information on balances in deposit, checking, loan, credit card and other accounts and transactional capabilities such as transfers and payments. As of December 31, 2017, Itaú Corpbanca Colombia had 94,436 customers with activated internet passwords who used the electronic banking service at least once during the month, allowing them to access Itaú Corpbanca Colombia's internet banking services. Itaú Corpbanca Colombia is a member of ACH Colombia S.A. and Cenit S.A., organizations that facilitate electronic banking transactions on behalf of its customers as well as other Colombian banks. Itaú Corpbanca Colombia also provides its customers with access to a 24-hour phone-banking call center that grants them access to account information and allows them to effect certain payments by telephone.

Itaú Corpbanca Colombia is currently in the implementation phase of the migration of Corpbanca Colombia's brand platform to the proprietary platform. Itaú Corpbanca has on-line banking for individuals and commercial customers, and an app targeted for the consumer banking clients.

[Table of Contents](#)**PATENTS, LICENSES AND CONTRACTS**

Itaú Corpbanca is not dependent on patents or licenses, nor is it substantially dependent on any industrial, commercial or financial contracts (including contracts with customers or suppliers).

**COMPETITION***Competition in Chile*

Description of the Chilean Financial System. The Chilean financial services market consists of a variety of largely distinct sectors. The most significant sector, commercial banking, includes 19 privately-owned banks and one state-owned bank, Banco del Estado de Chile (which operates within the same legal and regulatory framework as the private sector banks). The private sector banks include those that are Chilean-owned, i.e., controlled by a Chilean entity, as well as a number of foreign-owned banks which are operated in Chile but controlled by a foreign entity. In 2017, four private sector banks along with the state-owned bank together accounted for 75.6% of all outstanding loans by Chilean financial institutions as of December 31, 2017: Banco Santander-Chile (18.7%), Banco de Chile (17.2%), Banco de Crédito e Inversiones, or Bci (13.6%), Itaú Corpbanca (10.8%), and Banco del Estado de Chile (15.3%). All market share statistics in this paragraph are presented as reported to the SBIF calculated under local regulatory and accounting principles on an unconsolidated basis.

Financial System Evolution in Chile. The Chilean banking system has experienced a consolidation process in the past decades with mergers and acquisitions of banking entities in line with global trends.

Following rapid consolidation among Chilean banks commencing in the late 1990s through today, the market has become characterized by fewer larger players. Our principal competitors in Chile are Banco de Chile, Banco Santander-Chile, Bci and a new bank expected to result from the merger of Scotiabank Chile with Banco Bilbao Vizcaya Argentaria Chile, announced on December 6<sup>th</sup>, 2017. As compared to other Chilean banks, we believe our position in the Chilean banking industry after the Merger enables us to compete with international banks seeking to provide loans to companies operating in Chile, especially since we have a greater scale and resources to grow and compete more effectively. Additionally, we have a unique control and support from a leading institution such as Itaú Unibanco. Itaú Corpbanca will be able to expand its banking products' offering through proven segmentation and digitalization models.

Commercial banks, such as us, face increasing competition from other financial intermediaries who can provide larger companies with access to the capital markets as an alternative to bank loans. To the extent permitted by the Chilean General Banking Act, we seek to maintain a competitive position in this respect through the investment banking activities of our subsidiary Itaú Asesorías Financieras.

We face competition in our mortgage and consumer loans businesses from insurance companies, which have been permitted to grant mortgage loans. In addition to the other banks that operate in Chile, our main competitors in the credit card business are department stores and other non-banking businesses involved in the issuance of private-label credit cards. We intend to remain competitive in the mortgage loan services and credit card markets through product innovation.

We also experience competition from banks that provide international private banking services such as JPMorgan Chase and BNP Paribas, among others. We believe our main competitive advantage in our Private Banking business unit has been our ability to provide our customers with tailored lending products and responses to their needs as soon as possible. Our lower income retail banking business unit, Banco Condell, competes with consumer divisions of other banks such as Banefe, CrediChile and Banco Nova, among others, as well as certain consumer credit providers, including department stores. We believe that the main competitive advantage of our Banco Condell business unit is our ability to provide responses as soon as possible, know our customers' needs and provide a fair price structure.

*Competition in Colombia*

Description of the Colombian Financial System. In recent years, the Colombian banking system has been undergoing a period of consolidation given the series of mergers and acquisitions that have taken place within the sector, including the Santander Colombia Acquisition and the Helm Bank Acquisition. Several mergers and acquisitions have taken place since 2008, including: (a) the acquisition of the Colombian arm of ABN Amro Bank by the Royal Bank of Scotland; (b) the acquisition of a majority stake in Banco Colpatria by Scotiabank; (c) the acquisition of BAC-Credomatic, which has operations in several countries in Central America, by Banco de Bogotá; (d) the merger of Helm Bank S.A. with and into Banco Corpbanca Colombia S.A.; and (e) the merger of Banco GNB Colombia S.A. (previously known as Banco HSBC Colombia S.A.) with and into Banco GNB Sudameris S.A. During 2015, three new banks commenced operations in Colombia: Banco Mundo Mujer S.A. (previously operating as a microloan originator); Banco Multibank and Banco Compartir S.A., which converted its licenses from financing companies to banks.

Additionally, pursuant to the Transaction Agreement with Itaú Unibanco, and its amendment dated January 20, 2017, Itaú Corpbanca Colombia acquired the assets and liabilities of Itaú BBA Colombia S.A. Corporación Financiera on June 16, 2017. The

[Table of Contents](#)

transaction was approved by the shareholders of Itau Corpbanca Colombia on December 21, 2016, by the shareholders of Itau BBA Colombia on November 15, 2016, by Helm LLC (in its capacity of minority shareholder of Itau Corpbanca Colombia), and by the CFS on April 7, 2017.

As of December 31, 2017, and according to the Colombian Superintendency of Finance, the principal participants in the Colombian financial system were the Central Bank of Colombia, 25 commercial banks (14 domestic private banks, 10 foreign banks, and one domestic state-owned bank), five finance corporations and 15 financing companies (three leasing companies and 12 traditional financing companies). In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouse, special state-owned institutions, pension and severance pay funds also participate in the Colombian financial system.

The Financial Reform Act of 2009 (Law 1328 passed July 15, 2009) authorized banks to provide merger and acquisition loans and allowed them to conduct financial leasing operations. As a result, some competitors have absorbed their financial leasing subsidiaries into their banking franchises and some leasing companies are in the process of becoming banks.

*Financial System Evolution in Colombia during 2016 and 2017.* 2017 was a challenging year for the Colombian financial services sector. The inflation rate decreased throughout the year and ended on 4.09% as of December 31, 2017, close to but still above the Central Bank's target rate of 2%-4%. The reference interest rate decreased by 225 basis points on 2017. The Central Bank's rate was 7.50% as of January 1, 2017 and 4.75% as of December 31, 2017. Bank lending increased 6.1% on 2017 compared to 12.2% on 2016, similarly deposits grew 6.7% as of December 31, 2017, compared to December 31, 2016.

The Colombian banking system's level of past-due loans as a percentage of the system's total loan portfolio increased to 4.3% for December 2017, after the 3.1% registered for December 2016. The rate of growth of past due loans above 30 days was 45.5% for the year 2017 until December. As a consequence, coverage, measured as the ratio of allowances to past-due loans, ended December 2017 at 134.0%, compared to 155.5% at the end of 2016.

The demand for business loans granted by banks increased by 3.6% for 2017, a moderation on the dynamics compared to an 11.4% increase in 2016. Consumer loans granted by banks also decreased its rate of growth with 9.1% increase in 2017, compared to a 13.2% increase observed in 2016. A similar behavior was presented on mortgages where the gross amount of loans increased of 11.2% compared to 15.1% on 2016. On the other hand, small business loans increased 7.6% in 2017 while on 2016 that category increased 6.1%.

During 2017, lending lost some weight in the Colombian banks system's structure. Net loans decreased from 68.5% of total assets at the end of 2016 to 67.9% at the end of December 2017, and investment portfolio and derivatives, as a percentage of total assets, increased from 17.2% at the end of 2016 to 17.8% at the end of 2017.

As of December 31, 2017, the Colombian financial sector recorded COP\$608,551,285 million in total assets, representing a 5.9% increase as of December 31, 2016. The Colombian financial system's total composition of assets shows banks with a market share of 95.5%, followed by financial corporations with 2.0%, financing companies with 2.0% and financial cooperatives with 0.5%.

As of December 31, 2017, the capital adequacy ratio (Tier 1 + Tier 2) for credit institutions was 16.6% (including banks, finance corporations, financing companies and cooperative entities), increasing by 73 basis points when compared to December 31, 2016, and which is well above the minimum legal requirement of 9%.

## Loans

As of December 31, 2016 and 2017, our gross consolidated loan portfolio was Ch\$21,048,484 million and Ch\$20,439,448 million, respectively, as reported to the SBIF calculated under local regulatory and accounting principles. This placed us as the fourth largest financial institution among private Chilean banks and fifth place among all banks operating in Chile. Our gross consolidated loan portfolio represented 10.8% of the market for loans in the Chilean financial system (comprising all commercial banks) as of December 31, 2017. In 2016, due to the Merger and the consolidation of the loan portfolios of former Corpbanca and former Banco Itau Chile, our aggregate gross loan portfolio grew by 42.1%. However, due to the decline investment activity in Chile and a more challenging economic scenario in 2017, when compared to the combined loan portfolios in 2016, our consolidated loan portfolio decreased in 2017 by 2.9%.

[Table of Contents](#)

The following table sets forth the aggregate outstanding loans for us and the five other private sector banks with the largest market shares in Chile as of December 31, 2015, 2016 and 2017, based on information as reported to the SBIF calculated under local regulatory and accounting principles:

	<b>Bank Loans <sup>(1)</sup></b>		
	<b>As of December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(in millions of Ch\$)</b>		
Banco Santander-Chile	25,289,880	26,933,624	27,563,229
Banco de Chile	24,558,041	25,385,534	25,439,535
Banco de Crédito e Inversiones (Bci)	20,134,981	22,324,012	24,531,460
Itaú Corpbanca <sup>(2)</sup>	6,823,977	21,048,484	20,439,448
Banco Bilbao Vizcaya Argentaria, BBVA	9,002,343	9,252,921	9,702,467
Scotiabank Chile	8,227,571	8,840,341	10,448,203
Others	47,933,251	35,771,491	38,352,083
<b>Total</b>	<b>141,970,044</b>	<b>149,556,407</b>	<b>156,476,425</b>

Source: SBIF monthly consolidated financial information

(1) Excludes interbank loans.

(2) The amounts under IFRS for 2015, 2016 and 2017 are Ch\$6,801,071 million, Ch\$21,003,952 million and Ch\$20,382,605 million, respectively.

### Deposits

We had consolidated deposits of Ch\$14,206,910 million as of December 31, 2017, as reported under local regulatory and accounting principles, which consisted of our checking accounts, bankers' drafts, savings accounts, time deposits and other commitments. Our market share of 8.5% for deposits and other obligations as of such date ranks us in fourth place among private sector banks in Chile.

The following table sets forth the aggregate deposits for us and the five other private sector banks with the largest market share as of December 31, 2015, 2016 and 2017, based on information as reported to the SBIF calculated under local regulatory and accounting principles:

	<b>Bank Deposits and Other Obligations <sup>(1)</sup></b>		
	<b>As of December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(in millions of Ch\$)</b>		
Banco Santander-Chile	19,538,888	20,691,024	19,682,111
Banco de Chile	18,234,740	18,874,049	18,983,484
Banco de Crédito e Inversiones (BCI)	17,349,184	18,151,951	20,226,470
Itaú Corpbanca	4,933,922	16,034,901	14,206,910
Banco Bilbao Vizcaya Argentaria Chile (BBVA)	6,689,730	6,876,369	6,810,027
Scotiabank Chile	5,204,251	6,144,361	7,024,759
Others	47,616,730	36,739,147	40,206,196
<b>Total</b>	<b>119,567,445</b>	<b>123,511,802</b>	<b>127,139,957</b>

Source: SBIF monthly consolidated financial information

(1) Our aggregate deposits as calculated under IFRS for the years ended December 31, 2015, 2016 and 2017 were Ch\$4,933,922 million, Ch\$16,034,901 million and Ch\$14,206,910 million, respectively.

### Shareholders' Equity

We were the first largest among private sector banks in Chile with Ch\$3,149,663 million in shareholders' equity (excluding net income and accrual for mandatory dividends) as of December 31, 2017, as reported to the SBIF calculated under local regulatory and accounting principles.

[Table of Contents](#)

The following table sets forth the level of shareholders' equity for us and the five largest private sector banks in Chile (measured by shareholders' equity) as of December 31, 2015, 2016 and 2017, based on information as reported to the SBIF calculated under local regulatory and accounting principles:

	Shareholders' Equity <sup>(1)(2)</sup>		
	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Banco Santander-Chile	2,420,484	2,538,055	2,670,809
Banco de Chile	2,505,558	2,620,394	2,842,609
Banco de Crédito e Inversiones (BCI)	1,771,113	2,280,185	2,467,862
Itaú Corpbanca <sup>(3)</sup>	740,335	3,172,486	3,149,663
Banco Bilbao Vizcaya Argentaria Chile (BBVA)	722,896	768,215	844,129
Scotiabank Chile	703,600	772,684	827,611
Others	4,933,087	4,129,791	4,083,895
<b>Total</b>	<b>13,797,073</b>	<b>16,281,810</b>	<b>16,886,578</b>

Source: SBIF monthly consolidated financial information

- (1) Shareholders equity = Equity attributable to shareholders excluding net income and accrual for mandatory dividend.
- (2) For comparison purposes with other banks, the information is presented under standards issued by the SBIF.
- (3) The amounts under IFRS, excluding net income and accrual for mandatory dividends, for the years ended December 31, 2015, 2016 and 2017 were Ch\$737,793 million, Ch\$3,171,365 million and Ch\$3,160,890 million, respectively.

## CHILEAN BANKING REGULATION AND SUPERVISION

### General

In Chile, only banks may maintain checking accounts for their customers and accept time deposits. The principal financial institutions regulators in Chile are the SBIF and the Central Bank of Chile. Chilean banks are primarily subject to the Chilean General Banking Act and secondarily, to the extent not inconsistent with such statute, the provisions of the *Ley 18.046 sobre Sociedades Anónimas* or the Chilean Corporations Act governing public corporations, except for certain provisions which are expressly excluded.

The modern Chilean banking system dates from 1925 and has been characterized by periods of substantial regulation and state intervention, as well as periods of deregulation. The most recent period of deregulation commenced in 1975 and culminated in the adoption of a series of amendments to the Chilean General Banking Act. The Chilean General Banking Act sets forth the regulatory framework to which banks are subject outlining the activities that a bank may and may not carry out in Chile and their attributions -in addition to traditional banking activities- including general underwriting powers for new issuances of certain debt and equity securities and the power to create subsidiaries to engage in activities related to banking, such as brokerage, investment advisory, mutual fund services, administration of investment funds, factoring, securitization products and financial leasing services.

Following the Chilean banking crisis of 1982 and 1983, the SBIF assumed control of 21 financial institutions representing approximately 51% of the total loans in the banking system. As part of the solution to this crisis, the Central Bank of Chile acquired from financial institutions a certain portion of their distressed loan portfolios, at the book value of such loan portfolios. Each institution then repurchased such loans at their economic value (which, in most cases, was much lower than the book value at which the Central Bank of Chile had acquired the loans) and the difference was to be repaid to the Central Bank of Chile out of future income. Pursuant to Law No. 18,818, which was passed in 1989, this difference was converted into a subordinated obligation with no fixed term, known as *deuda subordinada* or subordinated debt, which in the event of liquidation of the institution, would be paid after the institution's other debts had been paid in full.

### Central Bank of Chile

The Central Bank of Chile is an autonomous legal entity created by the Chilean Constitution. It is subject to the Chilean Constitution and its own *ley orgánica constitucional*, or Constitutional Act. To the extent not inconsistent with the Chilean Constitution or the Central Bank of Chile's Constitutional Act, the Central Bank of Chile is also subject to private sector laws (but in no event it is subject to the laws applicable to the public sector). It is directed and administered by a council composed of five members designated by the President of Chile, subject to the approval of the Senate.

The legal purpose of the Central Bank of Chile is to maintain the stability of the Chilean peso and the orderly functioning of Chile's internal and external payment system. The Central Bank of Chile's powers include setting reserve requirements, regulating the amount of money and credit in circulation, establishing regulations and guidelines regarding finance companies, foreign exchange (including the Formal Exchange Market) and banks' deposit-taking activities.

### SBIF

Banks in Chile are supervised by the SBIF, an independent Chilean governmental agency. The main responsibilities of the SBIF are to authorize the incorporation of new banks and to interpret and enforce, with broad powers, legal and regulatory

[Table of Contents](#)

requirements applicable to Chilean banks and other entities. Furthermore, in case of non-compliance with such legal and regulatory requirements, the SBIF may impose sanctions, including fines payable by the directors, managers and employees of a bank as well as the bank itself. In extreme cases it can appoint, by special resolution with the prior approval of the board of directors of the Central Bank of Chile, a provisional administrator to manage a bank. It must also approve any amendment to a bank's by-laws (including, increase in its capital).

The SBIF examines all banks from time to time, generally at least once a year. Banks are also required to submit monthly unaudited consolidated and unaudited financial statements to the SBIF and publish their quarterly and annual financial statements in a newspaper with countrywide coverage. In addition, banks are required to provide extensive information regarding their operations at various periodic intervals to the SBIF. Financial statements as of December 31 of any given year must be audited. A bank's annual financial statements and the opinion of its independent auditors must also be submitted to the SBIF for review.

The SBIF must approve in advance any direct or indirect acquisition of more than 10% of the share capital of a bank. The absence of such approval will cause the acquirer to lose the voting rights of such shares. The SBIF may only refuse to grant its approval based on specific grounds set forth in the Chilean General Banking Act and its regulations.

#### ***Limitations on Types of Activities***

Chilean banks can only conduct those activities allowed by the Chilean General Banking Act: making loans, accepting deposits, issuing bonds, engaging in certain international operations, performing specially entrusted activities (*comisiones de confianza*) and, subject to limitations, making investments and performing financial services related to banking. Investments are restricted to real estate and physical asset for the bank's own use, gold, foreign exchange and debt securities. In addition, local banks are allowed to engage in certain derivatives such as options, swaps and forward contracts over certain underlying assets. Through subsidiaries, banks may also engage in other specific financial service activities such as securities brokerage services, mutual fund management, investment fund management, factoring, securitization, financial advisory and leasing activities. Subject to specific limitations and the prior approval of the SBIF and the Central Bank of Chile, Chilean banks may own majority or minority interests in foreign banks.

#### ***Deposit Insurance***

In Chile, the government guarantees up to 90% of the aggregate amount of certain time deposits held by individuals in the Chilean banking system. The government guarantee covers those obligations with a maximum value of UF120 per person (Ch\$3.2 million or US\$5,233 as of December 31, 2017) in each calendar year.

#### ***Reserve Requirements***

Deposits are subject to a reserve requirement of 9% for all demand deposits and obligations that are payable on demand, and 3.6% for time deposits and deposits in savings accounts in any currency of any term, judicially ordained deposits, and any other deposit (*captación*) for a term of up to one year. For purposes of calculating this reserve requirement, banks are authorized to make certain daily deductions from their liabilities in Chilean pesos, the most relevant of which include:

- cash clearance account, which should be deducted from demand deposits for calculating reserve requirements;
- certain payment orders issued by pension providers; and
- the amount subject to "technical reserve" (as described below), which can be deducted from reserve requirements.

In the case of liabilities in foreign currency, banks are authorized to deduct for this purpose the amounts mentioned in the first and third bullet above.

The Central Bank of Chile has statutory authority to require banks to maintain reserves of up to an average of 40% for demand deposits and up to 20% for time deposits (irrespective, in each case, of the currency in which they are denominated) to implement monetary policy. In addition, according to the Chilean General Banking Act and the regulations issued by the SBIF and the Central Bank of Chile, Chilean banks must maintain a technical reserve of 100% of all deposits and obligations a bank has acquired in its financial business that are payable on demand, except for obligations with other banks, whenever such deposits and obligations exceed 2.5 times their basic capital. This technical reserve must be calculated daily, and must be kept in deposits in the Central Bank of Chile or documents issued by the Central Bank of Chile or the Chilean Treasury with a maturity date of no more than 90 days.

During 2015, the Chilean Central Bank published a final version of new liquidity standards for local banks, based on Basel III guidelines. The SBIF is the institution empowered to put these guidelines into practice and monitor them on an ongoing basis. Accordingly, the SBIF released a set of new liquidity requirements for banks (Circular No. 3,585) on July 31, 2015. These guidelines established reporting requirements for local banks with respect to management and measurement of banks' liquidity positions, compelling banks to share financial information with the regulator and the general public regarding liquid assets, liabilities,

[Table of Contents](#)

concentration of financial instruments by type of liability and counterparty and weighted maturity by type of liability, among other metrics. The most significant liquidity ratios that will eventually be adopted by Chilean banks are:

- Liability concentration per institutional and wholesale counterparty. Banks will have to calculate the percentage of their liabilities coming from institutional and wholesale counterparties, including ratios regarding renovation, renewals, restructurings, maturity and product concentration of these counterparties.
- Liquidity coverage ratio (LCR), which measures the percentage of liquid assets over net cash outflows. The new guidelines also define liquid assets and the formulas for calculating net cash outflows.
- Net Stable Funding Ratio (NSFR) which will measure a bank's available stable funding relative to its required stable funding. Both concepts are also defined in the new regulations.

The first stage of these new liquidity requirements, which is currently being implemented, is intended to improve the information—in quantity and quality—about the actual situation of banks without imposing specific limits, except liquidity mismatches for 30-and 90-day periods, for which thresholds with respect to banks' capital, are already in place. The final limits and results should begin to be published by the end of 2018 or 2019.

### ***Minimum Capital***

Under the Chilean General Banking Act, a bank must have a minimum paid-in capital and reserves of UF800,000 (Ch\$21,438.5 million or US\$34.9 million as of December 31, 2017).

### ***Capital Adequacy Requirements***

The Chilean General Banking Act and the Regulations of the SBIF include a modified version of the capital adequacy guidelines issued by the Basel Committee. According to such modified guidelines, the capital and reserves of a bank, or basic capital, cannot be less than 3% of total assets net of allowances, and its "effective net equity" cannot be less than 8% of its risk-weighted assets net of required loan loss allowances.

Basic capital is defined as a bank's paid-in capital and reserves and is similar to Tier 1 capital except that it does not deduct goodwill nor intangible assets.

Regulatory capital or "effective net equity" is defined as the aggregate of:

- a bank's paid-in capital and reserves;
- its subordinated bonds, valued at their placement price (but decreasing by 20% for each year during the period commencing six years prior to maturity), for an amount up to 50% of its basic capital;
- goodwill or premiums, paid balances and investments in companies that are not part of the consolidation, which shall be deducted;
- its voluntary allowances for loan losses for an amount of up to 1.25% of risk-weighted assets;
- minority interests of up to 20% of the basic capital (provided that if such minority interests exceed 20%, only 20% will be taken into account); and
- other adjustments as instructed by the SBIF.

In cases where a limit is required to be applied on an unconsolidated basis, capital attributable to subsidiaries and foreign branches shall be excluded.

The Chilean General Banking Act contains a five-category risk classification system to be applied to bank assets that is based on the Basel Committee recommendations.

As provided in article 68 of the Chilean General Banking Act, if a bank fails at any time to meet the legal requirements relating to the maintenance of regulatory capital (which is comprised of effective net worth and basic capital, as both concepts are defined in article 66 of the Chilean General Banking Act and Chapter 12-1 of the Regulations of the SBIF), the bank would have to comply with such legal requirements within a period of 60 days. For each day it fails to comply with such legal requirements, it would be subject to a daily penalty equal to one thousandth of the deficit of the effective net worth or basic capital, as the case may be.

In line with the future adoption of Basel III regulations in Chile, the SBIF has maintained a proposal to increase the minimum effective BIS capital adequacy ratio from the current 8% to 10.5%. This change requires an amendment to the Chilean General

[Table of Contents](#)

Banking Act by the Chilean Congress. The changes to the Chilean General Banking Act that were proposed to the Chilean Congress, establish the main guidelines for the application of Basel III in Chile, which includes a full implementation as of December 2024, with a minimum total capital of 10.5%, without considering the cyclical buffer requirements and SIFI that must be defined by the regulator. It should be noted that there are still several key definitions pending so that all the impacts of the application are not known, as well as the exact capital deductions from the regulatory capital, specific buffer sizes, possible changes in the weight of the Risk-Weighted Assets (“RWA”), as well as the definitive models of market and operational risk, and the general roll-in phase. Given that the final regulation is not yet available, it is difficult to establish with certainty assumptions that make possible to have a precise new capital position. In this way, the bank contemplates periodic reviews of the premises in such a way as to reduce the volatility in the projections. Although we have not failed in the past to comply with our capital maintenance obligations, there can be no assurance that we will not do so in the future.

***Lending Limits***

Under the Chilean General Banking Act, Chilean banks are subject to certain lending limits, including the following:

- a bank cannot extend to any entity or individual, directly or indirectly, unsecured credit in an amount that exceeds 10% of the bank’s effective net equity, or in an amount up to 30% of its effective net equity if the excess over 10% is secured by certain assets with a value equal to or higher than such excess. In the case of foreign currency export trade financing, the ceiling for secured credits is also established at 30%. In the case of financing infrastructure projects built through the concession mechanism, the 10% ceiling for unsecured credits is 15% if secured by a pledge over the concession, or if granted by two or more banks or finance companies which have executed a credit agreement with the builder or holder of the concession, while the ceiling for secured credits remains at 30%;
- a bank cannot extend loans to another financial institution subject to the Chilean General Banking Act in an aggregate amount exceeding 30% of its effective net equity;
- a bank cannot directly or indirectly grant a loan whose purpose is to allow an individual or entity to acquire shares of the lender bank;
- a bank cannot lend, directly or indirectly, to a director or any other person who has the power to act on behalf of such bank; and
- a bank cannot grant loans to related parties (which relation can arise from management or for ownership reasons, including holders of more than 1% of its shares, except in the case of companies which are actively traded on the Santiago Stock Exchange, like Itaú Corpbanca, in which case the limit is 5%) on more favorable terms than those generally offered to non-related parties. In addition, the aggregate amount of loans to a single group of related parties cannot exceed 5% of the bank’s effective net equity or 25% if the excess thereof is secured by certain assets with a value equal to or greater than such excess, or by certain other collateral specified in the Chilean General Banking Act. The definitions of “related” and “group” for these purposes are determined by the SBIF. The aggregate amount of all credits granted to related parties of the bank cannot exceed its effective net equity.

To determine the lending limits with respect to a particular person, the obligations undertaken by partnerships in which the relevant person is an unlimited partner or by companies of any nature in which such person has more than 50% of their capital or more than 50% of their profits, will be accounted as obligations of such person. Likewise, if the participation of the relevant person in a company is higher than 2% but not higher than 50% of its capital or profits, then the obligations of such company will be accounted for as obligations of such person in proportion to its actual participation. Finally, when there is a plurality of debtors of the same obligation, then the obligation will be deemed joint and several with respect to each and all of the debtors, unless expressly undertaken in other terms.

***Allowance for Loan Losses***

Chilean banks are required to provide to the SBIF detailed information regarding their loan portfolio on a monthly basis. The SBIF examines and evaluates each financial institution’s credit management process, including its compliance with the loan classification guidelines. Banks must classify and evaluate their credits portfolio pursuant to the rules issued by the SBIF. However, a bank may request the authorization of the SBIF to use its own internal evaluation model for groups, to the extent they comply with certain requirements.

***Classification of Banks and Loan Portfolios***

*Solvency and Management.* Chilean banks are classified into categories I through V based upon their solvency and management ratings. The classification of each bank is confidential.

- *Category I:* This category is reserved for financial institutions that have been rated level A in terms of solvency and management.

[Table of Contents](#)

- *Category II:* This category is reserved for financial institutions that have been rated (1) level A in terms of solvency and level B in terms of management, (2) level B in terms of solvency and level A in terms of management, or (3) level B in terms of solvency and level B in terms of management.
- *Category III:* This category is reserved for financial institutions that have been rated (1) level B in terms of solvency and level B in terms of management for two or more consecutive review periods, (2) level A in terms of solvency and level C in terms of management, or (3) level B in terms of solvency and level C in terms of management.
- *Category IV:* This category is reserved for financial institutions that are rated level A or B in terms of solvency and have been rated level C in terms of management for two or more consecutive review periods.
- *Category V:* This category is reserved for financial institutions that have been rated level C in terms of solvency, irrespective of their management rating level.

A bank's solvency rating is determined by its regulatory capital (after deducting accumulated losses during the financial year) to risk-weighted assets ratio. This ratio is equal to or greater than 10% for level A banks, equal to or greater than 8% and less than 10% for level B banks and less than 8% for level C banks.

With respect to a bank's management rating, level A banks are those that are not rated as level B or C. Level B banks display some weakness in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios, which must be corrected within the period preceding the next evaluation, considering also the penalties imposed to the bank (except for those with a pending claim). Level C banks display significant deficiencies in internal controls, information systems, response to risk, private risk rating or ability to manage contingency scenarios.

#### ***Main Differences Between the Accounting Policies under IFRS and Chilean Banking GAAP***

As stated above, Chilean Banking GAAP, as prescribed by the Compendium of Accounting Standards, differs in certain respects from IFRS. The main differences that should be considered by an investor are the following:

*Effective interest rate.* Under Chilean Banking GAAP, the Bank recognizes interest of some loans on a contractual basis. Under IFRS, this situation it is not permitted and interest must be recognized based on the effective interest rate.

*Loan loss allowances.* The main difference between Chilean Banking GAAP and IFRS regarding loan loss allowances is that under Chilean Banking GAAP, these are calculated based on specific guidelines set by the SBIF, which are in turn based on an expected losses approach, and under IFRS, we use an incurred loss approach. The Bank has adjusted the consolidated financial statements accordingly. The SBIF has announced that it will not be adopting IFRS 9 in 2018. The most significant impact of IFRS 9 on the Bank's financial statements arises from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments within the scope of the IFRS 9 impairment model. Based on the assessment undertaken to date, during the second half of 2017, Itau Corpbanca conducted simulations to obtain a better understanding of the potential effect of the new accounting standard. The transition to IFRS 9 will cause, in accordance with management's best estimate, a reduction in stockholder's equity of not higher than 3.8%.

*Suspension of recognition of income on an accrual basis.* Under Chilean Banking GAAP, the Bank does not recognize income on an accrual basis in the Statement of Income for certain loans included in the impaired portfolio. Under IFRS, this situation it is not permitted and interest must be recognized based on the effective interest rate.

*Loan write-offs.* Under Chilean Banking GAAP, write-offs of loans and accounts receivable are based on due, past due and current installments, and the term begins at the moment of default, i.e., when the default time of an installment or a portion of a loan reaches the write-off term established by the SBIF. The term corresponds to the time elapsed since the date on which payment of all or part of the obligation in default became due.

Under IFRS, it is not required to establish a charge-off date.

*Investments in other companies.* Investments in other companies in which the Bank does not exercise significant influence (ownership interest less than 20%) were reclassified and presented as available-for-sale financial investment in accordance with IAS 39.

*Other assets.* In applying IFRS, certain deferred expenses were derecognized and written off to equity as part of the adoption of the new standards. In addition, assets in lieu of payment were reclassified and recognized in accordance with IFRS 5.

*Country risk provision and contingency loans.* Under Chilean Banking GAAP, the Bank recognizes provisions for country risk and allowances related to the undrawn available credit lines and contingency loans in accordance with the local regulations. IFRS only permits to recognized allowances based on the incurred loss model.

[Table of Contents](#)

*Deferred taxes.* Correspond to the deferred tax effects of all difference between Chilean Banking GAAP mentioned above.

### ***Capital Markets***

Under the Chilean General Banking Act, banks in Chile may purchase, sell, place, underwrite and act as paying agents with respect to certain debt securities. In addition, banks in Chile may place and underwrite certain equity securities. Bank subsidiaries may also engage in debt placement and dealing, equity issuance advisory services and securities brokerage, as well as in financial leasing, mutual fund and investment fund administration, investment advisory services and merger and acquisition services. These subsidiaries are regulated by the SBIF and, in some cases, by the CMF, the regulator of the Chilean securities market and of open-stock (public) corporations.

### ***Subsidiaries and Affiliated Companies***

Chilean banks are authorized to create subsidiaries to engage in (1) brokerage of securities, (2) management of mutual funds, investment funds, offshore funds, housing funds or all the foregoing, (3) insurance brokerage, (4) leasing operations, (5) factoring operations, (6) securitization, (7) financial advisory, (8) custody and transportation of funds, (9) provision of other financial services as authorized by the SBIF, (10) real estate leasing, and (11) social security advice. These subsidiaries are regulated by the SBIF except for the cases referred to in (1), (2), (3) and (6) above in which the SBIF may request information but the entities are regulated by the CMF or, with respect to social security, by the Superintendency of Pensions (*Superintendencia de Pensiones*) or SAFP. Currently, banks are not authorized to create or engage in the business of insurance companies (other than as insurance brokers) and pension funds or health insurance administrators.

Banks may also, with the prior authorization of the SBIF, create and participate in companies exclusively destined to the carrying out of activities in support of the main banking operations, such as payment card operators.

### ***Legal Provisions Regarding Banking Institutions with Economic Difficulties***

Liquidation of Chilean banks may not be ordered in bankruptcy procedures, except when undergoing voluntary liquidation. The Chilean General Banking Act sets forth that if a bank is under certain specific adverse circumstances, its board of directors must correct the situation within 30 days from the date in which the relevant financial statements are presented to the board. If the board of directors is unable to do so, it must summon a special shareholders' meeting to increase the capital of the bank by the amount necessary to return the bank to financial stability. If the shareholders reject the capital increase, or if it is not effected and paid within the term and in the manner agreed to at the meeting, or if the SBIF does not approve the board of directors proposal, the bank will be barred from increasing its loan portfolio beyond that stated in the financial statements presented to the board of directors and from making any further investments in any instrument other than in instruments issued by the Central Bank of Chile. In such a case, or in the event that a bank is facing solvency problems which compromise timely payment of its obligations or if a bank is under provisional administration by the SBIF, the Chilean General Banking Act provides that the bank may receive a two-year term loan from another bank which will be subordinated to other liabilities of the bank. The terms and conditions of such a loan must be approved by the directors of both banks, as well as by the SBIF, but need not be submitted to the borrowing bank's shareholders for their approval. In any event, a creditor bank cannot grant interbank loans to an insolvent bank in an amount exceeding 25% of the creditor bank's effective net equity. The board of directors of a bank that is facing solvency problems which compromise timely payment of its obligations must present a reorganization plan to its creditors in order to capitalize its credits, agree on extensions, obtain forgiveness of debts or adopt any other valid measures for the payment of the debts. The terms of a reorganization plan must be the same for all the proposing bank's creditors to whom such plan is applicable. From the date of submission of the reorganization plan until there is a decision from the creditors regarding such plan, the bank will only be required to pay demand deposits and liabilities. If the board of directors of a bank submits a reorganization plan to its creditors and such arrangement is approved, and by virtue of its provisions shares shall be issued in payment of the capitalization of the credits, those shares shall be allocated to the creditors in proportion to the credits being capitalized. If the reorganization plan is rejected by the creditors, the bank must submit a new proposal which must include the capitalization in an amount required so that the ratio of effective net equity to risk-weighted assets not to be lower than 12%. If this second proposal is rejected, the SBIF will declare the bank into mandatory liquidation, which process is regulated by the Banking Law and not by the general bankruptcy rules. If a bank fails to pay an obligation, it must notify the SBIF, which shall determine if the bank is solvent. Banks can be subject to a provisional administrator if there are reasons that affect its financial stability.

### ***Dissolution and Liquidation of Banks***

The SBIF may establish that a bank must be liquidated if the safety of its depositors or other creditors so demands it, or when such bank does not have the necessary solvency to continue its operations. In such case, the SBIF must revoke such bank's banking license and mandate its liquidation, subject to approval by the Central Bank of Chile. The SBIF must also revoke a bank's license when that bank's reorganization plan has been rejected twice. The SBIF's resolution must state the reason for ordering the liquidation and must appoint a liquidator, unless the Superintendent of Banks assumes this responsibility. Upon a liquidation order, all checking accounts deposits and obligations payable on demand from the ordinary course of business, are required to be paid by using the bank's existing funds, its deposits with the Central Bank of Chile or its investments in instruments that represent its reserves.

[Table of Contents](#)

If these funds are insufficient to pay these obligations, the liquidator may seize the rest of the bank's assets, as needed. If necessary and in specified circumstances, the Central Bank of Chile will lend the bank the funds necessary to pay these obligations. Any such on demand obligations are preferential to any claims of other creditors of the liquidated bank.

***Investments in Foreign Securities***

Under current Chilean banking regulations, banks in Chile may grant loans to foreign individuals and entities and invest in certain foreign currency securities. Chilean banks may only invest in equity securities of foreign banks and certain other foreign companies which may be affiliates of the bank or which would support the bank's business if such companies were incorporated in Chile. Banks in Chile may also invest in debt securities traded in formal secondary markets. Within certain limits, banks in Chile may invest in such debt securities, in the event such debt securities qualify as securities issued or guaranteed by (1) foreign sovereign states or their central banks or (2) other foreign or international financial institutions of which Chile is a member or bonds issued by foreign corporations. Such foreign currency securities must have a minimum rating as follows:

<b>Rating Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Moody's	P-2	Baa3
Standard and Poor's	A-2	BBB-
Fitch Rating Service	F2	BBB-
Dominion Bond Rating Service (DBRS)	R-2	BBB (low)

A Chilean bank may invest in securities having a minimum rating as follows, provided that in case the total amount of these investments, together with the loans granted to certain classes of foreign debtors, exceeds 20% (or 30% for banks with a BIS ratio equal or exceeding 10%) of the effective net equity of the bank, a provision of 100% of the excess shall be established by the bank:

<b>Rating Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Moody's	P-2	Ba3
Standard and Poor's	A-2	BB-
Fitch Rating Service	F2	BB-
Dominion Bond Rating Service	R-2	BB (low)

If investments in these securities and certain loans referred to below exceed 70% of the effective net equity of the bank, a provision for 100% of the excess shall be established, unless the excess, up to 70% of the bank's effective net equity, is invested in securities having a minimum rating as follows:

<b>Rating Agency</b>	<b>Short Term</b>	<b>Long Term</b>
Moody's	P-1	Aa3
Standard and Poor's	A-1+	AA-
Fitch Rating Service	F1+	AA-
Dominion Bond Rating Service	R-1 (high)	AA (low)

Additionally, a Chilean bank may invest in foreign securities, with ratings equal to or exceeding those set forth in the table above, in: (1) overnight and term deposits with foreign banks, subject to a limit of up to 30% of the effective net equity of the Chilean bank that makes the investment (or limit of 25% of its effective net equity regarding deposits with certain related parties); and (2) securities issued or guaranteed by sovereign states or their central banks or those securities issued or guaranteed by international institutions of which Chile is a part, subject to a limit of up to 50% of the effective net equity of the Chilean bank.

Subject to specific conditions, a bank may grant loans in dollars to subsidiaries or branches of Chilean companies located abroad, to companies listed on foreign stock exchanges authorized by the Central Bank of Chile and, in general, to individuals and entities domiciled abroad, as long as the Central Bank of Chile is kept informed of such activities. A bank may also grant loans in dollars to finance exports to or from Chile.

In the event that the sum of the investments of a bank in foreign currency and of the commercial and foreign trade loans granted to foreign individuals and entities exceeds 70% of the effective net equity of such bank, the excess is subject to a mandatory reserve of 100%.

***Changes in the Governance of Our Regulators***

On February 23, 2017, Law No. 21,000, which establishes the Chilean Commission for the Financial Market (CMF), was published. This new law modifies, among other matters, the corporate governance and operation of the Chilean regulator for securities

[Table of Contents](#)

and insurance, a role that has historically been performed by the Chilean Superintendency of Securities and Insurance. This law came into effect in March 2017. The main features of this new law are the following:

- The Chilean Superintendency of Securities and Insurance was replaced by a new body, which is the Commission for the Financial Market which became operational on December 14, 2017. The direction of the Commission for the Financial Market corresponds to the Council of the Commission for the Financial Market, which is composed of five members. This commission continues to supervise the entities that formerly were under the supervision of the Chilean Superintendency of Securities and Insurance.
- The new law required the President of Chile to submit to the Chilean Congress, within one year of the publication of the law, a bill to amend the Chilean General Banking Law in order to subject banks and financial institutions to the supervision of the Commission for the Financial Market. This bill of law was submitted to the Chilean Congress in June 2017, and is currently under discussion thereunder.
- The new law established the separation of responsibility for (i) the issuance of regulations, (ii) compliance enforcement, and (iii) investigation and the imposition of sanctions. All three activities are conducted by different divisions within the Commission for the Financial Market. While the issuance of regulations and the imposition of sanctions corresponds to the Council of the Commission for the Financial Market, the Investigation Unit (*Unidad de Investigación*) is in charge of the investigation of breaches of regulations of competence of such commission, of the initiation of sanctioning procedures and of the surveillance of the compliance of the sanctions imposed by the commission.
- In addition to the former powers of the Chilean Superintendency of Securities and Insurance, the Commission for the Financial Market has other powers, such as the authority to seize documents, intercept communications and obtain information on banking operations (including those subject to bank secrecy).
- The sanctioning process has two different procedures: (i) a simplified procedure for cases where no crimes are involved and for cases of less materiality; and (ii) a general procedure for cases involving potential crimes and for cases which even though do not involve potential crimes, are material. The new law also established plea bargain procedures (*delación compensada*) and the imposition of prohibitions to be eligible for election as director or main executive to those charged with criminal conducts.

The new law also encourages the self-regulation of entities subject to the supervision of the Commission for the Financial Market through the creation of the Financial Self-Regulation Committee.

Additionally, a bill of law proposing several amendments to the Chilean General Banking Act have been submitted to the Chilean Congress, and is currently under ongoing discussions. Among other things, it contains a proposal to adopt measures to strengthen the governance of the SBIF. These proposed amendments would serve to implement Basel III principles and to introduce changes in the processes related to banks insolvency.

#### ***Financial Stability Council***

Law No. 20,789 created the Financial Stability Council, composed by the Ministry of Finance (*Ministerio de Hacienda*), the chairman of the CMF, the SBIF and the Superintendent of Pensions. The purpose of this council is to facilitate the technical coordination and the exchange of information by these market regulators in all matters related to the prevention and management of situations which may involve a risk for the financial system.

This law also expanded the authority of the SBIF to request information regarding controlling shareholders of banks and entities which are part of their corporate group.

#### **Anti-Money Laundering, Anti-Terrorist Financing and Foreign Corrupt Practices Act Regulations**

##### ***United States***

We, as a foreign private issuer whose securities are registered under the U.S. Securities Exchange Act of 1934, are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA. The FCPA generally prohibits issuers and their directors, officers, employees and agents from using any means or instrumentality of U.S. interstate commerce in furtherance of any offer or payment of money to any foreign official or political party for the purpose of influencing a decision of such person in order to obtain or retain business. The accounting provisions of the FCPA require an issuer to maintain books and records and have a system of internal accounting controls sufficient to, among other things, provide reasonable assurances that transactions are executed and assets are accessed and accounted for in accordance with management's authorization. Significant penalties and fines may be imposed against us, and/or our officers, directors, employees, and agents, for violations of the FCPA. Furthermore, we may be subject to a variety of U.S. anti-money laundering and anti-terrorist financing laws and regulations, including, but not limited to, the Bank Secrecy

[Table of Contents](#)

Act of 1970, as amended, and the USA PATRIOT Act of 2001, as amended. A violation of such laws and regulations may result in substantial penalties, fines and imprisonment of our officers and/or directors.

### **Chile**

The Anti-Money Laundering Act, or the AML Act, requires banks, among others, to report any “suspicious transactions or activities” that they may become aware of in the ordinary course of business to the Chilean Financial Analysis Unit (*Unidad de Análisis Financiero*), or FAU. “Suspicious activities or transactions” are defined by the AML Act as any act, operation or transaction that, in accordance with the uses and customs of the relevant activity, is considered unusual or devoid of apparent economic or legal justification or that may constitute any of the actions described in article 8 of Law No. 18,314 (terrorist actions), or entered into by an individual or a legal entity included in any resolution issued by the United Nations Security Council, whether carried out in an isolated or recurrent basis.

In accordance with the AML Act, banks must keep special records for any transaction in cash for amounts exceeding US\$10,000, and report them to the FAU if so required by the latter authority.

In addition, the entities subject to the AML Act are also subject to Circular No. 49 and other regulations issued by the FAU, which provides additional guidelines for the prevention of money laundering.

With regard to Chilean banks the SBIF has also provided rules and guidelines for banks to set up an AML and Combating Financing of Terrorism, or CFT, prevention system applicable in their ordinary course of business, which must take into consideration the volume and complexity of their transactions, including their affiliates and supporting entities, and their international presence. In case of non-compliance of these rules and guidelines, the SBIF may impose administrative sanctions upon the infringing bank such as fines and warnings. Among other requirements, such system shall include at least (1) “know your customer” policies, (2) a manual of policies and procedures, (3) the appointment of a compliance officer, and (4) all necessary technological tools to develop red-flag systems to identify and detect unusual operations. For more information on our Anti-Money Laundering Committee, see “Item 6. Directors, Senior Management and Employees—C. Board Practices—Other Committees—Anti-money laundering and anti-terrorism finance prevention committee.”

### **Colombia**

The regulatory framework to prevent and control money laundering is contained in, among others, Decree 663 of 1993 and External Circular No. 029 of 2014 (Basic Legal Circular), Title IV, Chapter IV, “Instructions Related to Risk Management of Laundering and Terrorist Financing,” issued by the Colombian Superintendency of Finance, as well as Law 599 of 2000 (Colombian Criminal Code, as amended).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or FATF. Colombia, as a member of the GAFI-SUD (*Grupo de Acción Financiera de Sudamérica*) (a FATF style regional body), follows all of FATF’s 40 recommendations. Finally, the Colombian criminal code introduced criminal rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of External Circular 26 of 2008, the Colombian Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a risk management system for money laundering and terrorism financing. These regulations emphasize “know your customer” policies and knowledge of customers and markets. They also establish processes and parameters to identify and monitor a financial institution’s customers. According to these regulations, financial institutions must cooperate with the appropriate authorities to prevent and control money laundering and terrorism.

Regarding foreign corrupt practices regulations, the Colombian Congress enacted Law 1778 of 2016 pursuant to which rules on liability of legal entities related with the commission of acts of transnational corruption were established (the “Law 1778”). Law 1778 grants authority to the Colombian Superintendence of Companies regarding the possibility to investigate and sanction legal entities whose employees, contractors, directors or partners (of their own or any subordinate entity) give, offer or promise to give to a foreign public official sums of money, any object of monetary value or any other kind of benefit or value in exchange for the latter to perform, omit or delay acts related with their duties and in connection with a business or international transaction. Additionally, according to Law 1778, the parent companies may also be responsible, along with their subordinate entities when, with the latter’s acknowledgement or tolerance, such subordinate entities (employees, contractors, directors or partners) perform acts of transnational bribery

Finally, the Colombian Criminal Code includes rules and regulations to prevent, control, detect, eliminate and adjudicate all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, and the lack of controls.

[Table of Contents](#)**Recent Regulatory Developments in Chile*****Capital Adequacy Requirements***

In June 2017, a bill of law was submitted before the Chilean Congress with the purpose to amend the General Banking Act. As of the date hereof, the bill of law has been approved by the house of representatives, and is under ongoing discussion at the senate. Based on the current status of this bill of law, we can anticipate that the main amendments being proposed are the following: (i) the authority currently granted to the SBIF would be granted to the CMF, but with a broader scope, allowing CMF to determine technical criterion in several matters and to dictate general norms. The CMF would effectively replace the SBIF as the regulator of banks and financial institutions; (ii) the CMF would be granted with faculties to intervene banking institutions in case of mismanagement; and (iii) the CMF would be granted with of criminal faculties in case of certain norm breaches. Also, according to Basel III, the bill of law seeks for more security and guarantees in the banking sector. To accomplish the foregoing, the bill of law requires a higher basic capital. Also, the CMF would be entitled to increase the basic capital requirements if a bank or group of banks is considered to be an entity of systemic importance. The project also regulates a forced liquidation procedure, granting the CMF broader authority than the one currently granted to the SBIF. We anticipate that the impact of the new rules would be material once they become effective.

***Commission for the Financial Market***

On February 23, 2017, Law No. 21,000, which establishes the Chilean Commission for the Financial Market (*Comisión para el Mercado Financiero*) was published. This new law modifies, among other matters, the corporate governance and operation of the Chilean regulator for securities and insurance, a role that has historically been performed by the Chilean Superintendency of Securities and Insurance. This law came into effect in March 2017. See “—Changes in the Governance of Our Regulators.”

***Modification to the AML Act***

On February 18, 2015 Law N° 20,818 was enacted, amending certain provisions of the AML Act by: (i) increasing the authority of the FAU; (ii) increasing the scope of entities that are subject to the AML Act; (iii) amending the definition of “suspicious activities or transactions”; (iv) reducing the minimum amounts of the cash transactions to be registered and potentially reported to the FAU; (v) amending the sanctions applicable to any breach to the AML Act; (vi) adding new base crimes for the crime of money laundering; (vii) requiring entities subject to the AML Act to report to the FAU any transaction entered into by any individual or entity contained in any resolution issued by the United Nations Security Council; and (viii) establishing the obligation of the entities subject to the AML Act to register with the FAU, among other things.

***Funds Law (Ley Única de Fondos)***

Law No. 20,712 on funds was published in the Chilean Official Gazette on January 7, 2014, or the Funds Law. The Funds Law is a single legal set of regulations enacted to provide for general and special regimes applicable to all Chilean funds, setting basic provisions governing their structure, management, dividend distribution, redemption of quotas and taxation, among other things. This law is expected to have a positive effect on the operations of our subsidiary Itaú Administradora General de Fondos S.A., in its capacity as fund manager.

***Maximum Interest Rate***

A new Chilean law regarding maximum interest rates was enacted on December 13, 2013 upon publication of Law 20,715 in the Chilean Official Gazette. This legislation affects all Chilean businesses that charge interest (including all banks) on loans up to UF 200 (approximately U.S.\$7,216), including installment loans, credit cards, credit line loans and overdue loans. This regulation requires, among other things, a new method for calculating the maximum legal interest rate for loans not indexed to inflation with terms equal to or longer than 90 days, which results in a reduction of the maximum legal interest rate applicable to such debtors. We do not expect the enactment of this law to have a material effect on our results of operations.

***Insolvency Law***

Chilean banks are subject to special insolvency proceedings. Nevertheless, a bank can be subject to the general insolvency law in case it becomes insolvent during a voluntary liquidation of its assets. In that regard, the Chilean Congress approved a new Insolvency Act on October 29, 2013, which was published in the Official Gazette on January 9, 2014 and came into effect on October 9, 2014. The new Insolvency Act eliminates the distinction between merchants and other debtors, eliminates the classification of bankruptcies as negligent or fraudulent and modifies the Chilean Criminal Code in order to recognize certain criminal offences related to the conduct of the business of the debtor prior to the declaration of its bankruptcy, and sets forth different rules for the insolvency of an enterprise (*empresa*) and of a non-enterprise person (*persona deudora*) among other changes.

Under the new Insolvency Act, there are two types of proceedings for an enterprise: (i) liquidation proceedings which are very similar to existing bankruptcy proceedings, although they will be headed by a liquidator rather than a trustee (*síndico*) and (ii) reorganization proceedings. Upon completion of a liquidation procedure, the debtor recovers the free administration and disposition of its assets and any outstanding debts against the debtor incurred prior to the commencement of the liquidation procedure

[Table of Contents](#)

will be deemed discharged as a matter of law. As a result, a creditor who fails to participate during the liquidation process will forfeit its past claims against the debtor. The reorganization proceedings, are more oriented to the continuation of the debtor's business and, therefore, allow the debtor to seek protection from the courts, or "Insolvency Protection" (*protección financiera concursal*), for a term of 30 days, as from the date the reorganization proceeding is declared commenced by the competent court during which, among other effects, it cannot be put into liquidation, its assets cannot be foreclosed, the agreements entered into by it cannot be unilaterally terminated by the other party, the maturity of the indebtedness of the debtor cannot be accelerated or the securities granted by the debtor cannot be enforced by the creditor based on the commencement of the reorganization proceeding of the debtor's insolvency. In the event that a creditor breaches this provision, its credit shall rank junior after all the other debts of the debtor. This 30-day term could be extended for 30 or 60 days if supported by creditors representing 30% or 50% of the debtors' unrelated liabilities, respectively.

Pursuant to the provisions of the new Insolvency Act, it is possible for a debtor to commence a reorganization procedure not only through a court process, but also as an out-of-court agreement with its creditors, which shall then be approved by the court through a simple process. It is also now possible for the debtor and its creditors to agree in reorganization proposal including different conditions for different categories of creditors (e.g., secured and unsecured), which must be expressly approved by the remaining creditors.

The new Insolvency Act also allows a debtor under Insolvency Protection to acquire debt to finance its operations (up to 20% of the debt it had at the commencement of the procedure), which shall rank senior with respect to the existing creditors (except for a few statutory preferences which shall remain in force) in case the reorganization agreement is not approved and the judge orders the liquidation of the company.

The new Insolvency Act amends claw-back period rules such that as a general rule any transfer, encumbrance or other transaction executed or granted by the debtor during the term of two years prior to the commencement of the reorganization or liquidation proceedings may be rendered ineffective if its proved before the court that such transfer, encumbrance or transaction: (i) was entered with the counterparty's knowledge of the debtor's bad business condition; and (ii) caused damages to the bankruptcy estate or has affected the parity that shall exist among creditors (e.g., that the transaction has not been entered into terms and conditions similar to those usually prevailing in the market at the time of its execution).

Notwithstanding the above, the new Insolvency Act maintains certain specific cases of ineffectiveness of any transfer, encumbrance or other transaction executed or granted during the term of one year prior to the commencement of the insolvency proceedings (which may be extended to two years in certain events), based on objective grounds, such as pre-payments, payments in terms different as originally agreed by the parties and the creation of security interests to guarantee pre-existing obligations. Also, agreements and changes to bylaws which decrease the capital of the debtor could be deemed ineffective if made during the six months prior to the commencement of the insolvency proceeding.

Finally, the new Insolvency Act regulates for the first time cross-border insolvency issues, allowing the recognition in Chile of foreign bankruptcy/liquidation proceedings. We do not expect the enactment of this law to have a material effect on our results of operations.

### **Tax Reform**

On September 29, 2014, the Tax Reform was published in the Chilean Official Gazette, introducing the most significant amendments to the Chilean tax system over the last 30 years and strengthening the powers of the *Servicio de Impuestos Internos*, or the Chilean IRS to control and prevent tax avoidance. One of the main purposes of this reform was to finance major educational reforms under discussion in the Chilean Congress. Thereafter the Tax Reform was modified by Law No. 20,899, published on February 8, 2016.

The Tax Reform currently contemplates, among other matters, changes to the corporate tax regime by allowing coexistence of two alternative tax regimes available to Chilean companies from January 1, 2017 onwards: (i) an attributed income system or (ii) a partially integrated system.

- **Attributed income system:** Under this system, companies are subject to a corporate tax that would gradually increase to 25% over the course of four years, commencing in 2014 (increasing each year to 21%, 22.5%, 24% and 25%, respectively). At the shareholder level, a 35% withholding tax would apply on an "attributed basis" from year 2017. As a result, any non-Chilean resident shareholder would be required to pay a 35% withholding tax, while Chilean resident shareholders would be required to pay the progressive Complementary Global Tax, with rates ranging between 0% and 35%, regardless of whether the Chilean company makes a profit distribution or a dividend payment. Shareholders would be able to credit the corporate tax already paid by the company against the withholding tax or the progressive Complementary Global Tax. The actual income distribution to the shareholders would not be taxable. This system is exclusive for companies whose shareholders or owners are individuals domiciled or residing in Chile, or individuals or entities not domiciled or resident in Chile.

[Table of Contents](#)

- Partially integrated system: Under this system, companies are subject to a corporate tax of 25.5% on 2017 and 27% from 2018 onwards. Then, when the income is actually withdrawn from a company, non-Chilean resident shareholders would be subject to a 35% withholding tax, while Chilean resident shareholders would be required to pay the progressive Complementary Global Tax, with rates ranging between 0% and 35%, against which only a 65% of the corporate tax will be allowed to be used as a credit against the withholding tax or the Complementary Global Tax. Nevertheless, the foreign holder shall be entitled full corporate tax credit, if such holder is established on, domiciled in, or resident of a country with which Chile has a double taxation treaty in force or, until December 31, 2021, Chile has signed a double taxation treaty with such country, although not in force.

Law No. 20,899 introduced changes to both systems in order to simplify them. Other amendments included in this Law are related to the accuracy of the general anti-avoidance rules and the implementation of Value Added Tax (VAT) for certain operations, mainly to the sale of real estate and leases with purchase option.

Foreign source income obtained by taxpayers domiciled or resident in Chile is generally subject to taxes in Chile on a cash basis. However, in the case of branches or other permanent establishments located abroad, both accrual and received income are considered in Chile for tax purposes. Also, taxpayers who obtain passive income from foreign companies, in which they have control, as defined by law, will have to pay taxes on accrual and cash basis, for the passive income accrued or perceived by those controlled entities.

Bonds and other debt instruments issued in Chile by Chilean companies are deemed to be located in Chile for capital gains purposes. However, bonds issued outside of Chile by Chilean companies are not deemed located in Chile for capital gain purposes and, consequently, the sale of such bonds by a non-Chilean resident is not subject to capital gains tax in Chile (according to section 11 of the *Ley Sobre Impuesto a la Renta*, or the Chilean Income Tax Law, it would be considered a foreign source income obtained by a non-Chilean resident).

#### ***Law No. 20,855***

On September 25, 2015 the Consumer Protection Act and the Pledge Without Conveyance Act were amended in order to include several provisions regarding the release and cancellation of mortgages and certain pledges. According to this law, once an obligation secured with any of the said security interests has been extinguished, the relevant creditor *ex officio* shall grant and afford the corresponding release and cancellation public deed, and its record cancellation. Furthermore, the relevant creditor shall inform such proceedings to the debtor within the term established by law.

#### ***New Securities Brokerage Regulation***

On March 9, 2015, the Chilean Superintendency of Securities and Insurance issued its General Rule No. 380, which came into effect on September 9, 2016. This new rule replaced the rules regarding the relationship of Chilean securities brokers with their customers by setting forth new regulations on matters such as suitability, contracts with clients, conflicts of interest, execution of orders and registration and recording of orders, among others. Based on this new rule, Chilean securities brokers are required to execute contracts with clients that shall include the information set forth in this rule (i.e., communications to the client of the existence of conflicts of interest, procedures to deal with such conflicts, communications between the securities broker and the client, granting of security interest, fees, etc.). Also, the Chilean stock exchanges changed their internal regulations to adopt the new regulations set forth by General Rule No. 380, including providing forms of the contracts required to be executed with clients.

#### ***Promulgation of Bill of Law Amending Consumer Protection Act***

In March 2018, the President of Chile promulgated a bill of law approved by the Chilean Congress containing several amendments to the Chilean Consumer Protection Act. The promulgation decree is currently under review by the General Comptroller of the Republic of Chile (*Contralor General de la República*). If (i) the promulgation decree formally complies with all applicable requirements and (ii) the bill of law promulgated therein reflects the comments provided by the Constitutional Court (*Tribunal Constitucional*) during the deliberation of the bill, the promulgation decree will be acknowledged by the Comptroller. Once acknowledged, the bill of law will be published in the Official Gazette. The law will become effective six months after its publication in the Official Gazette.

In substance, this bill of law amends the Consumer Protection Act in the following manners: (i) strengthens consumer organizations; (ii) substantially increases the fines applicable for breaching the Chilean Consumer Protection Act; (iii) increases the period of the statute of limitations for liability; (iv) amends procedures in several respects in order to make them more consumer-friendly and (v) increases the inspection powers of the National Consumer Service (SERNAC).

[Table of Contents](#)**COLOMBIAN BANKING REGULATION AND SUPERVISION*****Colombian Banking Regulators***

Pursuant to the Colombian Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the government may regulate the financial system. The agencies vested with the authority to regulate the financial system are the board of directors of the Central Bank of Colombia, the Colombian Ministry of Finance, the Colombian Superintendency of Finance, the SIC, and the SRO.

***Central Bank of Colombia***

The Central Bank of Colombia exercises the customary functions of a central bank, including price stabilization, monetary policy, regulation of currency circulation, regulation of credit, exchange rate monitoring and management of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction of the Central Bank of Colombia's duties. The Central Bank of Colombia also acts as lender of last resort to financial institutions.

***Colombian Ministry of Finance and Public Credit***

One of the functions of the Colombian Ministry of Finance is to regulate all aspects of finance and insurance activities. As part of its duties, the Colombian Ministry of Finance issues decrees relating to financial matters that may affect banking operations in Colombia. In particular, the Colombian Ministry of Finance is responsible for regulations relating to capital adequacy, risk limitations, authorized operations, disclosure of information and accounting of financial institutions.

***Colombian Superintendency of Finance***

The Colombian Superintendency of Finance is the authority responsible for supervising and regulating financial institutions, including commercial banks such as Itaú Corpbanca Colombia, finance companies, financial services companies and insurance companies. The Colombian Superintendency of Finance has broad discretionary powers to supervise financial institutions, including the authority to impose fines on financial institutions and their directors and officers for violations of applicable regulations and certain judicial attributions regarding controversies among customers and banks. The Colombian Superintendency of Finance can also conduct on-site inspections of Colombian financial institutions.

The Colombian Superintendency of Finance is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange, brokers, dealers, mutual funds and issuers.

Financial institutions must obtain the prior authorization of the Colombian Superintendency of Finance before commencing operations.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions.

***Self-Regulatory Organization***

The SRO is a private entity responsible for the regulation of intermediaries participating in the Colombian capital markets. The SRO may issue mandatory instructions to its members and supervise its members' compliance and impose sanctions for violations.

All capital market intermediaries, including Itaú Corpbanca Colombia and its subsidiaries, must become members of the SRO and are subject to its regulations.

***Superintendency of Industry and Commerce***

The SIC is the authority responsible for supervising and regulating competition in several industrial sectors, including financial institutions. The SIC is authorized to initiate administrative proceedings and impose sanctions on banks, including Itaú Corpbanca Colombia, whenever the financial entity behaves in a manner considered to be anti-competitive.

The Colombian Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions such as Itaú Corpbanca Colombia. For such approvals, the Colombian Superintendency of Finance must obtain a non-binding prior written opinion by the SIC.

***Capital Adequacy Requirements***

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended, or Decree 2555) are based on applicable Basel Committee standards. Decree 2555 establishes four categories of assets, which are each assigned

[Table of Contents](#)

different risk weights, and require that a credit institution's Technical Capital (as defined below) be at least 9% of that institution's total risk-weighted assets.

Currently, Decree 2555 sets forth, among other things:

- that Technical Capital is the sum of ordinary primary capital (*patrimonio básico ordinario* or Common Equity Tier One), additional primary capital (*patrimonio básico adicional* or Additional Tier One), and secondary capital (*patrimonio adicional* or tier two capital);
- the criteria for debt and equity instruments to be considered ordinary primary capital, additional primary capital and secondary capital. The Colombian Superintendency of Finance will review whether a given instrument adequately complies with these criteria in order for an instrument to be considered tier one, additional tier one or tier two capital, upon request of the issuer. Debt and equity instruments that have not been classified by the SFC as ordinary primary capital or secondary capital, will not be considered tier one, additional tier one or tier two capital for purposes of capital adequacy requirements;
- the minimum total solvency ratio of 9% of the financial institution's technical capital divided by total risk-weighted assets; however, each entity must also comply with a minimum basic solvency ratio of 4.5%, which is defined as the ordinary primary capital after deductions divided by the financial institution's total risk-weighted assets. In addition, solvency ratios must be met individually, by each credit institution, and must be met and monitored on a consolidated basis;
- that the calculation of the total solvency ratio will take into account operational risk; however the Colombian Superintendency of Finance has not yet defined the methodology to be used to estimate such effect; and
- that credit institutions are able to include hybrids instruments designed to have characteristics of a fixed income and characteristics of equity market security, as part of its basic additional capital.

When the solvency ratio of a financial institution is below 10%, the Colombian Superintendency of Finance implements a closer supervision on banking activities of the entity based on the supervision policy implemented by the Colombian Superintendency of Finance. If a bank fails to comply with the capital adequacy requirements applicable to Colombian financial institutions, it may be subject to certain penalties and sanctions that are graduated depending on the level of compliance failure, and which may include an administrative take-over by the government with the purpose of administration or liquidation.

#### ***Minimum Capital Requirements***

The minimum capital requirement for banks on an unconsolidated basis set forth in the Financial System Organic Act was COP\$79,835 million (Ch\$17,813 million) for 2015, COP\$85,240 million (Ch\$19,019 million) for 2016, COP\$90,142 (Ch\$20,715 million) for 2017 and COP\$93,829 million (Ch\$19,310 million) for 2018. Failure to meet such requirement can result in the relevant financial institution take over (*toma de posesión*) by the Colombian Superintendency of Finance. Minimum capital requirements are adjusted in January each year based on the inflation percentage for the precedent year. The capital requirements for each type of financial institution (financial corporations, financing companies, trust companies, etc.) are different, with banks having the highest minimum amount. Additionally, there are capital requirements above this minimum for the purposes of credit exposure and derivatives transactions.

#### ***Capital Investment Limit***

All investments in subsidiaries and other authorized capital investments, other than those made in order to abide by legal requirements, may not exceed 100% of the total aggregate of capital, equity reserves and the equity re-adjustment account of the respective bank, financial corporation or commercial finance company, excluding unadjusted fixed assets and including deductions for accumulated losses.

#### ***Mandatory Investments***

The Central Bank of Colombia's regulations require financial institutions, including Itau Corpbanca Colombia, to make mandatory investments in securities issued by Finagro, a Colombian public financial institution that finances production and rural activities, to support the agricultural sector. The amount of these mandatory investments is calculated based on the current Colombian peso-denominated obligations of the relevant financial institution.

#### ***Foreign Currency Position Requirements***

According to External Resolutions 4, or Resolution 4, and 9, or Resolution 9, issued the Central Bank of Colombia issued in 2007 and 2013, respectively, as amended, a financial institution's foreign currency position (*posición propia en moneda extranjera*) is

[Table of Contents](#)

the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), made or contingent, including those that may be sold in Colombian legal currency.

Resolution 9 provides that the average of a bank's foreign currency position for three business days cannot exceed the equivalent in Colombian pesos of 20% of the bank's Technical Capital. Currency exchange intermediaries such as Itau Corpbanca Colombia are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5% of its Technical Capital (with penalties being payable after the first business day).

Resolution 9 also defines foreign currency position in cash (*posición propia de contado en moneda extranjera*) as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days average foreign currency position in cash cannot exceed 50% of the bank's Technical Capital. In accordance with Resolution 9, the three day average must be calculated on a daily basis and the foreign currency position in cash can be negative but must not exceed 20% of its Technical Capital. (Resolution 9 was amended on September 25, 2015).

Finally, Resolution 9 requires banks to comply with a gross position of leverage (*posición bruta de apalancamiento*). Gross position of leverage is defined as the sum of (i) the rights and obligations of term and future contracts denominated in foreign currency, plus (ii) foreign currency cash operations with settlement higher or equal to one banking day, plus (iii) the exchange rate risk exposure associated with debtor and creditor contingencies acquired in the trading of exchange rate options and derivatives.

Resolution 9 sets a limit on the gross position of leverage, which cannot exceed 550% of the Technical Capital.

### ***Deposit Insurance***

In Colombia, the deposit insurance fund, FOGAFIN (*Fondo de Garantías de Instituciones Financieras*), guarantees up to COP\$50 million (US\$16,756 as of December 31, 2017) per person, for each institution calculated as the aggregate amount of time, savings and demand deposits held by individuals in a Colombian financial institution. Payment will be made in case of an administrative compulsory liquidation of the financial institution.

### ***Reserve Requirements***

Commercial banks are required by the board of directors of the Central Bank of Colombia to satisfy reserve requirements with respect to deposits and other cash demands. Such reserves are held by the Central Bank of Colombia in the form of cash deposits. According to Resolutions 5 and 11 of 2008 issued by the board of directors of the Central Bank of Colombia, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

Credit institutions must maintain reserves of 11% over the following deposits, cash demands and other passive obligations:

- Private demand deposits;
- Government demand deposits;
- Other deposits and liabilities; and
- Savings deposits.

In addition, credit institutions must maintain reserves of 4.5% for term deposits with maturities fewer than 18 months and 0% for term deposits with maturities of more than 18 months.

Credit institutions may maintain these reserves in their accounts at the Central Bank of Colombia, or cash.

Marginal reserve requirements were eliminated by the Central Bank of Colombia in 2008. Since 2009, the reserve requirements have no remuneration.

Also, pursuant to the *Circular Básica Contable y Financiera* (Basic Accounting and Financial Circular), to measure liquidity risk exposure on internal models, banks are required to calculate a liquidity risk indicator (LRI) accumulated for the band periods of 7, 15 and 30 days, as established by the Colombian Superintendency of Finance's standard model.

### ***Foreign Currency Loans***

Residents of Colombia may obtain foreign currency loans from foreign residents and from Colombian currency exchange intermediaries or by placing debt securities abroad. Foreign currency loans must be either disbursed through a foreign exchange intermediary or deposited in offshore compensation accounts.

[Table of Contents](#)

According to regulations issued by the Central Bank of Colombia, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Central Bank of Colombia non-interest bearing deposits for a specified term, although the size of the required deposit is currently zero.

Notwithstanding the foregoing, such deposits would not be required in certain cases set forth in the External Resolution 8 of 2000 issued by the Central Bank of Colombia, or Resolution 8, including in the case of foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans, provided that such loan is disbursed against the funds of *Banco de Comercio Exterior—Bancoldex*. Moreover, Resolution 8 sets forth a number of restrictions and limitations as to the use of proceeds in the case of foreign currency loans obtained by Colombian currency exchange intermediaries (including Itau Corpbanca Colombia) and also provides that deposits would not be required in the event such restrictions and limitations are observed. Such foreign currency loans may be used, among others, for lending activities in a foreign currency with a tenor equal to, or shorter than, the tenor of the foreign financing.

As a general rule, interest payments to foreign currency loans granted by foreign banks to Colombian residents are currently subject to a withholding tax at: (i) the general tax rate applicable to entities that are not Colombian residents for tax purposes (34% in 2017 and 33% from 2018 onward), when such payments are made to entities located in a preferential tax regime jurisdiction, non-cooperative jurisdiction or low-tax jurisdiction; (ii) 5% when those interest payments are (a) derived from loans with an eight-year or longer term and (b) related to infrastructure projects under Law 1508 of 2012; and (iii) 15% in cases other than as described in (i) and (ii) above.

Finally, pursuant to Law 9 of 1991, the board of directors of the Central Bank of Colombia is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness, as an exchange control policy, in order to avoid pressure in the currency exchange market.

### ***Non-Performing Loan Allowance***

The Colombian Superintendency of Finance maintains guidelines on non-performing loan allowances for financial institutions. This information has been provided in order to provide the reader with a more in-depth analysis. Notwithstanding, our allowance and provision for loan losses as recorded in our consolidated financial statements included herein have been determined in accordance with IFRS.

## **Recent Regulatory Developments in Colombia**

### ***Tax Reform***

On December 29, 2016, the Colombian Government approved a tax reform under Law No. 1819. The most relevant features of this reform are:

- Starting in 2017, there will be a unified income tax rate:

	2017	2018	2019 and following years
<b>General tax rate</b>	34%	33%	33%
<b>Surcharge (*)</b>	6%	4%	—
<b>Total</b>	40%	37%	33%

(\*) To be paid only by taxpayers whose income surpasses COP\$800 million.

- Income received from leasing contracts for housing are taxed as of January 1, 2017 at a rate of 9%. Before this tax reform this income was tax-free.
- The discount on income of two percentage points of the VAT paid for the purchase of capital goods was eliminated. As of January 2017, a deduction of a 100% of this VAT can be performed.
- The general VAT rate for the purchase of goods and services was increased by three points, going from 16% to 19%.
- The services provided from abroad are taxed at the general VAT rate of 19%.
- The accounting information now must be presented according to IFRS.
- Loan loss provision expenses that exceed the limits required by law will not be deductible.
- The percentage of liquid equity to calculate “assumed income” (*renta presuntiva*) increased from 3.0% to 3.5%.

[Table of Contents](#)

- The tax for equity (*impuesto para la equidad* or CREE) and its corresponding surcharge are eliminated as of 2017.
- The wealth tax (*impuesto a la riqueza*) will be eliminated starting in 2019 for individuals and was eliminated for corporations starting in 2018.
- Fiduciary rights shall be recognized separately as assets and liabilities for equity purposes. A trust must issue a certification in favor of the beneficiary or trustor, signed by the legal representative of the trust and with the corresponding information relating to assets and liabilities of the trust. In addition, the submitted financial information must be signed by a public accountant and/or statutory auditor.
- The tax reform adds Article 772-1 to the Colombian Tax Statute (*Estatuto Tributario*), which establishes that those taxpayers that are required to keep accounting books must have a system of control or reconciliation of the differences that arise between IFRS accounting and the provisions of the Tax Statute. Any failure to control or reconcile any such differences may be considered as a fiscal breach punishable by the regime of accounting irregularities.
- The country-by-country report was adopted on 2016 to require information on the global allocation of income and taxes paid by multinational groups resident in Colombia that have subsidiaries or branches abroad, as long as the parent company is domiciled in Colombia and the group has a consolidated income of approximately US\$930 million.

***Abandoned Accounts***

On February 1, 2016, Law No. 1777 was enacted. Abandoned accounts are regulated in order to establish a public use for funds in these accounts. Funds are considered abandoned in bank accounts after three consecutive years without any account movement. Such abandoned funds may be invested in the creation and administration of a fund in the public financial institute that finances educational credit (*Crédito Educativo y Becas en el Exterior* or ICETEX).

***Costs of Financial Services***

On July 7, 2016, Law No. 1793 was enacted in order to regulate the costs of financial services. Among other things, this new law establishes that clients of entities authorized to collect funds from the public may access all of the funds deposited in their savings accounts or electronic deposits, without having the obligation to maintain a minimum balance. The entities must provide mechanisms for this purpose without charging additional fees to clients. This new law also establishes that: (i) for savings accounts, entities authorized to raise funds from the public may only charge financial and/or transactional costs for the first 60 days of inactivity and/or absence of financial movements by the user, and in no case may such entities make retroactive charges when the account becomes active again; (ii) for savings accounts that are inactive at the time of entry into force of the new law, the period of 60 days for the suspension of collections will start from the date of effectiveness of the law; and (iii) entities authorized to raise funds from the public are obligated to recognize users with a minimum interest rate in all savings accounts for any level of deposit. In addition, the receiving entities must inform the consumers about these changes in law.

***Abusive Contract Clauses and Practices***

On May 26, 2016, the Colombian Superintendence of Finance issued its Circular No. 18, which modified the then-current instructions related to abusive contract clauses and practices. The circular forbids certain practices that were considered abusive by the Colombian Superintendence of Finance, as well as those practices informed by the Financial Consumer Defenders. Financial institutions were given a maximum term of six months from the entry into force of the circular to adjust their contracts and practices to its instructions.

***Total Unified Value (Valor Total Unificado or VTU)***

On July 12, 2016, the Colombian Superintendence of Finance issued its External Circular Letter No. 23, setting forth instructions related to the obligation of banking entities to report to their clients a “Total Unified Value” (*Valor Total Unificado* or VTU) of active and passive operations, when offering basic services and an “Annual Report of Total Costs” (*Reporte Anual de Costos Totales* or RACT). The purpose of this circular was to: (i) update and harmonize the instructions related to the scope, content and form of delivery of the RACT, and the basic services package; (ii) incorporate the components to be taken into account for the calculation and reporting of “Total Unified Value in Active Transactions” (*Valor Total Unificado de Operaciones Activas* or VTUA) and “Total Unified Value in Passive Transactions” (*Valor Total Unificado de Operaciones Pasivas* or VTUP); and (iii) establish the method of calculation of the VTUA and VTUP.

***Interruptions of Services***

On August 3, 2016, the Colombian Superintendence of Finance issued its External Circular No. 28, setting forth instructions applicable to all financial sector companies in connection with events that generate interruptions of services and that prevent operations from being carried out by clients. The circular aimed to guarantee that clients are informed of these interruptions and have

[Table of Contents](#)

mechanisms to guarantee the effective exercise of their rights. The circular also includes instructions related to: (i) the information that credit institutions must provide to clients when encountering interruptions in the provision of services; and (ii) the general requirements regarding security and quality of information.

#### ***Requirements for Trust Products***

On July 27, 2016, the Colombian Superintendence of Finance issued its Circular No. 024, which established the minimum requirements for trust products linked to the development of real estate projects, accountability and the process of commercialization of the participation in any trust fund. The circular also sets forth the information that must be provided to financial consumers of trust products of any kind. For this purpose, the Colombian Superintendence of Finance published an ABC on business trust about real estate projects providing general guidance to those interested in this class of investment.

#### ***Reversal of Payments***

On April 11, 2016, the Colombian Ministry of Industry and Commerce issued its Decree No. 587, which added a chapter to the Unique Decree of the Commerce, Industry and Tourism Sector, Decree 1074 of 2015, and regulated Article 51 of Law 1,480 of 2011. The decree establishes the conditions and procedures for reversals of payments requested by consumers, when the purchase of the goods or services was made through electronic commerce mechanisms with an electronic payment instrument such as a credit or debit card.

#### ***Accessibility for People with Disabilities***

On March 31, 2018, the Colombian Superintendency of Finance issued External Circular No. 008, which amended the Basic Legal Circular regarding the system of attention to financial consumers in situation of disability.

#### ***Securities Custodian***

On January 26, 2017, the Colombian Ministry of Finance issued its Decree No. 119, which amended Decree 1068 of 2015 in relation to the general regime of foreign capital investment in Colombia and of Colombian investments abroad and other provisions regarding foreign exchange. The decree establishes that only entities such as trustee companies, broker companies and investment management companies can act as representatives of foreign portfolio investments.

#### ***Specialized Electronic Deposit and Payment Institutions (Sociedades Especializadas en Depósitos y Pagos Electrónicos or SEDPE)***

On December 7, 2017, the Colombian Ministry of Finance issued its Decree No. 2076, which amended Decree 2555 of 2010 to, among other things: (i) provide that SEDPEs shall establish a consumer advocate to protect consumers' rights, (ii) authorize SEDPEs the use of correspondent networks and establish rules regarding cash payments through the correspondent network, (iii) authorize SEDPEs the opening of accounts through non-presential means, and (iv) authorize SEDPEs customers to have more than one account per SEDPE.

#### ***Publication of the Current Banking Interest Rate***

Beginning on September 1, 2017, the Colombian Superintendency of Finance started publishing the current banking interest rate (*interés bancario corriente*) on a monthly basis, and not on a quarterly basis as previously.

#### ***Financial Conglomerates***

On September 21, 2017, Law 1870 was enacted. This law establishes that financial holdings will be subject to the inspection and oversight of the Colombian Superintendency of Finance under the terms of said law and of the decrees issued in the future for this regulation. A financial holding is understood as any legal person or investment vehicle that exercises the first level of control or significant influence over the entities that make up the financial conglomerate. Furthermore this law gives the Colombian Superintendency of Finance the faculty to request information regarding the members of the financial conglomerate to verify if they meet requirements regarding: (i) the appropriate levels of capital; (ii) solvency margins; (iii) with exposure limits; and (iv) concentration risks. Also this law permits the Colombian Superintendency of Finance to verify if each member entity of the conglomerate complies with applicable regulations in relation to: (i) risk management; (ii) internal control; (iii) disclosure of information; (iv) conflicts of interest; and (v) corporate governance. Such requirements will not be applicable if the foreign financial holding proves to the Colombian Superintendency of Finance that is already subject to an equivalent regime of prudential regulation and consolidated supervision.

#### ***Modification of the Initial Conditions of Credits***

On September 29, 2017 the Colombian Superintendency of Finance issued External Circular No. 026, which provides guidelines for the management of credits of which the initial conditions have been modified, based on potential or real deterioration in the debtor's payment capacity, in order to standardize the existing policies regarding this type of credit.

#### ***Mutual Funds Portfolio Investments***

On December 20, 2017, the Colombian Superintendency of Finance issued its external Circular No. 037 which sets forth instructions with the objective of updating the existing valuation methodologies for the valuation of the assets that make up the portfolios of mutual funds.

#### ***Properties and Investments of Financial Institutions***

On November 30, 2017, the Colombian Superintendency issued its external Circular No. 33 which amends Chapter V, Title I, Part I of the Basic Legal Circular, with the purpose of updating the accounts that compute the calculation of fixed assets and investments.

[Table of Contents](#)***Withdrawal of Money***

On June 9, 2017 Law 1836 was enacted. The law obliges financial institutions to provide a free form of withdrawal of money to the beneficiaries in the deposit agreements. The Colombian Superintendency of Finance will be in charge of ensuring compliance with this legal duty.

***Liquidation Formula for Public-Private Association Agreements***

On January 15, 2018, the Colombian president signed Law 1882 of 2018, which incorporates a liquidation formula for public-private association agreements and transport infrastructure concessions, providing that if an agreement is declared void, the state-owned entity will still pay for the costs, investments and expenses actually incurred by the concessionaire. This means that the credits associated with those contracts will be entitled to receive such payments, and that the concessionaire will only have a right to receive payments after such credits are paid, but no more than the total amount of equity contributions made by its shareholders less the total amount of dividends paid to them.

***Purchase of Assets and Assumption of Liabilities in the Liquidation of a Credit Establishment***

On March 15, 2018, the Colombian Ministry of Finance issued Decree 521, amending Decree 2555 of 2010, which incorporates a chapter regulating the purchase of assets and assumption of liabilities from credit establishments (*establecimientos de crédito*) under a forced liquidation process.

***Access to the Financial System for Former Members of FARC***

On April 2, 2018 the Colombian Superintendency of Finance issued External Circular No. 005, which sets forth rules governing the integration into the financial system of former FARC members who have taken part in a process of reincorporation into civil life, and of any legal entity in which they may be part as shareholders, contributors or members.

**SELECTED STATISTICAL INFORMATION**

The following information is included for analytical purposes and should be read in conjunction with our consolidated financial statements as well as “Item 5. Operating and Financial Review and Prospects.” Unless otherwise indicated, financial data in the following tables as of December 31, 2015, 2016 and 2017 has been expressed in Chilean pesos as of December 31, 2017. The UF is linked to, and is adjusted daily to reflect changes in, the previous month’s CPI.

***Average Balance Sheets, Income Earned From Interest-Earning Assets and Interest Paid on Interest Bearing Liabilities***

The average balances for interest-earning assets and interest bearing liabilities, including interest and readjustments received and paid, have been calculated on the basis of monthly balances on an unconsolidated basis. Unless otherwise set forth herein, such average balances as they apply to the operations of our subsidiaries were calculated on the basis of month-end balances. Such average balances are presented in Chilean pesos, in UFs and in foreign currencies (principally US\$).

The nominal interest rate has been calculated by dividing the amount of interest and principal readjustment due to changes in the UF index (gain or loss) during the period by the related average balance, both amounts expressed in Chilean pesos. The nominal rates calculated for each period have been converted into real rates using the following formulas:

$$Rp = \frac{1 + Np}{1 + I} - 1 \qquad Rd = \frac{(1 + Nd)(1 + D)}{1 + I} - 1$$

Where:

Rp= real average interest rate for Chilean peso-denominated assets and liabilities (in Ch\$ and UF) for the period,

Rd= real average interest rate for foreign currency denominated assets and liabilities for the period,

Np= average nominal interest rate for Chilean peso-denominated assets and liabilities for the period,

Nd= average nominal interest rate for foreign currency denominated assets and liabilities for the period,

D= devaluation rate of the Chilean peso to the U.S. dollar for the period, and

I= inflation rate in Chile for the period (based on the variation of the Chilean consumer price index).

The real interest rate can be negative for a portfolio of Chilean peso-denominated loans when the inflation rate for the period is higher than the average nominal rate of the loan portfolio for the same period. A similar effect could occur for a portfolio of foreign currency denominated loans when the inflation rate for the period is higher than the sum of the devaluation rate for the period and the corresponding average nominal rate of the portfolio. The formula for the average real rate for foreign currency denominated assets and liabilities (Rd) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the Chilean peso and the inflation rate in Chile during the period.

The following example illustrates the calculation of the real interest rate for a dollar-denominated asset bearing a nominal annual interest rate of 10% (Nd = 0.10), assuming a 5% annual devaluation rate (D = 0.05) and a 12% annual inflation rate (I = 0.12):

$$Rd = \frac{(1 + 0.10)(1 + 0.05)}{1 + 0.12} - 1 = 3.125\% \text{ per year}$$

In the example, since the inflation rate was higher than the devaluation rate, the real rate is lower than the nominal rate in dollars. If, for example, the annual devaluation rate were 15%, using the same numbers, the real rate in Chilean pesos would be 12.9%, which is higher than the nominal rate in U.S. dollars. Using the initial example, if the annual inflation rate were greater than 15.5%, the real rate would be negative.

[Table of Contents](#)

Interest and average balances have been calculated by taking into consideration the following:

- Foreign exchange gains or losses on foreign currency denominated assets and liabilities have not been included in interest income or expense;
- Interest on financial investments does not include trading gains or losses on these investments;
- Past due loans only include the payments that are 90 or more days overdue, and do not include the portion of such loan that is not overdue (principal amount) or those payments which are less than 90 days overdue, unless legal proceedings have been commenced for the entire outstanding balance according to the terms of the loan. This practice differs from that normally followed in the United States where the amount classified as past due would include the total principal, payments and interest on all loans which have any portion overdue;
- Penalty interest is not recognized on past due payments (loans with more than one payment) or past due loans (one payment);
- The interest earned from past due loans is only the proportion of interest earned on each of these payments. We do not accrue penalty interest on these payments;
- Loans that are not yet 90 days or more overdue have been included in each of the various categories of loans, and affect the various averages;
- Non-performing commercial loans (those loans which do not accrue interest) consist of loans included in Categories C4-C6 and loans (or portions thereof) that are overdue;
- Included in loans and receivables to banks are interbank deposits maintained in the Central Bank of Chile and foreign banks. Such assets have a distorting effect on the average interest rate earned on total interest-earning assets because currently balances maintained in Chilean peso amounts do not earn interest, and the only balances held in a foreign currency that earn interest are those maintained in U.S. dollars, but those only earn interest on the amounts that are legally required to be held for liquidity purposes. Additionally, this account includes interest earned by overnight investments. Consequently, the average interest earned on such assets is comparatively low. We maintain these deposits in these accounts to comply with statutory requirements and to facilitate international business, rather than to earn income; and
- The monetary gain or loss on interest-earning assets and interest bearing liabilities is not included as a component of interest income or interest expense because inflation effects are taken into account in the calculation of real interest rates.

[Table of Contents](#)

The following tables show, by currency of denomination, average balances and, where applicable, interest amounts, nominal rates and rates for our assets and liabilities for the years ended December 31, 2015, 2016 and 2017.

	2015				2016				2017			
	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate
Year Ended December 31, (in millions of Ch\$ except for percentages)												
<b>INTEREST EARNING ASSETS</b>												
<b>Deposits in Central Bank</b>												
Ch\$	189,594	1,333	0.7%	(3.5)%	218,522	1,689	0.8%	(1.9)%	76,032	1,736	2.3%	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	7,173	—	—	12.4%	58,713	—	—	(9.7)%	27,145	—	—	(10.3)%
<b>Total</b>	<b>196,767</b>	<b>1,333</b>	<b>0.7%</b>	<b>(3.0)%</b>	<b>277,235</b>	<b>1,689</b>	<b>0.6%</b>	<b>(3.5)%</b>	<b>103,178</b>	<b>1,736</b>	<b>1.7%</b>	<b>(2.7)%</b>
<b>Financial investments</b>												
Ch\$	219,660	6,880	3.1%	(1.2)%	535,413	31,750	5.9%	3.1%	878,088	33,938	3.9%	1.5%
UF	276,560	14,000	5.1%	0.6%	409,993	2,112	0.5%	(2.1)%	489,972	8,273	1.7%	(0.6)%
Foreign currency	—	—	—	—	665,262	44,852	6.7%	(2.0)%	798,837	36,618	4.6%	(6.2)%
<b>Total</b>	<b>496,220</b>	<b>20,881</b>	<b>4.2%</b>	<b>(0.2)%</b>	<b>1,610,668</b>	<b>78,715</b>	<b>4.9%</b>	<b>(0.3)%</b>	<b>2,166,896</b>	<b>78,830</b>	<b>3.6%</b>	<b>(1.8)%</b>
<b>Total loans</b>												
Ch\$	2,124,186	200,490	9.4%	4.8%	5,138,512	703,514	13.7%	10.7%	5,913,408	671,628	11.4%	8.9%
UF	3,090,867	239,666	7.8%	3.2%	6,527,551	222,864	3.4%	0.7%	7,593,051	255,641	3.4%	1.0%
Foreign currency	1,195,539	43,906	3.7%	16.5%	6,135,822	464,499	7.6%	(1.2)%	7,351,083	621,450	8.5%	(2.7)%
<b>Total</b>	<b>6,410,592</b>	<b>484,062</b>	<b>7.6%</b>	<b>6.2%</b>	<b>17,801,885</b>	<b>1,390,877</b>	<b>7.8%</b>	<b>2.9%</b>	<b>20,857,542</b>	<b>1,548,719</b>	<b>7.4%</b>	<b>1.9%</b>
<b>Interbank loans</b>												
Ch\$	48,329	1,048	2.2%	(2.1)%	166,307	6,485	3.9%	1.2%	170,086	3,581	2.1%	(0.2)%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	51,156	412	0.8%	13.3%	196,185	1,696	0.9%	(7.4)%	191,538	1,880	1.0%	(9.4)%
<b>Total</b>	<b>99,485</b>	<b>1,459</b>	<b>1.5%</b>	<b>5.8%</b>	<b>362,492</b>	<b>8,180</b>	<b>2.3%</b>	<b>(3.5)%</b>	<b>361,624</b>	<b>5,460</b>	<b>1.5%</b>	<b>(5.1)%</b>
<b>Investment under resale agreements</b>												
Ch\$	16,039	916	5.7%	1.3%	34,876	1,696	4.9%	2.1%	82,555	2,317	2.8%	0.5%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	102,096	23,854	23.4%	38.6%	45,721	4,328	9.5%	(1.8)%
<b>Total</b>	<b>16,039</b>	<b>916</b>	<b>5.7%</b>	<b>1.3%</b>	<b>136,972</b>	<b>25,550</b>	<b>18.7%</b>	<b>29.3%</b>	<b>128,275</b>	<b>6,645</b>	<b>5.2%</b>	<b>(0.3)%</b>
<b>Other interest earning assets</b>												
Ch\$	—	—	—	—	122	—	—	(8.2)%	180	—	—	(10.3)%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	218,567	(6,669)	(3.1)%	8.9%	993,168	4,192	0.4%	12.8%	820,215	4,939	0.6%	(9.8)%
<b>Total</b>	<b>218,567</b>	<b>(6,669)</b>	<b>(3.1)%</b>	<b>8.9%</b>	<b>993,289</b>	<b>4,192</b>	<b>0.4%</b>	<b>12.8%</b>	<b>820,395</b>	<b>4,939</b>	<b>0.6%</b>	<b>(9.8)%</b>
<b>Total interest earning assets</b>												
Ch\$	2,597,808	210,667	8.1%	3.4%	6,093,752	745,134	12.2%	9.3%	7,120,348	713,200	10.0%	7.5%
UF	3,367,427	253,666	7.5%	3.0%	6,937,544	224,977	3.2%	0.5%	8,083,023	263,915	3.3%	0.9%
Foreign currency	1,472,435	37,649	2.6%	15.2%	8,151,245	539,093	6.6%	(2.1)%	9,234,538	669,215	7.2%	(3.8)%
<b>Total</b>	<b>7,437,670</b>	<b>501,982</b>	<b>6.7%</b>	<b>5.6%</b>	<b>21,182,541</b>	<b>1,509,203</b>	<b>7.1%</b>	<b>2.0%</b>	<b>24,437,909</b>	<b>1,646,329</b>	<b>6.7%</b>	<b>1.1%</b>

[Table of Contents](#)

	2015				2016				2017			
	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate	Average Balance	Interest Earned	Average Nominal Rate	Average Real Rate
Year Ended December 31, (in millions of Ch\$)												
<b>NON-INTEREST EARNING ASSETS</b>												
<b>Cash</b>												
Ch\$	81,203				341,023				406,738			
UF												
Foreign currency	54,714				192,603				261,998			
<b>Total</b>	<b>135,917</b>				<b>533,626</b>				<b>668,736</b>			
<b>Allowance for loan losses</b>												
Ch\$	108,865				234,582				334,571			
UF												
Foreign currency					222,365				291,170			
<b>Total</b>	<b>108,865</b>				<b>456,948</b>				<b>625,741</b>			
<b>Property, plant and equipment</b>												
Ch\$	33,879				64,522				85,675			
UF												
Foreign currency					36,006				44,105			
<b>Total</b>	<b>33,879</b>				<b>100,528</b>				<b>129,780</b>			
<b>Derivatives</b>												
Ch\$	141,979				773,393				945,341			
UF	61,628				47,967				80,983			
Foreign currency	63,374				192,707				219,709			
<b>Total</b>	<b>266,981</b>				<b>1,014,067</b>				<b>1,246,032</b>			
<b>Other assets</b>												
Ch\$	265,169				1,565,969				2,095,283			
UF	7,303				15,665				6,920			
Foreign currency	73,017				790,266				1,027,684			
<b>Total</b>	<b>345,489</b>				<b>2,371,900</b>				<b>3,129,887</b>			
<b>Total non-interest earning assets</b>												
Ch\$	413,365				2,510,325				3,198,466			
UF	68,931				63,632				87,902			
Foreign currency	191,105				989,216				1,262,327			
<b>Total</b>	<b>673,401</b>				<b>3,563,173</b>				<b>4,548,696</b>			
<b>Total assets<sup>(1)</sup></b>												
Ch\$	3,011,173	210,667			8,604,077	745,134			10,318,814	713,200		
UF	3,436,358	253,666			7,001,176	224,977			8,170,925	263,915		
Foreign currency	1,663,540	37,649			9,140,462	539,093			10,496,866	669,215		
<b>Total</b>	<b>8,111,071</b>	<b>501,982</b>			<b>24,745,715</b>	<b>1,509,203</b>			<b>28,986,605</b>	<b>1,646,329</b>		

(1) Represents total of interest paying and non-interest earning assets.

[Table of Contents](#)

	2015				2016				2017			
	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate
Year Ended December 31, (in millions of Ch\$ except for percentages)												
<b>LIABILITIES AND EQUITY</b>												
<b>INTEREST BEARING</b>												
<b>LIABILITIES</b>												
<b>Time Deposits</b>												
Ch\$	2,287,277	80,363	3.5%	(0.8)%	5,244,385	238,587	4.5%	1.8%	5,657,825	205,639	3.6%	1.3%
UF	1,100,267	75,553	6.9%	2.4%	1,480,525	55,293	3.7%	1.0%	1,009,946	31,833	3.2%	0.8%
Foreign currency	488,362	4,985	1.0%	13.5%	3,159,182	165,501	5.2%	20.2%	3,476,788	195,765	5.6%	(5.3)%
<b>Total</b>	<b>3,875,906</b>	<b>160,901</b>	<b>4.2%</b>	<b>1.9%</b>	<b>9,884,092</b>	<b>459,381</b>	<b>4.6%</b>	<b>7.6%</b>	<b>10,144,559</b>	<b>433,237</b>	<b>4.3%</b>	<b>(1.0)%</b>
<b>Central Bank borrowings</b>												
Ch\$	—	—	—	—	—	—	—	—	—	—	—	—
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Repurchase agreements</b>												
Ch\$	57,267	1,772	3.1%	(1.3)%	105,389	4,528	4.3%	1.6%	192,502	6,103	3.2%	0.9%
UF	—	—	—	—	—	—	—	—	—	—	—	—
Foreign currency	—	—	—	—	294,863	43,558	14.8%	42.8%	403,849	26,574	6.6%	(4.4)%
<b>Total</b>	<b>57,267</b>	<b>1,772</b>	<b>3.1%</b>	<b>(1.3)%</b>	<b>400,252</b>	<b>48,086</b>	<b>12.0%</b>	<b>31.9%</b>	<b>596,351</b>	<b>32,677</b>	<b>5.5%</b>	<b>(2.7)%</b>
<b>Mortgage finance bonds</b>												
Ch\$	—	—	—	—	210	2,839	1,351.9%	1,313.7%	1,021	1,452	142.2%	136.8%
UF	28,123	2,187	7.8%	3.2%	71,532	1,402	2.0%	(0.7)%	71,879	1,797	2.5%	0.2%
Foreign currency	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>28,123</b>	<b>2,187</b>	<b>7.8%</b>	<b>3.2%</b>	<b>71,742</b>	<b>4,241</b>	<b>5.9%</b>	<b>3.1%</b>	<b>72,900</b>	<b>3,249</b>	<b>4.5%</b>	<b>2.1%</b>
<b>Bonds</b>												
Ch\$	31,744	1,597	5.0%	0.6%	140,587	82,121	58.4%	54.2%	1,052,950	88,288	8.4%	5.9%
UF	1,213,873	91,958	7.6%	3.0%	2,954,380	97,588	3.3%	0.6%	3,469,207	124,215	3.6%	1.3%
Foreign currency	—	—	—	—	1,111,030	51,344	4.6%	(3.9)%	1,523,771	67,132	4.4%	(6.4)%
<b>Total</b>	<b>1,245,617</b>	<b>93,555</b>	<b>7.5%</b>	<b>3.6%</b>	<b>4,205,997</b>	<b>231,053</b>	<b>5.5%</b>	<b>1.2%</b>	<b>6,045,928</b>	<b>279,635</b>	<b>4.6%</b>	<b>0.1%</b>
<b>Other interest bearing liabilities</b>												
Ch\$	586,735	9,572	1.6%	(2.7)%	1,236,698	24,576	2.0%	(0.7)%	1,555,940	7,879	0.5%	(1.8)%
UF	6,622	4,303	65.0%	58.0%	11,946	2,122	17.8%	14.7%	27,495	6,321	23.0%	20.2%
Foreign currency	662,759	6,402	1.0%	13.5%	2,780,526	100,569	3.6%	(4.9)%	3,068,671	100,349	3.3%	(7.4)%
<b>Total</b>	<b>1,256,116</b>	<b>20,277</b>	<b>1.6%</b>	<b>6.2%</b>	<b>4,029,170</b>	<b>127,267</b>	<b>3.2%</b>	<b>(3.5)%</b>	<b>4,652,106</b>	<b>114,549</b>	<b>2.5%</b>	<b>(5.3)%</b>
<b>Total interest bearing liabilities</b>												
Ch\$	2,963,023	93,304	3.1%	(1.2)%	6,727,269	352,651	5.2%	2.5%	8,460,238	309,361	3.7%	1.3%
UF	2,348,885	174,001	7.4%	2.9%	4,518,383	156,405	3.5%	0.7%	4,578,529	164,166	3.6%	1.3%
Foreign currency	1,151,121	11,387	1.0%	13.5%	7,345,601	360,972	4.9%	(3.7)%	8,473,079	389,820	4.6%	(6.2)%
<b>Total</b>	<b>6,463,029</b>	<b>278,692</b>	<b>4.3%</b>	<b>2.9%</b>	<b>18,591,253</b>	<b>870,028</b>	<b>4.7%</b>	<b>(0.4)%</b>	<b>21,511,846</b>	<b>863,347</b>	<b>4.0%</b>	<b>(1.7)%</b>

[Table of Contents](#)

	Year Ended December 31,											
	2015				2016				2017			
	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate	Average Balance	Interest Paid	Average Nominal Rate	Average Real Rate
(in millions of Ch\$)												
<b>NON-INTEREST EARNING LIABILITIES</b>												
<b>Non-interest-bearing demand deposits</b>												
Ch\$	251,259				445,473				524,668			
UF	—				6,754				9,080			
Foreign currency	35,784				1,446,241				1,662,949			
<b>Total</b>	<b>287,043</b>				<b>1,898,468</b>				<b>2,196,697</b>			
<b>Derivatives</b>												
Ch\$	174,282				641,346				769,775			
UF	78,605				73,255				104,225			
Foreign currency	54,967				131,319				147,662			
<b>Total</b>	<b>307,854</b>				<b>845,920</b>				<b>1,021,662</b>			
<b>Other non-interest-bearing</b>												
Ch\$	280,856				422,558				430,626			
UF	—				66				77,431			
Foreign currency	10,360				180,758				309,898			
<b>Total</b>	<b>291,216</b>				<b>603,382</b>				<b>817,955</b>			
<b>Equity</b>												
Ch\$	761,929				2,758,990				3,394,866			
UF	—				47,688				37,177			
Foreign currency	—				13				6,402			
<b>Total</b>	<b>761,929</b>				<b>2,806,690</b>				<b>3,438,445</b>			
<b>Total non-interest-bearing liabilities and shareholders' equity</b>												
Ch\$	1,468,326				4,268,367				5,119,935			
UF	78,605				127,763				227,913			
Foreign currency	101,111				1,758,331				2,126,911			
<b>Total</b>	<b>1,648,042</b>				<b>6,154,461</b>				<b>7,474,759</b>			
<b>Total liabilities and equity <sup>(1)</sup></b>												
Ch\$	4,431,349	92,827			10,995,636	352,651			13,580,173	309,361		
UF	2,427,490	174,478			4,646,147	156,405			4,806,442	164,166		
Foreign currency	1,252,232	11,387			9,103,931	360,972			10,599,990	389,820		
<b>Total</b>	<b>8,111,071</b>	<b>278,692</b>			<b>24,745,714</b>	<b>870,028</b>			<b>28,986,605</b>	<b>863,347</b>		

(1) Represents total of interest bearing and non-interest bearing liabilities and shareholders' equity.

[Table of Contents](#)**Interest-earning Assets—Net Interest Margin**

The following tables analyze, by currency of denomination, our levels of average interest-earning assets and net interest, and illustrate the comparative margins obtained, for each of the periods indicated:

	Year Ended December 31,		
	2015	2016	2017
(in millions of constant Ch\$ as of December 31, 2015, except for percentages)			
<b>Total average interest earning assets</b>			
Ch\$	2,597,808	6,093,752	7,120,348
UF	3,367,427	6,937,544	8,083,023
Foreign currency	1,472,435	8,151,245	9,234,538
<b>Total</b>	<b>7,437,670</b>	<b>21,182,541</b>	<b>24,437,909</b>
<b>Net interest earned <sup>(1)</sup></b>			
Ch\$	117,840	393,041	403,839
UF	79,188	68,014	99,749
Foreign currency	26,261	178,120	279,394
<b>Total</b>	<b>223,289</b>	<b>639,175</b>	<b>782,982</b>
<b>Net interest margin, nominal basis <sup>(2)</sup></b>			
Ch\$	4.5%	6.4%	5.7%
UF	2.4%	1.0%	1.2%
Foreign currency	1.8%	2.2%	3.0%
<b>Total</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.2%</b>

(1) Net interest earned is defined as interest revenue earned less interest expense incurred.

(2) Net interest margin is defined as net interest earned divided by average interest earning assets.

[Table of Contents](#)**Changes in Net Interest Income and Interest Expense—Volume and Rate Analysis**

The following tables allocate, by currency of denomination, changes in our net interest income between changes in the average volume of interest-earning assets and interest bearing liabilities and changes in their respective nominal interest rates from 2015 to 2016 and 2016 to 2017. Volume and rate variances have been calculated based on movements in average balances over the year and changes in nominal interest rates, average interest-earning assets and average interest bearing liabilities. The net change attributable to changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate.

	Increase (Decrease) from 2015 to 2016 due to changes in		Net Change from 2015 to 2016
	Volume	Rate (in millions of Ch\$)	
<b>ASSETS</b>			
<b>INTEREST EARNING ASSETS</b>			
<b>Deposits in Central Bank</b>			
Ch\$	171	185	356
UF	—	—	—
Foreign currency	—	—	—
<b>Total</b>	<b>171</b>	<b>185</b>	<b>356</b>
<b>Financial Investments</b>			
Ch\$	15,046	9,824	24,870
UF	6,711	(18,599)	(11,888)
Foreign currency	—	44,852	44,852
<b>Total</b>	<b>21,757</b>	<b>36,077</b>	<b>57,834</b>
<b>Total Loans</b>			
Ch\$	284,505	218,519	523,024
UF	235,183	(251,985)	(16,802)
Foreign currency	182,143	238,450	420,593
<b>Total</b>	<b>701,832</b>	<b>204,983</b>	<b>906,815</b>
<b>Interbank Loans</b>			
Ch\$	2,602	2,835	5,437
UF	—	—	—
Foreign currency	1,098	186	1,284
<b>Total</b>	<b>3,701</b>	<b>3,020</b>	<b>6,721</b>
<b>Investment under resale agreements</b>			
Ch\$	1,054	(274)	780
UF	—	—	—
Foreign currency	—	23,854	23,854
<b>Total</b>	<b>1,054</b>	<b>23,580</b>	<b>24,634</b>
<b>Other interest earning assets</b>			
Ch\$	—	—	—
UF	—	—	—
Foreign currency	(24,265)	35,126	10,861
<b>Total</b>	<b>(24,265)</b>	<b>35,126</b>	<b>10,861</b>
<b>Total interest earning assets</b>			
Ch\$	303,379	231,088	534,467
UF	241,894	(270,584)	(28,690)
Foreign currency	158,977	342,467	501,444
<b>Total</b>	<b>704,250</b>	<b>302,971</b>	<b>1,007,221</b>

[Table of Contents](#)

	Increase (Decrease) from 2015 to 2016 due to changes in		Net change from 2015 to 2016
	Volume	Rate (in millions of Ch\$)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>INTEREST BEARING LIABILITIES</b>			
<b>Time deposits</b>			
Ch\$	105,013	53,211	158,224
UF	25,147	(45,407)	(20,260)
Foreign currency	26,896	133,620	160,516
<b>Total</b>	<b>157,056</b>	<b>141,424</b>	<b>298,480</b>
<b>Central Bank borrowings</b>			
Ch\$	—	—	—
UF	—	—	—
Foreign currency	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Repurchase agreements</b>			
Ch\$	1,135	1,621	2,756
UF	—	—	—
Foreign currency	—	43,558	43,558
<b>Total</b>	<b>1,135</b>	<b>45,179</b>	<b>46,314</b>
<b>Mortgage finance bonds</b>			
Ch\$	—	2,839	2,839
UF	3,484	(4,269)	(785)
Foreign currency	—	—	—
<b>Total</b>	<b>3,484</b>	<b>(1,430)</b>	<b>2,054</b>
<b>Bonds</b>			
Ch\$	5,443	75,081	80,524
UF	142,118	(136,488)	5,630
Foreign currency	—	51,344	51,344
<b>Total</b>	<b>147,561</b>	<b>(10,063)</b>	<b>137,498</b>
<b>Other interest bearing liabilities</b>			
Ch\$	10,168	4,836	15,004
UF	3,466	(5,647)	(2,181)
Foreign currency	21,335	72,832	94,167
<b>Total</b>	<b>34,968</b>	<b>72,022</b>	<b>106,990</b>
<b>Total interest bearing liabilities</b>			
Ch\$	121,758	137,589	259,347
UF	174,215	(191,811)	(17,596)
Foreign currency	48,232	301,353	349,585
<b>Total</b>	<b>344,204</b>	<b>247,132</b>	<b>591,336</b>

[Table of Contents](#)

	Increase (Decrease) from 2016 to 2017 due to changes in		Net Change from 2016 to 2017
	Volume	Rate (in millions of Ch\$)	
<b>ASSETS</b>			
<b>INTEREST EARNING ASSETS</b>			
<b>Deposits in Central Bank</b>			
Ch\$	4,387	(4,340)	47
UF	—	—	—
Foreign currency	—	—	—
<b>Total</b>	<b>4,387</b>	<b>4,340</b>	<b>47</b>
<b>Financial Investments</b>			
Ch\$	(16,647)	18,835	2,188
UF	396	5,765	6,161
Foreign currency	9,264	(17,498)	(8,234)
<b>Total</b>	<b>(6,987)</b>	<b>7,102</b>	<b>115</b>
<b>Total Loans</b>			
Ch\$	104,644	(136,530)	(31,886)
UF	35,230	(2,453)	32,777
Foreign currency	93,445	63,506	156,951
<b>Total</b>	<b>233,320</b>	<b>(75,478)</b>	<b>157,842</b>
<b>Interbank Loans</b>			
Ch\$	147	(3,051)	(2,904)
UF	—	—	—
Foreign currency	(67)	251	184
<b>Total</b>	<b>80</b>	<b>(2,800)</b>	<b>(2,720)</b>
<b>Investment under resale agreements</b>			
Ch\$	2,386	(1,765)	621
UF	—	—	—
Foreign currency	(13,167)	(6,359)	(19,526)
<b>Total</b>	<b>(10,781)</b>	<b>(8,124)</b>	<b>(18,905)</b>
<b>Other interest earning assets</b>			
Ch\$	—	—	—
UF	—	—	—
Foreign currency	(535)	1,282	747
<b>Total</b>	<b>(535)</b>	<b>1,282</b>	<b>747</b>
<b>Total interest earning assets</b>			
Ch\$	94,917	(126,852)	(31,934)
UF	35,626	3,312	38,938
Foreign currency	88,940	41,182	130,122
<b>Total</b>	<b>219,484</b>	<b>(82,358)</b>	<b>137,126</b>

[Table of Contents](#)

	Increase (Decrease) from 2016 to 2017 due to changes in		Net change from 2016 to 2017
	Volume	Rate (in millions of Ch\$)	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>INTEREST BEARING LIABILITIES</b>			
<b>Time deposits</b>			
Ch\$	20,192	(53,140)	(32,948)
UF	(17,801)	(5,659)	(23,460)
Foreign currency	15,874	14,390	30,264
<b>Total</b>	<b>18,264</b>	<b>(44,408)</b>	<b>(26,144)</b>
<b>Central Bank borrowings</b>			
Ch\$	—	—	—
UF	—	—	—
Foreign currency	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Repurchase agreements</b>			
Ch\$	3,755	(2,180)	1,575
UF	—	—	—
Foreign currency	16,053	(33,037)	(16,984)
<b>Total</b>	<b>19,807</b>	<b>(35,216)</b>	<b>(15,409)</b>
<b>Mortgage finance bonds</b>			
Ch\$	10,964	(12,351)	(1,387)
UF	7	388	395
Foreign currency	—	—	—
<b>Total</b>	<b>10,971</b>	<b>(11,963)</b>	<b>(992)</b>
<b>Bonds</b>			
Ch\$	531,253	(525,086)	6,167
UF	16,930	9,697	26,627
Foreign currency	18,706	(2,918)	15,788
<b>Total</b>	<b>566,888</b>	<b>(518,306)</b>	<b>48,582</b>
<b>Other interest bearing liabilities</b>			
Ch\$	6,325	(23,022)	(16,697)
UF	2,771	1,428	4,199
Foreign currency	(9,126)	8,906	(220)
<b>Total</b>	<b>(30)</b>	<b>(12,688)</b>	<b>(12,718)</b>
<b>Total interest bearing liabilities</b>			
Ch\$	572,488	(615,778)	(43,290)
UF	1,907	5,854	7,761
Foreign currency	41,506	(12,658)	28,848
<b>Total</b>	<b>615,901</b>	<b>(622,582)</b>	<b>(6,681)</b>

[Table of Contents](#)**Return on Equity and Assets**

The following tables set forth our return on average shareholders' equity and average total assets and related information for each of the periods indicated.

	Years ended December 31,		
	2015	2016	2017
	(in millions of Ch\$, except for percentages)		
Net income	105,766	13,969	62,825
Net income attributable to the equity holders of the bank	105,757	14,407	67,821
Average total assets	8,111,071	24,745,715	28,986,605
Average equity	761,929	2,806,690	3,438,445
<b>Net income as a percentage of:</b>			
Average total assets	1.30%	0.06%	0.22%
<b>Average equity</b>	13.88%	0.50%	1.83%
<b>Average equity as a percentage of:</b>			
Average total assets	9.39%	11.34%	11.86%
Proposed annual cash dividend (*)	52,168	618	22,979
Dividend payout ratio, based on net income attributable to shareholders under local GAAP	50.00%	30.00%	40.00%

(\*) Dividend proposed by the board of directors for shareholders' approval in Annual General Shareholders' Meeting.

[Table of Contents](#)**Investment Portfolio**

Financial investments are classified at the time of the purchase, based on management's intentions, as either trading or investment instruments, the latter of which are categorized as available-for-sale or held to maturity.

Financial investments as of December 31, 2015, 2016 and 2017 are as follows:

	As of December 31,		
	2015	2016	2017
(in millions of Ch\$)			
<b>Held-for-trading:</b>			
<b>Chilean Central Bank and Government securities:</b>			
Chilean Central Bank bonds	1,583	8,349	1,705
Chilean Central Bank notes	—	—	2,258
Other Chilean Central Bank and Government securities	4,828	17,855	3,163
<b>Other national institution securities:</b>			
Bonds	—	786	5
Notes	—	—	—
Other securities	—	12,608	—
<b>Foreign institution securities:</b>			
Bonds	—	547,499	381,262
Notes	—	—	—
Other securities	—	11,727	8,147
<b>Mutual funds investments</b>			
Funds managed by related organizations	11,354	33,733	18,521
Funds managed by third parties	—	—	—
<b>Total</b>	<b>17,765</b>	<b>632,557</b>	<b>415,061</b>

	As of December 31,		
	2015	2016	2017
(in millions of Ch\$)			
<b>Available-for-sale</b>			
<b>Chilean Central Bank and Government securities</b>			
Chilean Central Bank and Government securities	218,757	901,239	687,945
Chilean Central Bank Notes	32,112	272,734	1,081,879
Other Government securities	—	—	14,053
<b>Other financial instruments</b>			
Promissory notes related to deposits in local banks	31,193	397,898	114,038
Chilean mortgage finance bonds	—	76	64
Chilean financial institutions bonds	230,448	2,607	9,032
Other local investments	—	32,230	6,159
<b>Financial instruments issued abroad</b>			
Foreign government and central banks instruments	—	284,444	420,687
Other foreign investments	—	162,882	300,740
Impairment provision	—	—	—
<b>Unquoted securities in active markets</b>			
Chilean corporate bonds	—	—	18,469
Other investments	2,475	19,967	10,412
Impairment provision	—	—	—
<b>Total</b>	<b>514,985</b>	<b>2,074,077</b>	<b>2,663,478</b>

[Table of Contents](#)

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
<b>Held to maturity</b>			
<b>Central Bank and Government securities</b>			
Chilean Central Bank securities	—	—	—
Chilean treasury bonds	—	—	—
Other Government securities	—	—	—
<b>Other financial securities</b>			
Promissory notes related to deposits in local banks	—	—	—
Chilean mortgage finance bonds	—	—	—
Chilean financial institution bonds	—	—	—
Other local investments	—	—	—
<b>Financial instruments issued abroad</b>			
Foreign government and central banks instruments	—	226,433	—
Other foreign investments	—	—	202,030
Impairment provision	—	—	—
<b>Unquoted securities in active markets</b>			
Chilean corporate bonds	—	—	—
Other investments	—	—	—
Impairment provision	—	—	—
<b>Total</b>	<u>—</u>	<u>226,433</u>	<u>202,030</u>

We do not hold securities of any issuer other than the Central Bank of Chile and the Colombian Ministry of Finance, in which the aggregate book value of the investment in such securities exceeds 10% of our shareholders' equity as of the end of the latest reported period.

[Table of Contents](#)

The following table sets forth an analysis of our investments, by time remaining to maturity and the weighted average nominal rates of such investments, as of December 31, 2017:

	In one year or less	Weighted average Nominal Rate	After one year through five years	Weighted average Nominal Rate	After five years through ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total
	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$
(in millions of Ch\$, except for percentages)									
<b>Held—for—trading</b>									
<b>Central Bank and Government securities:</b>									
Chilean Central Bank securities	573	0.9	818	2.3	293	1.3	150	2.1	1,834
Chilean Central Bank notes	2,147	0.20	—	—	—	—	—	—	2,147
Others Government securities	406	4.0	2,222	6.6	—	—	516	3.5	3,144
<b>Other national institution securities:</b>									
Bonds	—	—	—	—	—	—	5	6.7	5
Notes	—	—	—	—	—	—	—	—	—
Other securities	—	—	—	—	—	—	—	—	—
Other local investments	—	—	—	—	—	—	—	—	—
<b>Foreign institution securities:</b>									
Bonds	166,591	0.1	193,631	4.99	21,040	0.1	—	—	381,262
Notes	—	—	—	—	—	—	—	—	—
Other securities	3,233	3.29	—	—	—	—	4,914	—	8,147
<b>Mutual fund investments:</b>									
Funds managed by related organizations	18,521	—	—	—	—	—	—	—	18,521
Funds managed by third parties	—	—	—	—	—	—	—	—	—
<b>Total Held—for—trading</b>	<b>191,471</b>	<b>0.1</b>	<b>196,670</b>	<b>5.0</b>	<b>21,333</b>	<b>0.1</b>	<b>5,586</b>	<b>0.4</b>	<b>415,061</b>

[Table of Contents](#)

	<u>In one year or less</u>	<u>Weighted average Nominal Rate</u>	<u>After one year through five years</u>	<u>Weighted average Nominal Rate</u>	<u>After five years through ten years</u>	<u>Weighted average Nominal Rate</u>	<u>After ten years</u>	<u>Weighted average Nominal Rate</u>	<u>Total</u>
	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>
(in millions of Ch\$, except for percentages)									
<b>Available—for—sale</b>									
<b>Chilean Central Bank and Government securities:</b>									
Chilean Central Bank securities	309,502	0.7	356,246	3.0	22,197	3.6	—	—	687,945
Chilean treasury bonds	—	—	669,794	2.4	402,930	3.4	9,155	3.0	1,081,879
Others Government securities	—	—	14,053	2.3	—	—	—	—	14,053
<b>Other financial instruments:</b>									
Promissory notes related to deposits in local banks	114,038	0.2	—	—	—	—	—	—	114,038
Chilean mortgage finance bonds	—	—	1	3.6	64	3.4	—	—	64
Chilean financial institution bonds	—	—	—	—	9,032	1.9	—	—	9,032
Other local investments	6,159	—	—	—	—	—	—	—	6,159
<b>Financial instruments issued abroad:</b>									
Foreign Government and central bank instruments	53,573	0.1	305,394	0.1	61,720	0.1	—	—	420,687
Other foreign investments	102,021	—	171,469	0.05	16,197	0.1	11,053	3.37	300,740
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Unquoted securities in active markets</b>									
Chilean corporate bonds	9,660	2.9	8,809	5.3	—	—	—	—	18,469
Other foreign investments	10,412	—	—	—	—	—	—	—	10,412
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>605,365</b>	<b>0.5</b>	<b>1,525,765</b>	<b>1.8</b>	<b>512,140</b>	<b>2.8</b>	<b>20,208</b>	<b>3.2</b>	<b>2,663,478</b>

[Table of Contents](#)

	Within one year	Weighted average Nominal Rate	After one year through five years	Weighted average Nominal Rate	After five years through ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total
	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$
(in millions of Ch\$, except for percentages)									
<b>Held to maturity</b>									
<b>Chilean Central Bank and Government securities:</b>									
Chilean Central Bank securities	—	—	—	—	—	—	—	—	—
Chilean treasury bonds	—	—	—	—	—	—	—	—	—
Other Government securities	—	—	—	—	—	—	—	—	—
<b>Other financial instruments:</b>									
Promissory notes related to deposits in local banks	—	—	—	—	—	—	—	—	—
Chilean mortgage finance bonds	—	—	—	—	—	—	—	—	—
Chilean financial institution bonds	—	—	—	—	—	—	—	—	—
Other local investments	—	—	—	—	—	—	—	—	—
<b>Financial instruments issued abroad:</b>									
Foreign government and central bank instruments	186,738	2.2	15,292	0.1	—	—	—	—	202,030
Other foreign investments	—	—	—	—	—	—	—	—	—
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Unquoted securities in active markets</b>									
Chilean corporate bonds	—	—	—	—	—	—	—	—	—
Other investments	—	—	—	—	—	—	—	—	—
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>186,738</b>	<b>2.2</b>	<b>15,292</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>202,030</b>

[Table of Contents](#)**Loan Portfolio**

The following table presents our loans by type of loan. Except where otherwise specified, all loan amounts stated below are before deduction for the allowance for loan losses. Total loans reflect our loan portfolio, including past due principal amounts.

	<b>As of December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Commercial loans:</b>			
Commercial loans	3,604,521	11,956,364	11,116,076
Foreign trade loans	429,320	754,144	700,733
Checking account debtors	39,114	133,701	139,348
Factoring operations	57,232	76,141	140,738
Student loans	177,023	610,315	653,003
Leasing transactions	248,755	1,073,506	940,789
Other loans and receivables	10,501	30,300	25,859
<b>Subtotals</b>	<b>4,566,466</b>	<b>14,634,471</b>	<b>13,716,546</b>
<b>Mortgage loans:</b>			
Letters of credit loans	16,526	57,708	47,400
Endorsable mutual mortgage loans	8,753	152,320	135,919
Other mutual mortgage loans	1,508,569	3,360,950	3,660,900
Leasing transactions	—	288,329	282,135
Other loans and receivables	—	29,210	26,399
<b>Subtotals</b>	<b>1,533,848</b>	<b>3,888,517</b>	<b>4,152,753</b>
<b>Consumer loans:</b>			
Consumer loans	389,356	1,786,004	1,810,049
Checking account debtors	113,667	182,832	207,501
Credit card debtors	197,425	414,903	421,169
Consumer leasing transactions	309	17,091	11,176
Other loans and receivables	—	80,134	63,411
<b>Subtotals</b>	<b>700,757</b>	<b>2,480,964</b>	<b>2,513,306</b>
<b>Loans</b>	<b>6,801,071</b>	<b>21,003,952</b>	<b>20,382,605</b>
<b>Loans and receivables from Banks</b>	<b>99,468</b>	<b>150,780</b>	<b>36,281</b>
<b>Total</b>	<b>6,900,539</b>	<b>21,154,732</b>	<b>20,418,886</b>

The loan categories are as follows:

**Commercial Loans**

**Commercial loans:** Commercial loans are long- and short-term loans granted to companies, including checking overdraft lines for companies, in Chilean pesos, inflation-linked UF, US\$ or Colombian pesos on an adjustable or fixed rate basis, primarily to finance working capital or investments. Commercial loans represent the largest portion of our loan portfolio. Interest accrues daily on a 30-day or 360-day basis. Loan payments are scheduled monthly, biannually or yearly, depending on the terms of the loan.

**Foreign trade loans:** Foreign trade loans are fixed rate, short-term loans made in foreign currency (principally US\$) to finance imports or exports.

**Current account debtors:** The term “current account debtors” refers to our customers that receive short-term operating loans with a pre-approved credit limit. This category includes overdrafts loans.

**Factoring operations:** Factoring operations refer to the transactions in which our customers assign their accounts receivable (invoices, bills, among others) to us, which allows them to convert their sales into cash regardless the original terms agreed for payment, improving their liquidity, financial indices and also delegating the collection management efforts to us and/or our subsidiaries.

[Table of Contents](#)

**Leasing transactions:** Leasing transactions are agreements for the financial lease of capital equipment and other property of our clients.

**Other loans and receivables:** Other loans and receivables refer to outstanding loans including commercial loans not classified in any of the categories described above.

### **Mortgage Loans**

**Mortgage loans:** This category includes mortgage loans granted to individuals in order to acquire, expand, repair or build residential houses or apartments. Mortgage loans are granted in the form of letters of credit or other endorsable instruments/credit operations. This category also includes liaison credits granted before the mortgage loans are perfected; bilateral loans for purposes ancillary to the ones mentioned above; housing leasing operations and other receivables. Any loan granted to repay or restructure all or part of the credits described above belongs in this category.

Mortgage loans include the following sub-categories:

**Letters of credit loans:** This sub-category includes inflation-indexed, fixed or variable rate, long-term loans with monthly payments of principal and interest secured by a real property mortgage that are financed with mortgage notes. At the time of the approval of the relevant loan by the bank, these mortgage loans cannot exceed 75% of the lower of the purchase price or the appraised value of the mortgaged property. Letter of credit loans are our general obligations, and we are liable for all principal and accrued interest on such Notes. The main difference between Letter of credit loans or Mortgages Bonds is the fact that Letter of credit loans fund specific mortgage loans (on a credit by credit basis) while Mortgages Bonds fund portfolios of mortgage loans.

**Endorsable mutual mortgage loans:** This sub-category includes outstanding balances due from housing loans with mortgage loans which funding was obtained by the placement of mortgage bonds.

**Mortgage bonds backed loans:** This sub-category includes long-term inflation-indexed mortgage loans (fixed and variable rate) with monthly payments of principal and interest secured by a real property mortgage that are financed by mortgage bonds.

**Other mutual mortgage loans:** This sub-category includes inflation-indexed long-term mortgage loans (fixed and variable rate) with monthly payments of principal and interest secured by a real property mortgage that are financed by our general borrowings.

**Housing Leasing transactions:** This sub-category includes outstanding balances owed by tenants in financial leases transactions

**Other loans and receivables:** This sub-category includes loans that are ancillary or that complement mutual mortgage loans.

The balances of the renegotiated mortgage loans as of December 31, 2015, 2016 and 2017 were as follows:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Opening balance <sup>(1)</sup>	1,307	1,360	15,660
Integration Itaú Corpbanca	—	13,315	—
Renegotiated <sup>(2)</sup>	385	4,584	1,519
Recovery <sup>(3)</sup>	—	(2,279)	(5,248)
Write-offs <sup>(4)</sup>	(332)	(1,320)	(998)
<b>Final balance</b>	<b>1,360</b>	<b>15,660</b>	<b>10,933</b>

- (1) Corresponds to the renegotiated portfolio opening balance.
- (2) Corresponds to the additions to the renegotiated loans portfolio during each respective period.
- (3) Corresponds to the recovery (which may include payments, or settlements by judicial action) obtained from renegotiated loans during each respective period.
- (4) Corresponds to write-offs of renegotiated loans during each respective period.

### **Consumer Loans**

**Consumer loans.** This category includes all loans granted to individuals for the purpose of acquiring consumer goods or services, except for student loans. It includes different types of loans (such as loans payable in installments or revolving loans) and outstanding balances arising from the utilization of credit cards by individuals or overdrafts on checking accounts. In addition, this category includes leasing operations for consumer purposes and other receivables. Any loan granted to repay or restructure all or part of the credits described above belongs in this category.

[Table of Contents](#)

Consumer loans include the following sub-categories:

**Consumer loans:** This sub-category is comprised by loans granted to individuals in Chilean pesos, generally on a fixed rate nominal basis, to finance the purchase of consumer goods or to pay for services. This loans are generally paid in monthly installments which include principal amortization and interest payments.

**Current account debtors:** This sub-category includes checking overdraft lines granted to individuals, in Chilean pesos, generally on a fixed rate nominal basis and linked to an individual's checking account.

**Credit card debtors:** This sub-category includes outstanding balances arising from the use of credit cards by individuals.

**Consumer leasing transactions:** This sub-category includes outstanding balances owed by tenants of consumer goods under financial leasing transactions.

**Other loans and receivables:** This sub-category includes other revolving consumer loans and other accounts receivable granted to individuals not included in the above categories.

The balances of the renegotiated consumer loans as of December 31, 2015, 2016 and 2017 were as follows:

	As of December 31,		
	2015	2016 (in millions of Ch\$)	2017
Opening balance <sup>(1)</sup>	26,658	25,996	128,722
Integration Itaú Corpbanca	—	93,542	—
Renegotiated <sup>(2)</sup>	15,471	78,496	91,837
Recovery <sup>(3)</sup>	(8,622)	(44,485)	(33,778)
Write-offs <sup>(4)</sup>	(7,511)	(24,827)	(36,074)
<b>Final balance</b>	<b>25,996</b>	<b>128,722</b>	<b>150,706</b>

- (1) Corresponds to the renegotiated portfolio opening balance.
- (2) Corresponds to the additions to the renegotiated loans portfolio during each respective period.
- (3) Corresponds to the recovery (which may include payments, or settlements by judicial action) obtained from renegotiated loans during each respective period.
- (4) Corresponds to write-offs of renegotiated loans during each respective period.

As part of our business model we seek to be able to assist our customers when they are experiencing financial problems that cause them to fall behind on their payments. As a result, we make certain concessions when we renegotiate a loan, which may include the following: (i) extension of payment period; (ii) modifications to the interest rate based on each customer's ability to pay; and (iii) forgiveness of interest payments.

The above-mentioned concessions are considered on a case-by-case basis. The grant of any concessions will depend on the situation of each customer and pursuant to the analysis by the branch agent in charge of such loan. We do not quantify the balance of consumer loans we have renegotiated by type of concession.

We use several types of concessions, frequently used in the market, to renegotiate our loans such as payment extensions, new operations or external refinancing to reduce the probability of losing the amount of the loan that the client has with us and improve collections.

With respect to the renegotiated loan portfolio, most of the loans are classified as impaired, and therefore the associated allowance for loan losses are based on the fair value less estimated cost to sell of the underlying collateral of each loan. To reclassify a renegotiated loan out of the impaired classification we conduct an individualized analysis of each customer. We consider if the customer has paid its loan for a reasonable period of time and the expected behavior of the customer for paying the remainder of the loan. In order to remove the renegotiated status from a loan, a customer must have improved its payment ability (credit risk profile) and must also demonstrate an improvement in its payment history. Once a minimum period of four to six months has passed, and a debtor's situation has been duly rectified and documented, an executive in the commercial loan department may request that the renegotiated status of such loan be removed by the Assets Control Management team (which is an independent group in the commercial loan department that has the sole authority to change the risk classification of a loan). An executive in the commercial loan department has the exclusive authority to request a new classification on behalf of a customer.

The method of determining the allowance and provision for loan losses described in this section represents Chilean Banking GAAP accounting and is a regulatory required disclosure. This information has been provided in order to provide the reader with a more in-depth analysis. Notwithstanding, our allowance and provision for loan losses as recorded in our consolidated financial statements included herein have been determined in accordance with IFRS.

[Table of Contents](#)**Remedial Portfolio (formerly Normalization Portfolio)**

The remedial portfolio table set forth below represents the commercial loan portfolio and leasing portfolio managed by the remedial portfolio management unit (internally named “Normalización Mayorista” or Wholesale Remedial) which is part of the credit risk structure. This portfolio includes renegotiated commercial loans and leasing operations, commercial loans paid regularly but with certain delay, and commercial loans undergoing legal collection process:

The main difference between remedial portfolio and renegotiated portfolio for commercial loans is that loans may be transferred to the remedial portfolio prior to the commencement of the renegotiation process to the extent, as defined internally, and that the loan has demonstrated evidence of credit deterioration through deterioration in rating category, among others, requiring specific portfolio management procedures:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Opening balance <sup>(1)</sup>	63,996	75,600	237,197
Integration Itau Corpbanca	—	189,709	—
Additions to normalization portfolio <sup>(2)</sup>	23,505	69,454	392,476
Recovery <sup>(3)</sup>	(5,508)	(44,455)	(103,061)
Write-offs <sup>(4)</sup>	(6,393)	(53,111)	(34,077)
<b>Final balance<sup>(5)</sup></b>	<b>75,600</b>	<b>237,197</b>	<b>492,534</b>

- (1) Opening balance of the normalization portfolio.
- (2) Additions to the normalization loans portfolio during each respective period.
- (3) Recovery (which may include payments, or settlements by judicial action) obtained from normalization loans during each respective period.
- (4) Loans and leasing operations write-offs of remedial management portfolio during each respective period.
- (5) Ending balance of the remedial management portfolio (outstanding and contingent exposures)

The increase between 2016 and 2017 was driven by a significant amount added to the remedial management portfolio related to Corporate Banking deteriorated portfolio transferred to the Remedial Management Team (Normalización Mayorista), in the context of changes in our processes (as described below). These changes were implemented in order to improve the management of such debtors, with a specialized team like our “Normalización Mayorista”. Before these changes were implemented, this portfolio was managed by the Corporate Banking team directly.

Currently, our remedial management portfolio is handled by a designated and specialized team, internally named “Normalización Mayorista” (Wholesale Remedial). The team has activities such as:

- Analyzing borrowers’ status and viability and to assess the chances of recovery;
- Establishing strategies and action plans in order to manage debtors’ portfolio;
- Negotiating new payment schedules;
- Transferring debtors to collection — legal proceedings;
- Supervising and monitoring legal collection progress; and
- Assuring appropriate regulatory classification.

During 2017, our credit risk management redefined remedial management processes, introducing two mayor changes:

- Wholesale Remedial (“Normalización Mayorista”) will manage deteriorated exposure (regulatory classification on B3 or worse) over Ch\$500 million; and
- Wholesale Remedial manage corporate deteriorated exposures, that before were managed by Corporate Banking.

As established in our remedial management process for our business segments as Large Companies, Corporate and Real Estate Banking customers with deteriorated economic situation will be transferred to the remedial management unit (Normalization team) under the following conditions:

- Customers with a regulatory classification B3 or worse (note that it will be transferred the relationship as a whole);
- Defaulted customers (for 89 days or more);

[Table of Contents](#)

- Customers that experience a sudden and severe deterioration in their financial position; and
- Any customer that could result in a loss to the bank.

The remedial portfolio management team is responsible for determining any action that will be taken related to the customer (renegotiation of the exposure or collection), within a period not exceeding 30 days.

### ***Risk Index of Our Loan Portfolio***

The risk index is calculated as ratio of the allowance for loan losses over total loans. Our risk index for commercial loans is calculated by including commercial current account debtors, foreign trade loans, commercial leases, factoring and other commercial loans. Mortgage loans include mortgage leasing arrangements and consumer mortgage loans, which include consumer leasing.

**Commercial loans.** Our risk index as of December 31, 2015, 2016 and 2017 was 1.4%, 2.9% and 3.3%, respectively. The quality of our commercial loans depends on Chilean GDP growth, interest rates, changes in regulations, the general level of indebtedness and other economic conditions. Commercial loans include foreign trade loans, leasing contracts and factored receivables.

The main objective of our credit risk division is to maintain an adequate risk-return ratio for our assets, providing balance between commercial business goals and sound risk acceptance criteria, in accordance with our strategic objectives. This division's work is based on its associates' experience in evaluating credit risk using specialized, segmented management techniques, which has enabled it to build a sound, risk-conscious culture aligned with our strategy.

Such division helps define credit processes for the companies' business unit, including approval, monitoring and collections practices, using a regulatory and preventive outlook on credit risk. It also actively participates in loan approval and monitoring processes, which has helped us spread a risk-focused culture throughout the bank, reinforced by ongoing training for sales and risk executives. The division also directly manages higher risk loans in order to maximize recovery using a specialized approach.

Finally, the division's assets quality ratios developed less favorably in comparison to 2015. Nevertheless, our asset quality ratios, including the risk index, the non-performing loans and the past-due loans, continued to outperform the financial system.

**Mortgage loans.** The risk index of our residential mortgage loans as of December 31, 2015, 2016 and 2017 was 0.4%, 0.6% and 0.8%, respectively.

Itaú Corpbanca's model for mortgage loans collectively evaluated for impairment recognizes loan losses only when they are incurred, in accordance with the guidance in IAS 39.BC109, and consistent with paragraph BC108 and BC110 of the same (as indicated in paragraph IAS 39.108 "a deterioration in the credit quality of an asset or a group of assets after their initial recognition") and does not recognize impairment on the basis of expected future transactions or events. Thus, for a loss to be incurred, an event that provides objective evidence of impairment must have occurred and be supported by current observable data.

**Consumer loans.** The risk index of our consumer loans as of December 31, 2015, 2016 and 2017 was 3.9%, 4.7% and 5.4%, respectively.

The division also created a risk committee, or the Risk Committee, comprised of directors and senior executives that continuously monitor division activities based on the objectives of the bank and the business unit.

We consider Itaú Corpbanca's Risk Index to be an important indicator of the quality of Itaú Corpbanca's loan portfolio.

Our Risk Index as of December 31, 2015 and 2016 (calculated using general ledger balances) was:

#### **RISK INDEX**

	as of December 31,		% Change from 2016/2015
	2015	2016	
	(in millions of constant Ch\$ as of December 31, 2016 except for percentages)		
<b>Total loans (calculated pursuant to IFRS)</b>	<b>6,801,071</b>	<b>21,003,952</b>	<b>208.8%</b>
Commercial loans	4,566,466	14,634,471	220.5%
Mortgage loans	1,533,848	3,888,517	153.5%
Consumer loans	700,757	2,480,964	254.0%
<b>Allowances for loan losses (calculated pursuant to IFRS)</b>	<b>95,579</b>	<b>559,304</b>	<b>485.2%</b>
Commercial loans	61,995	418,928	575.7%
Mortgage loans	6,251	23,472	275.5%
Consumer loans	27,333	116,904	327.7%
<b>Allowances for loan losses as a percentage of total loans</b>	<b>1.4%</b>	<b>2.7%</b>	<b>89.5%</b>
Commercial loans	1.4%	2.9%	110.9%
Mortgage loans	0.4%	0.6%	48.1%
Consumer loans	3.9%	4.7%	20.8%

[Table of Contents](#)

During 2016, our loan portfolio and, therefore, our allowances for loan losses were negatively impacted by (i) the slowdown in the Chilean and Colombian economies, and (ii) the review of risk policies to align our credit criteria with Itaú Unibanco's risk internal policies, which derived from rating downgrades for our corporate clients, impacting our commercial risk index and our total risk index (ratio of allowance for loans losses over total loans).

Our Risk Index as of December 31, 2016 and 2017 (calculated using general ledger balances) was:

**RISK INDEX**

	as of December 31,		% Change from 2017/2016
	2016	2017	
	(in millions of constant Ch\$ as of December 31, 2017 except for percentages)		
<b>Total loans (calculated pursuant to IFRS)</b>	<b>21,003,952</b>	<b>20,382,605</b>	<b>(3.0)%</b>
Commercial loans	14,634,471	13,716,546	(6.3)%
Mortgage loans	3,888,517	4,152,753	6.8%
Consumer loans	2,480,964	2,513,306	1.3%
<b>Allowances for loan losses (calculated pursuant to IFRS)</b>	<b>559,304</b>	<b>618,527</b>	<b>10.6%</b>
Commercial loans	418,928	446,914	6.7%
Mortgage loans	23,472	35,019	49.2%
Consumer loans	116,904	136,594	16.8%
<b>Allowances for loan losses as a percentage of total loans</b>	<b>2.7%</b>	<b>3.0%</b>	<b>14.0%</b>
Commercial loans	2.9%	3.3%	13.8%
Mortgage loans	0.6%	0.8%	39.7%
Consumer loans	4.7%	5.4%	15.3%

During 2017, our loan portfolio and, therefore, our allowances for loan losses were negatively impacted by (i) lower credit demand from companies for investment purposes limiting our commercial loan portfolio expansion in Chile, and (ii) a downward trajectory of the economic activity in Colombia also impacting our loan portfolio growth.

Our loan portfolio decreased 3.0% and was mainly impacted by the decrease in our commercial loans from Ch\$14,634,471 million to Ch\$13,716,546 million. On the other hand, both our mortgage loan portfolio, and our consumer loan portfolio increased (6.8% and 1.3%, respectively). Our mortgage loans, which is the business unit with the lowest level of risk, increased from Ch\$3,888,517 million in 2016 to Ch\$4,152,753 million 2017 and our consumer loans, the business unit with the highest level of risk, increased from Ch\$2,480,964 million in 2016 to Ch\$2,513,306 million in 2017. As of December 31, 2017, commercial loans, mortgage loans and consumer loans represented 67.3%, 20.4% and 12.3% of our total loan portfolio.

Consumer loans represent the single highest level of risk in our loan portfolio. As of December 31, 2017, the risk index of this business unit was 5.4%, while our commercial loans had a risk index of 3.3%. Our mortgage loans had the lowest risk index of 0.8%.

Our consumer loan portfolio may experience loan losses due to the absence of collateral in respect of unsecured loans, insufficient collateral in collateralized loans, and risks relating to the circumstances of individual borrowers, including unemployment or incapacitation of our consumer borrowers.

[Table of Contents](#)**Maturity and Interest Rate Sensitivity of Loans**

The following table sets forth an analysis of our loans by type and time remaining to maturity as of December 31, 2017:

	Due in 1 year	Due after 1 year through 5 years	Due after 5 years	Balance as of December 31, 2017
(in millions of constant Ch\$ as of December 31, 2017)				
Commercial loans	4,176,320	2,785,705	4,154,051	11,116,076
Foreign trade loans	671,660	19,216	9,857	700,733
Checking account debtors	139,348	0	0	139,348
Factoring operations	138,416	2,322	0	140,738
Student loans	211	8,120	644,672	653,003
Leasing transactions	53,781	326,713	560,295	940,789
Other loans and receivables	21,877	3,982	0	25,859
<b>Subtotals</b>	<b>5,201,613</b>	<b>3,146,058</b>	<b>5,368,875</b>	<b>13,716,546</b>
Letters of credit loans	546	9,667	37,187	47,400
Endorsable mutual mortgage loans	403	6,258	129,258	135,919
Other mutual mortgage loans	59,545	44,227	3,557,128	3,660,900
Leasing transactions	1,227	11,021	269,887	282,135
Other loans and receivables	14	616	25,769	26,399
<b>Subtotals</b>	<b>61,735</b>	<b>71,789</b>	<b>4,019,229</b>	<b>4,152,753</b>
Consumer loans	296,448	1,193,118	320,483	1,810,049
Checking account debtors	207,501	0	0	207,501
Credit card debtors	343,949	77,220	0	421,169
Consumer leasing transactions	725	9,012	1,439	11,176
Other loans and receivables	63,411	0	0	63,411
<b>Subtotals</b>	<b>912,034</b>	<b>1,279,350</b>	<b>321,922</b>	<b>2,513,306</b>
<b>Subtotal loans</b>	<b>6,175,382</b>	<b>4,497,197</b>	<b>9,710,026</b>	<b>20,382,605</b>
Loans and receivables to banks				36,281
<b>Total loans</b>				<b>20,418,886</b>

The following table presents the interest rate analysis of our outstanding loans due after one year as of December 31, 2017.

	As of December 31, 2017
<b>Variable interest rate</b>	
Ch\$	964,368
UF	983,214
Ch\$ indexed to US\$	269
Foreign currency	2,758,273
<b>Subtotal</b>	<b>4,706,124</b>
<b>Fixed interest rate</b>	
Ch\$	2,277,049
UF	5,590,795
Ch\$ indexed to US\$	5,151
Foreign currency	1,628,104
<b>Subtotal</b>	<b>9,501,099</b>
<b>Total</b>	<b>14,207,223</b>

[Table of Contents](#)

The following table sets forth an analysis of our foreign loans by type and time remaining to maturity as of December 31, 2017:

2017	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 year	Total
(in millions of constant Ch\$ as of December 31, 2017)				
Commercial loans	8,658	50,063	85,492	144,214
Foreign loans (*)	1,688,511	1,172,685	2,085,815	4,947,010
<b>Total</b>	1,697,169	1,222,748	2,171,307	5,091,224

(\*) Includes commercial, mortgage and consumer loans.

*Loans by Economic Activity*

The following table sets forth as of the dates indicated, an analysis of our loan portfolio before provisions based on the borrower's principal business activity:

**20-F 2017**

	Domestic Loans as of December 31,			Foreign Loans as of December 31,			Total Loans as of December 31,			Distribution percentage as of December 31,		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
<b>Loans by Economic Activity</b>												
<b>Manufacturing</b>	444,647	1,065,647	987,900	—	155,749	52,591	444,647	1,221,396	1,040,491	6.54%	5.81%	5.11%
<b>Mining and Petroleum</b>	203,501	428,384	445,907	—	275,056	198,154	203,501	703,440	644,061	2.99%	3.35%	3.16%
<b>Electricity, Gas and Water</b>	293,538	720,818	531,474	29,761	414,511	405,009	323,299	1,135,329	936,483	4.75%	5.41%	4.59%
<b>Agriculture and Livestock</b>	74,460	262,449	298,517	44,379	165,296	117,413	118,839	427,745	415,930	1.75%	2.04%	2.04%
<b>Forestry and wood extraction</b>	25,146	28,853	8,213	—	6,494	30,594	25,146	35,347	38,807	0.37%	0.17%	0.19%
<b>Fishing</b>	30,433	58,770	13,912	—	—	—	30,433	58,770	13,912	0.45%	0.28%	0.07%
<b>Transport and storage</b>	253,955	442,468	424,223	56,575	251,885	244,254	310,530	694,353	668,477	4.57%	3.31%	3.28%
<b>Communications</b>	13,954	31,712	29,377	—	48,448	65,062	13,954	80,160	94,439	0.21%	0.38%	0.46%
<b>Construction</b>	294,772	1,359,125	1,368,244	1,550	265,669	269,876	296,322	1,624,794	1,638,120	4.36%	7.74%	8.04%
<b>Commerce</b>	473,926	912,877	999,639	6,719	801,712	713,211	480,645	1,714,589	1,712,850	7.07%	8.16%	8.40%
<b>Services</b>	1,458,307	2,869,113	2,619,520	63,870	1,418,260	1,161,213	1,522,177	4,287,373	3,780,733	22.38%	20.41%	18.55%
<b>Others</b>	796,973	2,465,332	2,384,400	—	185,843	347,843	796,973	2,651,175	2,732,243	11.72%	12.62%	13.41%
<b>Subtotal Commercial Loans</b>	<b>4,363,612</b>	<b>10,645,548</b>	<b>10,111,327</b>	<b>202,854</b>	<b>3,988,923</b>	<b>3,605,219</b>	<b>4,566,466</b>	<b>14,634,471</b>	<b>13,716,546</b>	<b>67.14%</b>	<b>69.68%</b>	<b>67.30%</b>
<b>Mortgage Loans <sup>(1)</sup></b>	1,533,848	3,360,930	3,635,993	—	527,587	516,760	1,533,848	3,888,517	4,152,753	22.56%	18.51%	20.37%
<b>Consumer Loans <sup>(1)</sup></b>	700,757	1,353,422	1,544,062	—	1,127,542	969,244	700,757	2,480,964	2,513,306	10.30%	11.81%	12.33%
<b>Total</b>	<b>6,598,217</b>	<b>15,359,900</b>	<b>15,291,382</b>	<b>202,854</b>	<b>5,644,052</b>	<b>5,091,223</b>	<b>6,801,071</b>	<b>21,003,952</b>	<b>20,382,605</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(1) Figures prepared according to IFRS. We have classified our loan portfolio taking into account the debtor that receives the loan.

[Table of Contents](#)*Foreign Country Outstanding Loans*

Our cross-border outstanding loans are principally trade-related. The table below lists our total amounts outstanding to borrowers in foreign countries as of December 31, 2015, 2016 and 2017. This table does not include foreign trade-related loans to Chilean borrowers.

	As of December 31		
	2015	2016	2017
	(in millions of constant Ch\$)		
Argentina	—	107	3,028
Bahamas	3,568	—	—
Brazil	9,508	7,128	4,386
British Virgin Islands	—	6,725	6,154
Colombia	112,637	5,199,713	4,807,040
Costa Rica	—	1,683	—
France	—	—	923
Luxembourg	—	1,677	—
Mexico	9,334	47,923	29,199
Netherlands	—	47,701	22,974
Panama	13,237	16,509	7,047
Peru	10,191	198,428	182,712
Switzerland	44,379	40,179	—
United States	—	76,278	27,761
<b>Total</b>	<b>202,854</b>	<b>5,644,052</b>	<b>5,091,223</b>

We also maintain deposits abroad (primarily demand deposits) in foreign banks, as needed to conduct our foreign trade transactions. The table below lists the amounts of foreign deposits by country as of December 31, 2015, 2016 and 2017.

	As of December 31		
	2015	2016	2017
	(in millions of constant Ch\$)		
Australia	6	173	523
Belgium	—	2,045	1,593
Canada	2	166	186
China	—	5	3
Colombia	—	278,098	125,597
Denmark	—	362	939
England	—	—	69
Germany	2,284	11,971	2,940
Italy	—	18	132
Japan	—	887	69
London	—	—	3,337
Mexico	—	44	31
New Zealand	5	—	20
Norway	—	39	2
Panama	—	270	755
Peru	—	—	32
Spain	—	4,620	3,713
Sweden	—	269	56
Switzerland	38	163	113
United Kingdom	—	2,012	1,051
United States	156,755	701,819	505,462
Venezuela	—	7	7
<b>Total</b>	<b>159,090</b>	<b>1,002,968</b>	<b>646,630</b>

[Table of Contents](#)***Companies Credit Risk Division***

Credit risk management is the responsibility of Corporate Risk Management, which reports to the CEO. Its objective is to ensure that risk management is a competitive advantage for the bank, through an integral management that allows the business areas to achieve their objectives, in an environment of adequate control and alignment with the risk appetite defined by the bank.

To accomplish this goal, the Corporate Risk Management combines, among others, a well-defined credit process in terms of approval, monitoring and collection procedures, a strong supervision of all stages of the credit cycle, monitoring the quality and performance of our loan portfolio and taking promptly measures over potentially non-performing loans, while ensuring strong compliance of the legal, regulatory and normative framework.

The Credit Risk Management and Control structure is segregated in Wholesale Credit Risk, Retail Credit Risk, Credit Risk Control and Operational Risk and Compliance.

**Wholesale Credit Risk** is accountable for the credit process of the wholesale banking business segments comprised of Corporate, Real Estate Companies, Large Enterprises, Financial Institutions, Representative Office in Peru, Risk Countries, Subsidiaries and Wholesale Remedial Unit.

**Retail Credit Risk** is responsible for the whole credit cycle, covering from the credit assessment to recovery management of the Retail Bank, comprised of Retail Companies, SME's, Private Bank, Personal Bank, Itau Branches and Banco Condell.

**Credit Risk Control** has a transversal function focused on monitoring the performance of the credit portfolio, assets classification and models development. Additionally, it verifies the consistency of credit policies and procedures and also generates information and analysis related to credit risk for the decision making of the different units.

***Credit Review Process***

Credit risk and the exposure to be assumed with regard to our clients are evaluated in accordance with the credit policies and the risk appetite that have been approved by the Board of Directors.

Risk analysis, both of our Wholesale and Retail Banking customers, is periodically performed. In Wholesale Banking, customers' credit exposure is reviewed at least once a year, and credit limits can be reduced if potential weaknesses in loan repayment capability are detected.

A wholesale borrower's assessment focuses on the credit history and on the reputation and management capacity of its owners, on their market position and on the demand for their products or services, on their current and projected cash, their solvency and, when applicable, on the guarantees offered in connection with the loan.

In the case of Retail Banking customers, we mainly use a centralized evaluation and decision-making process, but also a case-by-case assessment when the applicant does not fit the standard model. The credit approval process is based on an assessment of the customer's credit behavior in the financial system, taking into account current debt, credit history, income and expense level, ability to pay, personal assets and previous experience (if any) with the bank.

***Wholesale Credit Risk***

The credit evaluation process is carried out on a case-by-case assessment of each of our customers. Our internal approval governance structure ensures that credit decisions are adjusted to the risk acceptance parameters, identifying potential risks while keeping a healthy composition of our loan portfolio, aligned with our strategy, commercial objectives and risk's appetite.

Before granting credits to a wholesale customer, we perform an analysis to assign an internal credit risk rating to each client. This internal credit risk rating is based on information such as: the client's financial situation, cash generating capabilities and the current and projected situation on the economic sector in which it operates.

Credit decisions are made on the basis of the precedents indicated in the procedures manual of each business segment, with at least the following elements of analysis: market and competition, current and projected financial situation and cash flow, customer experience, relationship with the bank and collateral.

Credit committees are structured according to the customer's credit risk rating and the credit limit submitted to the committee's decision. Any rejection by the committee of a credit proposal may be raised to be evaluated by the upper committee instance.

***Retail Credit Risk***

In Retail Banking, credit risk management is responsible for the entire credit cycle, from the credit assessment to the collection of the retail business units.

[Table of Contents](#)

The credit risk management process for customers of the different segments of Retail Banking is composed of the following stages:

Credit Initiation.

Our credit initiation process consists of:

- Admission Scores, using internal and external information. Risk cuts are applied according to each customer segment. Credit requests collect socio-demographic information that supports our risk analysis and our control of compliance with credit policies.
- Accountability and Responsibility (tied to incentive plans). Branch managers know their customers and they are responsible for credit decisions but they must first seek approval with a credit risk officer.
- Analytical Driven Sales Process. We know the customers that we want and we guide the search for prospects, according to this definition. We permanently offer pre-approved offers of consumer loans, credit cards and revolving credit lines to our current customers, whose risk profile is within the cut-off threshold and the parameters established under our credit policy. Additionally, we use traditional credit review processes, where credit proposals are evaluated and authorized by a credit expert.
- Control Environment. To assess the loan authorization ability (approving credit worthy customers and declining non-credit worthy customers), early delinquency rates are periodically monitored and the sales mix is controlled frequently, according with risk categories.

Maintenance.

We strive to have high market share in the most profitable business units (low-medium risk and medium-high usage) and low market share in the lowest profitable business units (high risk or low usage). The maintenance process is composed of:

- Renewals/Non-Renewals (Revolving Products). Renewals and non-renewals are based on customer payment behavior and profitability.
- Campaigns. Top-up and cross-selling offers are implemented. Credits are offered permanently to our current customers, such as pre-approved installments credits, revolving credit lines and credit cards. Our goal is maximize the share of client base in our most profitable business units.

Collection.

We focus on having a high quality collection process, with a consistent strategy, specialized vendors, products and differentiated policies. The collection process is composed of:

- Collection Strategy. Our collection strategy is currently based on geographic coverage and delinquency buckets. Delinquent customers are reported to credit bureaus.
- Vendors. Our vendors provide physical collection coverage, benchmarks and sometimes testing pilots with special strategies (champion/challenger). Also, the continuity plan requires the use of vendors in cases of emergency and union instability, among others.
- Policies and Products. Rewrites, remedial offers and payments agreements are made according to the proposal and real payment intention of the debtors. The objective is to maximize the capital recovery.
- Control Environment and support. Reliable information management systems are used, which allow us to have a controlled process. We have a collection system and predictive dialers for telephony.

Write-off Policy, Recovery and Planning.

The write-off policy, recovery and planning process consists of:

- Write-off Policy. Our write-off policy is in accordance with the regulations defined by the regulatory entity in Chile, the SBIF. This is based on the type of product and the existence of collateral. For the consumer portfolio, the write-off is made after six months of delinquency; for commercial loans, the write-off is made at 24 or 36 months of delinquency, depending on the existence of collateral, and at 48 months for mortgage loans.

[Table of Contents](#)

- **Loan Loss Reserve.** History of defaults, recoveries, write-offs and collection expenses are used to calculate each portfolio. Back Testing Analyses are periodically performed in order to ensure the right coverage, as well as models performance.

**Classification of Loan Portfolio**

Loan Portfolio is divided into: (1) consumer loans (including loans granted to individuals for the purpose of financing the acquisition of consumer goods or payment of services); (2) residential mortgage loans (including loans granted to individuals for the acquisition, construction or repair of residential real estate, in which the value of the property covers at least 125% of the amount of the loan); and (3) commercial loans (including all loans other than consumer loans and residential mortgage loans).

**Loans Analyzed on an Individual Basis**

For individually analyzed commercial loans, we use a risk classification process that combines parametrical variables with expert judgment, to assign risk categories to each individually analyzed customer. This process considers financial risk factors such as profitability, payment ability and financial indebtedness, and qualitative risk factors such as the economic sector in which the customer develops its activities, the management and experience of the owners, and its historical payment behavior.

As a result of this classification process, we differentiate the normal loans from the impaired ones, identifying three mayor categories:

1. Customers classified in risk categories A1, A2, A3, A4, A5 or A6. These customers are current or have less than 30 days overdue on their payment obligations and show no significant signs of deterioration in their credit quality.
2. Customers classified in risk categories B1, B2, B3 or B4. These customers are overdue between 30 and 89 days on their payment obligations, thus showing a certain level of deterioration in their credit quality.
3. Customers classified as C1, C2, C3, C4, C5 or C6. This portfolio includes customers whose loans with us have been in default (over 90) or are being managed by a specialized collection area.

For loans classified as A1, A2, A3, A4, A5, A6, B1, B2, B3 and B4, we assign a specific allowance percentage on an individual basis to each rating. The amount of the allowance for loan losses is determined based on debt servicing capacity, the company's financial history, solvency and capacity of shareholders and management and projections for the industry sector in which the customer operates. There is a determined allowance percentage by group of customers with similar characteristics (i.e., A1, A2, A3, A4, A5, A6, B1, B2, B3 and B4).

Estimated Incurred Loan Loss = Allowance for Loan Losses

The Estimated Incurred Loan Loss (EIL), is determined by multiplying the risk factors as defined in the following equation:

$$\begin{aligned} \text{EIL} &= \text{EAD} \times \text{Pd} \times \text{LGD} \times \text{LIP} \\ \text{EAD} &= \text{Exposure at Default} \\ \text{PD} &= \text{Probability of Default} \\ \text{LGD} &= \text{Loss Given the Default} \\ \text{LIP} &= \text{Loss Identification Period} \end{aligned}$$

*Estimated Incurred Loss (EIL)* means the amount of impairment losses that are incurred, only if there is objective evidence that the estimated future cash flows of the financial asset or group of financial assets is impaired as a result of a loss event.

*Exposure at Default (EAD)* is the loan amount outstanding at the balance sheet date that is considered in the calculation and not any future movements and draw downs.

*Probability of Default (PD)* means the probability, expressed as a percentage that a customer will default within the next 12 months. This percentage is associated with the rating that given to each client.

*Loss Identification Period (LIP)* means the period between the time at which the event occurs and the date when the entity identifies it.

*Loss Given Default (LGD)* means the effective loss rate given for default to customers in the same risk category, which is determined statistically based on the historical effective losses.

Allowances for loan losses for each C risk category are based mainly on the value of the collateral, adjusted for the estimated expenses associated with the recovery and asset sale discounted by the effective interest rate. The allowance percentage for each category is then based mostly on the level of collateral.

[Table of Contents](#)***Loans Analyzed on a Group Basis***

For the consumer loan and group-evaluated commercial loan portfolio the allowances for credit risk are determined by statistical models. The population (clients) is first profiled with a wide range of variables such as demographic variables, payment behavior, aging of the balance of the loan, in order to determine “probability of default” factors indicating transfer into the normalization portfolio.

Each profile in the group-evaluated loan portfolio has aggregated information basically, historical loss experience (less recoveries).

This historical loss experience, which represents the derived loan loss allowance percentage, is applied by profile to the consumer and commercial loan portfolio, taking into consideration, if applicable, any additional factors, such as increase in the unemployment rate in the country, economic downswings, etc. based upon more recent experience, should they affect the level of necessary loan loss reserves.

The sufficiency of provisions is permanently monitored, with the objective of ensuring an adequate coverage. For this, loan loss allowances are compared against the effective losses and against the default portfolio, with thresholds of pre-defined alerts and with an established governance framework for the review of these parameters.

[Table of Contents](#)**Total Loans — Models Based on Group Analysis**

The following tables provide statistical data regarding the classification of our loans as of the end of each of the years indicated below, applying the classification explained in prior pages:

	As of December 31, 2015		
	Total Loans	Allowances for loan losses	Risk Index (%)
(in millions of Ch\$ except for percentages)			
Commercial	682,579	7,061	1.0%
Leasing commercial	18,519	132	0.7%
Factoring commercial	4,883	119	2.4%
Student loans	177,023	3,769	2.1%
Consumer	700,448	27,332	3.9%
Leasing consumer	309	1	0.3%
Mortgage	1,533,848	6,251	0.4%
Leasing mortgage	—	—	—

	As of December 31, 2016		
	Total Loans	Allowances for loan losses	Risk Index (%)
(in millions of Ch\$ except for percentages)			
Commercial	1,418,823	36,816	2.6%
Leasing commercial	111,455	3,508	3.2%
Factoring commercial	4,052	177	4.4%
Student loans	610,315	12,369	2.0%
Consumer	2,463,873	116,332	4.7%
Leasing consumer	17,091	572	3.4%
Mortgage	3,600,188	18,227	0.5%
Leasing mortgage	288,329	5,245	1.8%

	As of December 31, 2017		
	Total Loans	Allowances for loan losses	Risk Index (%)
(in millions of Ch\$ except for percentages)			
Commercial	1,202,416	129,038	10.7%
Leasing commercial	77,352	6,837	8.8%
Factoring commercial	12,267	93	0.8%
Student loans	653,003	12,794	2.0%
Consumer	2,502,130	136,196	5.4%
Leasing consumer	11,176	398	3.6%
Mortgage	3,870,618	26,059	0.7%
Leasing mortgage	282,135	8,960	3.2%

[Table of Contents](#)*Consumer Loans — Models Based on Group Analysis*

	As of December 31, 2015		
	Total Loans	Allowances	Risk Index (%)
		for loan losses	
	(in millions of Ch\$ except for percentages)		
Credit cards	197,425	4,834	2.4%
Lines of credit	113,341	3,428	3.0%
Other revolving	326	326	100%
Installment consumer loans	358,481	8,378	2.3%
Card loans	—	—	—
Salary discount loans	4,862	122	2.5%
Renegotiation	26,009	10,243	39.4%
Others	3	—	—

	As of December 31, 2016		
	Total Loans	Allowances for loan	Risk Index (%)
		losses	
	(in millions of Ch\$ except for percentages)		
Credit cards	414,903	18,390	4.4%
Lines of credit	259,045	15,244	5.9%
Other revolving	3,889	655	16.9%
Installment consumer loans	1,060,901	31,652	3.0%
Card loans	26,252	859	3.3%
Salary discount loans	570,120	20,316	3.6%
Renegotiation	128,722	29,205	22.7%
Others	42	12	29.6%

	As of December 31, 2017		
	Total Loans	Allowances for loan	Risk Index (%)
		losses	
	(in millions of Ch\$ except for percentages)		
Credit cards	421,169	20,182	4.8%
Lines of credit	267,001	18,306	6.9%
Other revolving	3,893	581	14.9%
Installment consumer loans	1,168,078	33,195	2.8%
Card loans	21,308	775	3.6%
Salary discount loans	469,951	20,699	4.4%
Renegotiation	150,706	42,450	28.2%
Others	24	8	33.7%

**Analysis of Our Loan Classification**

The following tables provide statistical data regarding the classification of our loans as of the end of each of the three years, applying the classification explained in prior pages:

**2015**

As of December 31, 2016	Individual Portfolio										Group Portfolio			General Total	
	Normal Portfolio						Impaired Portfolio				Normal Portfolio	Impaired Portfolio	Total		
	A1	A2	A3	A4	A5	A6	B1	B2	Impaired	Total					
	(in millions of Ch\$)														
<b>Loans and receivables from banks</b>	<b>35,506</b>	<b>60,395</b>	<b>3,567</b>	—	—	—	—	—	—	—	<b>99,468</b>	—	—	—	<b>99,468</b>
<b>Allowances for loan losses</b>	13	49	8	—	—	—	—	—	—	—	70	—	—	—	<b>70</b>
As percentage of total loans	0.04%	0.08%	0.22%	—	—	—	—	—	—	—	0.07%	—	—	—	<b>0.07%</b>
<b>Loans and receivable from customers</b>															
<b>Commercial loans:</b>															
Commercial loans	12,155	162,931	1,259,304	1,059,879	152,478	231,136	12,627	29,873	37,617	2,958,000	598,460	48,061	646,521	<b>3,604,521</b>	
Foreign trade loans	—	70,317	186,081	92,216	25,507	22,099	2,933	6,057	18,748	423,958	5,351	11	5,362	<b>429,320</b>	
Checking account debtors	2	2,865	3,735	5,443	1,268	1,315	528	47	948	16,151	21,977	986	22,963	<b>39,114</b>	
Factoring operations	5,559	5,740	21,619	15,119	2,053	1,430	112	—	717	52,349	4,854	29	4,883	<b>57,232</b>	
Student loans	—	—	—	—	—	—	—	—	—	—	167,195	9,828	177,023	<b>177,023</b>	
Leasing transactions	—	11,614	90,037	63,768	21,626	15,527	3,322	2,167	22,175	230,236	18,088	431	18,519	<b>248,755</b>	
Other loans and receivables	52	93	1,487	640	180	215	12	12	77	2,768	7,718	15	7,733	<b>10,501</b>	
<b>Subtotal Commercial loans</b>	<b>17,768</b>	<b>253,560</b>	<b>1,562,263</b>	<b>1,237,065</b>	<b>203,112</b>	<b>271,722</b>	<b>19,534</b>	<b>38,156</b>	<b>80,282</b>	<b>3,683,462</b>	<b>823,643</b>	<b>59,361</b>	<b>883,004</b>	<b>4,566,466</b>	
Allowances for loan losses	9	254	1,691	5,297	3,984	4,615	1,681	4,905	28,590	51,026	5,350	5,619	10,969	<b>61,995</b>	
As percentage of total loans	0.05%	0.10%	0.11%	0.43%	1.96%	1.70%	8.61%	12.86%	35.61%	1.39%	0.65%	9.47%	1.24%	<b>1.36%</b>	
<b>Consumer loans</b>											<b>662,936</b>	<b>37,821</b>	<b>700,757</b>	<b>700,757</b>	
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	13,721	13,612	27,333	<b>27,333</b>	
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	2.07%	35.99%	3.90%	<b>3.90%</b>	
<b>Mortgage loans</b>											<b>1,469,501</b>	<b>64,347</b>	<b>1,533,848</b>	<b>1,533,848</b>	
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	2,846	3,405	6,251	<b>6,251</b>	
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	0.19%	5.29%	0.41%	<b>0.41%</b>	
<b>Total loans and receivable to customers</b>	<b>17,768</b>	<b>253,560</b>	<b>1,562,263</b>	<b>1,237,065</b>	<b>203,112</b>	<b>271,722</b>	<b>19,534</b>	<b>38,156</b>	<b>80,282</b>	<b>3,683,462</b>	<b>2,956,080</b>	<b>161,529</b>	<b>3,117,609</b>	<b>6,801,071</b>	
Allowances for loan losses	9	254	1,691	5,297	3,984	4,615	1,681	4,905	28,590	51,026	21,917	22,636	44,553	<b>95,579</b>	
As percentage of total loans	0.05%	0.10%	0.11%	0.43%	1.96%	1.70%	8.61%	12.86%	35.61%	1.39%	0.74%	14.01%	1.43%	<b>1.41%</b>	
<b>Financial investments</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	

2016

As of December 31, 2016	Individual Portfolio										Group Portfolio			General Total	
	Normal Portfolio						Impaired Portfolio				Normal Portfolio	Impaired Portfolio	Total		
	A1	A2	A3	A4	A5	A6	B1	B2	Impaired	Total					
	(in millions of Ch\$)														
<b>Loans and receivables from banks</b>	<b>37,960</b>	<b>76,834</b>	<b>33,751</b>	<b>2,235</b>	—	—	—	—	—	—	<b>150,780</b>	—	—	—	<b>150,780</b>
Allowances for loan losses	14	85	74	39	—	—	—	—	—	—	212	—	—	—	<b>212</b>
As percentage of total loans	0.04%	0.11%	0.22%	1.74%	—	—	—	—	—	—	0.14%	—	—	—	<b>0.14%</b>
<b>Loans and receivable from customers</b>															
<b>Commercial loans:</b>															
Commercial loans	47,699	204,313	2,647,749	3,852,211	2,438,286	509,927	288,559	124,372	533,585	10,646,701	1,195,886	113,777	1,309,663		<b>11,956,364</b>
Foreign trade loans	—	727	150,548	337,499	113,418	34,313	21,950	7,419	67,299	733,173	20,198	773	20,971		<b>754,144</b>
Checking account debtors	2	407	10,443	19,249	20,847	7,218	2,140	914	3,452	64,672	65,640	3,389	69,029		<b>133,701</b>
Factoring operations	11,811	9,550	20,040	15,093	11,729	2,903	128	—	835	72,089	3,713	339	4,052		<b>76,141</b>
Student loans	—	—	—	—	—	—	—	—	—	—	583,776	26,539	610,315		<b>610,315</b>
Leasing transactions	4,234	6,064	107,786	307,019	325,678	62,920	54,327	6,998	87,025	962,051	104,279	7,176	111,455		<b>1,073,506</b>
Other loans and receivables	111	312	2,101	3,264	3,318	664	493	51	826	11,140	17,446	1,714	19,160		<b>30,300</b>
<b>Subtotal Commercial loans</b>	<b>63,857</b>	<b>221,373</b>	<b>2,938,667</b>	<b>4,534,335</b>	<b>2,913,276</b>	<b>617,945</b>	<b>367,597</b>	<b>139,754</b>	<b>693,022</b>	<b>12,489,826</b>	<b>1,990,938</b>	<b>153,707</b>	<b>2,144,645</b>		<b>14,634,471</b>
Allowances for loan losses	—	28	5,463	33,775	47,643	23,149	14,663	21,760	219,577	366,058	21,337	31,533	52,870		<b>418,928</b>
As percentage of total loans	—	0.01%	0.19%	0.74%	1.64%	3.75%	3.99%	15.57%	31.68%	2.93%	1.07%	20.52%	2.47%		<b>2.86%</b>
<b>Consumer loans</b>											<b>2,387,009</b>	<b>93,955</b>	<b>2,480,964</b>		<b>2,480,964</b>
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	65,934	50,970	116,904		<b>116,904</b>
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	2.76%	54.25%	4.71%		<b>4.71%</b>
<b>Mortgage loans</b>											<b>3,755,370</b>	<b>133,147</b>	<b>3,888,517</b>		<b>3,888,517</b>
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	12,494	10,978	23,472		<b>23,472</b>
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	0.50%	12.51%	0.60%		<b>0.60%</b>
<b>Total loans and receivable to customers</b>	<b>63,857</b>	<b>221,373</b>	<b>2,938,667</b>	<b>4,534,335</b>	<b>2,913,276</b>	<b>617,945</b>	<b>367,597</b>	<b>139,754</b>	<b>693,022</b>	<b>12,489,826</b>	<b>8,133,317</b>	<b>380,809</b>	<b>8,514,126</b>		<b>21,003,952</b>
Allowances for loan losses	—	28	5,463	33,775	47,643	23,149	14,663	21,760	219,577	366,058	99,765	93,481	193,246		<b>559,304</b>
As percentage of total loans	—	0.09%	0.11%	0.82%	1.80%	2.86%	4.6%	14.3%	33.8%	3.06%	1.23%	24.55%	2.27%		<b>2.66%</b>
<b>Financial investments</b>	—	—	—	—	—	—	—	—	—	—	—	—	—		—

2017

As of December 31, 2017	Individual Portfolio										Group Portfolio		Total (in millions of Ch\$)	General Total
	Normal Portfolio						Impaired Portfolio				Normal Portfolio	Impaired Portfolio		
	A1	A2	A3	A4	A5	A6	B1	B2	Impaired	Total				
<b>Loans and receivables</b>														
<b>from banks</b>	862	42,105	23,025	4,293	—	—	—	—	—	70,285	—	—	—	70,285
Allowances for loan losses	—	76	132	—	—	—	—	—	—	208	—	—	—	208
As percentage of total loans	—	0.18%	0.57%	—	—	—	—	—	—	0.30%	—	—	—	0.30%
Loans and receivable from customers														
Commercial loans:														
<b>Commercial loans</b>	34,371	188,865	2,651,517	3,263,945	2,423,298	593,069	158,313	106,093	606,942	10,026,413	980,093	109,570	1,089,663	11,116,076
Foreign trade loans	—	—	150,154	244,954	145,609	13,995	17,078	8,085	85,032	664,907	27,168	8,658	35,826	700,733
Checking account debtors	633	922	13,317	25,229	24,647	5,443	4,345	640	4,447	79,623	48,594	11,131	59,725	139,348
Factoring operations	27,456	9,726	17,735	50,559	18,656	3,443	598	—	298	128,471	12,202	65	12,267	140,738
Student loans	—	—	—	—	—	—	—	—	—	—	598,717	54,286	653,003	653,003
Leasing transactions	2,186	7,059	94,226	269,425	310,915	66,536	25,076	5,783	82,231	863,437	70,641	6,711	77,352	940,789
Other loans and receivables	3	59	508	2,972	3,509	563	126	39	878	8,657	13,817	3,385	17,202	25,859
<b>Subtotal Commercial loans</b>	<b>64,649</b>	<b>206,631</b>	<b>2,927,457</b>	<b>3,857,084</b>	<b>2,926,634</b>	<b>683,049</b>	<b>205,536</b>	<b>120,640</b>	<b>779,828</b>	<b>11,771,508</b>	<b>1,751,232</b>	<b>193,806</b>	<b>1,945,038</b>	<b>13,716,546</b>
Allowances for loan losses	21	197	2,153	22,819	52,873	16,509	6,087	2,315	195,178	298,152	57,057	91,705	148,762	446,914
As percentage of total loans	—	0.10%	0.07%	0.59%	1.81%	2.42%	2.96%	1.92%	25.03%	2.53%	3.26%	47.32%	7.65%	3.26%
<b>Consumer loans</b>											<b>2,396,246</b>	<b>117,060</b>	<b>2,513,306</b>	<b>2,513,306</b>
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	93,255	43,339	136,594	136,594
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	3.89%	37.02%	5.43%	5.43%
<b>Mortgage loans</b>											<b>3,975,744</b>	<b>177,009</b>	<b>4,152,753</b>	<b>4,152,753</b>
Allowances for loan losses	—	—	—	—	—	—	—	—	—	—	22,730	12,289	35,019	35,019
As percentage of total loans	—	—	—	—	—	—	—	—	—	—	0.57%	6.94%	0.84%	0.84%
<b>Total loans and receivable to customers</b>	<b>64,649</b>	<b>206,631</b>	<b>2,927,457</b>	<b>3,857,084</b>	<b>2,926,634</b>	<b>683,049</b>	<b>205,536</b>	<b>120,640</b>	<b>779,828</b>	<b>11,771,508</b>	<b>8,123,222</b>	<b>487,875</b>	<b>8,611,097</b>	<b>20,382,605</b>
Allowances for loan losses	21	197	2,153	22,819	52,873	16,509	6,087	2,315	195,178	298,152	173,042	147,333	320,375	618,527
As percentage of total														

loans	—	0.10%	0.07%	0.59%	1.81%	2.42%	2.96%	1.92%	25.03%	2.53%	2.13%	30.20%	3.72%	3.03%
<b>Financial investments</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—

[Table of Contents](#)**Classification of Loan Portfolio Based on the Customer's Payment Performance**

The following tables set forth the amounts that are current as to payments and interest and the amounts that are overdue under IFRS, as of the dates indicated:

**Total Loans**

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$, except for percentages)		
Current	6,524,210	19,763,116	19,266,605
Overdue 1-29 days	110,765	615,893	396,178
Overdue 30-89 days	74,999	272,243	257,807
Overdue 90-180 days	27,200	143,166	177,728
Overdue 181-240 days	7,331	52,791	58,703
Overdue 241-360 days	11,012	56,011	80,146
Overdue more than 360 days	45,554	100,732	145,437
<b>Total loans (excludes interbank loans)</b>	<b>6,801,071</b>	<b>21,003,952</b>	<b>20,382,605</b>

**Analysis of Impaired Loans, Non-Performing Loans and Past Due Loans**

The following tables analyze our impaired loans and past due loans and the allowances for loan losses existing as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$ except for percentages)		
Total loans	6,801,071	21,003,952	20,382,605
Impaired loans <sup>(1)</sup>	241,811	1,073,831	1,267,703
Allowance for loan losses	95,579	559,304	618,527
Impaired loans as a percentage of total loans	3.6%	5.1%	6.2%
Non-performing loans <sup>(2)</sup>	91,097	352,700	462,015
Non-performing loans as a percentage of total loans <sup>(1)</sup>	1.3%	1.7%	2.3%
Past due loans <sup>(3)</sup>	51,241	112,450	131,021
Past due loans as a percentage of total loans	0.8%	0.5%	0.6%
Allowance for loans losses as a percentage of:			
Total loans	1.4%	2.7%	3.0%
Total impaired loans	39.5%	52.1%	48.8%
Total non-performing loans	104.9%	158.6%	133.9%
Total amounts past due	186.5%	497.4%	472.1%

- (1) Impaired loans includes those loans on which there is objective evidence that debtors will not meet some of their contractual payment obligations.
- (2) Non-performing loans include the principal and interest on any loan with one installment more than 90 days overdue.
- (3) Past due loans include all installments and lines of credit more than 90 days overdue. Does not include the aggregate principal amount of such loans.

[Table of Contents](#)

The following table provides further information on our non-performing loans:

As of December 31, 2017	Between 90-180 days	Between 181-240 days	Between 241-360 days	More than 360 days	Total
			(in millions of Ch\$)		
Commercial Loans	95,917	50,327	69,079	104,054	319,378
Mortgages Loans	32,958	8,376	11,067	41,383	93,784
Consumer Loans	48,853	—	—	—	48,853
<b>Total loans (excludes interbank loans)</b>	<b>177,728</b>	<b>58,703</b>	<b>80,146</b>	<b>145,437</b>	<b>462,015</b>
As of December 31, 2016	Between 90-180 days	Between 181-240 days	Between 241-360 days	More than 360 days	Total
			(in millions of Ch\$)		
Commercial Loans	58,494	44,543	45,334	73,827	222,198
Mortgages Loans	39,268	8,248	10,677	26,905	85,098
Consumer Loans	45,404	—	—	—	45,404
<b>Total loans (excludes interbank loans)</b>	<b>143,166</b>	<b>52,791</b>	<b>56,011</b>	<b>100,732</b>	<b>352,700</b>
As of December 31, 2015	Between 90-180 days	Between 181-240 days	Between 241-360 days	More than 360 days	Total
			(in millions of Ch\$)		
Loans and receivables to customers					
Commercial Loans	7,238	4,651	8,137	29,496	49,522
Mortgages Loans	6,417	2,680	2,875	16,058	28,030
Consumer Loans	13,545	—	—	—	13,545
<b>Total loans (excludes interbank loans)</b>	<b>27,200</b>	<b>7,331</b>	<b>11,012</b>	<b>45,554</b>	<b>91,097</b>

#### *Analysis of Allowances for Loan Losses*

The following table analyzes our provisions for loan losses charged to income and changes in the allowances attributable to write-offs, allowances released, recoveries, allowances on loans acquired:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$ except for percentages)		
Allowances for loan losses at beginning of period	98,349	95,579	559,304
Allowances on acquired loans			
Charge-offs	(52,485)	(188,095)	(233,361)
Provisions established	199,353	674,034	819,268
Provisions released <sup>(1)</sup>	(148,136)	(404,794)	(472,305)
Integration Itaú Corpbanca	—	442,947	—
Impairment	—	—	—
Use provision	(1,502)	(58,746)	(9,760)
Exchange rate differences <sup>(2)</sup>	—	(1,621)	(44,619)
<b>Allowances for loan losses at end of period</b>	<b>95,579</b>	<b>559,304</b>	<b>618,527</b>
Ratio of charge-offs to average loans	0.8%	1.1%	1.1%
Allowances for loan losses at end of period as a percentage of total loans	1.4%	2.7%	3.0%
<b>Allowances for loan losses at end of period</b>	<b>95,579</b>	<b>559,304</b>	<b>618,527</b>

(1) Represents the aggregate amount of provisions for loan losses released during the year as a result of charge-offs, recoveries or a determination by management that the level of risk existing in the loan portfolio has been reduced.

(2) Reflects the effect of inflation on the allowances for loan losses at the beginning of each period.

[Table of Contents](#)

Our policy with respect to write-offs is as disclosed in Note 1(q) to our financial statement included herein. The following table shows the write-offs breakdown by loan category:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Consumer loans	32,132	94,294	115,708
Mortgage loans	2,964	8,157	8,303
Commercial loans	17,389	85,644	109,350
Total	52,485	188,095	233,361

The following table shows loan loss recoveries by loan category for the periods indicated:

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
Bank debt	—	—	—
Consumer loans	5,818	13,088	16,419
Mortgage loans	616	1,285	1,908
Commercial loans	1,871	8,898	13,236
Total	8,305	23,271	31,563

Based on information available regarding our debtors, we believe that our allowances for loan losses are sufficient to cover known probable losses and losses inherent in a loan portfolio of the size and nature of our loan portfolio.

#### *Allocation of Allowances for Loan Losses*

The following tables set forth, as of December 31, 2015, 2016 and 2017, allowances for loan losses that were attributable to our commercial, consumer and mortgage loans as of each date. Under IFRS, the fair value of a loan portfolio acquired should be shown as recorded upon acquisition under IFRS 3, business combination.

As of December 31, 2017			
Allowance amount	Allowance Amount as a percentage of loans in category	Allowance Amount as a percentage of total loans	Loans in category as percentage of total
	(in millions of Ch\$ except for percentages)		
Commercial loans	446,914	3.3%	67.2%
Consumer loans	136,594	5.4%	12.3%
Residential mortgage loans	35,019	0.8%	20.3%
Loans and receivables to banks	208	0.6%	0.2%
<b>Total allocated allowances</b>	<b>618,735</b>	<b>3.0%</b>	<b>100%</b>

As of December 31, 2016			
Allowance amount	Allowance Amount as a percentage of loans in category	Allowance Amount as a percentage of total loans	Loans in category as percentage of total
	(in millions of Ch\$ except for percentages)		
Commercial loans	418,928	2.9%	69.2%
Consumer loans	116,904	4.7%	11.7%
Residential mortgage loans	23,472	0.6%	18.4%
Loans and receivables to banks	212	0.1%	0.7%
<b>Total allocated allowances</b>	<b>559,516</b>	<b>2.6%</b>	<b>100%</b>

[Table of Contents](#)

As of December 31, 2015				
	Allowance amount	Allowance Amount as a percentage of loans in category (in millions of Ch\$ except for percentages)	Allowance Amount as a percentage of total loans	Loans in category as percentage of total
Commercial loans	61,995	1.4%	0.9%	66.2%
Consumer loans	27,333	3.9%	0.4%	10.2%
Residential mortgage loans	6,251	0.4%	0.1%	22.2%
Loans and receivables to banks	70	0.1%	0.0%	1.4%
<b>Total allocated allowances</b>	<b>95,649</b>	<b>1.4%</b>	<b>1.4%</b>	<b>100%</b>

**Composition of Deposits and Other Commitments**

The following table sets forth the composition of our deposits and similar commitments as of December 31, 2015, 2016 and 2017.

	As of December 31,		
	2015	2016	2017
(in millions of Ch\$)			
Checking accounts	769,258	2,591,618	2,473,283
Other demand liabilities	212,091	1,861,573	1,668,384
Saving accounts	—	32,425	28,410
Time deposits	3,952,573	11,549,010	10,036,583
Other commitments	—	275	250
<b>Total</b>	<b>4,933,922</b>	<b>16,034,901</b>	<b>14,206,910</b>

**Maturity of Deposits**

The following table sets forth information regarding the currency and maturity of our deposits as of December 31, 2017, expressed in percentages. UF-denominated deposits are similar to Chilean peso-denominated deposits in all respects, except that the principal is readjusted periodically based on variations in the CPI.

	As of December 31, 2017			
	Ch\$	UF	Foreign Currency (In %)	Total
Demand deposits	24.45	0.95	40.41	29.15
Savings accounts	—	0.97	0.38	0.20
Time deposits:				
Maturing within 3 months	38.07	33.31	25.53	33.03
Maturing after 3 but within 6 months	16.57	15.52	10.07	14.04
Maturing after 6 but within 12 months	17.94	1.57	11.26	14.45
Maturing after 12 months	2.96	47.68	12.35	9.12
<b>Total time deposits</b>	<b>75.55</b>	<b>98.08</b>	<b>59.21</b>	<b>70.65</b>
<b>Total deposits</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The following table sets forth information regarding the maturity of the outstanding time deposits in excess of US\$100,000 (or its equivalent) issued by us as of December 31, 2017.

	As of December 31, 2017			
	Ch\$	UF	Foreign Currency (in millions of constant Ch\$)	Total
Maturing within 3 months	2,237,081	257,925	1,524,871	4,019,877
Maturing after 3 but within 6 months	1,310,465	125,062	501,039	1,936,566
Maturing after 6 but within 12 months	1,431,266	12,456	589,631	2,033,353
Maturing after 12 months	236,436	392,014	656,238	1,284,688
<b>Total time deposits</b>	<b>5,215,248</b>	<b>787,457</b>	<b>3,271,779</b>	<b>9,274,484</b>

[Table of Contents](#)**Minimum Capital Requirements**

The following table sets forth our minimum capital requirements as of December 31, 2015, 2016 and 2017.

	As of December 31,		
	2015	2016	2017
	(in millions of constant Ch\$ except for percentages)		
Net capital base	792,503	3,173,516	3,189,876
3% total assets net of provisions	(293,014)	(957,058)	(915,261)
<b>Excess over minimum required equity</b>	<b>499,489</b>	<b>2,216,458</b>	<b>2,274,615</b>
Net capital base as a percentage of the total assets, net of provisions	8.11%	9.95%	10.46%
Effective net equity	871,029	3,252,175	3,249,572
10% of the risk-weighted assets*	(587,087)	(2,319,500)	(2,215,179)
<b>Excess over minimum required equity</b>	<b>283,942</b>	<b>932,675</b>	<b>1,034,393</b>
<b>Effective equity as a percentage of the risk-weighted assets</b>	<b>11.9%</b>	<b>14.0%</b>	<b>14.7%</b>

\* Except for 2015, which was 8% of the risk-weighted assets.

Our capital ratios levels increased from 11.9% to 14.0% between 2015 and 2016, following the Merger, and an increase from 14.0% to 14.7% between 2016 and 2017.

**Short-term Borrowings**

Our short-term borrowings (other than deposits and other obligations) totaled Ch\$115,450 million, Ch\$1,071,295 million and Ch\$1,114,716 million as of December 31, 2015, 2016 and 2017, respectively, in accordance with IFRS.

The principal categories of our short-term borrowings are amounts borrowed under foreign trade lines of credit, domestic interbank loans and repurchase agreements.

The table below presents the amounts outstanding at the end of each period indicated and the weighted average nominal interest rate for each such period by type of short-term borrowing.

	As of and for the Year Ended December 31,					
	2015		2016		2017	
	Year End Balance	Weighted Average Nominal Interest Rate	Year End Balance	Weighted Average Nominal Interest Rate	Year End Balance	Weighted Average Nominal Interest Rate
	(in millions of constant Ch\$ except for percentages)					
Investments under repurchase agreements	43,727	0.34%	373,879	0.13%	416,972	0.10%
Central Bank borrowings	—	—	—	—	—	—
Domestic interbank loans	—	—	—	—	—	—
Borrowings under foreign trade credit lines	71,723	0.05%	697,416	0.08%	697,744	0.06%
<b>Total short-term borrowings</b>	<b>115,450</b>	<b>0.16%</b>	<b>1,071,295</b>	<b>0.10%</b>	<b>1,114,716</b>	<b>0.07%</b>

[Table of Contents](#)

The following table shows the average balance and the weighted average nominal rate for each short-term borrowing category during the periods indicated:

	As of and for the Year Ended December 31,					
	2015		2016		2017	
	Year End Balance	Weighted Average Nominal Interest Rate	Year End Balance	Weighted Average Nominal Interest Rate	Year End Balance	Weighted Average Nominal Interest Rate
(in millions of constant Ch\$ except for percentages)						
Investments under repurchase agreements	57,267	0.26%	400,252	0.12%	596,022	0.07%
Central Bank borrowings	—	—	—	—	—	—
Domestic interbank loans	—	—	3,333	0.09%	27,917	0.20%
Borrowings under foreign trade credit lines	54,015	0.06%	496,186	0.12%	578,252	0.07%
<b>Total short-term borrowings</b>	<b>111,282</b>	<b>0.16%</b>	<b>899,772</b>	<b>0.12%</b>	<b>1,202,191</b>	<b>0.07%</b>

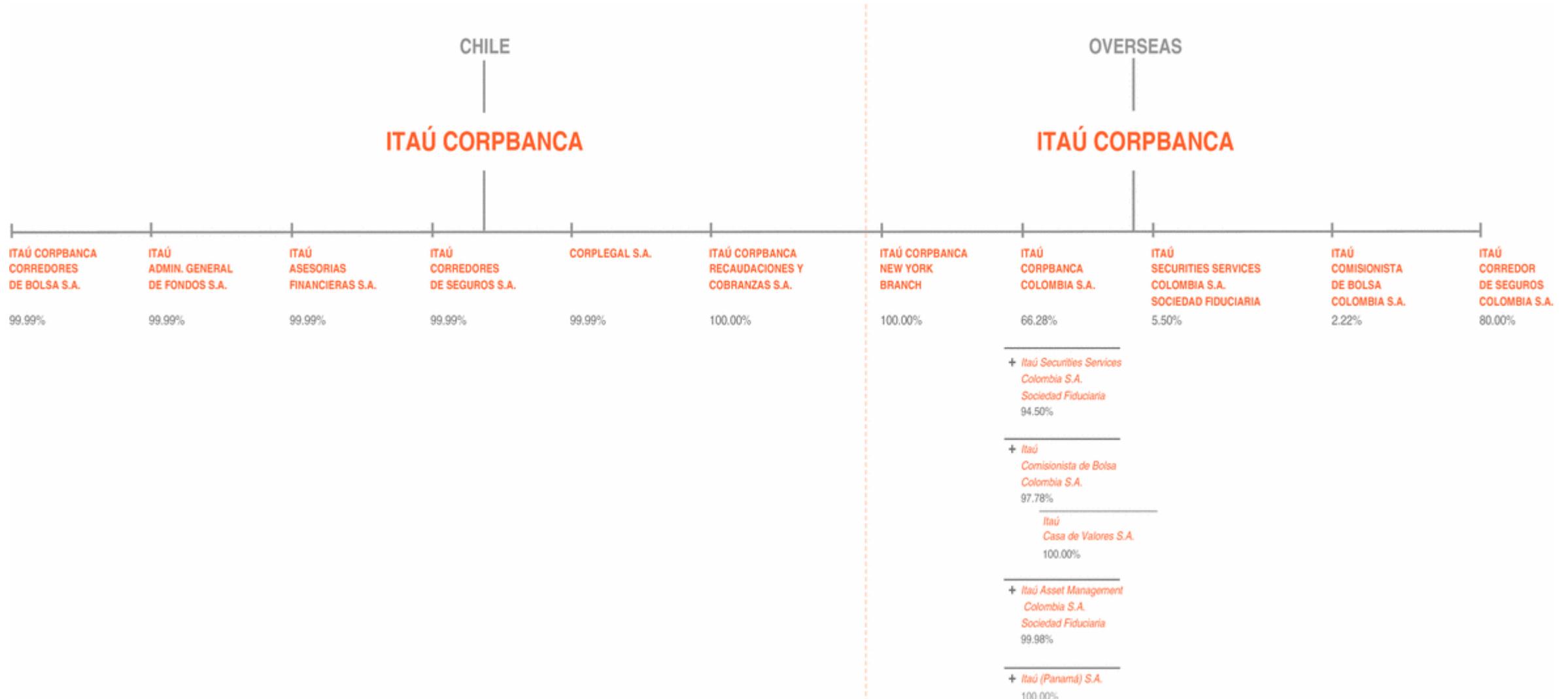
The following table presents the maximum month-end balances of our principal sources of short-term borrowings during the periods indicated:

	Maximum 2015 Month-End Balance	Maximum 2016 Month-End Balance	Maximum 2017 Month-End Balance
(in millions of constant Ch\$)			
Investments under repurchase agreements	78,987	848,219	948,657
Central Bank borrowings	—	—	—
Domestic interbank loans	—	40,017	215,858
Borrowings under foreign trade credit lines	118,484	774,636	1,074,498
Other obligations	20,733	31,392	24,488

**C. ORGANIZATIONAL STRUCTURE**

The following diagram presents our current corporate structure, including our principal subsidiaries, as of the date of this Annual Report.

**ITAÚ CORPBANCA & SUBSIDIARIES-CORPORATE STRUCTURE**



April 2, 2018

Itaú Corpbanca Corredores de Bolsa S.A., Itaú Administradora General de Fondos S.A., Itaú Asesorías Financieras S.A., Itaú Corredores de Seguros S.A., CorpLegal S.A., and Itaú Corpbanca Recaudaciones y Cobranzas S.A. are incorporated and domiciled in Chile. Itaú Corpbanca New York Branch is incorporated and domiciled in the State of New York, United States. Itaú Corpbanca Colombia S.A., Itaú Securities Services Colombia S.A. Sociedad Fiduciaria, Itaú Comisionista de Bolsa Colombia S.A., Itaú Corredor de Seguros Colombia S.A. and Itaú Asset Management Colombia S.A. Sociedad Fiduciaria are incorporated and domiciled in Colombia. Itaú (Panamá) S.A. and Itaú Casa de Valores S.A. are incorporated and domiciled in Panama.

For more information about the services our subsidiaries and our New York Branch provide see “Item 4. Information on the Company—B. Business Overview—Principal Business Activities—Financial Services Offered Through Subsidiaries.”

[Table of Contents](#)**D. PROPERTY**

Our principal executive offices are located at Rosario Norte 660, Las Condes, Santiago, Chile since 2007. As of December 31, 2017, we owned 38 of the 447 properties where our branches were located. Total branch space as of December 31, 2017 was approximately 68,073 square meters (732,728 square feet). Our branches are located throughout Chile, including the Santiago metropolitan region, and Colombia, including in the cities of Bogotá, Medellín, Cali, Bucaramanga and Barranquilla.

**ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS****A. OPERATING RESULTS**

The following discussion should be read in conjunction with our consolidated financial statements, together with the notes thereto, included elsewhere in this Annual Report, and in conjunction with the information included under “Item 3A. Selected Financial Data” and “Item 4B. Business Overview — Selected Statistical Information.” Our consolidated financial statements as of December 31, 2015, 2016 and 2017 and for the years ended December 31, 2015, 2016 and 2017 have been prepared in accordance with IFRS.

Our financial statement data as of and for the years ended December 31, 2015 and 2016 are not comparable to the data as of and for the year ended December 31, 2017 because of the Merger, which was consummated on April 1, 2016. The Merger has been accounted for as a reverse acquisition, based on guidance in IFRS 3 “Business Combinations,” with Banco Itaú Chile (the legal acquiree) considered as the accounting acquirer and Corpbanca (the legal acquirer) considered as the accounting acquiree. Accordingly, the financial statements of Itaú Corpbanca for periods prior to the acquisition date of April 1, 2016 reflect the historical financial information of Banco Itaú Chile. Before the Merger, former Banco Itaú Chile (the legal acquiree) only produced financial statements pursuant to Chilean Banking GAAP, while former Corpbanca (the legal acquirer) from 2009 to 2015 issued financial statements according to Chilean Banking GAAP and according to IFRS.

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from these discussed in forward-looking statements as a result of various factors, including those set forth in “Cautionary Statement Regarding Forward-Looking Information” and “Item 3D. Risk Factors.”

**INTRODUCTION**

We are a banking corporation organized under the laws of Chile. Our common shares are listed on the Santiago Stock Exchange and the Chilean Electronic Exchange, and our ADSs are listed on the NYSE. We are regulated by the SBIF. We offer general commercial and consumer banking services and provide other services including factoring, collection, leasing, securities and insurance brokerage, asset management and investment banking.

The following classification of revenues and expenses is based on our consolidated financial statements:

**Revenues**

We have three main sources of revenues, which include both cash and non-cash items:

***Interest income***

We earn interest income from our interest-earning assets, which are mainly represented by loans to customers.

***Income from service fees***

We earn income from service fees related to checking accounts, loans, mutual funds, credit cards and other financial services.

***Other operating income***

We earn income relating to changes in the fair value of our securities portfolio, other trading activities and foreign exchange transactions.

[Table of Contents](#)**Expenses**

We have three main sources of expenses, which include both cash and non-cash items:

***Interest Expense***

We incur interest expense on our interest bearing liabilities, such as deposits, short-term borrowings and long-term debt.

***Provisions for Loan Losses***

Our allowance and provision for loan losses as recorded in our consolidated financial statements included herein have been determined in accordance with IFRS.

***Other Operating Expenses***

We incur expenses relating to salaries and benefits, administrative expenses and other non-interest expenses.

**THE ECONOMY****Primary Markets in Which We Operate**

A majority of our investments are located in Chile and Colombia. Accordingly, our financial condition and results of operations are substantially dependent upon economic conditions prevailing in Chile and Colombia.

**Developments in the Chilean Economy**

Chile experienced a fourth year of below-potential growth in 2017, still affected by the end of the commodity boom cycle. In this context of weak activity, the labor market gradually weakened and external accounts remained at sustainable levels. International developments led the Chilean peso to appreciate from the beginning of the year, and to a significant deceleration in tradable goods inflation. The latter, coupled with the expectation of a still weak economy ahead, prompted the central bank to implement a monetary easing cycle in early 2017.

Activity was hindered by a major mining strike in the first quarter of the year 2017. The recovery of copper prices toward year-end and improving exports led to a mining boost in the second half of 2017. Consumption was a principal driver of activity in the year, first boosted by the front-loading of public expenditure and thereafter supported by recovering service consumption in the economy. Throughout the year, durable consumption was robust, aided by low inflation, a stronger currency and expansionary monetary policy. The evolution of consumption came despite some weakening of the labor market, with the unemployment rate averaging 6.7% in 2017, up from 6.5% in 2016 and 6.2% in 2015, and the highest since 2011. Low-quality self-employment and the public sector were the driving forces behind job creation, while there was shedding of private salaried jobs.

After two consecutive years of contraction, investment boosted growth in the first half of 2016. However, investments again contracted in the second half of 2016. Investment contracted for a fourth consecutive year in 2017. Low confidence continued to hamper investment as did the slowdown of construction following the end of a tax-incentivized boom of the sector. As a result, in 2017, investments contracted by an estimated 2.4%, from the -0.8% in 2016. With copper prices recovering and a change in the political cycle, the outlook is for an investment recovery ahead. Meanwhile, the contribution from net exports improved as the year unfolded linked to the recovery copper exports and limited internal demand.

The Chilean economy expanded 1.5% during 2017, and 1.6% in 2016, the lowest growth since the international financial crisis.

Meanwhile, external accounts evolved favorably in 2017. In 2017, the current account deficit stood at US\$3.6 billion (-1.5% of GDP), similar to the rate in 2016. Improving trade figures aided the full year current account balance. The trade balance saw a US\$6.9 billion surplus in 2017, up from US\$5.3 billion in 2016 and the highest since 2011. The low deficit highlights Chile's limited external vulnerabilities. With copper prices set to perform favorably for most of 2018, the current account deficit will likely stay at low levels in 2018. Despite the positive evolution of the current account, weak activity and low copper prices affected foreign direct investment in 2017. In 2017, foreign direct investment fell to around US\$8 billion (3.0% of GDP), from US\$12.2 billion in 2016 (4.9% of GDP) and US\$20.5 billion in 2015 (8.6% of GDP), its lowest dollar value since 2006.

A contained current account deficit alongside with rising copper prices resulted in a favorable performance of the Chilean peso. The gradual normalization of monetary policy by the Federal Reserve also aided the currency. After ending 2016 at Ch\$670 per US\$1.0, the exchange rate peaked over Ch\$678 in May 2017. However, the currency declined in the second half of the year along with copper prices, ending 2017 at Ch\$615. Going forward, the currency could experience some depreciation amid diverging monetary policy stance between Chile and the U.S., while copper prices moderate gradually throughout the year.

A widening output gap and a stronger currency helped inflation decelerate to 2.3% by December 31, 2017, from 2.7% in December 2016. On the back of the stronger currency, tradable goods led the disinflation process.

In this context, the Chilean Central Bank maintained the monetary policy interest rate at 2.5% after implementing the 100-bp easing cycle in the first five months of the year. However, given the slowdown in inflation and weak activity, the door remained open

[Table of Contents](#)

for additional easing during the year. In its 4Q17 Monetary Policy Report, the Chilean Central Bank anticipated stable rates for most of 2018, before initiating a mild normalization process in the second half of 2018 once the output gap begins to narrow.

As for fiscal policy, the deterioration of Chile's debt position raised alerts and led to one notch downgrades from two rating agencies. Fitch Ratings and Standard and Poor's revised the sovereign debt rating to 'A' and 'A+', respectively. Meanwhile, Moody's changed its outlook from Stable to Negative but retained the 'Aa+' rating. Low growth and the rapid increase in government debt are key drivers in the rating amendment. The fiscal deficit in 2017 was similar to 2016 at 2.7%, the largest rates since the international financial crisis. Going forward, the expectation of higher copper prices and a growth pick up will support a narrowing of the budget deficit.

A general election was held on November 19, where a new Congress, part of the Senate and a new president of Chile was elected. The composition of the Chilean Congress and the Senate showed the coalition from the right gaining ground but failing to capture a majority. Meanwhile, former president Sebastian Piñera defeated the governing coalition's candidate Alejandro Guillier in a December 2017 runoff vote.

### Developments in the Colombian Economy

Colombia's 2017 economic context was characterized by weak activity, reduction on inflation, an easing monetary policy cycle, improving external deficit and still significant fiscal challenges. The monetary loosening came as the supply shocks from El Niño and the previous currency weakening diminished. Weak internal demand and recovering oil prices saw the current account deficit decline to near 3.7% of GDP (from 4.3% in 2016), reducing Colombia's vulnerability to external shocks and supporting a looser monetary policy.

On the back of tighter monetary policy in 2016 and the normalization of food prices following the end of the El Niño weather phenomenon, inflation moderated from 5.75% in December 2016 to 4.09% in December 2017. Meanwhile, private consumption slowed in 2017 affected by the contractionary monetary policy in 2016, increased consumption taxes and a loosening labor market. On the other hand, investment improved from 2016 but remained weak. Overall, activity slowed to 1.8% in 2017 from the 2.0% in 2016, one of the lowest growth rates so far this century.

With inflation on a downward trend and inflation expectations for 2017 and 2018 edging closer to the central bank's target, the central bank embarked on a 300-bp easing cycle taking the policy rate to 4.75% by the end of 2017. With inflation seemingly under control and activity continuing to underwhelm. Although the Colombian Central Bank maintained its policy rate during the first quarter of 2018, the expectation is for the central bank to continue lowering the policy rate during 2018.

Despite the implementation of the tax reform in 2017 (that included raising the VAT rate from 16% to 19%), underwhelming activity and still low oil prices kept the pressure on fiscal metrics. This led Standard & Poor's rating agency to lower Colombia's long-term foreign currency sovereign credit rating by a notch, to 'BBB-'. There is concern over Colombia's ability to meet the fiscal targets starting in 2019 (the fiscal rule has a 1% of GDP nominal deficit target to be gradually reached by 2024, from the 4.0% deficit for 2016). The other two major rating agencies still rate Colombia one notch higher and two above investment grade. Taken a bit by surprise from the downgrade, the Finance Ministry made adjustments to spending for 2017 and 2018 to ensure alignment with the fiscal rule targets: 3.6% deficit for 2017 and 3.1% for 2018.

Colombia will hold presidential elections in May 2018 and, if necessary, a second round in June 2018. The next government taking office in August 2018 will inherit high levels of spending and the recent S&P downgrade highlights the risks ahead. Regardless of who is elected, the next president will be reluctant to meaningfully slash investment. This will make it difficult for the next administration to meet the fiscal deficit targets. Senator Iván Duque (right), recently backed by former president Alvaro Uribe, former vice president German Vargas Lleras (center-right), centrist former Medellín mayor Sergio Fajardo, and former Bogotá mayor Gustavo Petro (left) look like the most competitive candidates at this stage. Duque's plan will include cuts in corporate and consumption taxes, although these would likely be restrained by fiscal accounts. Vargas Lleras has promised a tax reform that includes a reduction in the corporate taxes and stricter control of tax evasion. He has been vocally in favor of a more flexible fiscal rule. Despite an alliance with some center-left and leftist players, Fajardo would aim to ensure macroeconomic continuity, while less eager to lower taxes. Meanwhile, Gustavo Petro has expressed his intentions to increase property and corporate taxes.

[Table of Contents](#)**Inflation*****General***

In the past, Chile has experienced high levels of inflation, which has significantly affected our financial condition and results of operations during such periods. In recent years, Chile has experienced relatively low inflation rates, with sporadic episodes where price growth deviated from the Chilean Central Bank's 2%-4% target range. In 2014, 2015, 2016 and 2017 the inflation rate was 4.6%, 4.4%, 2.7% and 2.3%, respectively. Our results of operations reflect the effect of inflation in the following ways:

- a substantial portion of our assets and liabilities are denominated in UF. The UF is a unit of account, the peso value of which is indexed daily to reflect inflation recorded in the previous month. The net increase or decrease in the nominal peso value of our UF-denominated assets and liabilities is reflected as income or loss in our income statement, and
- the rates of interest earned and paid on peso-denominated assets and liabilities reflect, to a certain degree, inflation and expectations regarding inflation.

Under Chilean law, banks are authorized to earn interest income on loans that are adjustable for the effects of inflation. Most banks, including Itau Corpbanca, charge an interest rate that includes an estimate of future inflation. In addition, the peso-denominated value of our assets and liabilities that are denominated in UF fluctuate as the UF is adjusted based on inflation. In the case of assets, these fluctuations are recorded as income (for increases in the peso-denominated value) and losses (for decreases in the peso-denominated value). In the case of liabilities, these fluctuations are recorded as losses (for increases in the peso-denominated value) and income (for decreases in the peso-denominated value).

Colombia has experienced high levels of inflation recently amid its currency depreciation and supply-side shocks affecting food prices. The rate of inflation in Colombia in 2014, 2015, 2016 and 2017 was 3.7%, 6.8%, 5.8% and 4.09%, respectively. At its peak, the 12-month inflation rate reached 9% in July 2016. The components that led the elevated level of inflation in year-end 2016 were food (with a 7.2% increase from 2015), housing (a 4.8% increase from 2015) and transport (a 4.5% increase from 2015), while the normalization of food production in 2017 (1.9% food inflation from 2016) helped pull inflation down.

***UF-Denominated Assets and Liabilities***

The UF is revalued by the INE on a monthly basis. Every day in the period beginning the tenth day of the current month through the ninth day of the succeeding month, the nominal Chilean peso value of the UF is indexed up (or down in the event of deflation) in order to reflect each day a proportional amount of the prior calendar month's change in the CPI. One UF was equal to Ch\$25,629.09, Ch\$26,347.98 and Ch\$26,798.14 as of December 31, 2015, 2016 and 2017, respectively. The effect of any changes in the nominal Chilean peso value of our UF-denominated assets and liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively. Our net interest income is positively affected by increases in inflation to the extent that our average UF-denominated assets exceed our average UF-denominated liabilities. Conversely, our net interest income will be negatively affected by inflation in any period in which our average UF-denominated liabilities exceed our average UF-denominated assets. Our average UF-denominated assets exceeded our average UF-denominated liabilities by Ch\$1,088,868 million, Ch\$2,402,718 million and Ch\$3,401,660 million during the years ended December 31, 2015, 2016 and 2017, respectively. See "Item 4. Information on the Company—B. Business Overview—Principal Business Activities—Selected Statistical Information—Average Balance Sheets, Income Earned from Interest-Earning Assets and Interest Paid on Interest Bearing Liabilities."

***Chilean Peso-Denominated Assets and Liabilities***

Interest rates prevailing in Chile are materially affected by the current rate of inflation during the period and market expectations concerning future inflation. The responsiveness to such prevailing rates of our Chilean peso-denominated interest-earning assets and interest bearing liabilities varies. See "—Interest Rates" and "—Results of Operations" below and "Item 11. Quantitative and Qualitative Disclosures about Financial Risk." We maintain a substantial amount of non-interest bearing Chilean peso-denominated demand deposits. The ratio of the average balance of such demand deposits to average interest-earning assets was 3.4%, 2.1% and 2.1% during the years ended December 31, 2015, 2016 and 2017, respectively. Because such deposits are not sensitive to inflation or changes in the market interest rate environment, any decline in interest rates or the rate of inflation adversely affects our net interest margin on assets funded with such deposits and any increase in the rate of inflation increases the net interest margin on such assets.

**Interest Rates**

Interest rates earned and paid on our assets and liabilities, respectively, reflect, to a certain degree, inflation, expectations regarding inflation, shifts in short-term interest rates set by the Central Bank of Chile and the Central Bank of Colombia and movements in long-term real rates.

***Interest Rates in Chile***

The Central Bank of Chile manages short-term interest rates based on its objective of maintaining currency stability. Because our liabilities are generally re-priced to reflect interest rate changes more frequently than our interest-earning assets, changes in the rate of inflation or in the monetary policy interest rate published by the Central Bank of Chile are reflected in the interest rates we pay on our liabilities before such changes are reflected in the interest rates we earn on our assets. Therefore, when short-term interest rates fall, our net interest margin is positively impacted, but when short-term rates increase, our interest margin is negatively affected. At the same time, our net interest margin tends to be adversely affected in the short term by a decrease in inflation because generally our UF-denominated assets exceed our UF-denominated liabilities. See "Item 5. Operating and Financial Overview and Prospects—A."

[Table of Contents](#)

Operating Results—The Economy—Developments in the Chilean Economy” and “—UF-denominated Assets and Liabilities” above. An increase in long-term interest rates also has a positive effect on our net interest margin, because our interest-earning assets generally have a longer duration than our interest bearing liabilities.

In addition, because our Chilean peso-denominated liabilities have relatively short re-pricing periods, they are generally more responsive to changes in inflation or short-term rates than our UF-denominated liabilities. As a result, during periods when current inflation or expected inflation exceeds the previous month’s inflation, customers often switch funds from Chilean peso-denominated deposits to more expensive UF-denominated deposits, thereby adversely affecting our net interest margin. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Sources of Liquidity—Financial Investments.”

#### *Interest Rates in Colombia*

The Central Bank of Colombia manages short-term interest rates based on its objectives of maintaining a low and stable inflation rate, stabilizing output around its natural levels and contributing to the preservation of financial stability.

Colombian commercial banks, finance corporations and financing companies are required to report data to the Central Bank of Colombia on a weekly basis regarding the total volume (in Colombian pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Central Bank of Colombia calculates the *Depósito a Término Fijo* (Fixed Term Deposit Interest Rate, or DTF) rate, which is the main benchmark interest rate in Colombia and is published at the beginning of the following week. The DTF is the weighted average interest rate paid by commercial banks, finance corporations and financing companies for certificates of deposit with maturities of 90 days.

As of April 2, 2018, the DTF rate was 4.89%. The Central Bank of Colombia also calculates the interbank rate (*Interés Bancario de Referencia*), or IBR, which acts as a reference of overnight and one-month interbank loans, based on quotations submitted each business day by eight participating banks to the Central Bank of Colombia. Using a weighted average of the quotations submitted, the Central Bank of Colombia calculates the overnight IBR each business day. The one-month IBR is calculated each Tuesday. Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Colombian Superintendency of Finance.

A significant portion of our banking subsidiaries’ assets are linked to the DTF; accordingly, changes in the DTF affect our banking subsidiaries’ net interest income. The Central Bank of Colombia increased its decreased rate to 3.25% on March 26, 2013, and the interest rate remained stable until March of 2014. On average, the DTF went from 7.96% in 2007 to 3.88% in the first quarter of 2014.

From April 2014 to August 2014, the Central Bank of Colombia increased the Repo Rate by 125 bps to 4.50%, a level consistent with neutral conditions. After a year on hold, amid accelerating inflation, which led to increasing inflation expectations, and a rapid deterioration of the current account deficit above 6% of GDP, the Central Bank began a monetary tightening cycle in September 2015, taking the policy rate to 5.75% by year-end. The tightening cycle ended in July 2016, with the policy rate at 7.75%. As inflation began to slow down in the third quarter of the year, the Central Bank moved back to loosening the monetary policy stance with a 25 basis point cut to 7.50% in December 2016. The easing cycle continued in 2017, with further cuts totaling 275 bps leading to the policy rate ending 2017 at 4.75%.

In response to the changing monetary policy conditions, the DTF adjusted upward moving from 4.34% in 2014 to 5.22% at the end of December 2015 and 7.59% by the end of July 2016, before retreating to 6.86% by year-end 2016. As monetary loosening proceeded in 2017, the DTF rate dropped to 5.21% by year-end.

#### **Currency Exchange Rates**

A material portion of our assets and liabilities is denominated in foreign currencies, principally the U.S. dollar and the Colombian peso. Our reported income is affected by changes in the value of the Chilean peso with respect to foreign currencies (principally the U.S. dollar and Colombian peso) because such assets and liabilities, as well as interest earned or paid on such assets and liabilities, and gains (losses) realized upon the sale of such assets, are converted to Chilean pesos in preparing our consolidated financial statements. The Chilean government’s economic policies and any future changes in the value of the Chilean peso against the U.S. dollar could adversely affect our financial condition and results of operations. In the past, the Chilean peso has been subject to significant volatility when compared to the U.S. dollar. In 2014, the Chilean peso depreciated against the U.S. dollar by 15.0% as compared to 2013. In 2015 the Chilean peso depreciated against the U.S. dollar by 17.3% as compared to 2014. In 2016, the Chilean peso appreciated against the U.S. dollar by 5.7% as compared to 2015. In 2017, the Chilean peso appreciated against the U.S. dollar by 1.3% as compared to 2016. The exchange rate between the Chilean peso and the U.S. dollar as of December 31, 2016 and 2017 was Ch\$669.81 and Ch\$615.22 per US\$1.00, respectively. The Chilean peso may be subject to significant fluctuations in the future.

[Table of Contents](#)

Entering into forward exchange transactions enables us to reduce the negative impact of material gaps between the balances of our foreign currency-denominated assets and liabilities. As of December 31, 2015, 2016 and 2017, the gap between foreign currency denominated assets and foreign currency denominated liabilities, including forward contracts, was Ch\$235,611 million, and Ch\$(481,755) million and Ch\$(502,542) million, respectively.

***Critical Accounting Policies and Estimates******General***

In our filings with the SEC, we prepare our consolidated financial statements in accordance with IFRS. In preparing our consolidated financial statements, we use estimates and assumptions to account for certain assets, liabilities, revenues, expenses and other transactions. While we review these estimates and assumptions in the ordinary course of business, the portrayal of our financial condition and results of operations often require our management to make judgments regarding the effects on our financial condition and results of operations on matters that are inherently uncertain. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The following discussion describes those areas that require the most judgment or involve a higher degree of complexity in the application of the accounting policies that currently affect our financial condition and results of operations. Actual results may differ from those estimated under different variables, assumptions or conditions, and if these differences could have a material impact on our reported results of operations. Note 1 to our consolidated financial statements contains a summary of our significant accounting policies.

In addition to the critical accounting policies described below, information regarding other accounting policies is set forth in the notes to our consolidated financial statements.

***Allowance for Loan Losses***

We record our allowances following our internal models for the recording of incurred debt. To establish impairment losses, the bank carries out an evaluation of outstanding loans and accounts receivable from customers, as detailed below:

- **Individual assessment of debtors:** When debtors are recorded as individually significant, *i.e.*, when they have significant debt levels or, even for those that do not have these levels, could be classified in a group of financial assets with similar credit risk features and who, due to the size, complexity or level of exposure, require detailed information. See “Item 4. Information on the Company—Business Overview—Selected Statistical Information— Classification of Banks and Loan Portfolios; Allowances for Loan Losses” and “Note 1—General Information and Summary of Significant Accounting Policies—q. Allowances for loan losses” of our consolidated financial statements.
- **Group assessment of debtors:** When there is no evidence of impairment for individually-assessed debtors and debtors with loans grouped collectively—whether or not significant—the bank groups debtors with similar credit risk features and assesses them for impairment. Debtors individually assessed for impairment and for whom a loss due to impairment has been recorded are not included in the group assessment of impairment. See “Item 4. Information on the Company—Business Overview—Selected Statistical Information— Classification of Banks and Loan Portfolios; Allowances for Loan Losses”, and “Note 1—General Information and Summary of Significant Accounting Policies—q. Allowances for loan losses” of our consolidated financial statements.

For a further description of regulations relating to loan classification and provisioning, see “Item 4. Information on the Company—B. Business Overview—Principal Business Overview—Chilean Banking Regulation and Supervision— Classification of Banks and Loan Portfolios; Allowances for Loan Losses.”

***Derivative Financial Instruments***

Derivative financial instruments are recorded at fair value. Fair values are based on market quotes, discounted cash flow models and option valuations, as appropriate. If market information is limited or in some instances, not available, management applies its professional judgment. Other factors that may also affect estimates are incorrect model assumptions, market dislocations and unexpected correlations. Notwithstanding the level of subjectivity in determining fair value, we believe our estimates of fair value are adequate. The use of different models or assumptions could lead to changes in our reported results. See “Note 1—General Information and Summary of Significant Accounting Policies.”

In addition, we make loans and accept deposits in amounts denominated in foreign currencies, principally the U.S. dollar. Such assets and liabilities are translated at the applicable exchange rate at the balance sheet date.

[Table of Contents](#)***Financial Investments***

Financial investments are summarized as follows:

***Trading Instruments.*** Instruments for trading are securities acquired for which we have the intent to generate earnings from short-term price fluctuations or through brokerage margins or that are included in a portfolio created for such purposes. Instruments for trading are valued at their fair value according to market prices on the closing date of the balance sheet. See “Note 1—General Information and Summary of Significant Accounting Policies.”

***Investment Instruments.*** Investment instruments are classified into two categories: held to maturity investments and instruments available-for-sale. Held to maturity investments only include those instruments for which we have the intent and ability to hold to maturity. Investment instruments not classified as held to maturity or trading are considered to be available-for-sale. Investment instruments are recorded initially at cost. Instruments available-for-sale are valued at each subsequent period-end at their fair value. Gains or losses from changes in fair value are recognized in other comprehensive income within line item “financial instruments available for sale.” All purchases and sales of investment instruments to be delivered within the deadline stipulated by market regulations and conventions are recognized on the trade date, which is the date on which the commitment is made to purchase or sell the asset. Other purchases or sales are treated as forwards until they are liquidated. See “Note 1— General Information and Summary of Significant Accounting Policies.”

We enter into security repurchase agreements as a form of borrowing. The liability for the repurchase of the investment is classified as “obligations under repurchase agreements” and is carried at cost plus accrued interest.

We also enter into resale agreements as a form of investment. Under these agreements we purchase securities, which are included as assets under the caption “investments under agreements to resell” and are carried at cost plus accrued interest.

***Estimate of Impairment of Goodwill***

We assess annually, or when there is a triggering event, whether goodwill has experienced any impairment, according to the accounting policy described in our consolidated financial statements. The recoverable amount of the cash generating units (“CGUs”) has been determined using the methodology of a dividend discount model. This methodology considers the cash flows that would generate the dividends distributed to its shareholders in a perpetual forecast projection, discounted at their rate of cost of capital at the valuation date. In this way, the economic equity value can be estimated, using projections of cash flows derived from financial budgets and other assumptions approved by the management. The projection of cash flows is carried out using the functional currency of each country and considering a horizon of six years, after which the cash flows are projected to perpetuity using growth rates of the gross domestic product aligned with those rates expected for the markets in which a particular CGU operates. These calculations are carried out by each CGU. The six-year period projections are based on historical information from the previous year and the main macroeconomic variables affecting the markets involved in the calculations.

Estimates and judgments included in the calculations of recoverable amounts are based on historical experience and other factors, including the expectations of management for future events that are considered reasonable in the current circumstances. Due to the inherent uncertainty associated with considering these estimates, actual results could differ from those estimates. Future events and changing market conditions may impact the Bank’s assumptions as to future interest and commissions’ revenue, net interest margin growth rates or discount rates, which may result in changes in the estimates of the Bank’s future cash flows.

The following factors, among others, could significantly impact the impairment analysis and may result in future goodwill impairment charges that, if incurred, could have a material adverse effect on the Company’s financial condition and results of operations:

- The macroeconomic factors in both the Chilean and Colombian markets may not recover and evolve from 2018 onwards in line with current expectations.
- The operational integration of the banks in Chile is not completed by 2019.
- The operational integration, introduction of the Itaú brand and client segmentation in the Colombian market may not have the expected impact. Additionally, the Bank may not achieve the change in the product mix as stated in its formal budgets and plans. As a result, the Colombia CGU may not be able to achieve breakeven result during 2018 and a business recovery from 2019 onwards.
- The recovery of the Bank’s pre-merger market share in Colombia expected to occur by 2023, depends on the achievement of the projection of an annual composed average growth rate for the loans portfolio, during the first years.

***Recently Adopted and New Accounting Pronouncements***

See Note 1 of our consolidated financial statements for a detailed description of recently adopted and new accounting pronouncements in IFRS.

[Table of Contents](#)

In addition, new standards and interpretations have been issued but not yet adopted in our consolidated financial statements as of December 31, 2017, such as IFRS 9, IFRS 15 and IFRS 16, among others:

***IFRS 9 Financial Instruments.*** We currently expect to adopt IFRS 9 on our consolidated financial statements for the year ending December 31, 2018.

During the second half of 2017, we have conducted simulations to obtain a better understanding of the potential effect of this new accounting standard. The transition to IFRS 9 will cause, based on management's best estimates, a reduction not higher than 3.8% of stockholders' equity.

***IFRS 15 Revenue from Contracts with Customers.*** Management has estimated the impact of the adoption of this new standard and concluded that its adoption will not have a significant impact on our consolidated financial statements.

***IFRS 16 Leases.*** IFRS 16 will be effective for the annual periods beginning on or after January 1, 2019. Management has estimated the potential impact of the adoption of this new pronouncement by conducting an analysis of the bank's lease agreements in order to obtain a better understanding of the potential effect of this new accounting standard on both the consolidated financial statements and solvency ratios.

For a description of these new accounting standards, see Note 1(gg) of our consolidated financial statements.

## **Results of Operations for the Years Ended December 31, 2015, 2016 and 2017**

### ***Introduction***

In 2016 we focused on the integration of operations, brand, risk management framework and other policies, which we aligned with the practices and policies of Itaú Unibanco. As a result, we strengthened our balance sheet and liquidity levels but incurred higher extraordinary expenses associated with the integration during this period.

In 2017 our main focus was to comply with the terms of the Merger by minimizing its effects on the quality of our service. In this transition year we completed retail migration and client segmentation in Chile.

Economic activity in 2017 was lower than what we initially expected, especially in Chile. While it accelerated toward the end of the year, 2017 showed the lowest growth since 2009. This translated into the lowest loan growth rates in Chile in over seven years. Investment showed a fourth consecutive year of contraction, and commercial loans grew only 1.2% year-over-year. Due to our current portfolio mix, this has noticeable effects on our revenues growth. On the other hand, inflation and interest rates decreased, especially in Colombia where the 275-basis point reduction in the year positively affected our banking book.

### ***Net Income (Loss)***

Our consolidated net loss as reported in our consolidated financial statements for the year ended December 31, 2016 was Ch\$13,969 million, a 86.8% or Ch\$91,797 million decrease from our net income of Ch\$105,766 million in 2015.

The decrease in our consolidated net income for the year ended December 31, 2016 was primarily due to: (i) higher provisions for loan losses; (ii) higher operating expenses due to the integration process related to the Merger; and (iii) the negative impact of lower inflation in Chile on net interest margin and increased policy rates throughout most of the year in Colombia.

As for the year ended December 31, 2017, our consolidated financial statements reported a consolidated net income of Ch\$62,825 million, a 349.7% or Ch\$48,856 million increase from our net income of Ch\$13,969 million in 2016.

The increase in our consolidated net income for the year ended December 31, 2017 was primarily due to: (i) higher net interest income, favored by a reduction in our cost of funding, especially in Colombia, (ii) gains on the sale of the former Banco Itaú Chile headquarters and (iii) income taxes related to our operations in Colombia.

The following table sets forth the components of our net income for the years ended December 31, 2015, 2016 and 2017:

[Table of Contents](#)

	For the Year Ended December 31,			% Change from 2016/2015	% Change from 2017/2016
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
<b>Components of net income:</b>					
Net interest income	223,290	639,175	782,982	186.3%	22.5%
Net service fee income	71,088	150,796	177,571	112.1%	17.8%
Trading and Investment, foreign exchange gains and other operating income	50,040	83,551	95,965	67.0%	14.9%
Provisions for loan losses	(42,929)	(245,990)	(315,417)	473.0%	28.2%
Total operating expenses	(178,460)	(616,627)	(731,147)	245.5%	18.6%
Income before income taxes	123,029	10,905	9,954	(91.1)%	(8.7)%
Income taxes	(17,263)	3,568	52,871	(120.7)%	1,381.8%
Income from continuing operations	105,766	14,473	62,825	(86.3)	334.1%
Income from discontinued operations	—	(504)	—	—	—
<b>Net income for the year</b>	<b>105,766</b>	<b>13,969</b>	<b>62,825</b>	<b>(86.8)%</b>	<b>349.7%</b>

**Net Interest Income**

The following table sets forth the components of our net interest income for the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,			% Change from 2016/2015	% Change from 2016/2017
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
Interest income	501,982	1,509,203	1,646,329	200.6%	9.1%
Interest expense	(278,692)	(870,028)	(863,347)	212.2%	(0.8)%
<b>Net interest income</b>	<b>223,290</b>	<b>639,175</b>	<b>782,982</b>	<b>186.3%</b>	<b>22.5%</b>

The following table sets forth information as to the components of our interest income for the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,			% Change from 2016/2015	% Change from 2017/2016
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
Interest income	501,982	1,509,203	1,646,329	200.6%	9.1%
<b>Average interest-earning assets:</b>					
Loans	6,410,592	17,801,885	20,857,542	177.7%	17.2%
Financial investments	496,220	1,610,668	2,166,896	224.6%	34.5%
Interbank deposits	99,485	362,492	361,624	264.6%	(0.2)%
<b>Total average interest-earning assets</b>	<b>7,006,297</b>	<b>19,775,044</b>	<b>23,386,062</b>	<b>182.2%</b>	<b>18.3%</b>

The following table sets forth information as to the components of our interest expense for the years ended December 31, 2015, 2016 and 2017:

[Table of Contents](#)

	For the year end December 31,			% Change from 2016/2015	% Change from 2017/2016
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
Interest expense	278,692	870,028	863,347	212.2%	(0.8)%
<b>Average interest-earning liabilities:</b>					
Bonds	1,245,617	4,205,997	6,045,928	237.7%	43.7%
Time deposits	3,875,906	9,884,092	10,144,559	155.0%	2.6%
Repurchase agreements	57,267	400,252	596,351	598.9%	49.0%
Mortgage finance bonds	28,123	71,742	72,900	155.1%	1.6%
Other interest-bearing liabilities	1,256,116	4,029,170	4,652,106	220.8%	15.5%
<b>Total average interest-bearing liabilities</b>	<b>6,463,029</b>	<b>18,591,253</b>	<b>21,511,844</b>	<b>187.7%</b>	<b>15.7%</b>

*2017 Compared to 2016*

Our net interest income was Ch\$782,982 million for the year ended December 31, 2017, an increase of 22.5% as compared to Ch\$639,175 million for the year ended December 31, 2016. The increase in interest income was primarily the result of the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016 and the decrease in monetary policy rates in Colombia (4.75% as of December 31, 2017 coming from 7.5% as of December 31, 2016), which positively affected our net interest margin because our interest-earning assets in Colombia are mostly fixed-rate and with a long duration, and our interest-bearing liabilities are mostly floating-rate and with a shorter duration.

The aforementioned factors had a total Ch\$143,807 million impact in our net interest margin (net interest income divided by average interest-earning assets), which increased by 12 basis points to 3.35% in 2017 from 3.23% in 2016.

*2016 Compared to 2015*

Our net interest income was Ch\$639,175 million for the year ended December 31, 2016, an increase of 186.3% as compared to Ch\$223,290 million for the year ended December 31, 2015. The increase in interest income was primarily the result of the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016. In addition to this factor, our net interest margin was impacted by a lower UF variation in Chile (2.8% in 2016 vs. 4.1% in 2015) and by increased monetary policy rates in Colombia (5.8% as of December 31, 2015, reaching 7.8% in August 1, 2016 before declining to 7.5% in December 19, 2016), which negatively affected our net interest margin since our interest-earning assets in Colombia are mostly fixed-rate and with a long duration and our interest-bearing liabilities are mostly floating-rate and with a shorter duration. Although decreasing through most of the year, net interest margin in Colombia is higher than in Chile.

The aforementioned factors had a total almost neutral impact in our net interest margin (net interest income divided by average interest-earning assets), which increased by four basis points to 3.23% in 2016 from 3.19% in 2015.

*Allowances for Loan Losses*

The following table sets forth information relating to our allowances for loan losses as of December 31, 2015, 2016 and 2017:

	As of December 31,			% Change from 2016/2015	% Change from 2016/2017
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
Total loans (excludes interbank loans)	6,801,071	21,003,952	20,382,605	208.8%	(3.0)%
Past due loans <sup>(1)</sup>	51,241	112,450	131,021	119.5%	16.5%
Non-performing loans <sup>(2)</sup>	91,097	352,700	462,015	287.2%	31.0%
Impaired loans <sup>(3)</sup>	241,811	1,073,831	1,267,703	344.1%	18.1%
Allowances for loan losses	95,579	559,304	618,527	485.2%	10.6%
Allowances for loan losses as a percentage of total loans	1.4%	2.7%	3.0%	89.5%	14.0%
Allowances for loan losses as a percentage of non-performing loans	104.9%	158.6%	133.9%	51.1%	(15.6)%
Allowances for loan losses as a percentage of impaired loans	39.5%	52.1%	48.8%	31.8%	(6.3)%
Non-performing loans as a percentage of total loans	1.3%	1.7%	2.3%	25.4%	35.0%
Allowances for loan losses as a percentage of past due loans	186.5%	497.4%	472.1%	166.7%	(5.1)%

- (1) Past due loans include all installments and lines of credit more than 90 days overdue. Do not include the aggregate principal amount of such loans.
- (2) Non-performing loans include the principal and interest on any loan with one installment more than 90 days overdue.
- (3) Impaired loans include those loans on which there is objective evidence that debtors will not meet some of their contractual payment obligations.

[Table of Contents](#)*2017 Compared to 2016*

Allowances for loan losses (excluding allowances for loan loss on loans and receivables to banks) increased by 10.6% to Ch\$618,527 million as of December 31, 2017 compared to Ch\$559,304 million as of December 31, 2016. Higher allowances for loan losses resulted primarily from an increase in provisions for certain corporate clients, both in Chile and in Colombia, as well as higher delinquency rates in our retail operations, especially in Colombia due to the worsening of economic conditions.

*Our non-performing loans, as a percentage of total loans, increased to 2.3% as of December 31, 2017 compared to 1.7% as of December 31, 2016. This increase was the result of higher delinquency rates in our retail operations.*

*2016 Compared to 2015*

Allowances for loan losses (excluding allowances for loan loss on loans and receivables to banks) increased by 485.2% to Ch\$559,304 million as of December 31, 2016 compared to Ch\$95,579 million as of December 31, 2015. Higher allowances for loan losses resulted primarily from the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016. Another important factor leading to the increase in provisions was the lower economic activity both in Chile and Colombia that affected the credit rating of some of our corporate clients after a thorough revision of all of our individually assessed credit exposures.

Our non-performing loans, as a percentage of total loans, increased to 1.7% as of December 31, 2016 compared to 1.3% as of December 31, 2015. This increase was the result of increased delinquency in Colombia that affected the local market as a whole due to the reduction in economic activity, as well as an increased delinquency observed in Chile in the fourth quarter of 2016 in personal loans, also as a consequence of the continued slowdown in the economy.

***Provisions for Loan Losses****2017 Compared to 2016*

Provisions for loan losses increased by 28.2% to Ch\$315,417 million for the year ended December 31, 2017, compared to Ch\$245,990 million for the year ended December 31, 2016. The increase in our provisions for loan losses was due to (i) the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016, (ii) provision for some specific corporate clients and (iii) higher delinquency in our retail operations, especially in Colombia.

*2016 Compared to 2015*

Provisions for loan losses increased by 473% to Ch\$245,990 million for the year ended December 31, 2016, compared to Ch\$42,929 million for the year ended December 31, 2015. The increase in our provisions for loan losses was due to (i) the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016; (ii) lower economic activity both in Chile and Colombia that affected the credit rating of some of our clients in the corporate business unit; and (iii) a thorough revision of all of our individually assessed credit exposures in line with the revised credit policies defined for the merged bank, as part of the integration process.

***Net Service Fee Income****2017 Compared to 2016*

Our net service fee income (including income from financial advisory services) for the year ended December 31, 2017 was Ch\$177,571 million, representing a 17.8% increase when compared to Ch\$150,796 million for the year ended December 31, 2016. Our income from service fees during the year ended December 31, 2017 increased by 11.7% to Ch\$216,420 million from Ch\$193,801 million for the year ended December 31, 2016. Our expenses from service fees decreased by a 9.7% to Ch\$38,849 million for the year ended December 31, 2017, from Ch\$43,005 million for the year ended December 31, 2016.

The increase in our net service fee income was driven primarily by the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016.

[Table of Contents](#)*2016 Compared to 2015*

Our net service fee income (including income from financial advisory services) for the year ended December 31, 2016 was Ch\$150,796 million, representing a 112.1% increase when compared to Ch\$71,088 million for the year ended December 31, 2015. Our income from service fees during the year ended December 31, 2016 increased by 138.2% to Ch\$193,801 million from Ch\$81,375 million for the year ended December 31, 2015. This increase was partially offset by a 318.1% increase in our expenses from service fees to Ch\$43,005 million for the year ended December 31, 2016, from Ch\$10,287 million for the year ended December 31, 2015.

The increase in our net service fee income was driven primarily by the consolidation of former Corpbanca into former Banco Itaú Chile from April 1, 2016. Other than this factor, we experienced lower flat fees due to a reduction in the number of new credit structuring operations in the wholesale business unit in light of reduced investment levels in the Chilean economy.

***Other Net Operating Income***

The following table sets forth the components of our other net operating income for the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,			% Change from 2016/2015	% Change from 2017/2016
	2015	2016	2017		
	(in millions of constant Ch\$ as of December 31, 2015 except for percentages)				
Trading and investment income, net	(33,182)	112,952	8,268	(440.4)%	(92.7)%
Foreign exchange gains (losses), net	74,461	(48,848)	46,165	(165.6)%	(194.5)%
Other operating revenue	8,761	19,447	41,532	122.0%	113.6%
<b>Trading and investment, foreign exchange gains and other operating income</b>	<b>50,040</b>	<b>83,551</b>	<b>95,965</b>	<b>67.0%</b>	<b>14.9%</b>

*2017 Compared to 2016*

In the year ended December 31, 2017, trading and investment, foreign exchange gains and other net operating income increased by 14.9% to Ch\$95,965 million from Ch\$83,551 million in 2016. This increase was mainly the result of the consolidation of former Corpbanca and former Banco Itaú Chile from April 1, 2016 and gains on the sale of the former Banco Itaú Chile headquarters. This was partially offset by the result of the hedge position for the tax effect of our investment in Colombia. For tax purposes, the “Servicio de Impuestos Internos” (Chilean Internal Revenue Service) considers that our investment in Colombia is denominated in U.S. dollars, which, based on the exchange rates of each of the disbursements (not current exchange rates), amounts to US\$1,437.51 million. Because we are obligated to translate the valuation of this investment from U.S. dollars to Chilean pesos in our book, the volatility of the exchange rate generates an impact on the net income attributable to shareholders. In order to limit that effect, management has decided to hedge this exposure with financial instruments to be analyzed along with income tax expenses.

*2016 Compared to 2015*

In the year ended December 31, 2016, trading and investment, foreign exchange gains and other net operating income increased by 67.0% to Ch\$83,551 million from Ch\$50,040 million in 2015. This increase was mainly the result of the consolidation of former Corpbanca and former Banco Itaú Chile from April 1, 2016, partially compensated by lower commercial activity of our distribution desk both in derivatives transactions with customers and in regular loan portfolio sales.

[Table of Contents](#)**Operating Expenses**

The following table sets forth the components of our operating expenses for the years ended December 31, 2015, 2016 and 2017:

	For the Year Ended December 31,			% Change from 2016/2015	% Change from 2017/2016
	2015	2016	2017		
	(in millions of constant Ch\$ except for percentages)				
Personnel salary and expenses	86,711	245,665	281,323	183.3%	14.5%
Administration expenses	66,831	235,204	305,622	251.9%	29.9%
Depreciation and amortization	9,785	63,692	81,845	550.9%	28.5%
Impairment	—	351	27	—	(92.3)%
Other operating expenses	15,133	71,715	62,330	373.9%	(13.1)%
<b>Total operating expenses</b>	<b>178,460</b>	<b>616,627</b>	<b>731,147</b>	<b>245.5%</b>	<b>18.6%</b>

*2017 Compared to 2016*

Operating expenses increased by 18.6% to Ch\$731,147 million for the year ended December 31, 2017 from Ch\$616,627 million for the year ended December 31, 2016. This increase was primarily the result of the consolidation of former Corpbanca and former Banco Itaú Chile from April 1, 2016.

*2016 Compared to 2015*

Operating expenses increased by 245.5% to Ch\$616,627 million for the year ended December 31, 2016 from Ch\$178,460 million for the year ended December 31, 2015. This increase was primarily the result of the consolidation of former Corpbanca and former Banco Itaú Chile from April 1, 2016. In addition, our operating expenses were impacted by (i) the integration process, which generated increased severance indemnities with the reduction of 715 employees from overlapping functions between the merged banks; (ii) higher administration expenses from third-party services, such as consultancy; (iii) office rental charges, as we start to move to new corporate headquarters; and (iv) higher amortization of intangible asset expenses, as a consequence of the recognition of intangible assets from the business combination.

**Income Taxes***2017 Compared to 2016*

Our income tax for the year ended December 31, 2017 was Ch\$52,871 million compared to an expense of Ch\$3,568 million for the year ended December 31, 2016. This change is mostly explained by the consolidation of our operations in Colombia as for tax purposes, the “Servicio de Impuestos Internos” (Chilean Internal Revenue Service) considers that our investment in Colombia is denominated in U.S. dollars and the depreciation of this currency when compared to the Chilean peso generated a taxable loss. This loss is compensated by the result of the aforementioned hedge position in Other Net Operating Income. Other factors explaining the change are the local taxes for our U.S. and Panamanian operations, among other differences, including the tax benefit derived from the acquisition of Helm Bank in 2013 (Ch\$20,568 million in 2017 compared with Ch\$14,276 million in 2016). These effects were partially offset by the impact of the U.S. tax reform.

*2016 Compared to 2015*

Our income tax for the year ended December 31, 2016 was Ch\$3,568 million compared to an expense of Ch\$17,263 million for the year ended December 31, 2015. This change is mostly explained by (i) the reduction in income before income taxes, from a Ch\$123,029 million for the year ended December 31, 2015 to a loss before income taxes of Ch\$10,905 million for the year ended December 31, 2016 and (ii) the consolidation of Corpbanca’s Colombian operation into our consolidated financial statements.

**Results of Our Operating Segments**

The following discussion should be read in conjunction with our consolidated financial statements, especially Note 4 regarding segment information included elsewhere in this annual report. The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from these discussed in forward-looking statements as a result of various factors, including those set in forth in “Cautionary Statement Regarding Forward-Looking Statements” and “Item 3D. Risk Factors.”

[Table of Contents](#)**Overview**

Reported segments are determined based on our operating segments: Chile—which includes our New York Branch—and Colombia. Each of Chile and Colombia mainly differentiates by the risks and returns that affect them in their own markets. Reported segments are in accordance with IFRS 8 “Operating Segments.”

The segments presented in this Annual Report correspond to the segments used by the bank after the Merger. Information for 2015, referring to former Banco Itaú Chile’s historical information, is presented using the same segmenting criteria. However, the results for the years ended December 31, 2015 are not comparable to the results for the years ended December 31, 2016 and 2017 because of the Merger. See “Item 3. Key Information—Presentation of Financial and Other Information.”

Chile. The bank’s commercial activities in Chile have been strategically aligned in four commercial areas directly related to the needs of its clients and the bank’s strategy: 1) Wholesale Banking (a. Corporate, b. Large Companies and c. Real Estate ); 2) Retail Banking (a. Itaú Personal Bank, b. Itaú, c. Itaú Private Bank, d. Midsize Companies, e. SMEs and f. Banco Condell, our Consumer Finance Division); and 3) Treasury.

The Bank manages these business areas under a managerial reporting system for profitability purposes. The operating results are regularly reviewed by our senior management for operating decisions as one single cash generating unit (“CGU”), to decide about resource allocation for each segment and to evaluate its performance accordingly.

Colombia: Colombia has been identified as a separate operating segment based on the business activities. Its operating results are regularly reviewed by our senior management for operating decisions as one single CGU, to decide about resource allocation for the segment and to evaluate its performance.

The bank’s commercial activities in Colombia are carried out by Itaú Corpbanca Colombia S.A. (former Banco Corpbanca Colombia S.A) and its subsidiaries. The operations and businesses carried out by these entities in that country are related to the needs of their clients and the bank’s strategy.

[Table of Contents](#)**Year Ended December 31, 2017 Results**

The following table presents summary information related to each of our operating segments for the year ended December 31, 2017:

	As of December 31, 2017		
	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$
<b>Net interest income</b>	537,540	245,442	782,982
Net services fees income	135,624	41,947	177,571
Trading and investment income, net	(49,615)	57,883	8,268
Foreign exchange gains (losses), net	34,661	11,504	46,165
Other operating income	33,398	8,134	41,532
Provision for loan losses	(169,233)	(146,184)	(315,417)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>522,375</b>	<b>218,726</b>	<b>741,101</b>
<b>Other income and expenses</b>	—	—	—
Depreciation and Amortization	(51,213)	(30,632)	(81,845)
Other Operating expenses	(424,733)	(224,569)	(649,302)
<b>Total operating expenses</b>	<b>(475,946)</b>	<b>(255,201)</b>	<b>(731,147)</b>
<b>Income before taxes</b>	<b>46,429</b>	<b>(36,475)</b>	<b>9,954</b>
Income (loss) taxes	31,188	21,683	52,871
<b>Income from continuing operations</b>	<b>77,617</b>	<b>(14,792)</b>	<b>62,825</b>
Income (loss) discontinued operations	—	—	—
<b>Net income for the period</b>	<b>77,617</b>	<b>(14,792)</b>	<b>62,825</b>
<b>Average loans</b>	15,950,784	4,906,758	20,857,542
<b>Average investments</b>	1,565,017	1,141,938	2,706,955

**Year Ended December 31, 2016 Results**

The following table presents summary information related to each of our operating segments for the year ended December 31, 2016:

	As of December 31, 2016		
	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$
<b>Net interest income</b>	459,705	179,470	639,175
Net services fees income	112,147	38,649	150,796
Trading and investment income, net	38,642	74,310	112,952
Foreign exchange gains (losses), net	(26,744)	(22,104)	(48,848)
Other operating income	9,058	10,389	19,447
Provision for loan losses	(146,812)	(99,178)	(245,990)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>445,996</b>	<b>181,536</b>	<b>627,532</b>
<b>Other income and expenses</b>	—	—	—
Depreciation and Amortization	(40,610)	(23,082)	(63,692)
Other Operating expenses	(397,060)	(155,875)	(552,935)
<b>Total operating expenses</b>	<b>(437,670)</b>	<b>(178,957)</b>	<b>(616,627)</b>
<b>Income before taxes</b>	<b>8,326</b>	<b>2,579</b>	<b>10,905</b>
Income (loss) taxes	(84)	3,652	3,568
<b>Income from continuing operations</b>	<b>8,242</b>	<b>6,231</b>	<b>14,473</b>
Income (loss) discontinued operations	(504)	—	(504)
<b>Net income for the period</b>	<b>7,738</b>	<b>6,231</b>	<b>13,969</b>
<b>Average loans</b>	12,645,761	5,156,124	17,801,885
<b>Average investments</b>	830,584	1,142,595	1,973,180

[Table of Contents](#)

**Year Ended December 31, 2015 Results**

The following table presents summary information related to each of our operating segments for the year ended December 31, 2015:

	As of December 31, 2015		
	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$
<b>Net interest income</b>	223,290	—	223,290
Net services fees income	71,088	—	71,088
Trading and investment income, net	(33,182)	—	(33,182)
Foreign exchange gains (losses), net	74,461	—	74,461
Other operating income	8,761	—	8,761
Provision for loan losses	(42,929)	—	(42,929)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>301,489</b>	<b>—</b>	<b>301,489</b>
Other income and expenses	—	—	—
Depreciation and Amortization	—	—	—
Other Operating expenses	—	—	—
<b>Total operating expenses</b>	<b>(178,460)</b>	<b>—</b>	<b>(178,460)</b>
<b>Income before taxes</b>	<b>123,029</b>	<b>—</b>	<b>123,029</b>
Income (loss) taxes	(17,263)	—	(17,263)
<b>Income from continuing operations</b>	<b>105,766</b>	<b>—</b>	<b>105,766</b>
Income (loss) discontinued operations	—	—	—
<b>Net income for the period</b>	<b>105,766</b>	<b>—</b>	<b>105,766</b>
<b>Average loans</b>	<b>6,410,592</b>	<b>—</b>	<b>6,410,592</b>
<b>Average investments</b>	<b>496,220</b>	<b>—</b>	<b>496,220</b>

**B. LIQUIDITY AND CAPITAL RESOURCES**

We maintain adequate liquidity to ensure our ability to honor withdrawals of deposits, make repayments of other liabilities at maturity, extend loans and meet our own working capital requirements.

**Sources of Liquidity**

Our funding strategy aims for diversification by counterparties and maturities, both in the domestic and foreign markets. We are permanently monitoring the main vulnerability factors that could affect our current and potential capacity to obtain funding. Our objective is to ensure a diversified funding base by tenors within a risk appetite framework and cost structure. Stable and diversified financing is obtained through different sources by types of providers, products and markets. In this way, we have generated robust liquidity levels to face potential liquidity stress scenarios.

Regarding mismatches, our Assets and Liabilities Committee (ALCO) defines the limitation framework. Within this framework, each unit manages term mismatches. Once the ALCO has set the limits of term mismatches, they are confirmed by our board of directors.

From a liquidity point of view, the ALCO also proposes to the board of directors the liquidity reserves that each unit must maintain and manage. The determination of these limits depends, among other things, on the maturity structure for the next 30 days, on the type of customers holding short-term deposits and on-demand deposits and on other obligations we maintain. The ALCO also defines the type of eligible instruments to be considered liquidity reserves, and it periodically monitors the liquidity levels maintained at all time. The compliance of the entire structure of limits is monitored daily by our Market Risk department.

For our operations in Chile, the main source of funding are deposits provided by three major types of clients: (i) institutional investors; (ii) large corporations; and (iii) retail clients.

For short-term funding (less than one year), we usually issue deposits. Interest rates granted to clients consider characteristics of stability of the funding by type of customer and terms associated with the operation.

If the funding requirements are longer than one year, we may also carry out other operations such as bilateral credits with correspondent banks, syndicated loans with foreign banks, and the issuance of bonds in both the local and foreign markets.

The choice of one or the other of the aforementioned options will depend, among other factors, on the tenor, the specific price conditions and the amount. In general, in transactions between one and three years, bilateral credits are used with correspondent banks

[Table of Contents](#)

and syndicated loans. For operations exceeding these terms, we access the capital markets through bonds. The price conditions and the size of the transaction will determine if the issuance will be carried out in the domestic or in the foreign market.

On the other hand, our funding strategy considers not having currency mismatches and, therefore, for operations carried out in foreign markets to finance operations in local currency, derivatives are used to transform the foreign currency into local currency. Any mismatch of currencies presented on the balance sheet is measured in our currency risk reports that are daily calculated.

Within this context, in 2017 Itau Corpbanca successfully placed Ch\$1,014 billion senior bonds in the local market between the first and third quarters of 2017 (Ch\$612 billion in 2016) seeking longer tenor and maintaining comfortable liquidity levels under BIS III standards. In addition, the spreads obtained on these issuances have allowed for an improvement in the cost of funds.

Our strategy of diversification also includes two syndicated loans, one for US\$465 million (Ch\$285,733 million) maturing in April 2020 and a US\$200 million (Ch\$122,896 million) AB Loan arranged by the International Finance Corporation (“IFC”) (a five-year tenor for the A Loan and a three-year tenor for the B Loan, maturing in December 2020 and December 2018, respectively), and a five-year tenor subordinated loan granted by IFC to Itau Corpbanca Colombia in 2017 for US\$105 million (Ch\$64,520 million).

## Capital

As of December 31, 2017, our shareholders’ equity was in excess of that required by Chilean regulatory requirements. According to the Chilean General Banking Act, a bank must have an effective net equity of at least 8% of its risk-weighted assets, net of required reserves, and paid-in capital and reserves (basic capital) of at least 3% of its total assets, net of required reserves. Nevertheless when approving the Merger, the SBIF required that Itau Corpbanca must have an effective net equity of at least 10% of its risk-weighted assets, net of required reserves.

For these purposes, the effective net equity of a bank is the sum of (i) a bank’s basic capital, (ii) subordinated bonds issued by a bank valued at their placement price up to 50% of its net capital base; provided that the value of the bonds shall decrease 20% for each year that lapses during the period commencing six years prior to their maturity and (iii) voluntary loan loss allowances in an amount up to 1.25% of a bank’s risk-weighted assets (if a bank has goodwill, this value would be required to be deducted from the calculation of the effective net equity). The calculation of the effective net equity does not include the capital contributions made to subsidiaries of a bank and is made on a consolidated basis rather than on an unconsolidated basis. For purposes of weighing the risk of a bank’s assets, the Chilean General Banking Act considers the following five different categories of assets based on the nature of the issuer, availability of funds, nature of the assets and existence of collateral securing such assets:

Category	Weighting
1	0%
2	10%
3	20%
4	60%
5	100%

Basic capital is defined as a bank’s paid-in capital and reserves and is similar to Tier 1 capital, except that does not deduct goodwill nor intangible assets.

## Reserves

Under the Chilean General Banking Act, a bank must have a minimum paid-in capital and reserves of UF 800,000 (Ch\$21,438.5 million or US\$34.9 million as of December 31, 2017). However, a bank may begin its operations with 50% of such amount, provided that it has a total capital ratio (defined as effective net equity as a percentage of risk weighted assets) of not less than 12%. When such bank’s paid-in capital reaches UF600,000 (Ch\$16,078.9 million or US\$26.2 million as of December 31, 2017) the total capital ratio required is reduced to 10%.

The following table sets forth our minimum capital requirements as of the dates indicated. See Note 34 to our consolidated financial statements included herein for a description of the minimum capital requirements.

	As of December 31,		
	2015	2016	2017
	(in millions of constant Ch\$ except for percentages)		
Net capital base	792,503	3,173,516	3,189,876
3% total assets net of provisions	(293,014)	(957,058)	(915,261)
Excess over minimum required equity	499,489	2,216,458	2,274,615
Net capital base as a percentage of the total assets, net of provisions	8.11%	9.95%	10.46%
Effective net equity	871,029	3,252,175	3,249,572
10% of the risk-weighted assets*	(587,087)	(2,319,500)	(2,215,179)
<b>Excess over minimum required equity</b>	<b>283,942</b>	<b>932,675</b>	<b>1,034,393</b>
<b>Effective equity as a percentage of the risk-weighted assets</b>	<b>11.87%</b>	<b>14.02%</b>	<b>14.67%</b>

\*Except for 2015, which was 8% of the risk-weighted assets.

[Table of Contents](#)

Our capital ratio levels increased from 14.0% to 14.7% between 2016 and 2017 principally due to the reduction of risk weighted assets, especially commercial loans and available for sale securities.

**Financial Investments**

The following tables set forth our investment in Chilean government and corporate securities and certain other financial investments as of December 31, 2015, 2016 and 2017. Financial investments are classified at the time of the purchase, based on management's intentions, as either trading or investment instruments, the latter of which are categorized as available-for-sale or held to maturity.

	2015	As of December 31, 2016 (in millions of Ch\$)	2017
<b>Held-for-trading:</b>			
<b>Chilean Central Bank and Government securities:</b>			
Chilean Central Bank bonds	1,583	8,349	1,705
Chilean Central Bank notes	—	—	2,258
Other Chilean Central Bank and Government securities	4,828	17,855	3,163
<b>Other National institution securities:</b>			
Bonds	—	786	5
Notes	—	—	—
Other securities	—	12,608	—
<b>Foreign institution securities:</b>			
Bonds	—	547,499	381,262
Notes	—	—	—
Other securities	—	11,727	8,147
<b>Mutual funds investments</b>			
Funds managed by related organizations	11,354	33,733	18,521
Funds managed by third parties	—	—	—
<b>Total</b>	<b>17,765</b>	<b>632,557</b>	<b>415,061</b>
	2015	As of December 31, 2016 (in millions of Ch\$)	2017
<b>Available-for-sale</b>			
<b>Chilean Central Bank and Government securities</b>			
Chilean Central Bank securities	218,757	901,239	687,945
Chilean Treasury bonds	32,112	272,734	1,081,879
Other Government securities	—	—	14,053
<b>Other financial instruments</b>			
Promissory notes related to deposits in local banks	31,193	397,898	114,038
Chilean mortgage finance bonds	—	76	64
Chilean financial institutions bonds	230,448	2,607	9,032
Other local investments	—	32,230	6,159
<b>Financial instruments issued abroad</b>			
Foreign governments and central bank instruments	—	284,444	420,687
Other foreign investments	—	162,882	300,740
Impairment provision	—	—	—
<b>Unquoted securities in active markets</b>			
Chilean corporate bonds	—	—	18,469
Other investments	2,475	19,967	10,412
Impairment provisions	—	—	—
<b>Total</b>	<b>514,985</b>	<b>2,074,077</b>	<b>2,663,478</b>

[Table of Contents](#)

	As of December 31,		
	2015	2016	2017
	(in millions of Ch\$)		
<b>Held to maturity</b>			
<b>Chilean Central Bank and Government securities</b>			
Chilean Central Bank securities	—	—	—
Chilean Treasury bonds	—	—	—
Other Government securities	—	—	—
<b>Other financial instruments</b>			
Promissory notes related to deposits in local banks	—	—	—
Chilean mortgage finance bonds	—	—	—
Chilean financial institutions bonds	—	—	—
Other local investments	—	—	—
<b>Financial instruments issued abroad</b>			
Foreign governments and central bank instruments	—	226,433	—
Other foreign investments	—	—	202,030
Impairment provision	—	—	—
<b>Unquoted securities in active markets</b>			
Chilean corporate bonds	—	—	—
Other investments	—	—	—
Impairment provisions	—	—	—
<b>Total</b>	<b>—</b>	<b>226,433</b>	<b>202,030</b>

We do not hold securities of any issuer other than the Central Bank of Chile and the Colombian Ministry of Finance, in which the aggregate book value of which the investment exceeds 10% of our shareholders' equity as of the end of the latest reported period.

[Table of Contents](#)

The following table sets forth an analysis of our investments, by time remaining to maturity and the weighted average nominal rates of such investments, as of December 31, 2017:

	In one year or less	Weighted average Nominal Rate	After one year through five years	Weighted average Nominal Rate	After five years through ten years	Weighted average Nominal Rate	After ten years	Weighted average Nominal Rate	Total
	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$	%	Ch\$
(in millions of Ch\$, except for percentages)									
<b>Held—for—trading</b>									
<b>Central Bank and</b>									
<b>Government securities:</b>									
Chilean Central Bank securities	573	0.9	818	2.3	293	1.3	150	2.1	1,834
Chilean Central Bank notes	2,147	0.20	—	—	—	—	—	—	2,147
Others Government securities	406	4.0	2,222	6.6	—	—	516	3.5	3,144
<b>Other national institution securities:</b>									
Bonds	—	—	—	—	—	—	5	6.7	5
Notes	—	—	—	—	—	—	—	—	—
Other securities	—	—	—	—	—	—	—	—	—
Other local investments	—	—	—	—	—	—	—	—	—
<b>Foreign institution securities:</b>									
Bonds	166,591	0.1	193,631	4.99	21,040	0.1	—	—	381,262
Notes	—	—	—	—	—	—	—	—	—
Other securities	3,233	3.29	—	—	—	—	4,914	—	8,147
<b>Mutual fund investments:</b>									
Funds managed by related organizations	18,521	—	—	—	—	—	—	—	18,521
Funds managed by third parties	—	—	—	—	—	—	—	—	—
<b>Total Held—for—trading</b>	<b><u>191,471</u></b>	<b><u>0.1</u></b>	<b><u>196,670</u></b>	<b><u>5.0</u></b>	<b><u>21,333</u></b>	<b><u>0.1</u></b>	<b><u>5,586</u></b>	<b><u>0.4</u></b>	<b><u>415,061</u></b>

[Table of Contents](#)

	<u>In one year or less</u>	<u>Weighted average Nominal Rate</u>	<u>After one year through five years</u>	<u>Weighted average Nominal Rate</u>	<u>After five years through ten years</u>	<u>Weighted average Nominal Rate</u>	<u>After ten years</u>	<u>Weighted average Nominal Rate</u>	<u>Total</u>
	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>	<u>%</u>	<u>Ch\$</u>
(in millions of Ch\$, except for percentages)									
<b>Available—for—sale</b>									
<b>Chilean Central Bank and Government securities:</b>									
Chilean Central Bank securities	309,502	0.7	356,246	3.0	22,197	3.6	—	—	687,945
Chilean treasury bonds	—	—	669,794	2.4	402,930	3.4	9,155	3.0	1,081,879
Others Government securities	—	—	14,053	2.3	—	—	—	—	14,053
<b>Other financial instruments:</b>									
Promissory notes related to deposits in local banks	114,038	0.2	—	—	—	—	—	—	114,038
Chilean mortgage finance bonds	—	—	1	3.6	64	3.4	—	—	64
Chilean financial institution bonds	—	—	—	—	9,032	1.9	—	—	9,032
Other local investments	6,159	—	—	—	—	—	—	—	6,159
<b>Financial instruments issued abroad:</b>									
Foreign Government and central bank instruments	53,573	0.1	305,394	0.1	61,720	0.1	—	—	420,687
Other foreign investments	102,021	—	171,469	0.05	16,197	0.1	11,053	3.37	300,740
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Unquoted securities in active markets</b>									
Chilean corporate bonds	9,660	2.9	8,809	5.3	—	—	—	—	18,469
Other foreign investments	10,412	—	—	—	—	—	—	—	10,412
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b><u>605,365</u></b>	<b><u>0.5</u></b>	<b><u>1,525,765</u></b>	<b><u>1.8</u></b>	<b><u>512,140</u></b>	<b><u>2.8</u></b>	<b><u>20,208</u></b>	<b><u>3.2</u></b>	<b><u>2,663,478</u></b>

[Table of Contents](#)

	Within one year Ch\$	Weighted average Nominal Rate %	After one year through five years Ch\$	Weighted average Nominal Rate %	After five years through ten years Ch\$	Weighted average Nominal Rate %	After ten years Ch\$	Weighted average Nominal Rate %	Total Ch\$
(in millions of Ch\$, except for percentages)									
<b>Held to maturity</b>									
<b>Chilean Central Bank and Government securities:</b>									
Chilean Central Bank securities	—	—	—	—	—	—	—	—	—
Chilean treasury bonds	—	—	—	—	—	—	—	—	—
Other Government securities	—	—	—	—	—	—	—	—	—
<b>Other financial instruments:</b>									
Promissory notes related to deposits in local banks	—	—	—	—	—	—	—	—	—
Chilean mortgage finance bonds	—	—	—	—	—	—	—	—	—
Chilean financial institution bonds	—	—	—	—	—	—	—	—	—
Other local investments	—	—	—	—	—	—	—	—	—
<b>Financial instruments issued abroad:</b>									
Foreign government and central bank instruments	186,738	2.2	15,292	0.1	—	—	—	—	202,030
Other foreign investments	—	—	—	—	—	—	—	—	—
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Unquoted securities in active markets</b>									
Chilean corporate bonds	—	—	—	—	—	—	—	—	—
Other investments	—	—	—	—	—	—	—	—	—
Impairment provision	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>186,738</b>	<b>2.2</b>	<b>15,292</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>202,030</b>

[Table of Contents](#)**Unused Sources of Liquidity**

As part of our liquidity policy, we maintain at all times a diversified portfolio of highly liquid assets that can be quickly monetized, including cash, financial investments and Central Bank of Chile and other government securities.

**Working Capital**

The majority of our funding is derived from deposits and other borrowings from the public. In the opinion of management, our working capital is sufficient for our present needs.

**Liquidity Management**

We seek to ensure that, even under adverse conditions; we have access to the funds necessary to cover client needs, maturing liabilities and capital requirements. Liquidity risk arises in the general funding for our financing, trading and investment activities. It includes the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, the risk of being unable to liquidate a position in a timely manner at a reasonable price and the risk that we will be required to repay liabilities earlier than anticipated. See "Item 11. Quantitative and Qualitative Disclosures about Financial Risk" for more detailed information relating to the methods we employ in managing our liquidity.

**Cash Flow**

The tables below set forth information about our main sources and uses of cash. No legal or economic restrictions exist on the ability of our Chilean subsidiaries to transfer funds to us in the form of loans or cash dividends as long as these subsidiaries abide by the regulations in the Chilean Corporations Law regarding loans to related parties, and dividend payments. In addition, no legal or economic restrictions exist on the ability of our Colombian subsidiaries to transfer funds to us in the form of cash dividends. However, in the case of Itau Corpbanca Colombia, for the following four to five years there is a possibility that shareholders may vote to capitalize such dividends in order to meet current capital adequacy requirements following Basel standards, as they did in respect of 2013 dividends, 2014 dividends and 2015 dividends. Itau Corpbanca Colombia may also transfer funds to Itau Corpbanca in the form of loans, as long as they abide by the regulations in the Colombian financial law regarding loans to related parties. Colombian subsidiaries (other than Itau Corpbanca Colombia) may not transfer funds to us in the form of loans, due to their limited corporate purpose.

***Net Cash (Used in) Provided by Operating Activities***

	<b>For the Year Ended December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(in millions of constant Ch\$ as of December 31, 2017)</b>		
Net cash (used in) provided by operating activities	(421,705)	(978,898)	(1,390,863)

Our net cash used in operating activities for the year ended December 31, 2017 increased from Ch\$978,898 million in 2016 to Ch\$1,390,863 million in 2017. This increase in net cash provided by operating activities was mainly due to financial assets available for sale and savings accounts and time deposits decreases.

***Net Cash (Used in) Investing Activities***

	<b>For the Year Ended December 31,</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<b>(in millions of constant Ch\$ as of December 31, 2017)</b>		
Net cash used in investing activities	(16,481)	1,589,074	(87,155)

Our net cash used in investing activities decreased from Ch\$1,589,074 million for the year ended December 31, 2016 to Ch\$87,155 million for the year ended December 31, 2017. This decrease in net cash used in investing activities was mainly due to a decrease in cash and cash equivalents resulting from the Corpbanca integration in 2016.

[Table of Contents](#)**Net Cash Provided by Financing Activities**

	For the Year Ended December 31,		
	2015	2016	2017
Net cash provided by financing activities	413,217	874,784	349,602

Our net cash provided by financing activities decreased from Ch\$874,784 million for the year ended December 31, 2016 to Ch\$349,602 million for the year ended December 31, 2017. This 60.0% decrease in net cash provided by financing activities was mainly due to the redemption of debt issued and to decrease in capital increase.

**Deposits and Other Borrowings**

The following table sets forth our average month-end balance of our liabilities for the years ended December 31, 2015, 2016 and 2017, in each case together with the related average nominal interest rates paid thereon.

	As of December 31,								
	2015			2016			2017		
	Average Balance	Interest Paid	Average Normal Rate	Average Balance	Interest Paid	Average Normal Rate	Average Balance	Interest Paid	Average Normal Rate
	(in millions of Ch\$ except for percentages)								
Time deposits	3,875,906	160,901	4.2%	9,884,092	459,381	4.6%	10,144,561	433,237	4.3%
Central Bank borrowings	—	—	—	—	—	—	—	—	—
Repurchase agreements	57,267	1,772	3.1%	400,252	48,086	12.0%	596,351	32,677	5.5%
Mortgage finance bonds	28,123	2,187	7.8%	71,742	4,241	5.9%	72,900	3,249	4.5%
Bonds	1,245,617	93,555	7.5%	4,205,997	231,053	5.5%	6,045,928	279,635	4.6%
Other interest bearing-liabilities	1,256,116	20,277	1.6%	4,029,170	127,267	3.2%	4,652,106	114,549	2.5%
Subtotal interest-bearing liabilities	6,463,029	278,692	4.3%	18,591,253	870,028	4.7%	21,511,846	863,347	4.0%
Non-interest bearing liabilities:									
Non-interest bearing deposits	287,043			1,898,469			2,196,697		
Derivatives	307,854			845,920			1,021,662		
Other non-interest bearing liabilities	291,216			603,382			817,955		
Shareholders' equity	761,929			2,806,690			3,438,445		
Subtotal non-interest bearing liabilities	1,648,042			6,154,461			7,474,759		
<b>Total</b>	<b>8,111,071</b>	<b>278,692</b>		<b>24,745,714</b>	<b>870,028</b>		<b>28,986,605</b>	<b>863,347</b>	

Our current funding strategy is to continue to utilize all sources of funding in accordance with their cost, their availability and our general asset and liability management strategy. Our most important source of funding is our time deposits. Time deposits represented 47.2% of our average interest bearing liabilities for the year ended December 31, 2017. We continue to place special emphasis on increasing deposits from retail customers, which consist primarily of checking accounts that do not bear interest and accordingly represent an inexpensive source of funding for us. Our total checking accounts and other demand liabilities increased by 15.7% as of December 31, 2017 compared to December 31, 2016. To the extent that these types of deposits represent a larger percentage of our funding base, the percentage represented by time deposits is expected to decrease and, accordingly, we believe that the materiality to our business of uncertainties relating to rolling over deposits will be diminished. We also intend to continue to broaden our customer deposit base, to emphasize core deposit funding and to fund our mortgage loans with the matched funding available through the issuance of letters of credit loans in Chile's domestic capital markets. Management believes that broadening our deposit base by increasing the number of account holders has created a more stable funding source.

[Table of Contents](#)**Total Borrowings**

The following tables set forth the long-term, short-term and total outstanding amounts of our principal categories of borrowings for the years ended December 31, 2015, 2016 and 2017:

	As of December 31, 2015		
	Long term	Short term	Total
	MCh\$	MCh\$	MCh\$
Loans obtained from the Chilean Central Bank <sup>(a)</sup>	—	—	—
Obligations under repurchase agreements	—	43,727	43,727
Loans obtained from domestic financial institutions <sup>(b)</sup>	—	—	—
Loans obtained from foreign financial institutions <sup>(b)</sup>	20,798	637,802	658,600
Letters of credit <sup>(c)</sup>	25,261	—	25,261
Bonds <sup>(d)</sup>	1,382,976	—	1,382,976
Subordinated bonds <sup>(e)</sup>	96,098	—	96,098
Other financial obligations <sup>(f)</sup>	13,011	7,722	20,733
<b>Total borrowings</b>	<b>1,538,144</b>	<b>689,251</b>	<b>2,227,395</b>

	As of December 31, 2016		
	Long term	Short term	Total
	MCh\$	MCh\$	MCh\$
Loans obtained from the Chilean Central Bank <sup>(a)</sup>	—	—	—
Obligations under repurchase agreements	—	373,879	373,879
Loans obtained from domestic financial institutions <sup>(b)</sup>	—	—	—
Loans obtained from foreign financial institutions <sup>(b)</sup>	973,294	1,206,576	2,179,870
Letters of credit <sup>(c)</sup>	71,239	14,971	86,210
Bonds <sup>(d)</sup>	3,836,778	453,969	4,290,747
Subordinated bonds <sup>(e)</sup>	1,051,148	32,148	1,083,296
Other financial obligations <sup>(f)</sup>	23,298	2,265	25,563
<b>Total borrowings</b>	<b>5,955,757</b>	<b>2,083,808</b>	<b>8,039,565</b>

	As of December 31, 2017		
	Long term	Short term	Total
	MCh\$	MCh\$	MCh\$
Loans obtained from the Chilean Central Bank <sup>(a)</sup>	—	—	—
Obligations under repurchase agreements	—	420,920	420,920
Loans obtained from domestic financial institutions <sup>(b)</sup>	—	21,958	21,958
Loans obtained from foreign financial institutions <sup>(b)</sup>	720,542	1,453,630	2,174,172
Letters of credit <sup>(c)</sup>	55,678	12,260	67,938
Bonds <sup>(d)</sup>	4,178,313	662,605	4,840,918
Subordinated bonds <sup>(e)</sup>	1,041,182	—	1,041,182
Other financial obligations <sup>(f)</sup>	16,255	811	17,066
<b>Total borrowings</b>	<b>6,011,970</b>	<b>2,572,184</b>	<b>8,584,154</b>

*(a) Loans obtained from the Chilean Central Bank*

Central Bank borrowings include credit lines for the renegotiations of loans and other Central Bank borrowings. The maturities of the outstanding amounts due are as follows:

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Loans obtained from Chilean Central Bank	—	—	—
<b>Total</b>	—	—	—

[Table of Contents](#)

*(b) Loans obtained from domestic and foreign financial institutions (foreign borrowings)*

These are short-term and long-term borrowings from domestic and foreign banks used to fund our foreign trade business. The maturities of the outstanding amounts are as follows:

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Due within 1 year	637,802	1,206,576	1,475,588
Due after 1 year but within 2 years	10,687	730,642	422,911
Due after 2 years but within 3 years	10,111	5,068	106,260
Due after 3 years but within 4 years	—	12,887	15,154
Due after 4 years but within 5 years	—	6,889	73,536
Due after 5 years	—	217,808	102,681
<b>Total</b>	<b>658,600</b>	<b>2,179,870</b>	<b>2,196,130</b>

*(c) Letters of credit*

These securities are used to finance mortgage loans. The range of maturities of these securities is between five and twenty years. Loans are indexed to UF and pay a yearly interest rate.

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Due within 1 year	—	14,971	12,260
Due after 1 year but within 2 years	—	11,056	9,965
Due after 2 years but within 3 years	—	10,128	8,114
Due after 3 years but within 4 years	—	8,158	7,554
Due after 4 years but within 5 years	—	5,346	6,952
Due after 5 years	25,261	36,551	23,093
<b>Total letters of credit</b>	<b>25,261</b>	<b>86,210</b>	<b>67,938</b>

*(d) Bonds*

The bonds are denominated principally in UFs and are primarily used to fund assets with similar durations. The maturities of these bonds are as follows:

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Due within 1 year	129,905	453,969	662,605
Due after 1 year but within 2 years	82,349	716,695	516,061
Due after 2 years but within 3 years	135,596	562,914	653,601
Due after 3 years but within 4 years	50,981	657,866	199,908
Due after 4 years but within 5 years	103,172	695,324	312,597
Due after 5 years	880,973	1,203,979	2,496,146
<b>Total bonds</b>	<b>1,382,976</b>	<b>4,290,747</b>	<b>4,840,918</b>

[Table of Contents](#)

The following table sets forth as of the dates indicated our issued bonds. In 2017, the Bank issued bonds for UF33 million and Ch\$130,000 million detailed as follows:

	Expiration Date	Interest rate	Currency	As of December 31,		
				2015	2016	2017
				MCh\$	MCh\$	MCh\$
A	7/1/2017	3.75%	UF	65,223	67,084	—
B	10/1/2017	3.50%	UF	64,682	66,466	—
E	6/1/2032	5.00%	UF	40,809	41,871	42,493
F	1/1/2032	4.00%	UF	26,243	26,961	27,399
G	3/1/2032	4.00%	UF	40,821	41,894	42,529
H	9/1/2015	3.00%	UF	—	—	—
I	10/1/2030	4.00%	UF	26,819	27,533	27,961
J	1/1/2031	4.00%	UF	26,497	27,203	27,625
K	6/1/2021	3.50%	UF	25,638	26,406	26,906
L-2	10/1/2022	3.50%	UF	25,271	26,039	26,543
M-2	10/1/2018	3.50%	UF	25,568	26,332	26,829
N	5/1/2019	3.50%	UF	25,620	26,364	26,839
O	3/1/2021	3.50%	UF	25,343	26,118	26,630
P	3/1/2026	3.75%	UF	25,529	26,262	26,725
Q-1	3/1/2023	3.75%	UF	25,719	26,451	26,912
R-2	2/1/2028	3.75%	UF	25,656	26,387	26,846
S	9/1/2020	3.50%	UF	25,560	26,321	26,814
T	9/10/2022	3.50%	UF	25,573	26,320	26,797
U	9/1/2024	3.75%	UF	25,399	26,144	26,621
V	9/1/2027	3.75%	UF	25,201	25,945	26,425
W	9/1/2029	3.75%	UF	25,176	25,914	26,388
X	3/1/2024	3.80%	UF	51,693	53,118	53,993
Y	3/1/2028	3.80%	UF	51,500	52,943	53,840
Z	2/1/2033	3.80%	UF	26,021	26,739	27,181
AA	6/1/2018	6.70%	CLP	31,161	30,765	27,868
AB	10/1/2029	3.80%	UF	40,741	41,770	42,360
AC	10/1/2033	3.80%	UF	53,437	54,867	55,727
AF	6/1/2022	3.50%	UF	52,328	53,663	54,437
AG	6/1/2024	3.50%	UF	158,130	162,150	164,469
AH	6/1/2029	3.60%	UF	53,415	54,792	55,595
AI	4/1/2020	3.50%	UF	135,596	137,924	138,739
AJ	6/1/2025	3.60%	UF	53,529	58,620	55,554
AL-2	7/1/2025	3.50%	UF	53,078	54,483	55,321
<b>Sub total Ex Itau</b>				<b>1,382,976</b>	<b>1,421,849</b>	<b>1,300,366</b>
BCORAF0710	7/1/2017	3.00%	UF	—	166,897	—
BCORAG0710	9/10/2018	3.00%	UF	—	81,084	77,592
BCORAI0710	7/1/2020	3.00%	UF	—	195,199	197,220
BCOR-L0707	7/1/2017	3.40%	UF	—	107,869	—
BCORAJ0710	8/3/2021	3.00%	UF	—	75,080	104,654
BCOR-P0110	7/9/2020	7.30%	CLP	—	24,982	23,838
BCORBW0914	8/30/2020	5.00%	CLP	—	46,669	45,379
BCOR-R0110	7/9/2020	4.00%	UF	—	140,226	140,265
BCORUSD0118	1/15/2018	3.13%	USD	—	495,871	452,172
BCORUSD0919	9/22/2019	3.88%	USD	—	517,724	471,546
BCORAL0710	8/3/2023	3.00%	UF	—	110,845	112,173
BCORAN0710	7/1/2025	3.00%	UF	—	179,460	181,908
BCORAO0710	7/1/2026	3.00%	UF	—	234,079	324,089
BCORBX0914	8/30/2021	5.00%	CLP	—	43,336	41,718
BCORCA0914	9/1/2024	5.00%	CLP	—	99,917	100,105
BCORBZ0914	9/1/2023	5.00%	CLP	—	—	102,921
BCORBY0914	9/1/2022	5.00%	CLP	—	—	31,306
BCORAP0710	7/1/2027	3.00%	CLF	—	—	380,404
BCORAQ0710	7/1/2028	3.00%	CLF	—	—	293,884
BCORAK0710	7/1/2022	3.00%	CLF	—	—	173,514
<b>Sub total Ex Corpbanca</b>				<b>—</b>	<b>2,519,238</b>	<b>3,254,688</b>

[Table of Contents](#)

BBSA168B18	3/2/2018	8.99%	COP	—	48,144	45,255
BBSA26SA48	8/10/2020	8.74%	COP	—	46,181	43,406
BBSA316SA060	11/23/2020	8.03%	COP	—	40,364	37,940
BBCR1109B84	10/28/2017	10.33%	COP	—	26,606	—
BBCR3119B84	8/3/2018	10.57%	COP	—	21,005	19,686
BBCR1099B120	12/10/2019	11.30%	COP	—	18,826	17,676
BBSA69C120	8/10/2026	10.68%	COP	—	23,198	21,732
BBSA69C180	8/10/2031	10.95%	COP	—	43,316	40,578
BBSA3169C180	11/23/2031	10.80%	COP	—	49,479	46,388
BBSA168B18	9/2/2017	9.74%	COP	—	19,047	—
BBCR3117C84	8/3/2018	4.58%	COP	—	13,494	13,203
<b>Sub total Corpbanca</b>						
<b>Colombia</b>				—	<b>349,660</b>	<b>285,864</b>
<b>Total</b>				<b>1,382,976</b>	<b>4,290,747</b>	<b>4,840,918</b>

*(e) Subordinated bonds*

The following table sets forth, at the dates indicated our issued subordinated bonds. The subordinated bonds are denominated principally in UFs and are primarily used to fund the bank's mortgage portfolio. These bonds are considered to be a part of our regulatory capital.

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Due within 1 year	—	32,148	—
Due after 1 year but within 2 years	—	—	21,500
Due after 2 years but within 3 years	—	23,622	—
Due after 3 years but within 4 years	—	—	—
Due after 4 years but within 5 years	—	—	22,303
Due after 5 years	96,098	1,027,526	997,379
<b>Total subordinated bonds</b>	<b>96,098</b>	<b>1,083,296</b>	<b>1,041,182</b>

In 2017, we did not issue subordinated bonds. The following table sets forth as of the dates indicated our issued subordinated bonds:

	Expiration Date	Interest rate	Currency	As of December 31,		
				2015 MCh\$	2016 MCh\$	2017 MCh\$
AE1	1/1/2034	3.80%	UF	52,200	53,669	54,585
C1	4/1/2033	3.50%	UF	6,774	6,572	6,285
C2	4/1/2033	3.50%	UF	14,676	14,273	13,681
D	10/1/2033	4.50%	UF	22,448	21,833	20,934
<b>Sub total Ex Itaú</b>				<b>96,098</b>	<b>96,347</b>	<b>95,485</b>
UCOR-V0808	8/1/2033	4.60%	UF	—	157,444	159,479
UCOR-Y1197	11/1/2022	6.50%	UF	—	7,786	6,689
UCOR-Z1197	11/1/2022	6.50%	UF	—	18,176	15,614
UCORAA0809	8/9/2035	4.90%	UF	—	143,413	145,174
UCORBF0710	7/1/2032	4.00%	UF	—	13,795	14,013
UCORBI0710	7/1/2035	4.00%	UF	—	31,723	32,230
UCORBJ0710	7/1/2036	4.00%	UF	—	150,861	153,334
UCORBL0710	7/1/2038	4.00%	UF	—	109,868	111,668
UCORBN0710	7/1/2040	4.00%	UF	—	84,573	85,968
UCORBP0710	7/1/2042	4.00%	UF	—	41,237	41,917
<b>Sub total Ex Corpbanca</b>				—	<b>758,876</b>	<b>766,086</b>
		LIBOR				
US05968TAB17	3/8/2024	+SPREAD 4	USD	—	115,706	106,041
BBSA1099B1	3/30/2019	10.79%	COP	—	483	445
BBSA110BAVA	9/23/2017	10.68%	COP	—	32,148	—
BBSA1099B4	3/30/2019	12.85%	COP	—	23,139	21,055
BBSA1139AS10	2/7/2023	10.08%	COP	—	23,542	21,659
BBSA1139AS15	2/7/2028	10.20%	COP	—	33,055	30,411
<b>Sub total Corpbanca</b>						
<b>Colombia</b>				—	<b>228,073</b>	<b>179,611</b>
<b>Total</b>				<b>96,098</b>	<b>1,083,296</b>	<b>1,041,182</b>

[Table of Contents](#)*(f) Other financial obligations*

Other obligations are summarized as follows:

	As of December 31, 2015 (in millions of Ch\$)	As of December 31, 2016 (in millions of Ch\$)	As of December 31, 2017 (in millions of Ch\$)
Due within 1 year	7,722	2,265	811
Due after 1 year but within 2 years	—	—	—
Due after 2 years but within 3 years	—	—	—
Due after 3 years but within 4 years	—	—	—
Due after 4 years but within 5 years	—	—	—
Due after 5 years	—	—	—
<b>Total long obligation</b>	<b>7,722</b>	<b>2,265</b>	<b>811</b>
<b>The detail of other short term financial obligations is as follows:</b>			
Amounts due to credit card operations	13,011	23,298	16,255
Others	—	—	—
<b>Total short term financial obligations</b>	<b>13,011</b>	<b>23,298</b>	<b>16,255</b>
<b>Total other financial obligations</b>	<b>20,733</b>	<b>25,563</b>	<b>17,066</b>

**C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES**

We do not currently conduct any significant research and development activities.

**D. TREND INFORMATION**

Our net interest income for the year ended December 31, 2017 increased to Ch\$782,982 million, or by 22.5%, when compared to the year ended December 31, 2016. Generally, our net interest income is positively affected by an inflationary environment to the extent that our average UF-denominated assets exceed our average UF-denominated liabilities, while our net interest income is negatively affected by inflation in any period in which our average UF-denominated liabilities exceed our average UF-denominated assets. Currently, we have more UF-denominated assets than liabilities.

Our operating income depends significantly on our net interest income. For the years ended December 31, 2015, 2106 and 2017, net interest income over total operating income represented 64.8%, 73.2% and 74.1%, respectively. Changes in market interest rates may affect the interest rates earned on our interest-earning assets and the interest rates paid on our interest bearing liabilities, which may result in a further reduction in our net interest income.

Consolidation in the market, which can result in the creation of larger and stronger competitors, may adversely affect our financial condition and results of operations by decreasing the net interest margins we are able to generate and increasing our costs of

[Table of Contents](#)

operation. In addition, we expect to continue to face competition from non-banking financial entities such as department stores, leasing, factoring and automobile finance companies, mutual funds, pension funds and insurance companies.

The following are the most important trends, uncertainties and events that are reasonably likely to affect us or that would cause the financial information disclosed herein not to be indicative of our future operating results or financial condition:

- Higher levels of uncertainty related to the expectation of a possible global economic recession and a higher than expected slowdown of Chinese economic activity, which may translate into an upward adjustment of risk premium and higher global interest rates;
- In this context, the upturn in the Chilean and/or Colombian economies could be weaker than expected. Higher than anticipated unemployment rates and lower economic growth could increase provision expenses and decrease our rate of loan growth in the future; and
- Finally, uncertainty relating to the implementation of the Labor Reform do not allow us to predict its effects.

Also see “Item 5. Operating and Financial Review and Prospects—A. Operating Results.”

## E. OFF-BALANCE SHEET ARRANGEMENTS

We are party to transactions with off-balance-sheet risk in the normal course of our business. These transactions expose us to credit risk in addition to amounts recognized in the consolidated financial statements and include commitments to extend credit. These commitments include contractual arrangements to which an unconsolidated entity is a party, under which Itau Corpbanca has:

- Any obligation under certain guarantee contracts;
- A retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- Any obligation under certain derivative instruments;
- Any obligation under a material variable interest held by Itau Corpbanca in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to Itau Corpbanca, or engages in leasing, hedging or research and development services Itau Corpbanca.

Such commitments are agreements to lend money to a customer at a future date, subject to the customer’s compliance with contractual terms. Since a substantial portion of these commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent our actual future cash requirements. The aggregate amount outstanding of these commitments was Ch\$17,919,793 million as of December 31, 2017.

Contingent loans are those operations or commitments in which the bank assumes a credit risk upon committing itself to third parties, before the occurrence of a future event, to make a payment or disbursement that must be recovered from its clients.

The bank keeps a record of the following balances related to commitments or to liabilities of its own line of business in memorandum accounts: collateral and guarantees, confirmed foreign letters of credit, letters of credit, bank guarantees, cleared lines of credit, other credit commitments and other contingencies.

The total amount of contingent loans held off balance sheet as of December 31, 2015, 2106 and 2017 was Ch\$2,292,081 million, Ch\$5,310,136 million and Ch\$5,291,615 million, respectively. Contingent loans are considered in the calculation of risk weighted assets and capital requirements as well as for credit risk reserve requirements.

See Note 1 “General Information and Summary of Significant Accounting Policies” and Note 21 “Contingencies, Commitments and Responsibilities” to our consolidated financial statements included herein for a better understanding and analysis of the figures held off sheet balance.

We use the same credit policies in making commitments to extend credit as we do for granting loans. In the opinion of our management, our outstanding off-balance sheet commitments do not represent an unusual credit risk.

Traditional financial instruments which meet the definition of a “derivative,” such as forwards in foreign currency, UF, interest rate futures currency and interest rate swaps, currency and interest rate options and others, are initially recognized on the balance sheet at their fair value. Fair value is obtained from market quotes, discounted cash flow models and option valuation models, as applicable. For further details of fair value, see Note 8 of our consolidated financial statements included herein.

[Table of Contents](#)

In terms of outstanding exposure to credit risk, the true measure of risk from derivative transactions is the marked-to-market value of the contracts at a point in time (i.e., the cost to replace the contract at the current market rates should the counterparty default prior to the settlement). For most derivative transactions, the notional principal amount does not change hands; it is simply an amount that is used as a reference upon which to calculate payments.

**F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

In addition to the scheduled maturities of our contractual obligations which are included under “—Liquidity and Capital Resources—Sources of Liquidity” above, as of December 31, 2017, we also had other commercial commitments which mainly consist of open and unused letters of credit, together with guarantees granted by us in Ch\$, UF and foreign currencies (principally U.S. dollars). We expect most of these commitments to expire unused.

The following table includes both the accrued interest and the interest expense projected over time of each contractual obligation as of December 31, 2017. For variable rate debt and interest rate swaps and other derivatives, where applicable, the interest rates upon which we based our contractual obligations going forward are based on the applicable forward curves. For any cross-currency swaps or other derivatives as applicable, the foreign currency exchange rate used was spot.

Contractual Obligations <sup>(*)</sup>	Less than 1 year	1-3 years	3-5 years (in millions of Ch\$)	More than 5 years	Total
Time deposits and saving accounts	8,340,327	905,369	125,129	789,883	10,160,707
Deposits and other demand liabilities	4,141,667	—	—	—	4,141,667
Bank obligations	1,876,810	362,455	95,084	240,690	2,575,037
Investments under repurchase agreements	420,920	—	—	—	420,920
Issued debt instruments	986,169	1,533,594	855,735	4,224,850	7,600,348
Other financial liabilities	(70,644)	78,908	131,423	—	139,687
Financial derivative contracts	194,152	(10,270)	(56,607)	(15,004)	112,271
<b>Total contractual obligations</b>	<b>15,889,400</b>	<b>2,870,055</b>	<b>1,150,763</b>	<b>5,240,419</b>	<b>25,150,637</b>

(\*) The variable rates projections are obtained from the Forward Rate Agreement (FRA) rates of the respective projection curves. The parities used to convert the amounts to Chilean pesos correspond to the accounting parities used in the referred date.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES****A. DIRECTORS AND SENIOR MANAGEMENT**

We are managed by our CEO (*Gerente General*) under the direction of our board of directors, which, in accordance with the Company’s by-laws, consists of 11 directors and two alternates who are elected at our annual ordinary shareholders’ meetings. Pursuant to the provisions of our bylaws, members of the board of directors are generally elected for three-year terms. All of the members of the board of directors were elected on April 11, 2016 for a three-year period, except for Mr. Vassimon, Mr. Samhan, Mr. Bucher, Mr. Pasquier and Mr. Fresco, who were initially appointed by our board of directors on November 15, 2016, September 27, 2016, February 23, 2017, May 30, 2017 and March, 28, 2018, respectively, and were confirmed as members of the board in the annual ordinary shareholders’ meeting held on March 27, 2017 except for Mr. Pasquier and Mr. Fresco. Mr. Pasquier was confirmed in the last annual ordinary shareholders’ meeting held on March 27, 2018. Mr. Fresco has not been confirmed and will hold office until the next annual ordinary shareholder’s meeting, at which the board of directors will have to be renewed in its entirety. Cumulative voting is permitted for the election of directors. The board of directors may appoint replacements to fill any vacancies that occur during periods between elections. Our principal executive officers are appointed by the board of directors and the CEO and hold their offices at the discretion of the board of directors and the CEO. Scheduled meetings of the board of directors are held monthly. Extraordinary meetings can be held when called by the Chairman of the board of directors, by one or more directors with the prior approval of the Chairman of the board of directors, or by five directors. None of the members of our board of directors has a contract or agreement which entitles any director to any benefits upon termination of employment with us.

Our current directors are as follows:

Directors	Position	Age
Jorge Andrés Saieh Guzmán	Chairman and director	46
Ricardo Villela Marino	Vice chairman and director	44
Jorge Selume Zaror	Director	66
Fernando Aguad Dagach	Director	58
Gustavo Arriagada Morales	Director	64
Eduardo Mazzilli de Vassimon	Director	59
Boris Buvinic Guerovich	Director	58

[Table of Contents](#)

Directors	Position	Age
Andrés Bucher Cepeda	Director	54
Pedro Samhan Escandar	Director	67
Fernando Concha Ureta	Director	58
Bernard Pasquier	Director	64
José Luis Mardones Santander	Alternate director	67
Diego Fresco Gutiérrez	Alternate director	48

**Jorge Andrés Saieh Guzmán** became a director on August 25, 1998. On February 2, 2012, Mr. Saieh Guzmán became the chairman of our board of directors. Mr. Saieh Guzmán also serves as the chairman of the board of directors for Consorcio Periodístico de Chile S.A. Mr. Saieh Guzmán has also served as the vice chairman of the board of AFP Protección, as a member of the board of AFP Provida, as member of the board of the Chilean National Press Association and as a member of the board of our former affiliate, Corpbanca Venezuela. Mr. Saieh Guzmán also serves similar positions on a variety of different boards. Mr. Saieh Guzmán received a B.A. in Business and Administration and graduated from the Universidad Gabriela Mistral. Mr. Saieh Guzmán holds a Masters in Economics and a Master in Business and Administration from the University of Chicago. Alvaro Saieh Bendeck is the father of Mr. Saieh Guzmán.

**Ricardo Villela Marino** became a director on April 11, 2016. Mr. Marino has served Itau Unibanco Group as a Vice President of Itau Unibanco since August 2010. He served as Executive Officer (September 2006 to August 2010), Senior Managing Director (August 2005 to September 2006), Managing Director (December 2004 to August 2005) at Itau Unibanco. He has served as an Alternate Member of the Board of Directors of Itaúsa since April 2011. He has served as an Alternate Member of the Board of Directors of Duratex S.A., Elekeiroz S.A. and Itautec S.A. since April 2009. He was President of the Latin American Federation of Banks (FELABAN) (2008 to 2010). He has a B.A. degree in Mechanical Engineering from the Polytechnic School of USP in Brazil and a Master degree in Business Administration from MIT Sloan School of Management.

**Jorge Selume Zaror** became a director on May 23, 2001. Mr. Selume also serves as director of the board, among others, for Clínica Indisa, Andean Region — Laureate International, Universidad Andrés Bello, Universidad Las Americas, Instituto Profesional AIEP and Blanco y Negro. Prior to this, Mr. Selume was a director on the board of directors of Banco Osorno y La Unión, a director of the government budget office of Chile, chairman of our former affiliate Corpbanca Venezuela and the CEO of Corpbanca between 1996 and 2001. Mr. Selume received a B.A. in Business and Administration and graduated from the Universidad de Chile. Mr. Selume holds a Masters in Economics from the University of Chicago.

**Fernando Aguad Dagach** became a director on June 18, 1996. Mr. Aguad has previously held similar positions in a variety of institutions including Interbank Perú, Banco Osorno y La Unión and Canal de Televisión La Red. Mr. Aguad is an investor in financial institutions.

**Gustavo Arriagada Morales** became a director on September 28, 2010. He has held different senior positions since 1979 in the Chilean Production Development Corporation (*Corporación para el Fomento de la Producción or CORFO*), Banco de Talca, Chilean Copper Commission (*Comisión Chilena del Cobre*), Banco de Chile and Banco del Estado, among others. Mr. Arriagada also served in the SBIF as director and as intendent between 1997 and 2005 and as superintendent between 2005 and 2010. He received a B.A. in Business and Administration and an Economics degree from the Universidad de Chile.

**Eduardo Mazzilli de Vassimon** became a director on November 15, 2016. Mr. Vassimon has held several positions within the Itau Unibanco Group including Vice President of Itau Unibanco Holding (April 2015 to December 2016); Vice President of Itau Unibanco since March 2013 and Member of the Board of Directors (November 2004 to April 2015) and CEO (since December 2016) of Banco Itaú BBA S.A. He also served as Vice President of Banco Itaú BBA S.A. (November 2004 to December 2008), and was responsible for the international, financial institutions, products, client desk and treasury departments. He has served as General Manager of Itau Unibanco (1980 to 1990). He served as a member of the Board of Directors at Invercopes S.A. since February 2013. He worked as Deputy Foreign Exchange Director (1990 to 1991) and as International Unit Director (1992 to 2003) of Banco BBA-Creditanstalt S.A. He has a B.A. in Economics from the School of Economics of USP (1980) and in Business Administration from FGV (1980). He also holds Master degrees from the São Paulo Business Administration School of FGV (1982) and from École des Hautes Études Commerciales (1982) in France.

**Boris Buvinic Guerovich** became a director on April 11, 2016. Mr. Buvinic served as Country Manager of Banco Itaú Chile (2006-2016) and BankBoston Chile (2003-2006). Since 1990 he has had a leading role in launching the business of retail banking in Chile, mainly through Banco Santiago which is now Santander Chile, where he worked for 11 years, finally serving as Director of Marketing and Sales. He participated as a member of the board of the Association of Banks and Financial Institutions of Chile (*Asociación de Bancos e Instituciones Financieras de Chile*). Mr. Buvinic holds a degree in Commercial Engineering from Universidad Católica de Valparaíso, Chile. He participated in the program for CEO training at the Kellogg School of Management.

**Andrés Bucher Cepeda** became a director on February 23, 2017. Mr. Bucher has held numerous senior management positions in the Chilean financial industry in the past 28 years. He served as Banchile Corredores de Bolsa's Chief Executive Officer from

[Table of Contents](#)

November 2012 until May 2016. Mr. Bucher previously worked as the Investment Banking and Capital Markets Division Manager at Banco de Chile beginning in 2008. Before that, Mr. Bucher was Investment Banking head for Citigroup Chile, where he worked for more than 19 years. Mr. Bucher holds a degree in industrial civil engineering from the Pontificia Universidad Católica de Chile and an MBA from The Wharton School at the University of Pennsylvania.

**Pedro Samhan Escandar** became a director on September 27, 2016. Mr. Samhan was formerly a member of the Board of Citibank in Panama and Costa Rica. Before that, he was the CFO of Banco de Chile and was appointed as director of Banchile Trade Services Limited. Previously, Mr. Samhan was the CFO of Citigroup Chile for several years. He served as a member of the board of directors of Cruz Blanca Seguros de Vida from 1994 to 1997, AFP Habitat from 1996 to 2006 and Compañía Minera Las Luces from 1994 to 1996. Mr. Samhan was CFO of Citicorp for Caribbean and Central America from 1990 to 1993 and investment banking head of Citicorp Chile from 1988 to 1990. Mr. Samhan holds a degree in civil industrial engineering from Universidad de Chile.

**Fernando Concha Ureta** became a director on April 11, 2016. Mr. Concha is a co-founding partner at Falcom Capital. He has more than 30 years of experience in the financial industry in Chile and the region. While at Citigroup, he held several leading positions, including Banamex Corporate Director of Treasure Operations, CEO at Citibank Chile and CEO of the Andean Cluster and Central America, among others. In addition, he has also represented Citi as member in several boards and committees, such as Banco de Chile Board, among others. He holds a degree in Business from the Pontificia Universidad Católica de Chile.

**Bernard Pasquier** became a director on May 31, 2017. Mr. Pasquier has served as consultant and independent board director since 2008 and as a secretary general in Compagnie Monegasque de Banque in Monaco between 2004 and 2007. Mr. Pasquier was appointed by IFC on the Board of Directors of Grupo Mundial, Panama (2008-2013), Gorenje (Slovenia), Davivienda (Colombia 2011-2017), and Sogebank (Haïti). He was elected to Monaco Parliament in 2013. He has also served as a director of South Asia Department and as manager in the Africa Department at the IFC. He has also served as senior adviser in the office of the president of the World Bank, as a principal economist and country officer of Africa Region (1985 to 1990), and as an investment officer at the World Bank Group. Mr. Pasquier received a Master of Public Administration and a Major in Business and Economic Development from the Harvard University.

**José Luis Mardones Santander** became a director on March 7, 2013 and alternate director on April 11, 2016. Mr. Mardones currently serves as partner and director of Mardones y Marshall Consultores, alternate independent director of Itaú Corpbanca and as director of Corporación CESCO (Centro de Estudios del Cobre y la Minería). Mr. Mardones previously served as chairman of the board of directors of Banco del Estado de Chile, chairman of Empresa Portuaria Valparaíso, director of Metro Regional de Valparaíso (Merval), Empresa Portuaria San Vicente, Instituto de Estudios Bancarios and of certain affiliates of Enami and Colbún. He received a civil engineering degree from the Universidad de Chile as well as a Masters in Law and Diplomacy and an International Studies Ph.D. from Tufts University, The Fletcher School of Law and Diplomacy.

**Diego Fresco Gutiérrez** became an alternate director on March 28, 2018. Mr. Fresco is currently a member of the Audit Committee of Itaú Unibanco Holding S.A. He previously served as a partner at PwC — São Paulo (2000 to June 2013) in the Capital Markets and Accounting Advisory Services area and prior to that held several positions at PwC in Uruguay (1998 to 2000 and 1990 to 1997) and in the United States (1997 to 1998). He has a Bachelor's degree in Accounting from Universidad de la República Oriental del Uruguay in 1994. He is a Certified Public Accountant registered in the State of Virginia (United States) since 2002 (Registration 27,245) and a Contador registered with the Regional Council of Accountancy of the State of São Paulo. He is a member of the Commission of Governance in Financial Institutions of the Brazilian Institute of Corporate Governance (IBGC) since 2013.

Our current Executive Officers are as follows:

Executive Officer	Position	Age
Milton Maluhy Filho	Chief Executive Officer	41
Gabriel Amado de Moura	Chief Financial Officer	42
Christian Tauber Domínguez	Corporate Director — Wholesale Banking	46
Julián Acuña Moreno	Corporate Director — Retail Banking	52
Pedro Silva Yrarrázaval	Corporate Director — Treasury	57
Rogério Carvalho Braga	Corporate Director — Marketing & Products	62
Mauricio Baeza Letelier	Chief Risk Officer	55
Luis Antônio Rodrigues	Corporate Director — IT	53
Eduardo Meynet Biancardi	Corporate Director — Operations	46
Cristián Toro Cañas	General Counsel	47
Marcela Leonor Jiménez Pardo	Corporate Director — Human Resources	42
Emerson Bastian Vergara	Chief Audit Officer*	39
Sven Riehl	Chief Compliance Officer*	49
Joaquín Rojas Walbaum	General Manager — New York Branch	38
Alvaro De Alvarenga Freire Pimentel	Chief Executive Officer — Itaú Corpbanca Colombia	47

\* Mr. Emerson Bastian reports to the audit committee. Mr. Riehl coordinates with senior management through the Chief Risk Officer and has direct communication with the audit committee and the board of directors.

[Table of Contents](#)

**Milton Maluhy** became the CEO on April 1, 2016. Mr. Maluhy joined Itau Unibanco in 2002 and became a partner in 2010. Previously, he was CEO of Rede S.A. (former Redecar S.A.), a card processing subsidiary, and Executive Director at Itau Unibanco, responsible for the management of the credit card segment and retail store alliances. Previously, he worked at Itau BBA, holding leadership positions in areas such as international, products, operations, treasury, and trading desk. Prior to joining the bank, he worked at J.P. Morgan, Cr dit Commercial de France (CCF Brazil) and Lloyds TSB. Mr. Maluhy holds a B.A. in Business Administration from Funda o Armando  lvares Penteado — FAAP.

**Gabriel Amado de Moura** became CFO of Itau Corpbanca on April 1, 2016. Mr. Moura joined Itau Unibanco in 2000 and became an associate partner in 2010. He has more than 22 years of experience in asset management, risk management, finance and M&A. Mr. Moura held the position of Chief Investment Officer for Itau's pension funds, endowments and insurance businesses. He was also Chief Risk Officer for Wealth Management as well as member of the board of directors of different companies in Brazil and abroad. Prior to joining the bank, he worked at BBVA Asset Management and Itau Bankers Trust. Mr. Moura holds a M.B.A. from the Wharton School at the University of Pennsylvania.

**Christian Tauber Dom nguez** became corporate director of Wholesale Banking in October 2016. Previously, he served as Corporate Banking director in BBVA. He joined Banco Itau Chile in October 2007 as the Corporate Banking manager, and from 2011 to 2016 he served as the Corporate Banking manager of Itau Chile. In 2016 Mr. Tauber took office as the Corporate Manager of Corporate Banking. Mr. Tauber received a B.A. in Business and Economics from the Pontificia Universidad Cat lica de Chile.

**Juli n Acu a Moreno** became corporate director of Retail Banking in September 2016. Mr. Acu a has vast experience in both national and international banking, having worked as Commercial Division Manager in Chile and in Colombia in Banco Santander-Chile and in Banco Santander Colombia, respectively. Mr. Acu a holds an Accountant Auditor degree from the Universidad Diego Portales, Chile.

**Pedro Silva Yrarr zaval** became corporate director of Treasury on April 1, 2016. Between October 2006 and March 2016, Mr. Silva held the same position at Corpbanca. Mr. Silva previously served as CEO of our subsidiary Corpbanca Administradora General de Fondos S.A. (Asset Management). Mr. Silva received a B.A. in Business and Administration from the Universidad de Chile and also a M.B.A. from the University of Chicago.

**Rog rio Carvalho Braga** became corporate director of Marketing & Products on April 1, 2016. During his career in the Itau group, he led various business areas such as Premium Bonds, Individuals, Payroll Loans, Marketing, Channels, Personal Banking Products, Vehicle Financing, and Commercial Branches. Before joining Itau Unibanco, Mr. Braga worked for six years in AIG (American International Group) in New York and Lisbon, and for 11 years with the Moreira Sales group, in charge of the food industry sector. Mr. Braga received a law degree from the Pontificia Universidade Cat lica de S o Paulo and an M.B.A. from Pepperdine University.

**Mauricio Baeza Letelier** became Chief Risk Officer in September 2016. With almost 30 years of experience in the banking industry, Mr. Baeza Letelier has held diverse executive positions in risk management areas of local banking institutions. During the last five years he was the Manager of Corporate Risk of Banco de Chile, while leading the Risk Committee of the Bank and Financial Institution Association of Chile (*Asociaci n de Bancos e Instituciones Financieras de Chile*). Mr. Baeza received an undergraduate degree in Civil Engineering from the Pontificia Universidad Cat lica de Chile.

**Luis Ant nio Rodrigues** became Corporate Director of IT in October 2017 after the split of the IT & Operations division from which he was responsible for since April 1, 2016 until September 2017. Mr. Rodrigues has been a director of Itau Unibanco since 2004, a partner since 2010 and an executive director since 2011. He initiated his career in the Itau group 32 years ago, and participated on the technology side of every merger and acquisition of the group (Banco Franc s e Brasileiro, Banerj, Bemge, Banestado and BankBoston), as well as having a key role in the system integration of Itau and Unibanco.

**Eduardo Meynet Biancardi** became Corporate Director of Operations in October 2017. Previously he has been responsible of the wholesale business development, of the transformation and quality, and also the transformation at a regional level at the BBVA Group. More recently he was responsible for systems, technology, operations, IT risk, processes, real estate and services of the BBVA group in Chile. Mr. Meynet received a B.A. in Business and Administration from the Pontificia Universidad Cat lica de Chile and also a M.B.A. from the Kellogg School Management.

**Cristi n Toro Ca as** became General Counsel in June 2016. Mr. Toro worked for more than 10 years in Citibank Chile, acting as general counsel since 2004. In 1999 he worked in Shearman & Sterling in New York. In 2008 he joined Lan Airlines as legal vice-president. After the merger of Lan and Tam, he continued to work as legal vice-president and as the secretary of the board of directors of Latam Airlines Group. Mr. Toro received a law degree from the Pontificia Universidad de Cat lica de Chile and an MCJ law degree from the New York University School of Law.

[Table of Contents](#)

**Marcela Leonor Jiménez Pardo** became Corporate Director of Human Resources in April 2016. Between July 2012 and March 2016 she held the same position at Corpbanca. Previously, she served in the Global Banking Consulting Group at Banco de Chile from 2008 to 2012. Mrs. Jiménez received an undergraduate degree in Philology from the Pontificia Universidad Católica de Chile and a postgraduate degree in Human Resources Management from Universidad Adolfo Ibáñez.

**Emerson Bastian Vergara** became Chief Audit Executive in April 2017. Previously, Mr. Bastian was a partner in Deloitte Chile's Governance, Regulatory and Risk Strategies practice. Mr. Bastian received an undergraduate degree in Accounting from Universidad de Chile and a Master degree in Business Administration from Universidad Adolfo Ibáñez.

**Sven Riehl** became Chief Compliance Officer in August 2017 and is currently the Head of all Non-Financial Risks at Itaú Corpbanca. From April 1, 2016 onwards, Mr. Riehl has also held the position of Head of Operational Risk, Internal Controls & Regulatory Affairs. Previously, he served as Head of International Compliance, Operational Risk and Internal Controls at Itaú Unibanco in São Paulo. Mr. Riehl holds a banking diploma (Germany, 1989) and is Master in Finance from ICADE University (Spain, 2001).

**Joaquín Rojas Walbaum** became General Manager of Itaú Corpbanca's New York Branch in October 2017. Previously he was Treasury Director at the New York Branch since September 2009 and beforehand worked in the investment division at MetLife Chile and credit division at MetLife Investments Latin America. Mr. Rojas has more than 14 years of experience. He holds an undergraduate degree in Economics from Universidad de Chile and a Master of Business Administration from Columbia University.

**Alvaro De Alvarenga Freire Pimentel** became CEO of Itaú Corpbanca Colombia on January 6, 2017. Previously, Mr. Pimentel held different positions during his 20 years with the group in Corporate Banking and the General Operation and Technology areas. He is a partner of Itaú Unibanco. Mr. Pimentel received a degree in Economics from the Universidad de Campinas and an Executive MBA in Finance from the Insper, both in Brazil.

## B. COMPENSATION

Consistent with Chilean law, we do not disclose to our shareholders, or otherwise make public, information regarding the individual compensation of our officers. However, we publicly disclose the fees paid to each of our directors and members of the board committees. For the year ended December 31, 2017, we paid fees to each of our directors in the amount of UF100 per month and UF600 per month for the chairman. Additionally, we paid a monthly fee of UF150 for each member of a board committee and UF250 for the chairman of each such committees. We also paid additional fees to directors who participate in certain committees, as follows:

- a) Credit Committee: UF200 per month;
- b) Assets and Liabilities Committee: UF140 per month; and
- c) Other Committees: UF50 per month.

No amounts were set aside or accrued by us to provide pension, retirement or similar benefits for our directors and executive officers. In the year ended December 31, 2017, we paid our senior management and directors an aggregate of Ch\$21,505 million. Chilean law does not require us to have a compensation committee.

At our ordinary shareholders' meeting held on March 27, 2018, our shareholders approved to pay each director UF100 per month, the vice-chairman UF450 per month and the chairman UF600 per month. Also, our shareholders agreed to continue to pay a monthly fee of UF150 for each member of a board committee and UF250 for the chairman of each such committees. Finally, our ordinary shareholders' meeting approved an additional compensation for the directors and external advisors participating in the following committees:

- a) Credit Committee: UF200 per month;
- b) Assets and Liabilities Committee: UF140 per month;
- c) Audit Committee: UF50 per month for each member and UF150 per month for its chairman;
- d) Corporate Governance Committee: UF50 per month;
- e) Anti-Money Laundering and Anti-Terrorism Finance Prevention Committee: UF50 per month;
- f) Compliance Committee: UF50 per month; and
- g) Management and Talent Committee: UF50 per month.

[Table of Contents](#)**C. BOARD PRACTICES**

The period during which the directors have served in their office is shown in the table under Section A of this Item 6. The date of expiration of the current term of office is shown in the table below:

<b>Director</b>	<b>Date of Expiration of Term</b>
Jorge Andrés Saieh Guzmán	April 2019
Ricardo Villela Marino	April 2019
Jorge Selume Zaror	April 2019
Fernando Aguad Dagach	April 2019
Gustavo Arriagada Morales	April 2019
Eduardo Mazzilli de Vassimon	April 2019
Boris Buvinic Guerovich	April 2019
Andrés Bucher Cepeda	April 2019
Pedro Samhan Escandar	April 2019
Fernando Concha Ureta	April 2019
Bernard Pasquier	April 2019
José Luis Mardones Santander	April 2019
Diego Fresco Gutiérrez	April 2019

Pursuant to the provisions of our bylaws, the members of the board are generally renewed every three years, based on length of service and according to the date and order of their respective appointments. In the Annual Ordinary Shareholders' Meeting held on March 11, 2016, the board of directors of former Corpbanca was renewed in its entirety and after the Itaú -Corpbanca Merger five of them were confirmed and the remaining eight were newly appointed at the Extraordinary Shareholders' Meeting held on April 11, 2016. Since those appointments, five of the members of the board of directors have resigned and been replaced by Mr. Vassimon, Mr. Samhan, Mr. Bucher, Mr. Pasquier and Mr. Fresco. Mr. Vassimon, Mr. Samhan and Mr. Bucher were confirmed as directors in the subsequent annual ordinary shareholders' meeting held on March 27, 2017. Mr. Pasquier was confirmed as director in the annual ordinary shareholders' meeting held on March 27, 2018. Mr. Fresco will hold office until the next annual ordinary shareholders' meeting, at which the board of directors will have to be renewed in its entirety.

**BOARD COMMITTEES***Audit Committee*

Our board of directors maintains an audit committee which is currently comprised of five members, including two directors, one alternate director and two non-director members. The current members of the audit committee are Messrs. Andrés Bucher Cepeda, who chairs it, Gustavo Arriagada Morales, Diego Fresco Gutiérrez, Juan Echeverría González and Antonio de Lima Neto.

A description of the experience and qualifications for Messrs. Andrés Bucher Cepeda, Gustavo Arriagada Morales, and Diego Fresco Gutiérrez, each of whom is a director of our Company, is included in "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management." Below we include a summary of the experience and qualification for Mr. Juan Echeverría González and Mr. Antonio de Lima Neto, who are non-director members of the Audit Committee.

**Juan Echeverría González** currently serves as Corporate Chief Compliance Officer at CorpGroup. He was previously a partner in charge of Deloitte's audits of Corpbanca, Banco Osorno y la Unión, Banco Bilbao Vizcaya Argentaria, Chile, Banco del Desarrollo, Banco Internacional, Financiera Condell, Banco Corpbanca Venezuela, and of several services provided to such financial institutions from 1993 to 2012. Mr. Echeverría is currently a director and a member of the audit committee of Itaú Corpbanca Colombia, Consorcio Periodístico de Chile (COPESA), Grupo de Radios DIAL S.A., CorpGroup Activos Inmobiliarios S.A., Centro Cultural CorpGroup SpA, and an advisor to the board of directors and audit committee of Compañía Minera San Gerónimo. He has participated in several local and international seminars regarding corporate governance, restructurings and business acquisitions. Mr. Echeverría received a B.A. in Accounting from Universidad de Chile and received two Master degrees from Universidad Adolfo Ibáñez in Business Law and Tax Law. He also holds two Diplomas in Tax Law from Universidad Adolfo Ibáñez.

**Antonio de Lima Neto** has served as President (August 2009 to October 2013) at Banco Fibra S.A. He has worked as President (December 2006 to April 2009); Vice President of Retail and Distribution (July 2005 to December 2006); Vice President of International Business and wholesale (November 2004 to July 2005); Commercial Director (September 2001 to November 2004); Executive Superintendent of the Commercial Board (July 2000 to September 2001); Tocantins State Superintendent (May 1999 to May 2000) and Regional Superintendent of Belo Horizonte (January 1997 to May 1999) at Banco do Brasil S.A. He has also served as Member of the Board of Directors (2007 to 2009) at Brasilprev Seguros e Previdência S.A.; Member of the Board of Directors (2006 to 2009) at FEBRABAN Brazilian Federation of Banks; Member of the Board of Directors (2004 to 2005) at BB Seguridade e Participações S.A.; Member of the Board of Directors (2003 to 2005) at Brasilsaúde Companhia de Seguros; Member of the Board of Directors (2001 to 2009) at Alliance Insurance Company of Brazil; Member of the Board of Directors (2000 to 2007) at BB Securities Limited Pension Fund. He is pursuing a Master's degree in Economics at FGV since January 2014. He has a Course for Board Members from

[Table of Contents](#)

the Brazilian Institute of Corporate Governance (2014); a Postgraduate degree in Marketing from PUC-Rio (2001); Training for Executive MBA from Fundação Dom Cabral (1997). He has a Bachelor's degree in Economics from Universidade Federal de Pernambuco (UFPE), 1996.

The local regulator for the banking industry (SBIF) recommends that at least one of the members of the audit committee be experienced with respect to the accounting procedures and financial aspects of banking operations. Moreover, the members of the audit committee are appointed by the board of directors and must be independent according to the criteria set forth by the board of directors, and they cannot accept any payment or other compensatory fee from the Company, other than in their role and responsibility as members of the board of directors, of the audit committee or of other established Committees. Members of the audit committee receive a monthly remuneration.

The audit committee has one charter that establishes its composition, objectives, roles, responsibilities and extension of its activities. The SBIF requires the audit committee to meet at least every four months and to provide an annual written report to the board of directors informing it of its activities. This report must also be presented to the annual shareholders' meeting. According to their charter, the audit committee meetings take place at least twice a month.

The main objectives of the audit committee are to oversee the effectiveness of the internal controls established by management, as well as to oversee compliance with laws and regulations. Other specific responsibilities of the audit committee include:

- propose to the directors' committee the firm of external auditors and the rating agencies to be engaged;
- review the reports, content and procedures applied by the rating agencies;
- approve the annual internal audit plan and its modifications;
- approve the annual budget, oversee the activities of and evaluate the performance of internal audit, who reports directly to the audit committee;
- receive and review reports issued by internal auditors;
- review with management and the external auditors the annual and interim financial statements and report the results to the board of directors;
- review the reports issued by regulators;
- be informed about relevant internal frauds or about misconduct cases related to employees; and
- report to the board of directors changes in accounting policies and its effects.

#### ***Directors' Committee***

Our board maintains a directors' committee which is currently comprised of three members, all of which are considered under Chilean law as independent directors of our board of directors. Also, a fourth director participates as a guest member. The current members of the directors committee are Messrs. Gustavo Arriagada Morales, who chairs it, Fernando Concha Ureta and Bernard Pasquier, as office-holders, and Pedro Samhan as permanent guest.

A description of the experience and qualifications for Messrs. Gustavo Arriagada Morales, Fernando Concha Ureta, Pedro Samhan and Bernard Pasquier, each of whom is a director of the Company is included in "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management."

The directors' committee has bylaws that establish their composition, organization, objectives, duties, responsibilities and extension of its activities. The SBIF requires the directors committee to meet at least every four months and to provide an annual written report to the board of directors informing it of its activities. The report must also be presented to the annual shareholders' meeting. According to its charter, the directors committee meets once per month.

The directors committee's responsibilities are, among others:

- reviewing the reports of the internal and external auditors, the balance sheet and any other financial statements presented by the administration to the shareholders, and to sign-off on it prior to its presentation to the shareholders for approval;
- recommending external auditors and rating agencies to the board of directors;
- reviewing operations with related parties and reporting to the board of directors;

[Table of Contents](#)

- reviewing the compensation plans of executive officers and principal officers;
- examining the systems of remuneration and compensation plans for managers, senior executives and employees of the company;
- preparing an annual report about its activities, including its main recommendations to shareholders; and
- other duties required by our bylaws, a shareholders meeting and our board of directors.

## **OTHER COMMITTEES**

### ***Corporate Governance Committee***

The corporate governance committee was established by the board of directors as an advisory body of it that aims to ensure the existence and development of better corporate governance practices for financial institutions. For that purpose, it is in charge of evaluating practices and policies that are currently in execution, making proposals to the board of directors of improvements, adjustments or reforms and pursuing for the proper implementation and applications of said practices and policies of corporate governance. The committee performs its duties with respect to the bank, its affiliates and related entities abroad.

The committee is composed of six directors and one non-director member. This committee is empowered to engage external consultants. This committee is currently comprised by Mr. Andrés Bucher Cepeda, who chairs it, and Messrs. Ricardo Villela Marino, Eduardo Mazzilli de Vassimon, Boris Buvinic Guerovich, Bernard Pasquier, José Luis Mardones Santander and Alejandro Ferreiro Yazigi (non-director member).

The committee is regulated by its bylaws, by applicable legal and regulatory rules and by the principles established by the Organization for Economic Co-operation and Development (OECD) as well as those defined by the Basel Committee on Banking Supervision on good corporate governance matters for financial institutions.

### ***Anti-Money Laundering and Anti-Terrorism Finance Prevention Committee***

This committee is in charge of preventing money laundering and terrorism financing. Its main purposes include planning and coordinating activities to comply with related policies and procedures, staying informed about the work carried out by the Compliance Officer and making decisions on any improvements to control measures proposed by the Compliance Officer. This committee is comprised of two directors, the CEO, the Chief Legal Officer, the Chief Risk Officer, one Area Manager and the Compliance Officer. This committee has the authority to request attendance from any executives or associates that it deems necessary. The committee has regular monthly meetings and holds extraordinary sessions when considered appropriate by any of its members.

### ***Compliance Committee***

The purpose of this committee is to monitor compliance with our codes of conduct and other complementary rules, establish and develop procedures necessary for compliance with these codes, interpret, administer and supervise compliance with these rules and resolve any conflicts that may arise. This committee is comprised of two directors, the CEO, the Chief Legal Officer, the Chief of Human Resources and the Compliance Officer.

### ***Assets and Liabilities Committee***

The main purpose of this committee is to monitor compliance with the financial guidelines established by our board of directors. In this regard, it approves and follows up on the financial strategies that guide the bank regarding the composition of its assets and liabilities, income and expenditure flows and operations with financial instruments.

### ***Credit Committee***

The purpose of this committee is to (i) establish the limits and procedures of the credit policy of the bank and its subsidiaries and to establish approval exceptions for financial decisions exceeding certain thresholds and (ii) evaluate and resolve lending operations in general that are of competence of this committee.

### ***Management and Talent Committee***

The purpose of this committee is to determine an objective process to recommend the appointment of the senior management and perform an advisory role in relation with the administration of the senior management, including the right to make non-binding recommendations to the board of directors relating to the compensation, the milestones to be achieved and the evaluation of the CEO and other senior officers. This committee is comprised of four directors and the CEO.

[Table of Contents](#)**D. EMPLOYEES**

As of December 31, 2017, on a consolidated basis, we had 9,492 employees. At the same date, approximately 49.1% of our employees were unionized. All management positions are held by non-unionized employees. We believe that we have good relationships with our employees and the unions to which some of our employees belong. Our employees are covered by collective bargaining agreements, which Itau Corpbanca entered into on 2017 for former Corpbanca's unions and for former Banco Itau Chile's unions. Both agreements provide for improved benefits and have a term of three years.

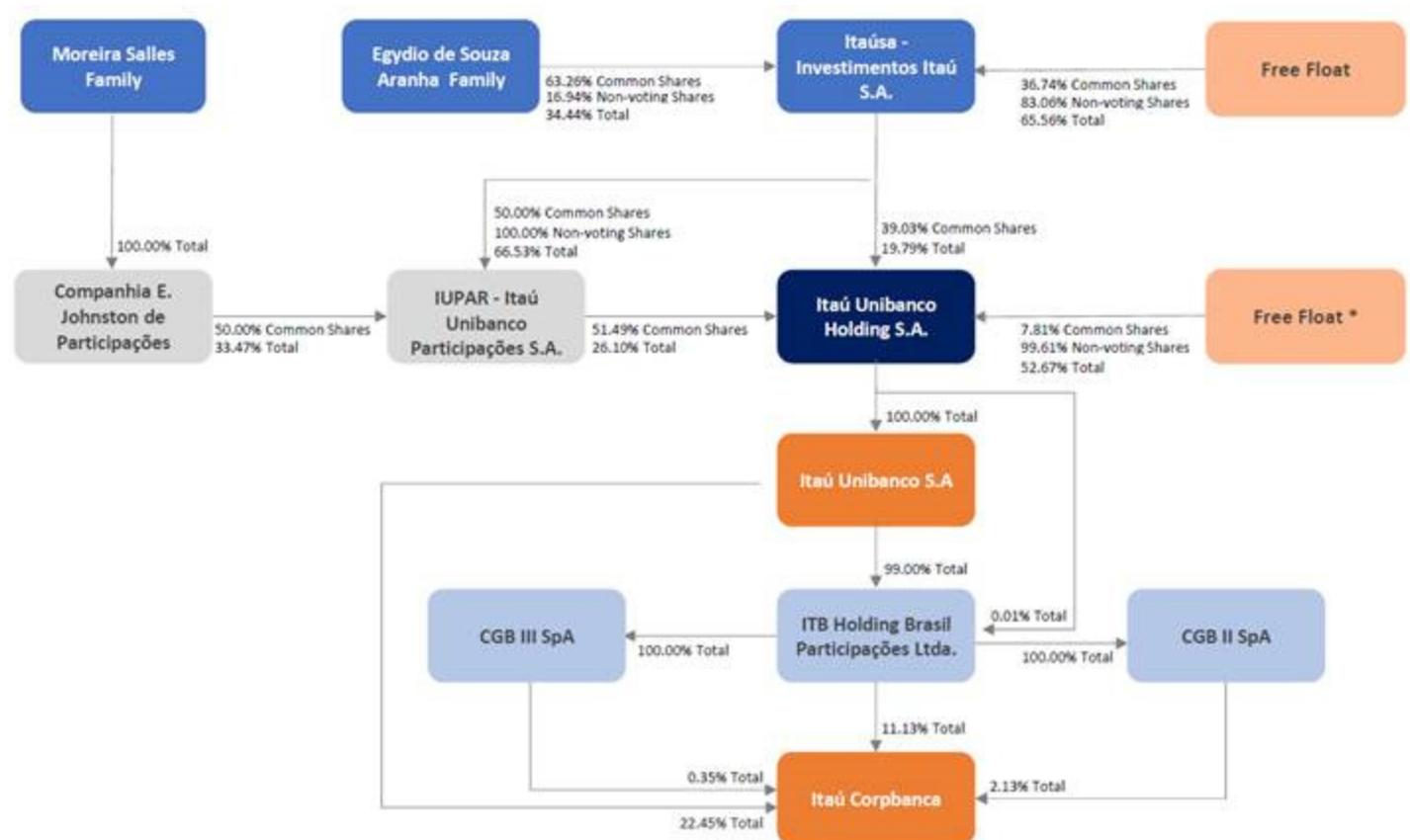
The table below shows our employees by geographic area:

	Year Ended December 31,		
	2015	2016	2017
Chile	2,549	5,904	5,817
Colombia	—	3,675	3,594
Panama	—	52	50
United States	—	28	31
<b>Total</b>	<b>2,549</b>	<b>9,659</b>	<b>9,492</b>

**E. CONTROLLING SHAREHOLDER'S SHARE OWNERSHIP**

As of the date hereof, Itau Unibanco is the sole controlling shareholder of Itau Corpbanca with a total share of capital of 36.06% through Itau Unibanco Holding S.A., ITB Holding Brasil Participações Limitada, CGB II SpA and CGB III SpA, who beneficially own approximately 22.45%, 11.13%, 2.13% and 0.35% of our outstanding shares, respectively.

The following chart is an overview of our ownership structure as of December 31, 2017:



\* Excludes shares held in treasury and by our controlling shareholders.

Our directors and senior managers do not have different or preferential voting rights with respect to those shares they own.

We do not have any arrangements for issuing capital to our employees, including any arrangements that involve the issue or grant of options of our shares or securities.

[Table of Contents](#)**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****A. MAJOR SHAREHOLDERS**

Our only outstanding voting securities are our common shares. As of April 2, 2018, we had 512,406,760,091 common shares outstanding.

The following table sets forth information with respect to the record and beneficial ownership of our capital stock as of April 2, 2018:

Shareholders	Number of Shares	Percentage of Total Share Capital	Number of Votes	Percentage of Voting and Dividend Rights
<b>Itaú Unibanco</b>	<b>184,756,488,453</b>	<b>36.06%</b>	<b>184,756,488,453</b>	<b>36.06%</b>
Itaú Unibanco Holding S.A.	115,039,610,411	22.45%	115,039,610,411	22.45%
ITB Holding Brasil Participações Limitada	57,008,875,206	11.13%	57,008,875,206	11.13%
CGB II SpA	10,908,002,836	2.13%	10,908,002,836	2.13%
CGB III SpA	1,800,000,000	0.35%	1,800,000,000	0.35%
<b>Saieh Family</b>	<b>157,046,095,628</b>	<b>30.65%</b>	<b>157,046,095,628</b>	<b>30.65%</b>
Corp. Group Banking S.A.	136,127,850,073	26.57%	136,127,850,073	26.57%
Cía. Inmob. y de Inversiones Saga SpA <sup>(1)</sup>	20,918,245,555	4.08%	20,918,245,555	4.08%
<b>IFC</b>	<b>17,017,909,711</b>	<b>3.32%</b>	<b>17,017,909,711</b>	<b>3.32%</b>
<b>Others</b>	<b>153,586,266,299</b>	<b>29.97%</b>	<b>153,586,266,299</b>	<b>29.97%</b>
Securities Brokerage	56,499,388,922	11.03%	56,499,388,922	11.03%
ADSs holders and Foreign investors	46,789,496,314	9.13%	46,789,496,314	9.13%
Asset Managers	16,638,194,660	3.25%	16,638,194,660	3.25%
Santo Domingo Group	9,817,092,180	1.92%	9,817,092,180	1.92%
Insurance Companies	5,454,304,549	1.06%	5,454,304,549	1.06%
AFPs (Administradoras de Fondos de Pensiones)	421,784,150	0.08%	421,784,150	0.08%
Other minority shareholders	17,966,005,524	3.50%	17,966,005,524	3.50%
<b>Total</b>	<b><u>512,406,760,091</u></b>	<b><u>100.00%</u></b>	<b><u>512,406,760,091</u></b>	<b><u>100.00%</u></b>

(1) Includes 182,125,023 shares owned by Cía. Inmob. y de Inversiones Saga SpA that are under custody.

As of April 2, 2018, ADS holders (through the depositary) and foreign investors held approximately 14.37% of our total common shares, represented by seven registered shareholders (Deutsche Bank Trust Company Americas - ADSs; Banco de Chile on behalf of non-resident third parties; Itaú Corpbanca on behalf of investors; Banco Santander on behalf of foreign investors; Banco Santander-HSBC Bank PLC London Client Account; Banco Santander-HSBC Global Custody Clients S/C; IFC and Sierra Nevada Investments Chile Dos Limitada). The remaining 85.63% of our total shares were held locally, in Chile, represented by 437,783,516,580 shares held by local shareholders. All of our shareholders have identical voting rights.

Itaú Unibanco Holding S.A., ITB Holding Brasil Participações Limitada, CGB II SpA and CGB III SpA, accounted for approximately 22.45%, 11.13%, 2.13% and 0.35%, respectively, of our outstanding common shares as of April 2, 2018. Itaú Unibanco Holding S.A., ITB Holding Brasil Participações Limitada, CGB II SpA and CGB III SpA are each controlled by Itaú Unibanco who is the sole controlling shareholder of Itaú Corpbanca.

Itaú Unibanco and CorpGroup have signed the Itaú CorpGroup Shareholders' Agreement to determine aspects related to corporate governance, dividend policy (based on performance and capital metrics), transfer of shares, liquidity and other matters. For a

[Table of Contents](#)

description of the Itau CorpGroup Shareholders' Agreement and the Transaction Agreement, see "Item 10. Additional Information—C. Material Contracts."

## B. RELATED PARTY TRANSACTIONS

### GENERAL

In the ordinary course of our business, we engage in a variety of transactions with certain of our affiliates and related parties. The Chilean Corporations Act requires that our transactions with related parties be in our interest and also on an arm's-length basis or on similar terms to those customarily prevailing in the market. We are required to compare the terms of any such transaction to those prevailing in the market at the date the transaction is to be entered into. In the event that the transaction is not within the ordinary course of business, prior to its effectiveness, the directors committee must prepare a report describing the conditions of the operation and present it to the board of directors for its express approval. Directors of companies that violate this provision are liable for the resulting losses. Under the Chilean General Banking Act, transactions between a bank and its affiliates are subject to certain additional restrictions.

Under the Chilean Corporations Act, a "related party transaction," in the case of an open stock corporation, is any operation between such corporation and (i) one or more related persons under article 100 of the Securities Market Act (see below), (ii) a director, manager, administrator, principal officer or liquidator of the corporation, by him/herself or on behalf of persons other than the corporation, or their respective spouses or blood or marriage relatives to the second degree, (iii) an entity of which any of the persons indicated in the previous numeral is the direct or indirect owner of ten percent or more of its capital or a director, manager or officer, (iv) a person or entity determined as such by the by-laws of the corporation or the board committee, and (v) an entity in which a director, manager, administrator, principal officer or liquidator of the corporation, has acted in any of those capacities during the immediately previous 18 months.

Article 100 of the Securities Market Act provides that the following persons are "related" to a company: (i) the other entities of the business conglomerate to which the company belongs, (ii) parents, subsidiaries and equity-method investors and investees of the company, (iii) all directors, managers, officers and liquidators of the company and their spouses or blood relatives to the second degree, or any entity controlled, directly or indirectly, by any of the referred individuals, (iv) any person that, by him/herself or with other persons under a joint action agreement, may appoint at least one member of the management of the company or control ten percent or more of the capital or voting capital of a stock company and (v) other entities or persons determined as such by the CMF.

A publicly-traded corporation may only enter into a related transaction when its aim is to contribute to the corporate general interests, its conditions are set at arm's length and the corporation has followed the procedure indicated in the Chilean Corporations Act. The procedure to approve a related transaction can be summarized as follows: (i) the directors, managers, administrators, principal officers and liquidators involved in the potential transaction must give notice thereof to the board (these persons are obligated to disclose their interest in the transaction and their reasons to justify the convenience of the transaction for the corporation, both of which must be informed to the public), (ii) the absolute majority of the board, excluding any director involved in the transaction, must approve the transaction, (iii) the approval given by the board must be informed to the next shareholders' meeting, (iv) if the directors involved in the transaction form the majority of the board, the transaction may only be approved by the unanimity of the remaining directors or by two-thirds of the issued voting shares in the corporation in a shareholders' meeting, and (v) where the approval of the shareholders' meeting is required, the board will request an independent appraiser to submit to the shareholders the conclusions regarding the conditions of the transaction.

These rules are not applicable to non-material transactions in terms of amounts involved, transactions included in the ordinary course of business of the corporation, according to the policies approved by the board and transactions with another entity of which the corporation owns at least 95% of its shares or rights.

Non-compliance with these rules does not invalidate the transaction, but the persons involved will be obligated to transfer the benefit accrued thereby from the transaction to the corporation and will be held liable for the potential damages suffered by the corporation. These rules apply to all publicly-traded corporations and to their subsidiaries, regardless of their corporate type.

We believe that we have complied with the applicable requirements of the Chilean Corporations Act in all transactions with related parties and affirm that we will continue to comply with such requirements.

As of December 31, 2015, 2016 and 2017, loans to related parties totaled Ch\$7,314 million, Ch\$233,672 million and Ch\$214,026 million, respectively. See Note 32 to our consolidated financial statements for a more detailed accounting of transactions with related parties.

[Table of Contents](#)**LOANS TO RELATED PARTIES**

As of December 31, 2015, 2016 and 2017, loans to related parties were as follows:

<b>As of December 31, 2017</b>	<b>Operating Companies</b>	<b>Investment Companies</b>	<b>Individuals</b>
	(in millions of constant Ch\$ as of December 31, 2017)		
<b>Loans and receivables to customers:</b>			
Commercial loans	113,202	79,715	3,730
Mortgage Loans	—	—	19,273
Consumer Loans	—	—	5,081
Loans and receivables to customers - gross	<b>113,202</b>	<b>79,715</b>	<b>28,084</b>
Provision for loan losses	(1,627)	(5,252)	(96)
<b>Loans and receivables to customers, net</b>	<b>111,575</b>	<b>74,463</b>	<b>27,988</b>
<b>As of December 31, 2016</b>			
	(in millions of constant Ch\$ as of December 31, 2016)		
<b>Loans and receivables to customers:</b>			
Commercial loans	117,362	93,170	3,070
Mortgage Loans	—	—	19,568
Consumer Loans	—	—	3,493
Loans and receivables to customers - gross	<b>117,362</b>	<b>93,170</b>	<b>26,131</b>
Provision for loan losses	(2,398)	(396)	(197)
<b>Loans and receivables to customers, net</b>	<b>114,964</b>	<b>92,774</b>	<b>25,934</b>
<b>As of December 31, 2015</b>			
	(in millions of constant Ch\$ as of December 31, 2015)		
<b>Loans and receivables to customers:</b>			
Commercial loans	40	—	831
Mortgage Loans	—	—	5,209
Consumer Loans	—	—	1,245
Loans and receivables to customers - gross	<b>40</b>	<b>—</b>	<b>7,285</b>
Provision for loan losses	—	—	(11)
<b>Loans and receivables to customers, net</b>	<b>40</b>	<b>—</b>	<b>7,274</b>

All loans to related parties were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collectability or present other unfavorable features. During 2015, 2016 and 2017, and in accordance with IFRS, the total gross amounts of related party loans outstanding amounted to, Ch\$7,325 million, Ch\$236,663 million and Ch\$221,001 million, respectively.

[Table of Contents](#)**OTHER TRANSACTIONS WITH RELATED PARTIES**

During 2015, 2016 and 2017, we had the following income (expenses) from services provided to (by) related parties:

Company	2015	2016	2017
	Income (expenses)	Income (expenses)	Income (expenses)
	(in millions of nominal Ch\$)		
Redbanc S.A.	(888)	(3,754)	(3,355)
Transbank S.A.	(5,572)	(10,882)	(14,586)
Combanc S.A.	(164)	(291)	(378)
Itaú Chile Cía. de Seguros de Vida S.A.	—	—	—
Seguros	(2,168)	(21,775)	6,871
Servicios de recaudación	(53)	—	—
Arriendos	(15)	—	—
Asesorías Cumelen S.A.	—	(450)	—
Corp Research S.A.	—	(443)	(453)
Recuperadora de Créditos S.A.	(1,030)	(540)	—
Itaú Chile Inv. Serv. y Administración S.A.	(587)	(422)	(650)
Compañía de Seguros Confuturo S. A.	—	(1,418)	—
Instituto de Estudios Bancarios Guillermo Subercaseaux	—	(69)	(143)
Opina S.A.	—	(110)	—
VIP Asesorías y Servicios Integrales Limitada	—	(185)	(415)
Everis Chile S.A.	—	—	(607)
Itaú Unibanco S.A.	(6,610)	—	—
CAI Gestión Inmobiliaria S.A.	—	(90)	(115)
Compañía de Seguros Corp Seguros S.A	—	(3,263)	—
Universidad Andres Bello	—	(32)	—
Promoservice S.A.	—	(1,431)	(267)
Comder Contraparte Central S.A	—	(697)	(1,067)
Sinacofi S.A.	—	(918)	—
Operadora de Tarjeta de Crédito Nexus S.A.	—	(1,896)	(3,836)
Pulso Editorial S.A.	—	(521)	(509)
Inmobiliaria Edificio CorpGroup S.A.	—	(5,010)	(4,725)
Grupo de Radios Dial S.A.	—	(107)	—
Hotel Corporation of Chile S.A.	—	(64)	(265)
Corp Imagen y diseños S.A.	—	(82)	(196)
Asesorías e Inversiones Rapelco Limitada S.A.	—	(37)	—
CorpGroup Holding Inversiones Limitada	—	(394)	(398)
SMU S.A., Rendic Hnos. S.A.	—	(2,152)	(2,221)
Inversiones Corp Group Interhold Limitada	—	(2,172)	(3,097)
Bcycle Latam SPA	—	—	(552)
	<b>(17,087)</b>	<b>(59,205)</b>	<b>(30,964)</b>

These transactions were carried out on terms normally prevailing in the market at the date of the transaction.

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

[Table of Contents](#)**ITEM 8. FINANCIAL INFORMATION****A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION**

See “Item 17. Financial Statements.”

**LEGAL PROCEEDINGS**

We are involved in collections proceedings initiated by us in the normal course of business and certain proceedings against us in the ordinary course of banking business as disclosed in Note 21 to our consolidated financial statements included herein.

On December 30, 2015, the SBIF issued letter N° 16,191 (or Letter 16,191) whereby we were informed that as a consequence of the appointment of the former member of our board of directors, Mr. Rafael Guilisasti Gana, as member of the board of directors of Norte Grande S.A., Sociedad de Inversiones Oro Blanco S.A. and Sociedad de Inversiones Pampa Calichera S.A., the SBIF had commenced a special review on the corporate group known as “Cascadas” in order to verify our compliance with credit limitations set forth in the Chilean General Banking Act. The SBIF concluded that all the companies of the Cascadas group are part of a “corporate organizational structure” to exercise control over SQM S.A., therefore, they should be considered a single debtor for the purposes of computing the above referenced credit limitations. As a consequence of the above, the SBIF concluded that Corpbanca violated the individual lending limits set forth in article 84 N° 1 of the Chilean General Banking Act in relation to article 85 of the same norm regarding the companies that constitute the Cascadas group. In light of the foregoing, the SBIF imposed three fines on Corpbanca of 10% of the excess of such credit limitations for a total amount of Ch\$21,764,507,494 (US\$30.65 million).

On January 8, 2016, the bank paid the full amount of the fines as a mandatory condition precedent to exercise its appeal rights. On January 18, 2016, the bank brought an action before the Santiago Court of Appeals seeking the annulment of the fines. Pursuant to a final ruling by the Court of Appeals of Santiago dated August 31, 2016, the fines imposed by the SBIF pursuant to letter No.16,191 were declared illegal. In accordance with Article 22 of the General Law on Banks, the favorable ruling obtained by Itaú Corpbanca is not subject to appeal.

On September 6, 2016, the SBIF filed a complaint (recurso de queja) against the judges of the Court of Appeals of Santiago before the Supreme Court, which was dismissed by the Supreme Court on May 9, 2017.

On October 19, 2017, the SBIF pressed charges against Corpbanca (now Itaú Corpbanca) regarding the same alleged violations, giving rise to a new administrative process. On November 14, 2017, Itaú Corpbanca filed a special constitutional rights action (acción de protección) before the Santiago Court of Appeals which was declared inadmissible. Such a ruling was confirmed by the Supreme Court. The administrative process is still pending.

On December 20, 2016, Helm LLC initiated an arbitration proceeding (the “Arbitration”) against respondents Itaú Corpbanca and Corp Group Holding Inversiones Ltda. (“Corp Group”), and nominal respondent Itaú Corpbanca Colombia (collectively with Corp Group and Itaú Corpbanca, “Respondents”), by filing a Request for Arbitration in the ICC’s International Court of Arbitration in New York. Helm LLC alleged that Corp Group and Itaú Corpbanca had breached the Amended and Restated Shareholders Agreement of HB Acquisition S.A.S., dated July 31, 2013, between shareholders of Itaú Corpbanca Colombia (the “SHA”). As relief, Helm LLC is seeking, among other things, damages of \$598 million, reflecting what it claims is the value to which it is entitled in return for its shares in Itaú Corpbanca Colombia, plus interest. On February 14, 2017, Respondents filed their answers to Helm LLC’s Request for Arbitration, denying Helm LLC’s claims, and Corp Group and Itaú Corpbanca filed a counterclaim against Helm LLC for breaching the SHA. As relief under their counterclaim, Corp Group and Itaú Corpbanca are seeking, among other things, for Helm LLC’s rights under the SHA to be terminated. On April 19, 2017, Helm LLC filed a reply to Corp Group and Itaú Corpbanca’s counterclaim. The Arbitration has continued pursuant to the applicable procedures and an evidentiary hearing is expected to take place in July 2018. Itaú Corpbanca believes Helm LLC’s claim is without merit and intends to enforce its rights under the SHA and applicable law.

**DIVIDEND POLICY**

Under the Chilean Corporations Act, Chilean open stock companies, such as ours, are generally required to distribute at least 30% of their net income each year, unless otherwise agreed by the unanimous consent of our shareholders. In the event of any loss of capital or of the legal reserve, no dividends can be distributed so long as such loss is not recovered from earnings or otherwise. No dividends above the legal minimum can be distributed if doing so would result in the bank exceeding its indebtedness ratio or its lending limits.

On the other hand, the Itaú CorpGroup Shareholders’ Agreement provides for a dividend policy that targets, in the following order of priority: (i) first, complying with the Optimal Regulatory Capital for such fiscal year, as this term is defined therein, (ii) second, the payment of cash dividends aggregating at least US\$370 million for each year and (iii) third, achieving a growth rate of the total assets of Itaú Corpbanca and Itaú Corpbanca Colombia above the Minimum Growth Rate (as this term is defined therein) and other reasonable objectives as determined by the board of Itaú Corpbanca. See “Item 10. Additional Information—C. Material Contracts — Itaú CorpGroup Shareholders’ Agreement.”

[Table of Contents](#)

The Itau CorpGroup Shareholders' Agreement provides for the distribution of the 100% of the fiscal year's net income, calculated as total net income for the period less an amount provisioned to comply with the Optimal Minimum Regulatory Capital, as this term is defined in the Itau CorpGroup Shareholders' Agreement. In accordance with the Itau CorpGroup Shareholders' Agreement, at our ordinary shareholders' meeting held on March 27, 2017, our shareholders approved a dividend payout ratio of 30% of 2016 net income, equivalent to a dividend yield of 0.02%. In 2017, we paid an annual dividend of Ch\$0.001205475/share.

Also in accordance with the Itau CorpGroup Shareholders' Agreement, at our ordinary shareholders' meeting held on March 27, 2018, shareholders approved a dividend payout ratio of 40% of 2017 net income. As a result, in 2018, we paid an annual dividend of Ch\$0.04484469/share, equivalent to a dividend yield of 0.76%.

The actual amount of dividend payments will depend upon, among other factors, our then current level of earnings, capital and legal reserve requirements, as well as market conditions, and there can be no assurance as to the amount or timing of future dividends.

In the event that dividends are paid, holders of ADSs will be entitled to receive dividends to the same extent as the owners of common shares. Dividends received by holders of ADSs will, absent changes in Chilean exchange controls or other laws, be converted into U.S. dollars and distributed net of currency exchange expenses and fees of the depository and will be subject to Chilean withholding tax, currently imposed at the rate of 35% (which may be subject to credits in certain cases). Owners of ADSs are not charged with any fees with respect to cash or stock dividends.

**B. SIGNIFICANT CHANGES**

There have been no significant changes since the date of our annual financial statements.

[Table of Contents](#)**ITEM 9. OFFER AND LISTING DETAILS****A. OFFER AND LISTING DETAILS****PRICE HISTORY**

The table below shows, for the periods indicated, high and low closing prices (in nominal Chilean pesos) of the common shares on the Santiago Stock Exchange and of our ADSs on the New York Stock Exchange.

	Santiago Stock Exchange		New York Stock Exchange	
	Common Stock		ADSs	
	High	Low	High	Low
	(Ch\$ per share <sup>(1)</sup> )		(US\$ per ADS <sup>(2)</sup> )	
<b>Annual Price History</b>				
2013	7.47	4.73	22.19	13.75
2014	7.79	5.92	21.14	15.82
2015	7.90	5.53	18.78	11.70
2016	6.16	5.20	14.43	10.87
2017	6.42	4.95	14.75	10.77
<b>Quarterly Price History</b>				
2015 1st Quarter	7.68	6.60	18.54	15.82
2015 2nd Quarter	7.90	6.71	18.78	16.34
2015 3rd Quarter	7.00	6.07	16.48	12.91
2015 4th Quarter	6.37	5.53	14.09	11.70
2016 1st Quarter	6.13	5.20	13.75	10.87
2016 2nd Quarter	6.16	5.23	14.43	11.26
2016 3rd Quarter	5.97	5.46	13.80	12.32
2016 4th Quarter	5.99	5.37	13.81	11.97
2017 1st Quarter	6.12	5.06	13.68	11.65
2017 2nd Quarter	6.42	5.90	14.48	13.30
2017 3rd Quarter	6.39	5.62	14.75	13.43
2017 4th Quarter	6.10	4.95	14.44	10.77
2018 1 <sup>st</sup> Quarter	6.17	5.60	15.53	13.44
<b>Monthly Price History</b>				
September 2017	6.03	5.62	14.54	13.43
October 2017	6.10	5.85	14.44	13.60
November 2017	5.84	5.13	13.88	11.90
December 2017	5.65	4.95	13.60	10.77
January 2018	6.17	5.65	15.53	13.73
February 2018	6.11	5.68	15.35	14.15
March 2018	6.00	5.80	15.18	14.35
April 2018 <sup>(3)</sup>	5.80	5.80	14.62	14.62

Sources: Santiago Stock Exchange Official Quotation Bulletin; NYSE.

- (1) Pesos per share reflect nominal price at trade date.  
(2) Price per ADS in US\$: one ADS represents 5,000 shares of common stock and 1,500 since March 2011.  
(3) The information for April 2018 is as of April 2, 2018.

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

Our common shares are traded on the Santiago Stock Exchange and the Chilean Electronic Stock Exchange under the symbol "ITAUCORP." Our ADSs have been listed since November 1, 2004 on the New York Stock Exchange under the symbol "ITCB."

**D. SELLING SHAREHOLDER**

Not applicable.

[Table of Contents](#)**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION****A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF INCORPORATION**

Set forth below is material information concerning our share capital and a brief summary of the significant provisions of our by-laws and Chilean law. This description contains material information concerning the shares, but does not purport to be complete and is qualified in its entirety by reference to our by-laws, the Chilean General Banking Act, the Chilean Corporations Act and the Chilean Securities Market Act each referred to below.

**GENERAL**

Shareholders rights in a Chilean bank that is also a special corporation (*sociedad anónima especial*) are subject to the regulations of open stock corporations (*sociedades anónimas abiertas* or public companies) are governed by the bank's by-laws, which effectively serve the purpose of both the articles or certificate of incorporation and the by-laws of a company incorporated in the United States, by the Chilean General Banking Act and secondarily, to the extent not inconsistent with the latter, by the provisions of Chilean Corporations Act applicable to public companies except for certain provisions which are expressly excluded. Article 137 of the Chilean Corporations Act sets forth that all provisions of the Chilean Corporations Act take precedence over any contrary provision in a corporation's by-laws. Both the Chilean Corporations Act and our by-laws provide that legal actions by shareholders against us (or our officers or directors) to enforce their rights as shareholders or by one shareholder against another in their capacity as such, are to be brought in Chile in arbitration proceedings, notwithstanding the plaintiff's right to submit the action to the ordinary courts of Chile.

The Chilean securities markets are principally regulated by the CMF under the Chilean Securities Market Act and the Chilean Corporations Act. In the case of banks, compliance with these laws is supervised by the SBIF. These two acts provide for disclosure requirements, restrictions on insider trading and price manipulation, and protection of minority investors. The Chilean Securities Market Act sets forth requirements relating to public offerings, stock exchanges, securities brokers and dealers, and outlines disclosure requirements for companies that issue publicly offered securities. The Chilean Corporations Act sets forth the rules and requirements for establishing public companies while eliminating government supervision of closed (closely-held) corporations. Public companies are those that voluntarily, or are legally required to, register their shares in the Securities Registry kept by the CMF.

**BOARD OF DIRECTORS**

Our board of directors has 11 regular members and two alternate members, elected by shareholders' vote at ordinary shareholders' meetings. The directors may be either shareholders or non-shareholders of the Company. There is no age limit for directors.

A director remains in office for three years and may be re-elected indefinitely. If for any reason, the ordinary shareholders' meeting in which the new appointments of directors are to be made is not held, the duties of those serving as such shall be extended until their replacements are designated, in which case, the board of directors shall convene a meeting at the earliest possible time in order to effect the appointments.

The directors are entitled to compensation for the performance of their duties. The amount of their compensation is determined annually at the ordinary shareholders' meeting. In addition, payments in the form of wages, fees, travel accounts, expense accounts, dues as representatives of the board of directors and other cash payments, payments in kind or royalties of any sort whatsoever, may be paid to certain directors for the performance of specific duties or tasks in addition to their functions as directors imposed upon them specifically by the ordinary shareholders' meeting. Any special compensation must be reported at the ordinary shareholders' meeting, and for that purpose, a detailed and separate entry shall be made in our annual report to investors, which shall expressly indicate the complete name of each of the directors receiving special compensation.

Without prejudice to any other incapacity or incompatibility established by the Chilean Corporations Act, according to the Chilean General Banking Act, the following may not be directors: (i) those persons who have been sentenced or are being tried for crimes punishable with a principal or accessory penalty of temporary or permanent suspension from or incapacity to hold public

[Table of Contents](#)

office, (ii) those persons who have been declared bankrupt and have not been rehabilitated, (iii) members of the Chilean Congress, (iv) directors or employees of any other financial institutions, brokers and security traders, together with its directors, officers, executives and managers; employees appointed by the President of Chile and employees or officers of (x) the State, (y) any public service, public institution, semi-public institution, autonomous entity or state-controlled company, or any such entity, a Public Entity, or (z) any enterprise, corporation or public or private entity in which the State or a Public Entity has a majority interest, has made capital contributions, or is represented or participating, provided that persons holding positions in teaching activities in any of the above entities may be directors, and (v) the bank's employees, which shall not prevent a director from holding on a temporary basis and for a term not to exceed 90 days the position of manager. The CEO may not be elected as a director.

For purposes of the election of directors, each shareholder shall have the right to one vote per share for purposes of electing a single person, or to distribute his votes among candidates as he or she may deem convenient, and the persons obtaining the largest number of votes in the same and single process shall be awarded positions, until all positions have been filled. The elections of regular and alternate board members are carried out separately. For purposes of casting votes, the chairman and the secretary, together with any other persons that may have been previously designated by at the meeting to sign the minutes thereof, shall issue a certificate giving evidence of the oral votes of shareholders attending, following the order of the list of attendance being taken.

Each shareholder is entitled to cast his or her vote by means of a ballot signed by him or her, stating whether he or she signs for his own account or as a representative. This entitlement notwithstanding, in order to expedite the voting process, it can be ordered that the vote be taken alternatively or by oral vote or by means of ballots. At the time of polling, the chairman may instruct that the votes be read aloud, in order for those in attendance to count the number of votes issued and verify the outcome of the voting process.

Every election of directors, or any changes in the election of directors, shall be transcribed into a public deed before a notary public, published in a newspaper of Santiago and notified to the SBIF by means of the filing of a copy of the respective public deed. Likewise, the appointments of general manager, manager and deputy managers shall be communicated and transcribed into a public deed.

If a director ceases to be able to perform his or her duties, whether by reason of conflict of interest, limitation, legal incapacity, impossibility, resignation or any other legal cause, the vacancy is filled as follows: (i) the positions of regular director is filled by a member appointed by the board of directors on its first meeting after the vacancy occurs and such member appointed by the board of directors will remain in the position until the next ordinary shareholders' meeting, where the appointment may be ratified, in which case, the replacement director will remain in his or her position until the expiration of the term of the director he or she replaced and act as full director; and (ii) while the vacancy has not been filled by the board of directors, an alternate director shall act as regular member.

The alternate directors may temporarily replace regular directors in case of their absence or temporary inability to attend a board meeting. Alternate board members are always entitled to attend and speak at board meetings. They are entitled to vote at such meetings only when a regular member is absent and such alternate member acts as the absent member's replacement.

During the first meeting following the ordinary shareholders' meeting, the board of directors elects, by an absolute majority and in separate and secret votes, from among its members, a chairman and a vice chairman. If no director obtains such majority, the election is repeated among those three directors who obtained the most votes, adding any blank votes to the person who obtained the greatest number of votes. In case of a tie, the vote is repeated and, if a tie were to occur again, there is a drawing. The chairman and the vice president may be reelected indefinitely.

The board of directors meets in ordinary sessions at least once a month, held on pre-set dates and times determined by the board. Extraordinary meetings are held whenever called by the chairman, whether at his own will or upon the request of one or more directors, so long as the chairman determines in advance that the meeting is justified, except if the request is made by the absolute majority of the directors in office, in which case the meeting shall be held without such prior determination. The extraordinary meetings may only address those matters specifically included in the agenda for the extraordinary meeting, except that, if the meeting is attended by all the directors in office, they may agree otherwise by a unanimous vote. Notifications of meetings of the board of directors shall be made by certified letter sent to the address of each director registered with the bank, at least five days in advance of the date on which the ordinary or extraordinary session should be held. The five-day period shall be calculated from the date on which the letter is placed in the mail.

The quorum for the board of directors' meeting is majority of its members in office, this is six directors. Resolutions shall be adopted by the affirmative vote of the absolute majority of the attending directors. In the event of a tie, the person acting as the chairman of the meeting shall have a casting vote.

Directors having a vested interest in a negotiation, act, contract or transaction that is not related to the bank business, either as principal or as representative of another person, shall communicate such fact to the other directors. If the respective resolutions are approved by the board, it shall be in accordance with the prevailing company's interest and fair market conditions and such director's interest must be disclosed at the next ordinary shareholders' meeting by the chairman of such board meeting.

[Table of Contents](#)

The discussions and resolutions of the board of directors shall be recorded in a special book of minutes maintained by the secretary. The relevant minutes shall be signed by the directors that attended the relevant meeting. If a director determines that the minutes for a meeting are inaccurate or incomplete, he or she is entitled to record an objection before actually signing the minutes. The minutes shall be deemed approved as from the moment it is signed by all the directors that attended such meeting and all the resolutions adopted may be carried out upon the approval. However, by unanimous consent of the directors that attended the meeting, the resolutions adopted by the board may be carried out before the approval of the minutes, provided that the agreement is recorded in a written document signed by all the relevant directors. In the event of death, refusal or incapacity for any reason of any of the directors attending to sign the minutes, such circumstance shall be recorded at the end of the minutes stating the reason for the impediment.

The directors are personally liable for all of the acts they effect in the performance of their duties. Any director who wishes to disclaim responsibility for any act or resolution of the board of directors must record his or her opposition in the minutes, and the chairman must report such opposition at the following ordinary shareholders' meeting.

The board will represent us in and out of court and, for the performance of the bank's business, a circumstance that will not be necessary to prove before third parties, it will be empowered with all the authorities and powers of administration that the law or the by-laws do not set as exclusive to the ordinary shareholders' meeting, without being necessary to grant any special power of attorney, even for those acts that the law requires to do so. This provision is notwithstanding the judicial representation of the bank that is part of the general manager's authorities. The board may delegate part of its authority to the general manager, to the managers, deputy managers or attorneys of the bank, a director, a commission of directors, and for specifically determined purposes, in other persons.

### CAPITALIZATION

Under Chilean law, the shareholders of a bank, acting at an extraordinary shareholders' meeting, have the power to authorize an increase in such company's capital with the authorization of the SBIF. When an investor subscribes for issued shares, the shares are registered in such investor's name, even if not paid for, and the investor is treated as a shareholder for all purposes except with regard to receipt of dividends and the return of capital; provided that the shareholders may, by amending the by-laws, also grant the right to receive dividends or distributions of capital. An investor becomes eligible to receive dividends and returns of capital once it has paid for the shares (if it has paid for only a portion of such shares, it is entitled to receive a corresponding pro-rata portion of the dividends declared and/or returns of capital with respect to such shares unless the company's by-laws provide otherwise). If an investor does not pay for shares for which it has subscribed on or prior to the date agreed upon for payment, the board of directors is obligated to initiate legal action to recover outstanding amounts unless holders of two-thirds of the issued shares in an extraordinary shareholders meeting authorizes the board of directors to refrain from pursuing the collection, in which case the company's capital will be reduced to the amount actually paid. Upon termination of the actions for collection, the board of directors shall propose to the shareholders meeting the write-off of the non-paid amount and the reduction of the capital of the company to the amount effectively paid in. Authorized shares and issued shares which have not been subscribed and paid for within the period fixed for their payment (which cannot be longer than three years) are cancelled and are no longer available for issuance by the company, unless in case of an issuance of convertible bonds (in which case the unsubscribed portion of the capital increase shall remain in place for a number of shares sufficient to comply with the option) or when reserved for compensation plans for employees (in which case the maximum term for subscription and payment cannot be longer than five years).

Article 22 of Chilean Corporations Act states that the purchaser of shares of a company implicitly accepts its by-laws and any agreements adopted at shareholders' meetings.

### OWNERSHIP RESTRICTIONS

Under Article 12 of the Chilean Securities Market Act and the Regulations of the SBIF, shareholders of Public Companies are required to report the following to the CMF and the Chilean stock exchanges:

- any direct or indirect acquisition or sale of shares that results in the holder's acquiring or ceasing to own, directly or indirectly, 10% or more of a Public Company's share capital; and
- any direct or indirect acquisition or sale of shares or options to buy or sell shares, in any amount, if made by a holder of 10% or more of a Public Company's capital or if made by a director, liquidator, main officer, general manager or manager of such corporation.

The foregoing requirements also apply to the acquisition or sale of securities or agreements which price or return depends or is conditioned (all or in a significant part) on changes or movements in the price of such shares. Such report shall be made the day following the execution of the transaction.

In addition, majority shareholders must state in any such report whether their purpose is to acquire control of the company or if they are making a financial investment. Any beneficial owner of ADSs representing 10% or more of our share capital is subject to

[Table of Contents](#)

these reporting requirements under Chilean law. The Chilean Securities Market Act also sets forth certain regulations on takeovers of corporations.

Under Article 54 of the Chilean Securities Market Act and the regulations of the CMF, persons or entities intending to acquire control, directly or indirectly, of a Public Company, regardless of the acquisition vehicle or procedure, and including acquisitions made through direct subscriptions or private transactions, are also required to inform the public of such acquisition at least ten business days before the date of perfection of the acts which allow to obtain control of the company, but in any case, as soon as negotiations regarding the change of control are formalized and/or as soon as reserved information and/or documents concerning the target are delivered to the potential acquirer through a filing with the CMF, the stock exchanges and the companies controlled by and that control the target and through a notice published in two Chilean newspapers, which notice must disclose, among other information, the person or entity purchasing or selling and the price and conditions of any negotiations.

Within the same term, a written communication to such effect must be sent to the target corporation, the controlling corporation, the corporations controlled by the target corporation, the CMF, and to the Chilean stock exchanges on which the securities are listed.

In addition to the foregoing, Article 54A of the Chilean Securities Market Act requires that within two business days of the completion of the transactions pursuant to which a person has acquired control of a Public Company, a notice shall be published in the same newspapers in which the notice referred to above was published and notices shall be sent to the same persons mentioned in the preceding paragraphs.

A beneficial owner of ADSs intending to acquire control of us is also subject to the foregoing reporting requirements.

The provisions of the aforementioned articles do not apply whenever the acquisition is being made through a tender or exchange offer.

Title XXV of the Chilean Securities Market Act on tender offers and the regulations of the CMF provide that the following transactions shall be carried out through a tender offer:

- an offer which allows a person to take control of a Public Company;
- an offer for all the outstanding shares of a Public Company upon acquiring two-thirds or more of its voting shares, in which case such controlling shareholder must offer to purchase the remaining shares from the investing shareholders in a tender offer, unless (i) the controlling shareholder has reached two-thirds of the voting shares through a tender offer for all of the shares of the company or due to any of the situations exempted, or (ii) it reaches such percentage as a result of a reduction of the capital of the company by operation of law: such offer must be made at a price not lower than the price at which appraisal rights may be exercised, that is, book value if the shares of the company are not actively traded or, if the shares of the company are actively traded, the weighted average price at which the stock has been traded during the 60 stock exchange business days between the thirtieth and the ninetieth stock exchange business days immediately preceding the acquisition; and
- an offer for a controlling percentage of the shares of a listed operating company if such person intends to take control of the company (whether listed or not) controlling such operating company, to the extent that the operating company represents 75% or more of the consolidated net worth of the holding company.

Nevertheless, the following exceptions are applicable to all the cases described above (i) the shares are being sold by a controlling shareholder of such company at a price in cash which is not substantially higher than the market price and the shares of such company are actively traded on a stock exchange, or (ii) those shares are acquired (a) through a capital increase, (b) as a consequence of a merger, (c) by inheritance, or (d) through a forced sale.

Article 200 of the Chilean Securities Market Act prohibits any shareholder that has taken control of a Public Company to acquire, within the period of 12 months from the date of the transaction that permitted such shareholder to take control of the Public Company, a number of shares equal to or higher than 3% of the outstanding issued shares of the target without making a tender offer at a price per share not lower than the price paid at the time of the change of control transaction. However, if the acquisition is made on a stock exchange and on a pro rata basis, the controlling shareholder may purchase a higher percentage of shares, if so permitted by the regulations of the stock exchange.

Title XV of the Chilean Securities Market Act sets forth the basis to determine what constitutes control of a business group and a related party while Title XXV establishes a special procedure for acquiring control of a Public Company through a tender offer. The Chilean Securities Market Act defines control as the power of a person, or group of persons acting pursuant to a joint action agreement, to direct the majority of the votes in the shareholders meetings of the corporation, or to elect the majority of members of its board of directors, or to influence the management of the corporation significantly. Significant influence is deemed to exist in respect

[Table of Contents](#)

of the person or group of persons acting together pursuant to a joint action agreement holding, directly or indirectly, at least 25% of the voting share capital, unless:

- another person or group of persons acting pursuant to a joint action agreement, directly or indirectly, control a stake equal to or higher than the percentage controlled by such person or group;
- the person or group does not control, directly or indirectly, more than 40% of the voting share capital and the percentage controlled is lower than the sum of the shares held by other shareholders holding more than 5% of the voting share capital; and
- in cases where the CMF has ruled otherwise, based on the distribution or atomization of the overall shareholding.

According to the Chilean Securities Market Act, a joint action agreement is an agreement among two or more parties which, directly or indirectly, own shares in a corporation at the same time and whereby they agree to participate with the same interest in the management of the corporation or in taking control of the same. The law presumes that such an agreement exists between:

- a principal and its agents;
- spouses and relatives up to certain level of kindred;
- entities within the same business group; and
- an entity and its controller or any of its members.

Likewise, the CMF may determine that a joint action agreement exists between two or more entities considering, among others, the number of companies in which they simultaneously participate and the frequency with which they vote identically in the election of directors, appointment of managers and other resolutions passed at shareholders' meetings.

According to Article 96 of the Chilean Securities Market Act, a business group is a group of entities with such ties in their ownership, management or credit liabilities that it may be assumed that the economic and financial action of such members is directed by, or subordinated to, the joint interests of the group, or that there are common credit risks in the credits granted to, or securities issued by, them. According to the Chilean Securities Market Act, the following entities are part of the same business group:

- a company and its controlling person;
- all the companies with a common controlling person and the common controlling person; and
- all the entities that the CMF declare to be part of the business group due to one or more of the following reasons:
  - a substantial part of the assets of the company are involved in the business group, whether as investments in securities, equity rights, loans or guaranties;
  - the company has a significant level of indebtedness and that the business group has a material participation as a lender or guarantor;
  - when the controller is a group of entities, that the company is a member of a controlling person of the entities mentioned in the first two bullets above and there are grounds to include it in the business group based on the definitions above; and
  - the company is controlled by one or more member of the controlling group of any of the entities of the business group, when such controller is composed of more than one person and there are grounds to include the company in the business group based on the definition above.

Article 36 of the Chilean General Banking Act states that as a matter of public policy, no person or company may acquire, directly or indirectly, shares that alone or jointly with the shares previously owned by it, represent more than 10% of the shares of a bank without the prior authorization of the SBIF, which may not be unreasonably withheld. The prohibition also applies to beneficial owners of ADSs. In the absence of such authorization, any person or group of persons acting in concert would not be permitted to exercise voting rights with respect to the shares or ADSs acquired. In determining whether or not to issue such an authorization, the SBIF considers a number of factors enumerated in the Chilean General Banking Act, including the financial stability of the purchasing party.

Article 35 *bis* of the Chilean General Banking Act establishes that prior authorization of the SBIF is required for:

- the merger of two or more banks;

[Table of Contents](#)

- the acquisition of all or a substantial portion (more than one third) of a bank's assets and liabilities by another bank;
- the control by the same person, or controlling group, of two or more banks; or
- a substantial increase in the share ownership by a controlling shareholder of a bank (understood as either acquiring a majority or two thirds of the bank's shares).

Such prior authorization is required solely when the acquiring bank or the resulting group of banks would own a significant market share in loans (*colocaciones*), defined by the SBIF to be more than 15% of all loans in the Chilean banking system. The intended purchase, merger or expansion may be denied by the SBIF pursuant to a report from the Chilean Central Bank's Counsel. Alternatively, a purchase, merger or expansion, when the acquiring bank or resulting group would have a market share in loans defined by the SBIF to be more than 20% of all loans in the Chilean banking system, may be conditioned on one or more of the following:

- that the bank or banks maintain an effective net equity higher than 8% and up to 14% of their risk weighted assets;
- that the technical reserve established in Article 65 of the Chilean General Banking Act be applicable when deposits exceed one and a half times the resulting bank's effective net equity (which is the sum of (x) paid-in capital and reserves, plus (y) subordinated bonds up to 50% of letter (x) above under certain terms, plus (z) certain effective risk voluntary reserves up to 1.25% of its risk weighted assets); or
- that the margin for interbank loans be diminished to 20% of resulting bank's effective net equity.

If the acquiring bank or resulting group would have a market share in loans defined by the SBIF to be more than 15% but less than 20%, the authorization will be conditioned on the bank or banks maintaining an effective net equity not lower than 10% of their risk-weighted assets for the time set forth by the SBIF, which may not be less than one year. The calculation of risk-weighted assets is based on a five-category risk classification system applied to a bank's assets that is based on the Basel Committee recommendations.

According to the Chilean General Banking Act a bank may not grant loans to related parties on more favorable terms than those generally offered to non-related parties. Article 84 No. 2 of the Chilean General Banking Act and the Regulations of the SBIF create the presumption, among other cases, that natural persons who are holders of shares and who beneficially own more than 1% of the shares (or 5% in the case of bank's shares actively traded) are related to the bank and imposes certain restrictions on the amounts and terms of loans made by banks to related parties. This presumption would also apply to beneficial owners of ADSs representing more than 1% of the shares, and accordingly the limitations of Article 84 No. 2 would be applicable to such beneficial owners. Finally, according to the Regulations of the SBIF, Chilean banks that issue ADSs are required to inform the SBIF if any person, directly or indirectly, acquires ADSs representing 5% or more of the total amount of shares of capital stock issued by such bank.

Article 16 *bis* of the Chilean General Banking Act provides that the individuals or legal entities which, individually or with other people, directly control a bank and who individually own more than 10% of its shares shall send to the SBIF reliable information on their financial situation in the form and within the time set forth in Chapter 1-3 of the regulations of the SBIF (*Recopilación Actualizada de Normas*). Also, controlling shareholders must submit information regarding their financial situation pursuant to Chapter 1-17 of said regulations.

## PREEMPTIVE RIGHTS AND INCREASES OF SHARE CAPITAL

The Chilean Corporations Act provides that whenever a Chilean company issues new shares for consideration, it must offer to its existing shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentages in the company. Pursuant to this requirement, preemptive rights in connection with any future issuance of shares will be offered by us to the depository as the registered owner of the shares underlying the ADSs. However, the depository will not be able to make such preemptive rights available to holders of ADSs unless a registration statement under the Securities Act is effective with respect to the underlying shares or an exemption from the registration requirements thereunder is available.

We intend to evaluate, at the time of any preemptive rights offering, the practicality under Chilean law and Central Bank of Chile regulations in effect at the time of making such rights available to our ADS holders, as well as the costs and potential liabilities associated with registration of such rights and the related common shares under the Securities Act, and the indirect benefits to us of thereby enabling the exercise by all or certain holders of ADSs of their preemptive rights and any other factors we consider appropriate at the time, and then to make a decision as to whether to file such registration statement. We cannot assure you that any registration statement would be filed. If we do not file a registration statement and no exemption from the registration requirements under the Securities Act is available, the depository will attempt to sell such holders' preemptive rights and distribute the proceeds thereof, after deduction of its expenses and fees, if a premium can be recognized over the cost of such sale. In the event that the depository is not able, or determines that it is not feasible, to sell such rights at a premium over the cost of any such sale, all or certain holders of ADSs may receive no value for such rights. The inability of all or certain holders of ADSs to exercise preemptive rights in respect of common shares underlying such ADSs could result in such holders not maintaining their percentage ownership of the

[Table of Contents](#)

common shares following such preemptive rights offering unless such holder made additional market purchases of ADSs or common shares.

Under Chilean law, preemptive rights are exercisable or freely transferable by shareholders during a period that cannot be less than 30 days following the grant of such rights. During such period (except for shares as to which preemptive rights have been waived), Chilean Public Companies are not permitted to offer any newly issued shares for sale to any third party. For an additional 30-day period thereafter, a Chilean company is not permitted to offer any unsubscribed shares for sale to third parties on terms which are more favorable than those offered to its shareholders. Thereafter, unsubscribed shares may be offered through any Chilean stock exchange without any indication of price. Unsubscribed shares that are not sold on a Chilean stock exchange can be sold to third parties only on terms no more favorable for the purchaser than those offered to shareholders.

## SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

An annual ordinary meeting of shareholders is held within the first four months of each year, generally in March and must be called by the board of directors. The annual ordinary meeting of shareholders is the corporate body that approves the annual financial statements, approves all dividends in accordance with the dividend policy proposed by the board of directors, elects the members of our board of directors and approves any other matter which does not require an extraordinary shareholders' meeting. The last annual ordinary meeting of our shareholders was held on March 27, 2018.

Extraordinary meetings may be called by our board of directors when deemed appropriate, and ordinary or extraordinary meetings must be called by our board of directors when requested by shareholders representing at least 10% of the issued voting shares or by the SBIF.

Notice to convene the annual ordinary meeting or an extraordinary meeting is given by means of written notice which must be published at least three different days in a newspaper of our corporate domicile (currently Santiago) designated by the shareholders at their annual meeting and if a shareholder fails to make such designation, the notice must be published in the Official Gazette pursuant to legal regulations. The first notice must be published not less than 15 days nor more than 20 days in advance of the scheduled meeting. Notice must also be mailed 15 days in advance to each shareholder and to the SBIF, CMF and the Santiago, Valparaiso and Chilean Electronic Stock Exchange. Currently, we publish our official notices in the Diario Pulso.

The quorum for a shareholders' meeting is established by the presence, in person or by proxy, of shareholders representing at least an absolute majority of the issued common shares; if a quorum is not present at the first meeting, the meeting can be reconvened (in accordance with the procedures described in the previous paragraph) and, upon the meeting being reconvened, shareholders present at the reconvened meeting are deemed to constitute a quorum regardless of the percentage of the shares represented. The shareholders' meetings pass resolutions by the affirmative vote of an absolute majority of those voting shares present or represented at the meeting.

Only shareholders registered with us on the fifth business day prior to the date of a meeting are entitled to attend and vote their shares. A shareholder may appoint another individual (who need not be a shareholder) as his proxy to attend and vote on his behalf. Every shareholder entitled to attend and vote at a shareholders' meeting has one vote for every share subscribed. Under our by-laws, directors are elected by cumulative voting. Each shareholder has one vote per share and may cast all of his or her votes in favor of one nominee or may apportion his or her votes among any number of nominees.

The following matters can only be agreed upon at an extraordinary shareholders' meeting:

- our dissolution;
- a merger, transformation, division or other change in our corporate form or the amendment of our by-laws;
- the issuance of bonds or debentures convertible into shares;
- the conveyance of 50% or more of our assets or the submission of, or changes to any business plan that contemplates the sale of more than 50% of the assets of the company;
- the conveyance of 50% or more of the assets of a subsidiary, if represent at least 20% of our total assets, and any transfer of shares of a subsidiary that implies the Company loses control of such subsidiary;
- granting of a security interest or a personal guarantee in each case to secure the obligations of third parties, unless (i) to secure or guarantee the obligations of a subsidiary, in which case the approval of the board of directors will suffice (although this restriction is not applicable to banks: (a) granting sureties, (b) becoming jointly and/or jointly and severally liable with clients or (c) issuing bank guarantees within their course of business) and (ii) in those cases exempted by the Chilean General Banking Act; and

[Table of Contents](#)

- other matters that require shareholder approval according to Chilean law or our by-laws.

The matters referred to in the first five items listed above may only be approved at a meeting held before a notary public, who shall certify that the minutes are a true record of the events and resolutions of the meeting.

The by-laws establish that resolutions are passed at shareholders' meetings by the affirmative vote of an absolute majority of those shares present or represented at the meeting. However, under the Chilean Corporations Act, the vote of a two-thirds majority of the outstanding voting shares is required to approve any of the following actions:

- a change in corporate form, merger or spin-off;
- an amendment to our term of existence or early dissolution;
- a change in corporate domicile;
- a decrease of corporate capital;
- the approval of capital contributions in kind and a valuation of the assets contributed;
- a modification of the authority reserved for the shareholders' meetings or limitations on the powers of our board of directors;
- a reduction in the number of members of our board of directors;
- the conveyance of 50% or more of the corporate assets, regardless of whether it includes liabilities, or the submission of or change to any business plan that contemplates the conveyance of 50% or more of the corporate assets;
- the conveyance of 50% or more of the assets of a subsidiary, if those assets represent at least 20% of our total assets, and any transfer of shares of a subsidiary that implies the Company loses control of such subsidiary;
- the manner in which the corporation's profits shall be distributed;
- the creation of security interests to secure third-party obligations in excess of 50% of the corporate assets, unless granted to a subsidiary or when exempted by the Chilean General Banking Act (although this restriction is not applicable to banks: (i) granting sureties, (ii) becoming jointly and/or jointly and severally liable with clients or (iii) issuing bank guarantees within their course of business);
- the acquisition of our own shares, when, and or the terms and conditions permitted by law;
- the cure of formal defects in the incorporation of the corporation or an amendment to its by-laws related to any of the matters referred to in the preceding bullets;
- to establish the right of the controller to force other shareholders to sell their shares in case the controller has surpassed 95% of the shares of the company as a result of a tender offer for 100% of its shares under certain circumstances;
- the approval of material related-party transactions according to Article 147 of the Chilean Corporations Act; or
- all other matters provided for in our by-laws.

In general, Chilean law does not require a Chilean public company to provide the level and type of information that U.S. securities laws require a reporting company to provide to its shareholders in connection with a solicitation of proxies. However, shareholders are entitled to examine the books of the company within the 15-day period before the ordinary annual meeting. Under Chilean law, a notice of a shareholders' meeting listing matters to be addressed at the meeting must be mailed not fewer than 15 days prior to the date of such meeting, and, in cases of an ordinary annual meeting, shareholders must have available an annual report of the company's activities which includes audited financial statements. In addition to these requirements, we regularly provide, and management currently intends to continue to provide, together with the notice of shareholders' meeting, a proposal for the final annual dividend.

The Chilean Corporations Act provides that whenever shareholders representing 10% or more of the issued voting shares so request, a Chilean company's annual report must include, in addition to the materials provided by the board of directors to shareholders, such shareholders' comments and proposals in relation to the company's affairs. Similarly, the Chilean Corporations Act provides that whenever the board of directors of a public company convenes an ordinary meeting of the shareholders and solicits proxies for that meeting, or distributes information supporting its decisions, or other similar material, it is obligated to include as an

[Table of Contents](#)

annex to its said materials any pertinent comments and proposals that may have been made by shareholders owning 10% or more of the company's voting shares who have requested that such comments and proposals be so included.

### **DIVIDEND, LIQUIDATION AND APPRAISAL RIGHTS**

Under the Chilean Corporations Act, Chilean companies are generally required to distribute at least 30% of their earnings as dividends, unless there is unanimous consent to the contrary. In the event of any loss of capital or of the legal reserve, no dividends can be distributed so long as such loss is not recovered. Also, no dividends of a bank can be distributed if doing so would result in the bank exceeding certain capital ratios.

Dividends that are declared but not paid by the date set for payment at the time of declaration are adjusted from the date set for payment to the date such dividends are actually paid. The right to receive dividends lapses if it is not claimed within five years from the date the dividend is payable.

We may declare a dividend in cash or in shares. When a share dividend is declared above the legal minimum (which minimum must be paid in cash), our shareholders must be given the option to elect to receive cash. Our ADS holders may, in the absence of an effective registration statement under the Securities Act or an available exemption from the registration requirement thereunder, effectively be required to receive a dividend in cash.

In the event of our liquidation, the holders of fully paid shares would participate equally and ratably, in proportion to the number of paid-in shares held by them, in the assets available after payment of all creditors.

In accordance with the Chilean General Banking Act, our shareholders have no appraisal rights.

### **APPROVAL OF FINANCIAL STATEMENTS**

Our board of directors is required to submit our audited financial statements to the shareholders annually for their approval at the ordinary shareholders meeting. The approval or rejection of such financial statements is entirely within our shareholders' discretion. If our shareholders reject our financial statements, our board of directors must submit new financial statements not later than 60 days from the date of such rejection. If our shareholders reject our new financial statements, our entire board of directors is deemed removed from office and a new board of directors is elected at the same meeting. Directors who individually approved such rejected financial statements are disqualified for re-election for the ensuing period.

### **REGISTRATIONS AND TRANSFERS**

Our common shares are registered by an administration agent named DCV Registros S.A. This entity is responsible for our shareholders' registry. In the case of jointly owned common shares, an attorney-in-fact must be appointed to represent the joint owners in dealings with us.

### **C. MATERIAL CONTRACTS**

The following is a brief summary of our material contracts currently in force. A copy of each of these contracts has been included as an exhibit hereto. See "Item 19. Exhibits."

#### **Transaction Agreement**

This section describes the material terms of (i) the Transaction Agreement executed by former Corpbanca, CorpGroup Parent, Itaú Unibanco and former Itaú Chile on January 29, 2014, and amended on June 2, 2015 and on January 20, 2017; and (ii) the text of the Itaú CorpGroup Shareholders' Agreement contemplated by the Transaction Agreement and executed by Itaú Unibanco Holding S.A., Inversiones Gasa Limitada, CorpGroup Holding Inversiones Limitada, CorpGroup Banking S.A., Compañía Inmobiliaria y de Inversiones Saga SpA and CorpGroup Interhold SpA on April 1, 2016.

The rights and obligations of the parties to the Transaction Agreement and the Itaú CorpGroup Shareholders' Agreement are governed by the express terms and conditions of such agreement and not by this summary or any other information contained in this Form 20-F. The description in this section and elsewhere in this Form 20-F is qualified in its entirety by reference to the complete text of the Transaction Agreement and the form of Itaú CorpGroup Shareholders' Agreement, copies of which are attached as Exhibit 10.C.1 and are incorporated by reference herein. This summary does not purport to be complete and may not contain all of the information about the Transaction Agreement or the Itaú CorpGroup Shareholders' Agreement. Itaú Corpbanca encourages you to read the Transaction Agreement and the Itaú CorpGroup Shareholders' Agreement carefully and in their entirety.

Capitalized terms used but not defined herein shall have the same meaning as in the Transaction Agreement or the Itaú CorpGroup Shareholders' Agreement, as applicable.

[Table of Contents](#)**Explanatory Note Regarding the Transaction Agreement**

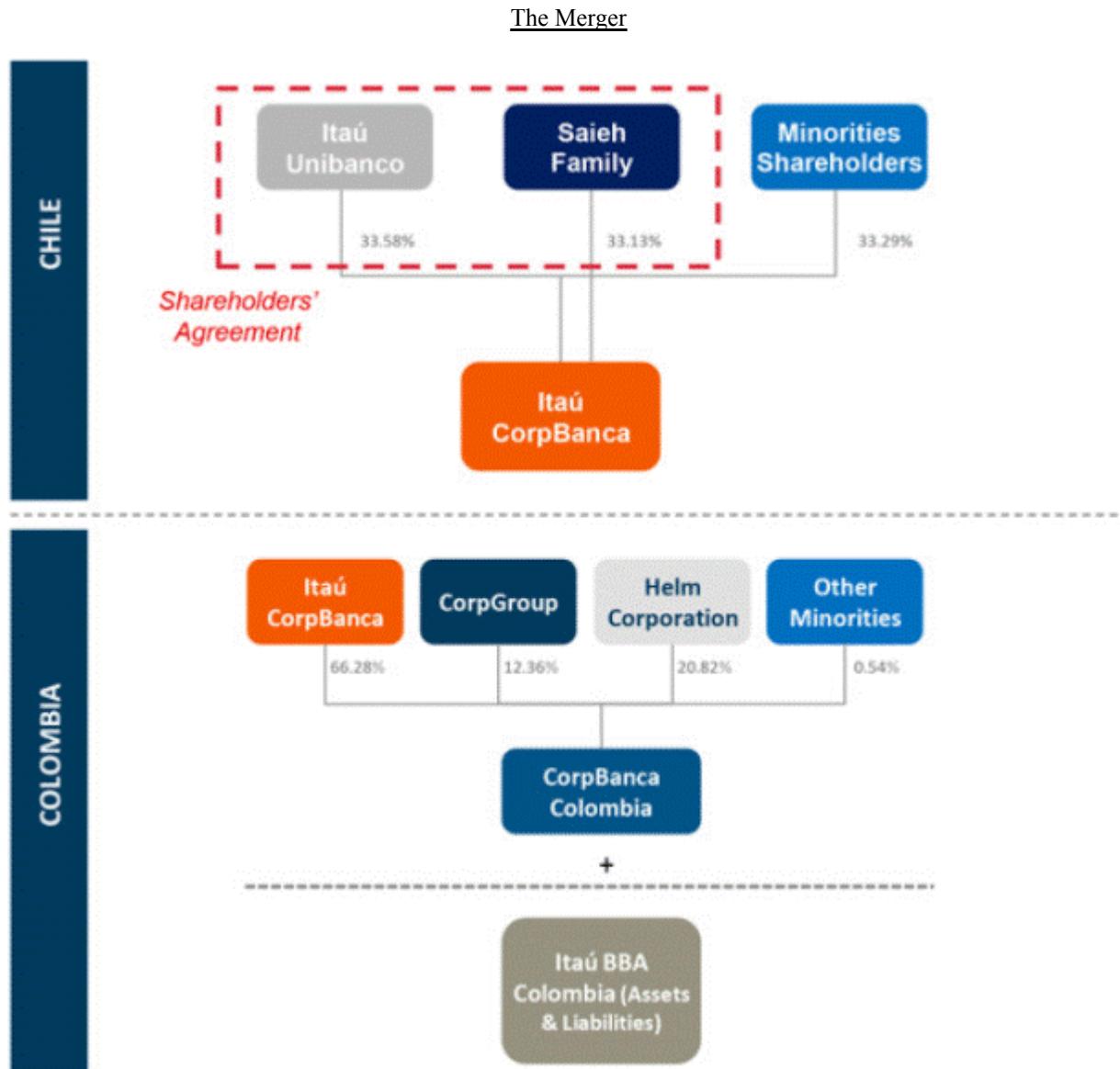
The following summary is included to provide you with information regarding the terms of the Transaction Agreement. This section is not intended to provide you with any factual information about Itau Corpbanca. Such information can be found elsewhere in this Form 20-F and in the public filings that Itau Corpbanca makes with the SEC.

The representations, warranties and covenants made in the Transaction Agreement by former Itau Chile and former Corpbanca were qualified and subject to important limitations agreed to by Itau Chile and Corpbanca in connection with negotiating the terms of the Transaction Agreement. In particular, in your review of the representations and warranties contained in the Transaction Agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purpose of establishing the circumstances in which a party to the Transaction Agreement may have the right not to consummate the Merger if the representations and warranties of the other party proved to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the Transaction Agreement, rather than establishing matters as facts. The representations and warranties are also subject to a contractual standard of materiality and in some cases were qualified by the matters contained in the disclosure schedules that the parties delivered in connection with the Transaction Agreement. Moreover, information concerning the subject matter of the representations, warranties and covenants may change after the date of the Transaction Agreement, which subsequent information may or may not be fully reflected in public disclosures by Itau Unibanco or former Corpbanca. The representations and warranties and other provisions in the Transaction Agreement should not be read alone but instead together with the information provided elsewhere in this Form 20-F and in the documents incorporated by reference hereto. We may refer to January 29, 2014, the date that the parties entered into the Transaction Agreement, as the signing date.

[Table of Contents](#)

**Overview**

To help you better understand the Merger and the other transactions contemplated by the Transaction Agreement the charts below illustrate, in simplified form, the organizational structure of former Corpbanca and Itaú Chile in Chile and Colombia.



The following transactions occurred prior to the Merger:

- The Saieh Family divested 5,208,344,218 shares it held in former Corpbanca which, collectively, amounted to 1.53% of the capital stock of Corpbanca. Such shares were divested to third parties other than the Saieh Family and Itaú Unibanco, and were intended to be transferred to minority shareholders of CorpGroup Parent.
- Itaú Chile increased its capital by US\$652 million through the issuance of shares that were fully subscribed and paid for by Itaú Unibanco.

After these transactions occurred, Itaú Chile merged with and into Corpbanca, with Corpbanca as surviving entity under the name of “Itaú Corpbanca.” The Merger resulted in the issuance of 172,048,565,857 shares of Corpbanca (representing 33.58% of the shares of Itaú Corpbanca) to Itaú Unibanco. The Saieh Family retained 33.13% of the capital stock of Itaú Corpbanca and the remaining 33.29% of the capital stock was held by public shareholders. After the Merger, Itaú Unibanco indirectly acquired an additional 2.13% and 0.35% interest in our share capital from the Saieh Family, on October 26, 2016 and on September 15, 2017, respectively, which resulted in an aggregate holding of 36.06% of the capital stock of Itaú Corpbanca.

[Table of Contents](#)***Consummation of the Merger***

In an extraordinary shareholders' meeting held on June 26, 2015, our shareholders approved the Merger and the other Transactions contemplated in the Transaction Agreement. On September 4, 2015 the SBIF issued Resolution N° 409 approving the Merger. Pursuant to the agreements adopted and the approval by the SBIF, the Merger was consummated on April 1, 2016.

After the Merger, and according to the Transaction Agreement and its amendment on January 20, 2017, the following transactions will be implemented:

- Itau Corpbanca Colombia shall purchase all of the assets and liabilities of Itau BBA Colombia in accordance with the terms and conditions agreed by Itau Corpbanca Colombia and Itau BBA Colombia on November 1, 2016 (the "Itau Colombian Asset Acquisition"). The Itau Colombian Asset Acquisition was approved by the shareholders of Itau Corpbanca Colombia and the CFS, and completed on June 16, 2017, as established in the agreement signed on June 1, 2017, between Itau Corpbanca Colombia, as assignee, and Itau BBA Colombia S.A. Corporación Financiera, as assignor. Pursuant to the Itau Colombian Asset Acquisition transaction, Itau Corpbanca Colombia acquired Itau BBA Colombia S.A. Corporación Financiera assets and liabilities. In relation to this transaction, Itau Corpbanca Colombia S.A. paid Ch\$33,205 million to Itau BBA Colombia S.A. Corporación Financiera. This agreement also contemplated the rendering of certain services by Itau Corpbanca Colombia in favor of Itau BBA Colombia and the hiring of the senior management of Itau BBA Colombia by Itau Corpbanca Colombia.
- Itau Corpbanca shall acquire of the shares of Banco Corpbanca Colombia S.A., now Itau Corpbanca Colombia, held by CorpGroup (currently representing 12.36% of shares outstanding) no later than January 28, 2022, subject to receipt of the applicable regulatory approvals. The purchase price for the shares will be US\$3.5367 per share plus (i) interest from (and including) August 4, 2015 until (but excluding) the payment date at an annual interest rate equal to Libor plus 2.7% minus (ii) the sum of (x) the aggregate amount of dividends paid by Itau Corpbanca Colombia to CorpGroup since the date of the Transaction Agreement, plus (y) the accrued interest with respect to the amount of such dividends since the date of their payment until the payment date of the purchase price, at an annual interest rate equal to Libor plus 2.7%.

The foregoing transactions are collectively referred to as the Transactions.

***Employee Matters***

Following completion of the Merger, Itau Corpbanca had the discretion to either (i) offer generally to officers and employees of Itau Chile and its subsidiaries that have or will become employees of Itau Corpbanca or its subsidiaries, or the Itau Chile Continuing Employees, employee benefits under compensation and benefit plans on terms and conditions similar to those maintained by former Corpbanca and its subsidiaries and/or (ii) maintain for the benefit of Itau Chile Continuing Employees, the compensation and benefit plans maintained by former Itau Chile immediately before the Merger. For purposes of eligibility, participation, vesting and benefit accrual (except not for purposes of benefit accrual to the extent that such credit would result in a duplication of benefits) under former Corpbanca's compensation and benefit plans, service with or credited by former Itau Chile or any of its subsidiaries or any of their predecessors shall be treated as service with former Corpbanca.

***Indemnification of Officers and Directors***

From and after completion of the Merger, in the event of any threatened or actual claim, action, suit, proceeding or investigation, whether civil, criminal or administrative, in which any person who was a director or officer of former Corpbanca or former Itau Chile or any of their subsidiaries, or the Indemnified Parties, is, or is threatened to be, made a party on the basis of the Transaction Agreement or the Transactions, Itau Corpbanca has agreed to indemnify, defend and hold harmless, to the fullest extent permitted by applicable law, each such Indemnified Party against any liability, judgments, fines and amounts paid in settlement in connection with any such threatened or actual claim, action, suit, proceeding or investigation.

***Registration of the Shares of Itau Corpbanca Colombia S.A.***

Itau Corpbanca and CorpGroup will carry out commercially reasonable efforts, in accordance with the shareholders agreement of Itau Corpbanca Colombia S.A., in order to cause Itau Corpbanca Colombia to be registered as a public company in the National Registry of Securities and Issuers of the CFS and its shares to be listed in the Colombian Stock Market (the "CSM"). The registration process is subject to the approval of Itau Corpbanca Colombia's extraordinary shareholders' meeting.

Itau Corpbanca and CorpGroup, pursuant to the terms of the shareholders' agreement dated July 1, 2013 entered into with Helm LLC and other shareholders of Itau Corpbanca Colombia, requested to submit for the shareholders' approval the registration of Itau Corpbanca Colombia in the National Registry of Securities and Issuers of the CFS and the listing of its shares in the CSM. On February 1, 2017, in a meeting of shareholders of Itau Corpbanca Colombia called for the decision of the above-mentioned matters, Helm LLC voted against such registration and listing and, therefore, those matters were rejected. Following this rejection, Itau Corpbanca and CorpGroup filed a counterclaim in the Arbitration held in New York against Helm LLC for breaching the

[Table of Contents](#)

shareholders' agreement. See "Item 8. Financial Information—A. Consolidated Statements and other Financial Information—Legal Proceedings."

**Insurance Matters**

Following completion of the Merger, Itau Unibanco is required to cause Itau Chile Compañía de Seguros de Vida S.A. to provide life insurance-related products to all the clients of Itau Corpbanca that are permitted to obtain an offer from an insurance broker to acquire life insurance and to pay Corpbanca Corredores de Seguros, S.A. and Itau Chile Corredora de Seguros Limitada brokerage and/or services fees in an aggregate annual amount equal to 47.7%, or the Applicable Premium Percentage of the aggregate revenues generated by them from the sales of such life-insurance related products for the relevant year, in consideration and exchange for the offer of such products to the clients of Itau Corpbanca.

The Applicable Premium Percentage will be revised on a yearly basis as provided by the Transaction Agreement.

If Itau Unibanco desires not to continue to cause Itau Chile Compañía de Seguros de Vida S.A. to offer the life-insurance related products to the insurance clients of Itau Corpbanca, Itau Unibanco shall use its reasonable best efforts to, enter into an agreement with a third party and one or more Corpbanca Corredores de Seguros, S.A. and/or Itau Chile Corredora de Seguros Limitada, whereby such third party will provide life-insurance related products to the insurance clients of Itau Corpbanca and pay to Corpbanca Corredores de Seguros, S.A. and/or Itau Chile Corredora de Seguros Limitada, as applicable, the related insurance brokerage fees on substantially the same terms described above. Until an agreement with such third party has been executed, Itau Unibanco will continue to pay Itau Corpbanca or Corpbanca Corredores de Seguros, S.A. and/or Itau Chile Corredora de Seguros Limitada an amount equal to the average of the Insurance Brokerage Fees paid by Itau Chile Compañía de Seguros de Vida S.A. in the 12-month period prior to the date on which Itau Chile Compañía de Seguros de Vida S.A. ceases to provide life-insurance related products to Itau Corpbanca or Corpbanca Corredores de Seguros, S.A. and/or Itau Chile Corredora de Seguros Limitada.

**Certain Other Businesses**

CorpGroup Parent and Itau Unibanco agreed to discuss whether Itau Corpbanca will continue to hold its ownership interest in SMU Corp.

Pursuant to the Transaction Agreement, Itau Unibanco decided that Itau Corpbanca shall divest all of its investment in SMU Corp. For these purposes, on February 23, 2016, Itau Corpbanca's board of directors agreed to sell the bank's 51% stake in SMU Corp, in the following terms and conditions: (a) Purchaser: SMU S.A. and/or any other company appointed by the latter; (b) Sale price: Ch\$454.4 million; (c) Term: Any time after the SBIF's authorization and once Itau Unibanco has consented to the terms and conditions of the transaction.

On January 30, 2017, Itau Corpbanca transferred all of its shares in SMU Corp., equivalent to 51% of the total shares of such entity, to Inversiones Monserrat S.A., the acquiring entity of the shares. SMU Corp. S.A. has therefore ceased to be a subsidiary of Itau Corpbanca.

**Itau CorpGroup Shareholders' Agreement**

The following summary is included to provide you with information regarding the terms of the form of Itau CorpGroup Shareholders' Agreement executed by Itau Unibanco Holding S.A. and CorpGroup on April 1, 2016. This section is not intended to provide you with any factual information about Itau Corpbanca. Such information can be found elsewhere in the public filings that Itau Corpbanca makes with the SEC.

**Corporate Governance***Composition and size of the Board of Directors of Itau Corpbanca and its subsidiaries.*

Itau Unibanco and CorpGroup Parent agreed that of the number of directors of each of the board of (i) Itau Corpbanca and Itau Corpbanca Colombia that they are entitled or able to appoint (including by causing Itau Corpbanca to appoint) at any time (in addition to any independent directors required by applicable law) and (ii) the respective subsidiaries of Itau Corpbanca and Itau Corpbanca Colombia that they are entitled or able to appoint at any time (in addition to any independent directors required by applicable law), each of Itau Unibanco and CorpGroup Parent shall be entitled to designate a number in proportion to its respective direct and indirect percentage ownership in Itau Corpbanca, rounded to the nearest whole number; provided that Itau Unibanco shall designate at least a majority of such directors of each board appointed by them and that at least one of such directors of each board is appointed by CorpGroup Parent.

The board of Itau Corpbanca shall be comprised of 11 directors and two alternate directors (one selected by Itau Unibanco and one selected by CorpGroup Parent). The board of Itau Corpbanca Colombia shall be comprised of nine directors and the number of directors of the board of all other subsidiaries shall be specified by the board of Itau Corpbanca.

[Table of Contents](#)

Itaú Unibanco and CorpGroup Parent agreed to cause, (i) a designee of CorpGroup Parent to be the chairman of the board of Itaú Corpbanca as long as CorpGroup Parent holds at least 13% of the capital stock of Itaú Corpbanca, (ii) a designee of CorpGroup Parent to be the chairman of the board of Itaú Corpbanca Colombia as long as CorpGroup Parent holds at least 13% of the capital stock of Itaú Corpbanca and (iii) a designee of Itaú Unibanco to be the vice-chairman of Itaú Corpbanca and Itaú Corpbanca Colombia. The chairman of the board of Itaú Corpbanca shall not have a casting vote.

Itaú Unibanco and CorpGroup Parent shall cause the directors of the relevant board appointed by them to vote, to the extent permitted by applicable law, together as a single block on all matters in accordance with the recommendation of Itaú Unibanco (except in the cases subject to shareholder consent rights). To this end, in the event that (i) a director of Itaú Corpbanca, Itaú Corpbanca Colombia or any other subsidiary of Itaú Corpbanca designated by CorpGroup Parent or Itaú Unibanco does not vote with the other directors as a single block and (ii) as a consequence, the relevant board is unable to adopt a decision on such matter in accordance with the recommendation of Itaú Unibanco (except that (ii) will not be required if such director is a member of the Saieh Group, or fails to comply on more than two occasions and more than two matters in any calendar year), Itaú Unibanco or CorpGroup Parent (whomever designated such director), shall take all required action to have such director removed from the relevant board within 60 calendar days. Failure to take such action shall be considered to constitute a Material Breach by the shareholder who designated such director.

A majority of the directors will constitute quorum for all meetings of the relevant boards. However, if less than all of the directors appointed by Itaú Unibanco to such board are not present, a quorum will not exist without the consent of the majority of the directors appointed by Itaú Unibanco to such board. The vote of the majority of the directors attending a meeting will be required to pass a resolution of the relevant boards (except in the cases subject to shareholder consent rights).

#### *Board Committees*

Itaú Unibanco and CorpGroup Parent agreed to cause Itaú Corpbanca and Itaú Corpbanca Colombia to each create the following committees of the board of directors: Directors Committee, Audit Committee, Management and Talent Committee, Assets and Liabilities Management Committee and Credit Committee.

The Credit Committee shall (i) have binding power to establish the limits and procedures of the credit policy of Itaú Corpbanca and its subsidiaries and the power to establish approval exceptions for financial decisions exceeding certain thresholds (to be defined by the Credit Committee) and (ii) shall impose a binding framework with upper limits on credit exposures for which approval of Itaú Unibanco will be required. In connection with the latter, Itaú Unibanco shall respond to any such requests for approval within seven business days (the absence of explicit denial being considered as an approval).

The Credit Committee shall be comprised of five members (of which three shall be appointed by Itaú Unibanco and two by CorpGroup Parent), all of whom shall be local executives or directors of the relevant board, and be headed by a local executive officer or director recommended by the CEO of Itaú Corpbanca or its relevant subsidiary, as applicable.

#### *Officers*

The board of directors of Itaú Corpbanca shall appoint from time to time the CEO, the country heads and other senior management of Itaú Corpbanca and Itaú Corpbanca Colombia. Itaú Unibanco and CorpGroup Parent shall cause Itaú Corpbanca to cause its subsidiaries to appoint designees of the board of Itaú Corpbanca from time to time to the designated positions at such subsidiary. A Management and Talent Committee will determine an objective process to recommend designees to these positions based on internal promotion, international, merit-based standards and professional track record, and relevant industry and jurisdiction-specific experience, and will provide a list of selected candidates to the board of Itaú Corpbanca who will be ultimately responsible for their final appointment.

CorpGroup Parent may request the removal of the CEO of Itaú Corpbanca and of Itaú Corpbanca Colombia if during three consecutive years (excluding the year of the closing of the Merger) the ROE (return on equity) of the respective bank is at least 1% lower than the average ROE of the three largest privately-owned banks (measured by assets, and excluding Itaú Corpbanca and Itaú Corpbanca Colombia) of Chile or Colombia, as the case may be, during such three-year period.

#### *Shareholder Consent Rights*

Subject to certain exceptions set forth in the Itaú CorpGroup Shareholders' Agreement, Itaú Unibanco and CorpGroup Parent agreed that Itaú Corpbanca shall not take, and shall not permit any subsidiary to take, any of the following transactions without the consent of (i) CorpGroup Parent, so long as CorpGroup Parent owns at least 13% of the capital stock of Itaú Corpbanca, and (ii) Itaú Unibanco:

- merge, reorganize or consolidate Itaú Corpbanca or any of its subsidiaries or enter into a joint venture or similar transaction in excess of materiality thresholds;

[Table of Contents](#)

- issue or sell any equity securities of Itaú Corpbanca or any of its subsidiaries, other than solely to the extent required to comply with immediate legal and regulatory requirements or to meet the Optimal Regulatory Capital;
- repurchase or otherwise retire or acquire any shares or other equity securities of Itaú Corpbanca or any of its subsidiaries;
- list or delist any shares or other equity securities of Itaú Corpbanca or any of its subsidiaries;
- enter into, modify or terminate a contract or transaction with a related party;
- effect any acquisition of the stock, equity interests, assets or business of any third-party or any disposition of assets of Itaú Corpbanca or any subsidiary or the capital stock or other equity interests of any subsidiary, in each case in excess of materiality thresholds;
- effect any liquidation, dissolutions, reorganizations through a voluntary bankruptcy or similar transactions;
- amend or repeal any provision of the organizational documents of Itaú Corpbanca or any of its subsidiaries;
- change the size or powers of the board of directors or any committee thereof;
- enter into any new line of business, that is not a Banking Business;
- create or dissolve one or more subsidiaries in excess of materiality thresholds; enter into agreements between Itaú Corpbanca or any of its subsidiaries, on the one hand, and any Governmental Authority, on the other hand;
- make any change in the external auditors of Itaú Corpbanca or any of its subsidiaries;
- make any change to the dividend policy;
- enter into any agreement that limits or restricts the ability of Itaú Corpbanca or any of its subsidiaries to own, manage, operate, control, participate in, perform services for, or otherwise carry on or engage in any business or in any geographic area; enter into any contract to do any of the foregoing actions; and
- any other matter not set forth above that requires the approval of a supermajority of the shareholders of Itaú Corpbanca under Article 67 of the Chilean Corporations Act.

***Transfer of Shares of Itaú Corpbanca***

Itaú Unibanco and CorpGroup Parent have agreed not to directly or indirectly purchase or otherwise acquire shares of Itaú Corpbanca or any beneficial interest therein to the extent such acquisition would require Itaú Unibanco or CorpGroup Parent to launch a tender offer to acquire all shares of Itaú Corpbanca. Any transfer of shares of Itaú Corpbanca made by Itaú Unibanco and CorpGroup Parent shall be implemented through the Santiago Stock Exchange with a five-day prior notice to the other party.

So long as CorpGroup Parent and Itaú Unibanco collectively hold an aggregate direct or indirect participation in the voting shares of Itaú Corpbanca of at least 50% plus one share, CorpGroup Parent shall keep (and may not transfer) the direct or indirect ownership of a number of shares of Itaú Corpbanca representing the lesser of: (i) 16.42% of the shares of Itaú Corpbanca at the time of execution of the Itaú CorpGroup Shareholders' Agreement (i.e. at the closing of the Transactions) or (ii) the minimum percentage of such shares that allows Itaú Unibanco and CorpGroup Parent to hold such aggregate direct or indirect participation in the voting shares of Itaú Corpbanca. Such number of shares will be pledged by CorpGroup Parent in favor of Itaú Unibanco.

***Right of First Offer, Tag-Along and Drag-Along Rights******Right of first offer***

Subject to the terms set forth on the Itaú CorpGroup Shareholders' Agreement, Itaú Unibanco and CorpGroup Parent shall have a right of first offer with regard to potential transfers of shares of the Companies. If either Itaú Unibanco or CorpGroup Parent intend to transfer shares of the Companies, such party shall notify in writing to the other party of such intention, stating the number of shares, the price and other terms and conditions of the proposed transfer. The recipient party shall have the right to purchase all such shares for a price and under terms and conditions equal to those notified by the selling shareholder. If the recipient party elects not to purchase all the shares intended to be transferred, the selling shareholder shall be permitted for a period of six (6) months from the date the notice to purchase the shares was due to be received by the selling party, to transfer to a third party not less than the number of shares, at a price not less than and on terms and conditions not materially less favorable to the selling shareholder than those stated in the notice of such proposed transfer.

[Table of Contents](#)*Tag-along*

CorpGroup Parent will have the right to tag-along on the sale of shares of Company One or of shares of Itaú Corpbanca owned by Company One by Itaú Unibanco and jointly sell to a third party with Itaú Unibanco in such sale. Pursuant to such right, in the event of a proposed transfer of shares of Company One or shares of Itaú Corpbanca by Itaú Unibanco, Itaú Unibanco shall deliver to CorpGroup Parent prompt written notice stating, to the extent applicable, (i) the name of the proposed transferee, (ii) the number of shares proposed to be transferred, (iii) the proposed purchase price and (iv) any other material terms and conditions of the proposed transfer.

The proposed transferee will not be obligated to purchase a number of shares exceeding that set forth in the notification of the proposed transfer. In the event such transferee elects to purchase less than all of the total shares sought to be transferred by CorpGroup Parent and Itaú Unibanco, CorpGroup Parent shall be entitled to transfer to the proposed transferee a number of shares equal to (i) the total number of shares originally proposed to be transferred by Company One and Itaú Unibanco multiplied by (ii) a fraction, (A) the numerator of which is the total number of shares of Itaú Corpbanca held by Company Two, and (B) the denominator of which is the total number of shares of Itaú Corpbanca held by the Companies.

*Drag-along*

In the event of a proposed sale of all of the issued and outstanding shares of Company One or shares of Itaú Corpbanca held by Itaú Unibanco to a third party and if at such time CorpGroup Parent owns less than 10% of the capital stock of Itaú Corpbanca, Itaú Unibanco may notify CorpGroup Parent in writing of such proposed sale stating (i) the name of the proposed transferee, (ii) the proposed purchase price (which shall be equal to at least the higher of fair value and market price), (iii) the obligation of the transferee to purchase all of CorpGroup Parent shares of Itaú Corpbanca, and (iv) any other material terms and conditions of the transfer.

Under these circumstances, CorpGroup Parent shall be obligated to sell all of its shares of Itaú Corpbanca, free and clear of liens at the same price and on other terms no less favorable than Itaú Unibanco.

***Put of Company Shares***

If and to the extent that CorpGroup Parent is prohibited from selling its shares of Itaú Corpbanca, CorpGroup Parent shall have the unconditional right, from time to time on one or more occasions, to sell to Itaú Unibanco, and Itaú Unibanco shall have the unconditional obligation to acquire from CorpGroup Parent, any number of shares of Company Two at a price per share equal to the market price as of the date on which CorpGroup Parent notifies Itaú Unibanco of CorpGroup Parent's exercise of its unconditional right to sell if immediately following such sale CorpGroup Parent and Itaú Unibanco would continue to collectively hold an aggregate direct or indirect participation in the voting shares of Itaú Corpbanca of at least 50% plus one share.

At the time of payment of the purchase price of the shares of Company Two, Itaú Unibanco shall pay CorpGroup Parent, as an indemnity for not being able to benefit from the exemption on capital gains set forth in Article 107 of the Chilean Income Tax Law to which it would otherwise have been entitled to if it would have sold the underlying shares of Itaú Corpbanca in the Santiago Stock Exchange, a cash amount equal to (i) 50% of any taxes of CorpGroup Parent or its affiliates arising out of or in connection with such transfer that would not have arisen if it had sold the underlying shares of Itaú Corpbanca in the Santiago Stock Exchange and benefit from the abovementioned exemption on capital gains, and (ii) any taxes of CorpGroup Parent or its affiliates arising out of the application of such indemnity payment.

***Change of Control of CorpGroup Parent***

Under the Itaú CorpGroup Shareholders' Agreement, CorpGroup Parent shall notify Itaú Unibanco prior to consummating a Change of Control of CorpGroup Parent and provide Itaú Unibanco a right of first offer to purchase a number shares of Company Two equal to the number required by Itaú Unibanco to hold an aggregate direct or indirect participation in the voting shares of Itaú Corpbanca of at least 50% plus one share at a price equal to the higher of the market price or fair value.

If Itaú Unibanco accepts the price proposed by CorpGroup Parent, CorpGroup Parent shall be obligated to cause Company Two to sell such number of Itaú Corpbanca's shares to Itaú Unibanco at such price.

In the event that Itaú Unibanco does not accept the price proposed by CorpGroup Parent and as a result, an agreement is not reached, then CorpGroup Parent shall be permitted to proceed with such Change of Control and Itaú Unibanco shall be entitled to unilaterally terminate the Itaú CorpGroup Shareholders' Agreement during a period of 60 days after receipt of notice from CorpGroup Parent notifying of the consummation of such Change of Control.

For purposes of the Itaú CorpGroup Shareholders' Agreement, Change of Control shall mean, with respect to CorpGroup Parent, the Saieh Group ceasing to own, directly and indirectly, in a single transaction or in a series of related transactions, at least 50% plus one additional share of the issued voting stock of CorpGroup Parent.

[Table of Contents](#)***Right to Exchange Shares for Shares of Itaú Unibanco***

In the event Itaú Unibanco issues or sells certain equity securities of Itaú Unibanco to any third-party as consideration for or in connection with a transaction or series of transactions involving the direct or indirect investment by Itaú Unibanco in such equity securities or assets of any other third party, Itaú Unibanco shall inform CorpGroup Parent of such issuance or sale and shall offer to CorpGroup Parent the right to exchange for the same type of equity securities of Itaú Unibanco. CorpGroup Parent shall be entitled to exchange any or all of its shares of Company Two (or shares of Itaú Corpbanca) for such equity securities of Itaú Unibanco at an exchange ratio that reflects the relative fair values of the relevant equity securities of Itaú Unibanco and the shares of Company Two or Itaú Corpbanca, as the case may be.

Notwithstanding the foregoing, if the issuance of any such equity securities to CorpGroup Parent would result in Itaú Unibanco Participações S.A. ceasing to hold more than 50% of Itaú Unibanco's voting equity, then CorpGroup Parent shall have the right to exchange no more than an amount of equity securities of Itaú Unibanco the issuance of which would not result in Itaú Unibanco Participações S.A. ceasing to hold more than 50% of Itaú Unibanco's voting equity.

***Controlling Shareholder***

Notwithstanding the other provisions of the Itaú CorpGroup Shareholders' Agreement, Itaú Unibanco shall have no obligation to purchase shares of Itaú Corpbanca or Company Two, to the extent such purchase would, in and of itself, require Itaú Unibanco to make a tender offer for all of the outstanding shares of Itaú Corpbanca.

If Itaú Unibanco ceases to be the Controlling Shareholder (as defined in Article 97 of the Chilean Securities Market Act) of Itaú Corpbanca, prior to consummating any obligation pursuant to a provision of the Itaú CorpGroup Shareholders' Agreement to purchase shares of Itaú Corpbanca or Company Two from CorpGroup Parent which would result in Itaú Unibanco being the Controlling Shareholder of Itaú Corpbanca, Itaú Unibanco shall commence a tender offer to purchase a number of shares of Itaú Corpbanca which would result in Itaú Unibanco being the Controlling Shareholder of Itaú Corpbanca for the purchase price provided in such applicable provision of the Itaú CorpGroup Shareholders' Agreement and shall in any event satisfy its obligation (whether through the tender offer or a subsequent purchase thereafter) within 90 calendar days.

***CorpGroup Parent Liquidity Put and Call Options***

During a period of 18 months from the closing date of the Merger, CorpGroup Parent shall have the right to (i) sell to Itaú Unibanco, a number of shares of Company Two representing in the aggregate up to 6.6% of all of the outstanding shares of Itaú Corpbanca at a price equal to the market price as of the notice date of such put right; or (ii) cause Company Two to sell to Itaú Unibanco, through one of the mechanisms available on the Santiago Stock Exchange that only allows block sales, a number of shares of Itaú Corpbanca representing up to 6.6% of all of the outstanding shares of Itaú Corpbanca (in which event Itaú Unibanco will place an order to purchase such shares in the Santiago Stock Exchange at a price not less than such market price). If, as a result of the competitive bidding procedures of the Santiago Stock Exchange, the shares of Itaú Corpbanca sold by Company Two are unexpectedly sold over the Santiago Stock Exchange to a third party other than Itaú Unibanco or any of its affiliates at a higher price, then CorpGroup Parent shall no longer have the right to repurchase such shares of Itaú Corpbanca from Itaú Unibanco or one of its wholly-owned subsidiaries.

If the put right described above has been exercised, at any time and from time to time during the five-year period thereafter, CorpGroup Parent shall have the unconditional right either to (i) acquire from Itaú Unibanco a number of shares of Company Two up to the number of shares sold pursuant to the put right described above at the same price per share as was paid by Itaú Unibanco pursuant to such put right plus an annual interest rate at the Chilean *Índice de Cámara Promedio* plus a spread that is not to exceed the lowest spread then being offered by Itaú Corpbanca to non-governmental borrowers in Chile; or (ii) cause Itaú Unibanco to place an order on the Santiago Stock Exchange to sell to CorpGroup Parent and/or Company Two a number of shares of Itaú Corpbanca of up to the number of shares of Itaú Corpbanca sold to Itaú Unibanco pursuant to the put right described above at the same price per share as was paid by Itaú Unibanco pursuant to such put right plus an annual interest rate at the Chilean *Índice de Cámara Promedio* plus a spread that is not to exceed the lowest spread then being offered by Itaú Corpbanca to non-governmental borrowers in Chile. If, as a result of the competitive bidding procedures of the Santiago Stock Exchange, the shares of Itaú Corpbanca sold by Itaú Unibanco or one of its wholly-owned subsidiaries are sold over the Santiago Stock Exchange to a third party at a higher price, then CorpGroup Parent and/or Company Two shall not have the right to repurchase such shares of Itaú Corpbanca.

***Call Option in Event of Material Breach***

If either Itaú Unibanco or CorpGroup Parent commits a Material Breach of the Itaú CorpGroup Shareholders' Agreement, or the Breaching Shareholder, the non-Breaching Shareholder shall have the right to give written notice to the Breaching Shareholder describing such Material Breach and demanding that the Breaching Shareholder cure the Material Breach by fully performing its obligation.

[Table of Contents](#)

If the Breaching Shareholder has not cured its Material Breach within 50 calendar days after receipt of any such notice, the non-Breaching Shareholder shall have the unconditional right to (i) require the Breaching Shareholder to sell all of its shares to the non-Breaching Shareholder at a price per share equal to 80% of the market price as of the date of the notice exercising a call option and (ii) if the non-Breaching Shareholder is CorpGroup Parent, to sell to Itau Unibanco all of its shares at a price per share equal to 120% of the market price as of the date of the notice exercising a put option.

Notwithstanding the foregoing, if the non-Breaching Shareholder is Itau Unibanco, Itau Unibanco may elect to purchase the maximum number of shares which would allow Itau Unibanco to avoid making a public offer for all of the outstanding shares of Itau Corpbanca.

***Non-Competition; Non-Solicit******Non-Competition***

Neither Itau Unibanco nor CorpGroup Parent shall, directly or indirectly, own, invest, control, acquire, operate, manage, participate or engage in any Banking Business in Chile, Colombia and the Republic of Panama other than (i) through its investment in the Itau Corpbanca and its subsidiaries and (ii) through any *sociedad de apoyo al giro* in which Itau Corpbanca has an ownership interest.

For purposes of the Itau CorpGroup Shareholders' Agreement, Banking Business shall mean providing (i) consumer financial products and/or services, including secured and/or unsecured consumer lending, consumer mortgage products, consumer card products, retail banking products and/or services, and consumer leasing; and/or (ii) deposit-taking services including both consumer and commercial deposits, and payroll services; and/or (iii) credit and/or debit card transaction processing services (which transaction processing services, for the avoidance of doubt, include merchant acquiring); and/or (iv) commercial financial products and/or services, including bilateral and syndicated loans, trustee and depository services; and/or (v) investment banking services; and/or (vi) financial advisory services related to the services described in clauses (i) through (v) above; and/or (vii) all businesses related or reasonably incidental thereto.

Notwithstanding the foregoing, the Itau CorpGroup Shareholders' Agreement permits the following activities: (i) providing consumer financing and other financial products or services offered from time to time by supermarkets and other nonbank retailers in the applicable jurisdiction; (ii) financing or providing asset management products and services; (iii) receiving from or providing to any third party a personal guaranty or a loan or engaging in other financial arrangements in connection with a transaction or transactions that does not otherwise constitute a Banking Business in Chile, Colombia or the Republic of Panama; (iv) making investments by or in employee retirement, pension or similar plans or funds or in companies that manage such plans or funds; (v) acquiring, owning, controlling or managing, in any third party that has any Banking Business in Chile, Colombia and the Republic of Panama pursuant to purchase, merger, consolidation or otherwise so long as (A) the Banking Business in Chile, Colombia or the Republic of Panama conducted by such third party or business constitutes not more than 10% of the revenues of such acquired third party or business and not more than 5% of the revenues of Itau Corpbanca, in each case for the immediately preceding 12 months, and (B) after consummation of such acquisition, Itau Corpbanca is offered the right to acquire such Banking Business for cash at the fair value thereof; (vi) acquiring, owning, controlling, managing, investing in any third party or business which would otherwise be prohibited under the non-compete obligation, provided that action is undertaken to sell the competing portion of such business; (vii) acquiring, owning, controlling, managing, investing in any third party that has any Banking Business in Chile, Colombia and the Republic of Panama or engaging in a new business opportunity in the Banking Business in Chile, Colombia, Peru and Central America, if such transaction or opportunity was presented by Itau Corpbanca to Itau Unibanco, if CorpGroup Parent is the investing party, or by Itau Corpbanca to CorpGroup Parent, if Itau Unibanco is the investing party, and CorpGroup Parent or Itau Unibanco, as the case maybe, withheld their consent to Itau Corpbanca consummating such transaction; (viii) providing products or services pursuant to any unsolicited request from any client that operates in Chile, Colombia and the Republic of Panama which cannot be reasonably provided by Itau Corpbanca or its subsidiaries or (ix) acquiring, owning, managing or investing in the MCC Entities (as defined in the Itau CorpGroup Shareholders' Agreement) or prohibit any activities currently conducted by the MCC Entities.

***Non-Solicit***

Neither Itau Unibanco nor CorpGroup Parent shall, directly or indirectly, solicit for hire, hire or otherwise induce or attempt to induce any officer of Itau Corpbanca or any of its subsidiaries to leave the employment of Itau Corpbanca or any of its subsidiaries, or in any way interfere with the relationship between Itau Corpbanca or any of its subsidiaries, on the one hand, and any officer thereof on the other hand.

***Dividend Policy; Dividend Put and Call Options.***

For a period of eight fiscal years starting from the closing of the Transaction, or the Dividend Period, Itau Unibanco and CorpGroup Parent agreed to cause Itau Corpbanca to adopt an annual business plan and budget expressly providing for the management of Itau Corpbanca and its subsidiaries in a manner that has as its primary target, in the following order of priority: (i) first, complying with the Optimal Regulatory Capital for such fiscal year, (ii) second, the payment by Itau Corpbanca of cash

[Table of Contents](#)

dividends aggregating at least US\$370 million for each year during the Dividend Period and (iii) third, achieving a growth rate of the total assets of Itau Corpbanca and Itau Corpbanca Colombia above the Minimum Growth Rate and other reasonable objectives as determined by the board of Itau Corpbanca. Itau Unibanco and CorpGroup Parent have agreed to cause the board of Itau Corpbanca to cause management of Itau Corpbanca and its subsidiaries to conduct their respective businesses in accordance with such annual business plan and budget.

If the amount of the dividends paid in cash by Itau Corpbanca is less than US\$370 million for any fiscal year during the Dividend Period, Itau Unibanco and CorpGroup agreed to cause Itau Corpbanca and its subsidiaries to maximize the use of Tier 2 capital, to the fullest extent permitted by applicable Law to increase its regulatory capital to the extent required to maintain Optimal Regulatory Capital requirements for such fiscal year.

Optimal Regulatory Capital means at any date, with respect to either Itau Corpbanca or Itau Corpbanca Colombia, as the case may be, (a) the higher of (i) 120% of the minimum regulatory Capital Ratio required by applicable law of the applicable country and (ii) the average regulatory Capital Ratio of the three largest privately-owned banks (excluding the Itau Corpbanca and/or Itau Corpbanca Colombia) (measured in terms of assets) in Chile or Colombia, as the case may be, in each case as of the last day of the most recent fiscal year multiplied by (b) the risk-weighted assets (including any risk-weighted assets of subsidiaries that are consolidated for purposes of calculating minimum regulatory Capital Ratio in such country) of the Itau Corpbanca or Itau Corpbanca Colombia, as the case may be, as of the date one year from the last day of the most recent fiscal year assuming that such risk-weighted assets grow during such year at a rate equal to the Minimum Growth Rate.

Minimum Growth Rate for any year shall mean the minimum growth rate of the total assets of Itau Corpbanca and Itau Corpbanca Colombia (determined in accordance with IFRS) for the applicable country (e.g., Chile or Colombia) determined in good faith by the board of directors of Itau Corpbanca (but in no event exceeding Forecasted System Growth in such country for such year) reasonably necessary to maintain the market share of Itau Corpbanca and Itau Corpbanca Colombia (each measured in terms of assets in their respective countries) as of the last day of the immediately preceding year.

Itau Corpbanca shall pay an annual dividend equal to 100% of the annual cash distributable earnings, net of any reserves required to maintain Optimal Regulatory Capital, before March 31 of each Fiscal Year. If the portion of such dividend to be received by CorpGroup Parent is less than US\$120 million in any fiscal year of the Dividend Period, CorpGroup Parent shall have the right, from and after the date that such dividend is declared to (i) sell to Itau Unibanco, at a price per share equal to the market price as of the date of the notification to exercise this put right, a number of shares of Company Two equal to (A) US\$120 million minus the portion of the annual dividend declared by Itau Corpbanca to be received by CorpGroup Parent, divided by (B) the market price of the shares of Itau Corpbanca as of the date of the notification to exercise this put right; or (ii) cause Company Two to sell to Itau Unibanco, a number of shares of Itau Corpbanca equal to (A) US\$120 million minus the annual dividend declared by Itau Corpbanca and to be received by CorpGroup Parent, divided by (B) the market price of such shares as of the date of the notification to exercise this put right. If, as a result of the competitive bidding procedures of the Santiago Stock Exchange, the shares of Itau Corpbanca sold by Company Two are unexpectedly sold over the Santiago Stock Exchange to a third party at a higher price, then CorpGroup Parent shall no longer have the right to repurchase such shares of Itau Corpbanca from Itau Unibanco or one of its wholly-owned subsidiaries.

If the put right described above has been exercised, during the five-year period thereafter, CorpGroup Parent shall have the right either to (i) acquire from Itau Unibanco, a number of shares of Company Two up to the number of shares sold pursuant to such put right at the same price per share as was paid by Itau Unibanco plus an annual interest rate at the Chilean *Índice de Cámara Promedio* plus a spread that is not to exceed the lowest spread then being offered by Itau Corpbanca to non-governmental borrowers in Chile; or (ii) cause Itau Unibanco to place an order on the Santiago Stock Exchange to sell to CorpGroup Parent and/or Company Two a number of shares of Itau Corpbanca up to the number of shares sold to Itau Unibanco pursuant to such put right at the same price per share as was paid by Itau Unibanco plus an annual interest rate at the Chilean *Índice de Cámara Promedio* plus a spread that is not to exceed the lowest spread then being offered by Itau Corpbanca to non-governmental borrowers in Chile. If, as a result of the competitive bidding procedures of the Santiago Stock Exchange, the shares of Itau Corpbanca sold by Itau Unibanco or one of its wholly-owned subsidiaries are sold over the Santiago Stock Exchange to a third party at a higher price, then CorpGroup Parent and/or Company Two shall not have the right to repurchase such shares of Itau Corpbanca.

### ***Use of Brands***

Itau Unibanco and CorpGroup Parent have agreed that for so long as Itau Unibanco owns shares of Itau Corpbanca, Itau Corpbanca and its subsidiaries shall have a royalty-free, perpetual license to use the Itau Brand, whether alone or in conjunction with other trademarks.

### ***Preapproved Matters***

CorpGroup Parent agreed to consent to and affirmatively vote its shares of Itau Corpbanca at any shareholders' meeting in favor of the approval of a transaction between the Itau Corpbanca's securities broker (*corredora*) subsidiary and MCC at such time as MCC is wholly owned by an Affiliate of Itau Unibanco, transaction which may be structured as an acquisition of equity securities of MCC by Itau Corpbanca (followed by a merger of such subsidiary and MCC).

[Table of Contents](#)***Strategic Transactions***

Pursuant to the terms of the Itau CorpGroup Shareholders' Agreement, CorpGroup Parent and Itau Unibanco intend to use Itau Corpbanca and its subsidiaries as their exclusive vehicle to pursue business opportunities in the Banking Business in Chile, Colombia, Peru and Central America. As a result, if either CorpGroup Parent or Itau Unibanco, intends to pursue or develop any new business opportunities in the Banking Business in the abovementioned territories, either individually or with third parties, such party shall notify the other party and provide Itau Corpbanca with the exclusive right to pursue such business opportunity prior to presenting it to or pursuing it individually or with third parties. If CorpGroup Parent or Itau Unibanco, as the case may be, does not agree to Itau Corpbanca pursuing or continue to pursue or consummate such particular business opportunity within 30 days following receipt of such notice, the other party shall have the right to pursue and implement it unilaterally and not through Itau Corpbanca.

If CorpGroup Parent agrees to Itau Corpbanca pursuing a business opportunity that would require a capital increase and/or a change in the dividend policy of Itau Corpbanca, Itau Unibanco agreed to provide CorpGroup Parent with long-term financing in an amount reasonably necessary as to finance its subscription of its pro rata share in such capital increase. If, on the other hand, CorpGroup Parent agrees to allow Itau Corpbanca to pursue and implement such business opportunity but decides not to participate in the capital increase in connection therewith, Itau Unibanco will grant CorpGroup Parent a call option with respect to the number of shares that if purchased by CorpGroup Parent at such time would restore its direct and indirect ownership percentage of outstanding shares of Itau Corpbanca to its ownership percentage of outstanding shares of Itau Corpbanca immediately prior to such capital increase.

**Itau Unibanco's Paraguay and Uruguay Operations**

In respect of Itau Unibanco's Paraguay and Uruguay Operations, CorpGroup Parent and Itau Unibanco agreed to (i) negotiate in good faith the inclusion of their respective businesses in Paraguay and Uruguay as part of the business owned and operated by Itau Corpbanca, (ii) use their reasonable best efforts to agree on the valuation of such businesses in Paraguay and Uruguay and (iii) if CorpGroup Parent and Itau Unibanco agree on the valuation of such businesses, to transfer to and operate such businesses by Itau Corpbanca.

**Systems Operations Services Agreement**

We have entered into a Systems Operations Services Agreement with IBM, initially dated March 30, 2001, and covering a term from April 1, 2001 through April 15, 2006 which can be renegotiated periodically. The current extension became effective on April 16, 2008 until April 30, 2018. Under this agreement, IBM provides outsourcing computer system operations services to us and we are obligated to pay fees amounting to UF 2,436.9 per month.

**Service Contracts**

On July 6, 2001, we entered into a Services Agreement with our affiliate Inversiones CorpGroup Interhold Limitada pursuant to which CorpGroup provides us with professional and technical consulting services including preparation of financial statements, implementing financial and administrative procedures; preparing, analyzing, and providing legal advisory services; and analyzing economic, financial sectors and feasibility of investment plans; we pay fees of approximately UF6,250 per month. On January 27, 2014, we entered into an amendment to the agreement which took effect as of January 1, 2015. Pursuant to this amendment, the agreement was extended for a further 10-year term beginning on January 1, 2015, subject to certain early termination provisions. Either party may extend the term of the agreement for five additional years. Provisions for the payment of expenses were also included in this amendment.

On April 10, 2008, we entered into a Services Agreement with our affiliate Inversiones CorpGroup Interhold Limitada, pursuant to which CorpGroup provides us with professional and technical consulting services in the finance, capital markets, real estate and operations areas; we pay fees of approximately UF 1,350 per month. On January 27, 2014, we entered into an amendment to the agreement which took effect as of January 1, 2015. Pursuant to the amendment, the agreement was extended for a further 10-year term beginning on January 1, 2015, subject to certain early termination provisions. Either party may extend the term of the agreement for five additional years, subject to certain conditions. Provisions for the payment of expenses were also included in this amendment.

On March 27, 2012, we entered into a Services Agreement with Mr. Álvaro Saieh Bendeck and our affiliate CorpGroup Holding Inversiones Limitada, pursuant to which CorpGroup Holding Inversiones Limitada provides us with professional and technical consulting services in all matters related to strategic planning and definitions, new businesses, including acquisitions in Chile or abroad, and management controls; we pay fees of approximately UF 1,250 per month. On January 27, 2014, we entered into an amendment to the agreement which took effect as of January 1, 2015. Pursuant to the amendment, the agreement was extended for a further 10-year term beginning on January 1, 2015, subject to certain early termination provisions. Either party may extend the term of the Service Contract for five additional years, provided that on such date the services continue to be rendered with the participation of Mr. Álvaro Saieh Bendeck. Provisions for the payment of expenses were also included in this amendment.

[Table of Contents](#)**Software Consulting and Development Agreement**

We have entered into a Software Consulting and Development Agreement, for the Integrated Banking System (IBS), dated as of October 4, 2001, with Datapro, Inc. The contract covers a five-year term for system maintenance and adjustments, which is automatically renewable at the end of the term. The contract includes an initial charge for development and user license of US\$380,000.00 and a schedule of additional fees for services provided as well as a monthly maintenance fee.

**Redbanc Agreement**

We entered into an agreement dated as of April 1, 2001 to participate in the automated teller machine network operated by Redbanc S.A. Due to the Merger, on October 11, 2016, this agreement was amended and restated in order to (i) terminate the equivalent agreement entered into by former Banco Itaú Chile with Redbanc S.A. prior to the Merger and (ii) recognize and confirm the agreement entered into by former Corpbanca, which remains in full force and effect.

The agreement covers a three-year term which is automatically and successively renewed for equal three-year periods. The purpose of this agreement is to provide services to facilitate the performance of banking objectives. This includes the installation, operation, maintenance, and development of equipment, devices, systems, and services used for the management and operation of automated and non-automated cash and point-of-sale machines and the related services. Redbanc shall invoice and charge us a different monthly fee for each of the services connected to the automated teller machine network.

**D. EXCHANGE CONTROLS**

The Central Bank of Chile is responsible for, among other things, monetary policies and exchange controls in Chile. Foreign investments must be registered with the Central Bank of Chile under the *Ley Orgánica Constitucional del Banco Central de Chile*, or the Chilean Central Bank Act and the *Compendio de Normas de Cambios Internacionales*, or the Central Bank Foreign Exchange Regulations or the Compendium. The Chilean Central Bank Act is a constitutional law requiring a "special majority" vote of the Chilean Congress to be modified. Until January 1, 2016, foreign investments could be registered with the *Comité de Inversiones Extranjeras*, or the Foreign Investment Committee under Decree Law No. 600 of 1974, as amended or DL 600, as an alternative to the registration with the Central Bank of Chile. The Tax Reform, however, repealed DL 600 as of January 1, 2016. As from 2016, the Foreign Investment Committee shall not be entitled to register new foreign investments. All foreign investments previously registered with the Foreign Investment Committee under DL 600, shall continue to be subject to the provisions of DL 600.

Pursuant to the Central Bank Foreign Exchange Regulations, investors are allowed to freely enter into any kind of foreign exchange transaction, the only restriction being that investors must inform the Central Bank of Chile about certain operations which they have conducted and must conduct certain operations through the Formal Exchange Market. The type of information related to equity investment that must be reported to the Central Bank of Chile by non-Chilean residents include the occurrence of, among other things, any assignment, substitution, changes in organizational status, change in the form of the investment, or material changes to the terms of the agreement governing the foreign currency transaction. Transactions that are required to be conducted through the Formal Exchange Market include transactions involving foreign commercial bank loans or Chilean company issued bonds, deposits made in Chilean financial institutions by foreign depositors, and equity investments and contributions of capital by foreign investors. The Formal Exchange Market entities through which transactions are conducted will report such transactions to the Central Bank of Chile.

Pursuant to the provisions of Chapter XIV of the Compendium, it is not necessary to seek the Central Bank of Chile's prior approval in order to establish an ADS facility. The Central Bank of Chile only requires that (i) any foreign investor acquiring shares to be converted into ADSs who has actually brought funds into Chile for that purpose shall bring those funds through the Formal Exchange Market, (ii) any foreign investor acquiring shares to be converted into ADSs informs the Central Bank of Chile of the investment in the terms and conditions described below, (iii) all remittances of funds from Chile to the foreign investor upon the sale of the shares underlying the ADSs or from dividends or other distributions made in connection therewith, shall be made through the Formal Exchange Market, and (iv) all remittances of funds to the foreign investor, whether or not from Chile, shall be informed to the Central Bank of Chile in the terms and conditions described below.

When the shares to be converted into ADSs have been acquired by the foreign investor with funds brought into Chile through the Formal Exchange Market, a registration form shall be filed with the Department of International Financial Operations of the Central Bank of Chile by the foreign investor acting through an entity of the Formal Exchange Market on or before the date on which the foreign currency is brought into Chile. However, if the funds were brought into Chile with a different purpose and subsequently were used to acquire shares to be converted into ADSs, the Department of International Financial Operations of the Central Bank of Chile then shall be informed of such investment by the Custodian within ten days following the end of each 15-day period on which the Custodian has to deliver periodic reports to the Central Bank of Chile. If the funds were not brought into Chile, a registration form shall be filed with the Department of International Financial Operations of the Central Bank of Chile by the foreign investor itself or through an entity of the Formal Exchange Market within first 10 days of the month following the date on which the proceeds were used.

[Table of Contents](#)

All payments in U.S. dollars in connection with the ADS facility made from Chile shall be made through the Formal Exchange Market. Pursuant to Chapter XIV of the Compendium no previous authorization from the Central Bank of Chile is required for the remittance of U.S. dollars obtained in the sale of the shares underlying ADSs or from dividends or other distributions made in connection therewith. The entity of the Formal Exchange Market participating in the transfer shall provide certain information to the Central Bank of Chile on the next banking business day. In the event there are payments made outside Chile, the foreign investor shall provide the relevant information to the Central Bank of Chile directly or through an entity of the Formal Exchange Market within the first 10 days of the month following the date on which the payment was made.

Under Chapter XIV of the Compendium payments and remittances of funds from Chile are governed by the rules in effect at the time the payment or remittance is made. Therefore, any change made to Chilean laws and regulations after the date hereof will affect foreign investors who have acquired ADSs or shares to be converted into ADSs. There can be no assurance that further Central Bank of Chile regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent foreign investors to purchase and remit abroad U.S. dollars, nor can there be any assessment to the duration or impact of such restrictions, if imposed.

This situation is different from the one governing ADSs issued by Chilean companies prior to April 19, 2001. Prior to such date, ADSs representing shares of stock of Chilean corporations were subject to Chapter XXVI of the Compendium, which addressed the issuance of ADSs by Chilean companies and foreign investment contracts entered into among the issuer of the shares, the Central Bank of Chile and the depository pursuant to Article 47 of the Central Bank Act. Chapter XXVI of the Compendium and the corresponding foreign investment contracts granted foreign investors the vested right to acquire dollars with the proceeds obtained in the sale of the underlying shares of stock, or from dividends or other distributions made in connection therewith and remit them abroad. On April 19, 2001, the Central Bank of Chile eliminated Chapter XXVI of the Compendium and made the establishment of new ADS facilities subject to the provisions of Chapter XIV of the Compendium. All foreign investment contracts executed under the provisions of Chapter XXVI of the Compendium remain in full force and effect and are governed by the provisions in effect at the time of their execution.

The foregoing is a summary of the Central Bank of Chile's regulations with respect to the issuance of ADSs representing common shares as in force and effect as of the date hereof. This summary does not purport to be complete and is qualified in its entirety by reference to the provisions of Chapter XIV of the Compendium, a copy of which is available from Corpbanca upon request.

There can be no assurance that further Central Bank of Chile regulations or legislative changes to the current foreign exchange control regime in Chile will not restrict or prevent foreign investors from purchasing or remitting U.S. dollars, or that further restrictions applicable to foreign investors which affect their ability to remit the capital, dividends or other benefits in connection with the shares of stock will not be imposed by the Central Bank of Chile in the future, nor can there be any assessment to the duration or impact of such restrictions, if imposed.

## **E. TAXATION**

### **CHILEAN TAX CONSIDERATIONS**

The following discussion is based on material Chilean income tax laws presently in force, including Ruling No. 324 of January 29, 1990 of the Chilean Internal Revenue Service and other applicable regulations and rulings. The discussion summarizes the material Chilean income tax consequences of an investment in the ADSs or common shares received in exchange for ADSs by an individual who is not domiciled in or a resident of Chile, or a legal entity that is not organized under the laws of Chile and does not have a permanent establishment located in Chile, which we refer to as a foreign holder. For purposes of Chilean law, an individual holder is a resident of Chile if he or she has resided in Chile for more than six months in one calendar year or for a total of more than six months, whether consecutive or not, in two consecutive tax years. An individual holder is domiciled in Chile if he or she resides in Chile with the purpose of staying in Chile (such purpose to be evidenced by circumstances such as the acceptance of employment within Chile or the relocation of his or her family to Chile). This discussion is not intended as tax advice to any particular investor, which can be rendered only in light of that investor's particular tax situation.

Under Chilean law, provisions contained in statutes such as tax rates applicable to foreign holders, the computation of taxable income for Chilean purposes and the manner in which Chilean taxes are imposed and collected may be amended only by another statute. In addition, the Chilean tax authorities issue rulings and regulations of either general or specific application interpreting the provisions of Chilean tax law. Absent a retroactive law, Chilean taxes may not be assessed retroactively against taxpayers who act in good faith relying on such rulings and regulations, but Chilean tax authorities may change said rulings and regulations prospectively. There is no general income tax treaty in force between Chile and the United States (although a treaty has been signed, it has not yet been ratified by United States' Congress and therefore is not yet effective).

[Table of Contents](#)**CASH DIVIDENDS AND OTHER DISTRIBUTIONS**

Cash dividends paid by us with respect to the ADSs or common shares held by a foreign holder will be subject to a 35% Chilean withholding tax, which is withheld and paid over to the Chilean tax authorities by us. We refer to this as the Chilean withholding tax. A credit against the Chilean withholding tax is available based on the level of corporate income tax, or first category tax, actually paid by us on the taxable income to which the dividend is imputed; however, this credit does not reduce the Chilean withholding tax on a one-for-one basis because it also increases the base on which the Chilean withholding tax is imposed.

From January 1, 2017, the first category tax may be credited partially (65%). Nevertheless, the foreign holder shall be entitled to a full first category tax credit, regardless of the tax regime chosen by the company, if such holder is established or domiciled in, or resident of, a country with which Chile has a double taxation treaty in force or, until December 31, 2021, Chile has signed a double taxation treaty with such country, even if not in force.

In addition, distribution of book income in excess of retained taxable income is subject to the Chilean withholding tax, but such distribution is not eligible for the credit. In case such withholding is determined to be excessive at the end of the year, foreign holders will have rights to file for the reimbursement of the excess withholding. Under Chilean income tax law, for purposes of determining the level of the first category tax that has been paid by us, dividends generally are assumed to have been paid out of our oldest retained taxable profits. The first category tax rate is 24% in 2016, is 25.5% in 2017 and 27% in 2018. The foregoing tax consequences apply to cash dividends paid by us. Dividend distributions made in property (other than common shares) will be subject to the same Chilean tax rules as cash dividends.

**CAPITAL GAINS**

Gains realized on the sale, exchange or other disposition by a foreign holder of ADSs (or ADRs evidencing ADSs) will not be subject to Chilean taxation, provided that such disposition occurs outside Chile (confirmed by the Chilean IRS in ruling No. 1,307 of 2013). The deposit and withdrawal of common shares in exchange for ADSs will not be subject to any Chilean taxes.

Gains recognized on a sale or exchange of common shares received in exchange for ADSs (as distinguished from sales or exchanges of ADSs representing such common shares) by a foreign holder until December 31, 2016 will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter) if (1) the foreign holder has held such common shares for less than one year since exchanging ADSs for the common shares, (2) the foreign holder acquired and disposed of the common shares in the ordinary course of its business or as a regular trader of stock, or (3) the sale is made to a company in which the foreign holder holds an interest (10% or more of the shares in the case of Public Companies). A 35% withholding tax is imposed on the amount of the gains obtained on the sale or exchange of common shares received in exchange for ADSs, less a Chilean credit tax. In all other cases, gain on the disposition of common shares will be subject only to the first category tax levied as a sole tax. However, in these latter cases, if it is impossible to determine the taxable capital gain, a 5% withholding will be imposed on the total amount to be remitted abroad without any deductions as a provisional payment of the total tax due.

From January 1, 2017 onwards, any gain obtained on the sale or exchange of common shares received in exchange for ADSs by a foreign holder will be subject to the Chilean withholding tax with a rate of 35%, which must be withheld by the purchaser. However, if it is impossible to determine the taxable capital gain, a 10% withholding will be imposed on the total amount to be remitted abroad without any deductions as a provisional payment of the total tax due.

The tax basis of common shares received in exchange for ADSs will be the acquisition value of such shares duly adjusted for local inflation. The valuation procedure set forth in the deposit agreement, which values common shares that are being exchanged at the highest price at which they trade on the Santiago Stock Exchange on the date of the exchange, generally will determine the acquisition value for this purpose. Consequently, the conversion of ADSs into common shares and sale of such common shares for the value established under the deposit agreement will not generate a capital gain subject to taxation in Chile, to the extent that the sale price is equal to the acquisition value at the time of redemption as discussed above. In the event the sale price exceeds the acquisition value of such shares determined, as explained above, such capital gain will be subject to first category tax (in the event the sale took place on or before December 31, 2016), and to the Chilean withholding, tax as discussed above.

The distribution and exercise of preemptive rights relating to the common shares will not be subject to Chilean taxation. Amounts received in exchange for the assignment of preemptive rights relating to the shares will be subject to both the first category tax and the Chilean withholding tax (the former being creditable against the latter to the extent described above).

[Table of Contents](#)**Exempt capital gains - Article 107 of the Chilean Income Tax Law**

According to Article 107 of the Chilean Income Tax Law, the sale and disposition of shares of Chilean public corporations which are significantly traded on a Chilean stock exchange is not levied by any Chilean tax on capital gains, if the sale or disposition was made:

- on a local stock exchange authorized by the CMF or in a tender offer process according to Title XXV of the Chilean Securities Market Act, so long as the shares (1) were purchased on a public stock exchange or in a tender offer process pursuant to Title XXV of the Chilean Securities Market Act, (2) are newly issued shares issued in a capital increase or incorporation of the corporation, (3) were acquired as a result of the exchange of convertible securities, or (4) were a contribution or redemption of securities in accordance with Article 109 of the Chilean Income Tax Law. In this case, gains exempted from Chilean taxes shall be calculated using the criteria set forth in the Chilean Income Tax Law; or
- within 90 days after the shares would have ceased to be significantly traded on the stock exchange. In such case, the gains exempted from Chilean taxes on capital gains will be up to the average price per share of the last 90 days in which the shares were significantly traded on the stock exchange. Any gains above the average price will be taxable capital gains.

For purpose of the bullets above, shares are considered to be significantly traded on a Chilean stock exchange when they (1) are registered in the securities registry, (2) are registered in a Chilean Stock Exchange; and (3) have an adjusted presence equal to or above 25% or have a "Market Maker" according to the CMF Ruling No. 327 dated January 17, 2012. Currently, our shares are considered to be significantly traded on a Chilean stock exchange.

**OTHER CHILEAN TAXES**

No Chilean inheritance, gift, or succession taxes apply to the transfer or disposition of the ADSs by a foreign holder but such taxes generally will apply to the transfer at death or by a gift of common shares by a foreign holder. No Chilean stamp, issue, registration or similar taxes or duties apply to foreign holders of ADSs or common shares.

**WITHHOLDING TAX CERTIFICATES**

Upon request, we will provide to foreign holders appropriate documentation evidencing the payment of the Chilean withholding tax.

**U.S. FEDERAL INCOME TAX CONSIDERATIONS**

This section is a summary of certain U.S. federal income tax consequences applicable to the acquisition, ownership and disposition by a U.S. holder (as defined below) of ADSs or common shares. This summary applies to you only if you are a U.S. holder and you hold your ADSs or common shares as capital assets (generally, property held for investment) for U.S. federal income tax purposes. This summary is not a comprehensive description of all of the tax consequences that may be relevant to a decision to purchase, hold or dispose of our ADSs or common shares.

This section does not apply to you if you are a U.S. holder subject to special rules, including for example:

- a dealer in securities;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a regulated investment company;
- a real estate investment trust;
- a tax-exempt organization;
- a bank or other financial institution;
- a life insurance company;
- a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) or a partner, member or owner therein;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of the bank's shares;
- a person that holds ADSs or common shares as part of a straddle, a hedging, conversion or constructive sale transaction; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed U.S. Treasury Regulations, published rulings, and court decisions, all as of the date of this Annual Report. These laws are

[Table of Contents](#)

subject to change, possibly on a retroactive basis, and subject to differing interpretations. This summary does not address any U.S. state or local or non-U.S. tax considerations or any U.S. federal estate, gift or alternative minimum tax considerations. On February 4, 2010, a comprehensive income tax treaty between the United States and Chile was signed, however such treaty has not yet been ratified by each country and therefore is not yet effective. It is unclear at this time when such treaty will be ratified by both countries. You should consult your tax advisor regarding the ongoing status of this treaty and, if ratified, the impact such treaty would have on the consequences described in this Annual Report.

As used herein, the term “U.S. holder” means a beneficial owner of ADSs or common shares who is, for U.S. federal income tax purposes, any of the following:

- an individual who is a citizen or resident of the United States,
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if such trust validly elects to be treated as a United States person (as defined under the Code) for U.S. federal income tax purposes or if (1) a court within the United States is able to exercise primary supervision over its administration, and (2) one or more United States persons have the authority to control all of the substantial decisions of such trust.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds the ADSs or common shares, the U.S. federal income tax treatment of a partner, member or owner of such entity will generally depend on the status of the partner, member or owner and the tax treatment of such entity. A partner, member or owner in an entity holding the ADSs or common shares should consult its tax advisor with regard to the U.S. federal income tax treatment of its investment in the ADSs or common shares.

**Prospective investors should consult their tax advisors as to the particular tax considerations applicable to them relating to the acquisition, ownership and disposition of our ADSs or common shares, including the applicability of U.S. federal, state and local tax laws and non-U.S. tax laws.**

## OWNERSHIP OF ADSs

### In general

The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the relevant deposit agreement and any related agreement will be performed in accordance with the terms set forth therein. For U.S. federal income tax purposes, if you are a holder of ADSs, you generally will be treated as the owner of our common shares represented by such ADSs. Accordingly, deposits or withdrawals of common shares for ADSs will not be subject to U.S. federal income tax. The U.S. Treasury Department has expressed concern that depositories for depositary receipts, or other intermediaries between the holders of shares of an issuer and the issuer, may be taking actions that are inconsistent with the claiming of U.S. foreign tax credits by U.S. holders of such receipts or shares. These actions would also be inconsistent with claiming the reduced rate for “qualified dividend income” described below. Accordingly, the analysis regarding the availability of a U.S. foreign tax credit for Chilean withholding taxes and sourcing rules described below and availability of the reduced rate for qualified dividend income could be affected by future actions that may be taken by the U.S. Treasury Department.

### Taxation of distributions

Subject to the PFIC rules discussed below, if you are a U.S. holder, the gross amount of any distribution of cash or property (including the net amount of Chilean taxes withheld, if any, on the distribution, after taking into account the credit for first category tax, as discussed above under “—Chilean Tax Considerations—Cash Dividends and Other Distributions”), paid by the bank out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will be includable in gross income as ordinary dividend income. You must include the net amount of Chilean tax withheld, if any, from such distribution in gross income even though you do not in fact receive it. The dividend is taxable to you when you, in the case of common shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. Distributions in excess of current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ADSs or common shares and thereafter as either long-term or short-term capital gain, depending on whether you have held our ADSs or common shares for more than one year at the time of the distribution. The bank does not currently maintain, and does not intend to maintain, calculations of our earnings and profits in accordance with U.S. federal income tax principles. Consequently, a U.S. holder should treat the entire amount of any distribution received as a dividend. As used below, the term “dividend” means a distribution that constitutes a dividend for U.S. federal income tax purposes.

[Table of Contents](#)

If you are a non-corporate U.S. holder, dividends paid to you may constitute qualified dividend income and be taxable to you at a reduced rate provided that (1) certain holding period requirements are met, (2) the ADSs or common shares are considered to be readily tradable on an “established securities market” in the United States, and (3) the bank is not a PFIC. Under U.S. Internal Revenue Service, or IRS, authority, ADSs are considered for purposes of clause (2) above to be readily tradable on an established securities market in the United States because they are listed on the NYSE. Based on existing guidance, it is not entirely clear whether dividends received with respect to the common shares will be treated as qualified dividend income because the common shares are not themselves listed on a U.S. exchange. Moreover, as discussed below, under “—Passive Foreign Investment Company rules,” we believe that we will not be treated as a PFIC for U.S. federal income tax purposes with respect to our 2017 and current taxable year, and based on our current expectations regarding the value and nature of our assets, the sources and nature of our income, relevant market and shareholder data and our current business plans, we do not anticipate becoming a PFIC in the future. However, there can be no assurance in this regard because the PFIC determination is made annually and is based on the portion of our assets (including goodwill) and income that is characterized as passive under the PFIC rules and our continued qualification for an exception to the PFIC rules for certain foreign banks. You should consult your tax advisor regarding the availability of the reduced rate for dividends paid with respect to our ADSs or common shares. Dividends paid by us generally will not be eligible for the dividends-received deduction available to certain U.S. corporations.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Chilean peso payments made, determined at the spot Chilean peso/U.S. dollar rate on the date the dividend distribution is actually or constructively received by you or the depository, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the dividend is converted to U.S. dollars on the date of receipt, a U.S. holder generally will not recognize a foreign currency gain or loss. However, if the U.S. holder converts the Chilean pesos into U.S. dollars on a later date, the U.S. holder must include in income any gain or loss resulting from any exchange rate fluctuations. The gain or loss will be equal to the difference between (1) the U.S. dollar value of the amount included in income when the dividend was received, and (2) the amount received on the conversion of the Chilean pesos into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the reduced tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. U.S. holders should consult their own tax advisors regarding the tax consequences to them if the bank pays dividends in Chilean pesos or any other non-U.S. currency. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

Subject to certain limitations (including minimum holding period requirements), the net amount of Chilean income tax withheld and paid over to the Chilean taxing authorities (after taking into account the credit for first category tax, when available) will generally be creditable or deductible against your U.S. federal income tax liability. However, if the amount of Chilean withholding tax initially withheld from a dividend is determined under applicable Chilean law to be excessive (as described above under “—Chilean Tax Considerations—Cash Dividends and Other Distributions”), the excess tax may not be creditable. Special rules apply in determining the foreign tax credit limitation with respect to dividends received by individuals that are subject to the reduced tax rate for qualified dividends. Dividends will be treated as income from sources outside the United States and generally be categorized as “passive category income” for most U.S. holders for U.S. foreign tax credit purposes. A U.S. holder that does not elect to claim a credit for any foreign income taxes paid during the taxable year may instead claim a deduction in respect of such foreign income taxes, provided that the U.S. holder elects to deduct (rather than credit) all foreign income taxes paid or accrued during the taxable year. This discussion does not address special rules that apply to U.S. holders who, for purposes of determining the amount of the foreign tax credit, take foreign income taxes into account when accrued. The rules governing foreign tax credits are complex and a U.S. holder should consult its own tax advisor regarding the availability of foreign tax credits under its particular circumstances.

### **Taxation of dispositions**

Subject to the PFIC rules discussed below, if you are a U.S. holder and you sell, exchange or otherwise dispose of your ADSs or common shares in a taxable disposition, you will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ADSs or common shares. Any such gain or loss will be long-term capital gain or loss if your ADSs or common shares have been held for more than one year. Certain non-corporate U.S. holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

If you are a U.S. holder of our ADSs or common shares, the initial tax basis of your ADSs or common shares will be the U.S. dollar purchase price or, if purchased in Chilean pesos, the U.S. dollar value of the Chilean peso-denominated purchase price determined on the date of purchase. If the common shares are treated as being traded on an “established securities market,” a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the U.S. dollar value of the cost of such common shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If you convert U.S. dollars to Chilean pesos and immediately use the currency to purchase common shares, such conversion generally will not result in taxable gain or loss to you.

The amount realized generally will be equal to the amount of cash or the fair market value of any other property received. With respect to the sale, exchange or other taxable disposition of our common shares, if the payment received is in Chilean pesos, the

[Table of Contents](#)

amount realized generally will be the U.S. dollar value of the payment received determined on (1) the date of receipt of payment in the case of a cash basis U.S. holder, and (2) the date of disposition in the case of an accrual basis U.S. holder. If our common shares are treated as being traded on an “established securities market,” a cash basis U.S. holder, or, if it elects, an accrual basis U.S. holder, will determine the U.S. dollar value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale.

If a Chilean income tax is withheld on the sale, exchange or other taxable disposition of our ADSs or common shares, the amount realized by a U.S. holder will include the gross amount of the proceeds of that sale, exchange or other taxable disposition before deduction of the Chilean income tax. Capital gain or loss, if any, realized by a U.S. holder on the sale, exchange or other taxable disposition of ADSs or common shares generally will be treated as U.S. source gain or loss for U.S. foreign tax credit purposes. Consequently, in the case of a gain from the disposition of a common share that is subject to Chilean income tax, the U.S. holder may not be able to benefit from the foreign tax credit for that Chilean income tax (i.e., because the gain from the disposition would be U.S. source), unless the U.S. holder can apply the credit against U.S. federal income tax payable on other income from foreign sources. Alternatively, the U.S. holder may take a deduction for the Chilean income tax, provided that the U.S. holder elects to deduct all foreign taxes paid or accrued during the taxable year. The rules governing foreign tax credits are complex and a U.S. holder should consult its own tax advisor regarding the availability of foreign tax credits under its particular circumstances.

### Passive Foreign Investment Company rules

Based upon our current estimates, expectations and projections of the value and classification of our assets and the sources and nature of our income, we believe that the bank’s ADSs and common shares should not be treated as stock of a PFIC for U.S. federal income tax purposes for 2017, our current taxable year or in the foreseeable future, but this conclusion is a factual determination that is made annually and there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year. Our actual PFIC status for our current taxable year ending December 31, 2018 will not be determinable until after the close of such taxable year and, accordingly, there is no guarantee that we will not be a PFIC for 2018.

In general, if you are a U.S. holder, the bank will be a PFIC with respect to you if for any taxable year in which you held the bank’s ADSs or common shares:

- at least 75% of the bank’s gross income for the taxable year is “passive income;” or
- at least 50% of the value, determined on the basis of a quarterly average, of the bank’s assets is attributable to assets that produce or are held for the production of passive income.

Passive income for this purpose generally includes dividends, interest, royalties, rents, annuities and gains from assets that produce passive income. We will be treated as owning our proportionate share of the assets and earnings and our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% by value of the stock of another corporation. If we are a PFIC for any year during which you hold our ADSs or common shares, you will generally be required to treat our ADSs or common shares as stock in a PFIC for all succeeding years during which you hold our ADSs or common shares, even if the bank does not otherwise meet the PFIC tests for any such succeeding year.

We are unable to determine with certainty that we are not a PFIC because the application of the PFIC rules to banks is unclear under present U.S. federal income tax law. Banks generally derive a substantial part of their income from assets that are interest bearing or that otherwise could be considered passive under the PFIC rules. The IRS has issued a notice and has proposed regulations, which together describe what is referred to as the “active bank exception.” For purposes of the PFIC test, the active bank exception excludes from passive income any income derived in the active conduct of a banking business by a qualifying foreign bank. The IRS notice and proposed regulations each have different requirements for qualifying as a foreign bank and for determining the banking income that may be excluded from passive income under the active bank exception. Moreover, the proposed regulations have been outstanding since 1994 and will not be effective unless finalized.

We believe that we should qualify as an active bank under the requirements of the notice and the proposed regulations, assuming that the proposed regulations are finalized in their current form. Accordingly, based on our present regulatory status under Chilean law, the present nature of our activities and the present composition of our assets and sources of income, we do not believe we were a PFIC for the taxable year ending December 31, 2017 (the latest period for which the determination can be made) and we also do not expect to be a PFIC for the current taxable year or for any future taxable years.

[Table of Contents](#)

In addition, because a PFIC determination is a factual determination that must be made following the close of each taxable year and is based on, among other things, the market value of our assets and shares, and because the proposed regulations (although proposed to be retroactive in application) are not currently in force, our PFIC status may change and there can be no assurance that we will not be considered a PFIC for the current taxable year or any subsequent taxable year. If the bank is treated as a PFIC for any year in which you hold ADSs or common shares, and you are a U.S. holder that did not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale, exchange or other taxable disposition (including certain pledges) of your ADSs or common shares; and
- any “excess distribution” that the bank makes to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the ADSs or common shares during the three preceding taxable years or, if shorter, your holding period for the ADSs or common shares).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ADSs or common shares;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the ADSs or common shares cannot be treated as capital, even if you hold the ADSs or ordinary shares as capital assets. If we were a PFIC, certain subsidiaries and other entities in which we have a direct or indirect interest may also be PFICs, or Lower-tier PFICs. Under attribution rules, U.S. holders would be deemed to own their proportionate shares of Lower-tier PFICs and would be subject to U.S. federal income tax according to the rules described above on (1) certain distributions by a Lower-tier PFIC and (2) certain dispositions of shares of a Lower-tier PFIC, in each case as if the U.S. holder held such shares directly, even though such U.S. holder had not received the proceeds of those distributions or dispositions.

Alternatively, a U.S. holder of “marketable stock” (as defined below) may make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ADSs or common shares at the end of the taxable year over your adjusted basis in your ADSs or common shares. These amounts of ordinary income will not be eligible for the reduced tax rates applicable to qualified dividend income or long-term capital gains. You will also be allowed to take an ordinary loss in respect of both (1) the excess, if any, of the adjusted basis of your ADSs or common shares over their fair market value at the end of the taxable year and (2) any loss realized on the actual sale or disposition of the ADSs or common shares, but in each case only to the extent of the net amount of previously included income as a result of the mark-to-market election. Any loss on an actual sale of your ADSs or common shares would be a capital loss to the extent it exceeds any previously included mark-to-market income not offset by previous ordinary deductions. Your basis in the ADSs or common shares will be adjusted to reflect any such income or loss amounts.

The mark-to-market election is available only for “marketable stock,” which is stock that is regularly traded in other than *de minimis* quantities on at least 15 days during each calendar quarter on a qualified exchange, including the NYSE, or other market, as defined in applicable regulations. The ADSs are listed on the NYSE, and we expect, although no assurance can be given, that they will be regularly traded on the NYSE. It is unclear whether the common shares will be treated as “marketable stock” for purpose of the mark-to-market rules. In addition, the mark-to-market election generally would not be effective for any Lower-tier PFICs. You are urged to consult your own tax advisors regarding the U.S. federal income tax consequences that would arise if we are treated as a PFIC while you hold ADSs or common shares.

Notwithstanding any election you make with regard to the ADSs or common shares, dividends that you receive from us will not constitute qualified dividend income to you, and therefore are not eligible for the reduced tax rate described above, if the bank is a PFIC either in the taxable year of the distribution or any preceding taxable year during which you held our ADSs or common shares. Instead, you must include the gross amount of any such dividend paid by us out of the bank’s accumulated earnings and profits (as determined for U.S. federal income tax purposes) in your gross income, and these amounts will be subject to tax at rates applicable to ordinary income.

If you directly (and, in some cases, indirectly) own ADSs or common shares that are treated as PFIC shares with respect to you during a taxable year, you will be required to file an annual report for such taxable year.

In addition, if we are a PFIC, we do not intend to prepare or provide you with the information necessary to make a “qualified electing fund” election, which, like the mark-to-market election, is a means by which U.S. taxpayers may elect out of the tax treatment that generally applies to PFICs.

[Table of Contents](#)

**YOU ARE URGED TO CONSULT YOUR TAX ADVISOR REGARDING THE APPLICATION OF THE PFIC RULES TO YOUR INVESTMENT IN ADSS OR COMMON SHARES, INCLUDING THE AVAILABILITY AND ADVISABILITY OF MAKING AN ELECTION TO AVOID THE ADVERSE TAX CONSEQUENCES OF THE PFIC RULES SHOULD WE BE CONSIDERED A PFIC FOR ANY TAXABLE YEAR.**

**Possible Foreign Account Tax Compliance Act Withholding**

Pursuant to Sections 1471 through 1474 of the Code and U.S. Treasury Regulations promulgated thereunder, commonly referred to as FATCA, a 30% withholding tax may, in the future, be imposed on all or some of the payments on the ADSs or our common stock to holders and non-U.S. financial institutions receiving payments on behalf of holders that, in each case, fail to comply with information reporting, certification and related requirements. Under current guidance, the amount to be withheld is not defined, and it is not yet clear whether or to what extent payments on the ADSs or shares of our common stock may be subject to this withholding tax. This withholding tax, if it applies, could apply to any payment made with respect to the ADSs or our common stock. Moreover, withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, ADSs or shares of our common stock held through a non-compliant institution may be subject to withholding even if the holder otherwise would not be subject to withholding. You should consult your tax advisor regarding potential U.S. federal withholding taxes imposed under FATCA.

If FATCA withholding is required, the bank will not be required to pay any additional amounts with respect to any amounts withheld. Certain beneficial owners of ADSs or our common stock that are not foreign financial institutions generally will be entitled to refunds of any amounts withheld under FATCA, but this may entail significant administrative burden. U.S. holders are urged to consult their tax advisers regarding the application of FATCA to their ownership of the ADSs or our common stock.

**Medicare tax**

A 3.8% tax is imposed on the lesser of (1) modified adjusted gross income in excess of US\$200,000 (US\$250,000 for joint-filers), and (2) net investment income of certain individuals, trusts and estates. For these purposes, net investment income will generally include any dividends paid to you with respect to the ADSs or common shares and any gain realized on the sale, exchange or other taxable disposition of an ADS or common share.

**Backup withholding tax and information reporting requirements**

U.S. backup withholding tax and information reporting requirements generally apply to certain payments to certain non-exempt holders of ADSs or common shares. Information reporting generally will apply to payments of dividends on, and to proceeds from the sale or redemption of, ADSs or common shares made within the United States, or by a U.S. payor or U.S. middleman, to a holder of ADSs or common shares, other than an exempt recipient. A payor will be required to withhold U.S. backup withholding tax from any payments of dividends on, or the proceeds from the sale or redemption of, ADSs or common shares within the United States, or by a U.S. payor or U.S. middleman, to a holder, other than an exempt recipient, if such holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, such U.S. backup withholding tax requirements.

Backup withholding is not an additional tax. Any U.S. backup withholding tax generally will be allowed as a credit against the holder's U.S. federal income tax liability or, to the extent the withheld amount exceeds such liability, refunded upon the timely filing of a U.S. federal income tax return.

**Information with respect to foreign financial assets**

Certain U.S. investors are subject to reporting requirements in connection with the holding of certain foreign financial assets, including our ADSs or common shares that they own, either directly or through certain foreign financial institutions, but only if the aggregate value of all of such assets exceeds US\$50,000. Such investors are subject to penalties if they are required to submit such information to the IRS and fail to do so. You should consult your tax advisor regarding the application of these new reporting requirements to your particular situation.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the purchase, ownership or disposition of the ADSs or common shares. Investors deciding on whether or not to invest in ADSs or common shares should consult their own tax advisors concerning the tax consequences of their particular situations.**

**F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

**G. STATEMENT BY EXPERTS**

Not applicable.

[Table of Contents](#)**H. DOCUMENTS ON DISPLAY**

We are subject to the information requirements of the Exchange Act, except that as a foreign issuer, we are not subject to the proxy rules or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished by us with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at Room 1024, 100 F Street, N.E., Washington, D.C. 20549, and at the SEC's regional offices at 233 Broadway, New York, New York 10279 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which our ADSs are listed. In addition, the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed on the internet at <http://www.sec.gov>. The information contained on this website does not form part of this annual report on Form 20-F.

Additional documents concerning Corpbanca which are referred to in this annual report may be inspected at our offices at Rosario Norte 660, Las Condes, Santiago, Chile.

**I. SUBSIDIARY INFORMATION**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK****A. DEFINITION AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT**

Following the consummation of the Merger, as part of the integration process of the merged banks, we amended our risk management policies and procedures in order to adopt Itaú Unibanco's risk policies and procedures according to Basel III framework.

While there is no single definition of financial risk, the bank defines this risk as the possibility of an event having unexpected financial consequences on the institution. Although this definition involves a strong adversity component, it also involves an important opportunity component. Therefore, the purpose of financial risk management is not to eliminate this risk, but rather to limit its exposure to negative events in line with the risk appetite of the bank's shareholders and the regulations that govern the institution. The main financial risks to which the bank is exposed are: Market Risk, Liquidity Risk and Counterparty Risk.

**1. Market Risk**

Market risk is the exposure to economic gains or losses caused by movements in prices and market variables. This risk stems from the activities of the Trading and Banking Books. The Trading Book includes non-derivative financial instruments that have been classified as trading instruments and all derivative positions that have not been classified as hedging instruments, according to accounting standards. The Banking Book includes all positions in derivative and non-derivative instruments that do not form part of the Trading Book. In the first case, it comes from activities intended to obtain short-term gains and from the intensive use of instruments recorded at fair value. In the second case, with a more long-term vision, it stems from commercial activities with products valued at amortized cost. The following section describes the main market risk factors to which the bank and its subsidiaries are exposed:

*a) Foreign Exchange Risk*

Foreign exchange risk is the exposure to adverse movements in the exchange rates of currencies other than the base currency for all balance sheet and off-balance sheet positions.

- The main sources of foreign exchange risk are:
- positions in foreign currency (FX) within the trading book;
- currency mismatches between assets and liabilities in the banking book;
- cash flow mismatches in different currencies; and
- structural positions produced from consolidating assets and liabilities from our foreign branches and subsidiaries denominated in currencies other than the Chilean peso. As a result, movements in exchange rates can generate volatility within the bank's income statement and equity. This effect is known as "translation risk."

*b) Indexation Rate Risk*

Indexation risk is the exposure to changes in indexed units (e.g. UF, UVR or others) linked to domestic or foreign currency in which any instruments, contracts or other transactions recorded in the statement of financial position may be denominated.

[Table of Contents](#)*c) Interest Rate Risk*

Interest rate risk is the exposure to movements in market interest rates. Changes in market interest rates can affect both the price of instruments recorded at fair value and the financial margin and other gains from the Banking Book such as fees. Fluctuations in interest rates also affect the bank's economic value.

Interest rate risk can be represented by sensitivities to parallel and/or non-parallel yield shifts with the effects reflected in the prices of instruments, the financial margin, equity and economic value.

*d) Volatility Risk*

In addition to the exposure related to the underlying asset, issuing options has other risks. These risks arise from the non-linear relationship between the gain generated by the option and the price and level of the underlying factors, as well as exposure to changes in the price volatility of the underlying asset.

**2. Funding Liquidity Risk**

Funding liquidity risk is the exposure of the bank and its subsidiaries to events that affect their ability to meet, in a timely manner and at reasonable costs, cash payment obligations arising from maturities of time deposits that are not renewed, withdrawals from demand accounts, maturities or settlements of derivatives, liquidations of investments or any other payment obligation.

Financial institutions are exposed to funding liquidity risk that is intrinsic to the role of intermediary that they play in the economy. In general, in financial markets demand for medium or long-term financing is usually much greater than the supply of funds for those terms while short-term financing is in considerable supply. In this sense, the role of intermediary played by financial institutions, which assume the risk of satisfying the demand for medium and long-term financing by brokering short-term available funds, is essential for the economy to function properly.

Appropriately managing funding liquidity risk not only allows contractual obligations to be met in a timely manner, but also enables:

- The liquidation of positions, when it so decides, to occur without significant losses.
- The commercial and treasury activities of the bank and its subsidiaries to be financed at competitive rates.
- The bank to avoid fines or regulatory penalties for not complying with regulations.

**3. Counterparty Risk**

Counterparty risk is the risk of loss arising from non-compliance by a given counterparty, for whatever reason, in paying all or part of its obligations with the bank under contractually agreed-upon conditions. This risk also includes a given counterparty's inability to comply with obligations to settle derivative operations with bilateral risk.

The bank diversifies credit risk by placing concentration limits on different groups. Exposure to credit risk is evaluated using an individual analysis of the payment capacity of debtors and potential debtors to meet their obligations on time and as agreed.

**B. FINANCIAL RISK MANAGEMENT**

The process of managing financial risks is an ongoing, interlinked process that begins by identifying the risks to which the institution is exposed. After that, the bank calculates the potential impact of that exposure on its profit or loss and limits it to a desired level. This involves actively monitoring risk and studying how it evolves over time. The risk management process can be subdivided into the following stages:

**1) Identification of Financial Risks**

The Financial Risk Division has a highly technical team that is constantly monitoring the activities of the bank and its subsidiaries to search for potential risks that have not been quantified and controlled. The bank's Treasury Division serves as a first line of defense and plays an essential role in risk detection. Itaú Corpbanca's structure facilitates this role of identifying risks by preserving the division's independence and ensuring active participation from management in creating/modifying products. After a risk is identified, it is quantified to see the potential impact on value creation within the institution.

**2) Quantification and Control of Financial Risk Exposure**

Once a risk has been identified, the Financial Risk Division is responsible for mapping the risk using the appropriate quantification metrics. Our board of directors and senior management are aware of the methods used to measure exposure and are

[Table of Contents](#)

responsible for setting the institution's desired risk appetite levels (by business unit, associate, risk factor, area, etc.), always taking care to adhere to current regulations. The limit setting process is the instrument used to establish the equity available to each activity. Limit determination is, by design, a dynamic process that responds to the risk level considered acceptable by senior management.

The Financial Risk Division requests and proposes a system of quantitative and qualitative limits and warning levels that affect liquidity and market risk. This request must be authorized by the Assets and Liabilities Committee, or ALCO, and our board of directors. It also regularly measures risk incurred, develops valuation tools and models, performs periodic stress testing, measures the degree of concentration with interbank counterparties, drafts policy and procedure handbooks and monitors authorized limits and warning levels, which are reviewed at least once per year.

The limit structure requires the division to carry out a process that includes the following steps:

- Efficiently and comprehensively identify and outline the main types of financial risks incurred so that they are consistent with the running of the business and the defined strategy.
- Quantify and communicate to business areas the risk levels and profile that senior management considers acceptable in order to avoid incurring undesired risks.
- Give business areas flexibility to take on financial risks in an efficient and timely manner based on changes in market and business strategies, and always within the risk levels considered acceptable by the entity.
- Enable business generators to take on a cautious yet sufficient level of risk in order to achieve budgeted results.
- Outline the range of products and underlying assets with which each treasury unit can operate, based on characteristics like the model, valuation systems and liquidity of the instruments involved, among other factors.

The metrics, by type of risk, used to quantify exposure or demonstrate that a risk has been materialized are detailed below:

*a) Market Risk Metrics and Limits*

Given the complexity and relevance of the portfolios managed by Itaú Corpbanca, diverse instruments have been chosen to control market risk based on the characteristics of the financial products in the Trading and Banking Books.

The following regulatory and internal metrics are used to monitor and control market risk:

*Regulatory Risk Measurements for the Trading and Banking Books*

The bank measures regulatory exposure using the standardized methodology provided by the Chilean Central Bank (Chapter III-B-2.2 "Standards on Measuring and Controlling Market Risks in Banking Companies" of the Compendium of Financial Standards) and complemented by the SBIF (Chapter 12-21 —Standards on Measuring and Controlling Market Risks), which is a risk measurement based on the standard methodology of the Basel Committee and is designed to quantify exposure to market risks for the Banking and Trading Books.

The regulatory measurement of market risk in the Trading Book allows the bank to estimate its potential losses from fluctuations standardized by the regulator. The regulatory limit is the sum of this risk (also known as Market Risk Exposure or MRE) and 10% of the credit risk weighted assets. This sum cannot be greater than the bank's minimum capital requirement.

The bank, on an individual level, must continuously observe those limits and report to the SBIF on a weekly basis its positions at risk and compliance with those limits (Regulatory Report SBIF C41—Weekly information on market risk using standardized methodology). It must also inform the SBIF each month on the consolidated positions at risk of subsidiaries and foreign subsidiaries (Regulatory Report SBIF C43—Consolidated information on market risk using standardized methodology).

The following table details regulatory limit consumption for market risk, specifically for the Trading Book as of December 31, 2015, 2016 and 2017.

**Trading Book**

Limit Consumption	As of December 31,		
	2015	2016	2017
Market risk exposure (MRE)	71.8%	60.4%	71.3%

The regulatory risk measurement for the Banking Book (Regulatory Report SBIF C40—Cashflows related to interest rate and indexation risk in the Banking Book) is used to estimate the bank's potential losses from standardized adverse movements in interest

[Table of Contents](#)

and exchange rates. For regulatory reporting purposes, the Trading Book includes the interest rate risk of derivatives managed in the Banking Book.

The standardized regulatory report for the Banking Book (Regulatory Report SBIF C40) is used to estimate the bank's potential economic losses from standardized adverse movements in interest rates defined by the SBIF. Currently, limits for short-term exposure (STE) to interest rate and indexation risk in the Banking Book must not exceed 35% of annual operating income (LTM moving period) and long-term limit consumption (LTE) must be less than 20% of the bank's minimum capital requirement.

The following table details regulatory limit consumption for market risk, specifically for the Banking Book as of December 31, 2015, 2016 and 2017:

**Banking Book**

Limit Consumption	As of December 31,		
	2015	2016	2017
Short-term exposure to interest rate risk (STE)	60.6%	51.8%	45.0%
Long-term exposure to interest rate risk (LTE)	13.8%	60.1%	43.2%

*Value at Risk (VaR) Calculation*

Calculation of Historical Value at Risk (non-parametric): This measurement provides the maximum potential economic loss at a certain confidence level and a given time horizon. Historical VaR, as opposed to Statistical or Parametric VaR, is based on the observed distribution of past returns, does not need to make assumptions of probability distributions (frequently normal distribution) and, therefore, does not need a mean (assumed 0), standard deviation and correlations across returns (parameters). The bank's uses a 99% confidence level and a time horizon of one day.

Calculation of volatility-adjusted Historical Value at Risk (non-parametric): This measurement is based on the above and the profit and loss (P&L) vector is adjusted according to whether it is facing a period of greater or less volatility.

Our board of directors defines limits on the Value at Risk (as of the end of the first half of 2016 it uses the volatility-adjusted Historical VaR method) that can be maintained, which is monitored on a daily basis. The measurement is also subjected to back testing to verify that the daily losses that effectively occurred do not exceed VaR more than once every 100 days. The result is monitored daily to confirm the validity of the assumptions, hypothesis and the adequacy of the parameters and risk factors used in the VaR calculation. The bank in turn calculates VaR for sub/portfolios and risk factors, which allows it to quickly detect pockets of risk. Since VaR does not consider stress scenarios, it is complemented by stress testing. Specifically, the bank uses metrics that take into account prospective, historical and standardized scenarios.

*(i) Limitations of VaR Model*

Although the VaR model is one of the models most frequently used by the local financial industry, like any model it has limitations that must be considered:

- It does not take into account the expected loss in the event that the portfolio return is above the confidence level defined in the VaR. In other words, in the bank's case it does not reflect what happens in the 1% of the tail. This is mitigated with the stress measures detailed below.
- It does not consider intraday results, but only reflects the potential loss given current positions.
- It does not take into account potential changes in the dynamics of movements in market variables (*i.e.* potential changes in the matrix of variance and covariance).

*(ii) Sensitivity Measurements*

Sensitivity measurements are based on estimated scenarios for positions in the Trading and Banking Books.

[Table of Contents](#)

Trading Book Positions by Risk Factor: The table below sets forth the Trading Book positions by risk factor as of December 31, 2015, 2016 and 2017:

Risk Factor / Products	Position		
	2015	2016	2017
	MCh\$	MCh\$	MCh\$
<b>CLP rates</b>			
Derivatives	(77,875)	(131,852)	(738,006)
Investments	3,733	344,390	263,964
<b>CLF rates</b>			
Derivatives	175,245	319,785	694,368
Investments	2,678	72,668	171,330
<b>COP rates</b>			
Derivatives	0	4,275	(223,400)
Investments	0	381,848	384,244
<b>UVR rates</b>			
Derivatives	0	0	0
Investments	0	164,828	0
<b>USD rates</b>			
	7,835	44,211	256,495
<b>OM rates</b>			
	52	(1,061)	10
<b>FX (exchange rate)</b>			
	7,887	14,089	15,620
<b>Inflation (CLF)</b>			
	0	0	0
<b>Optionality (Gamma, Vega)</b>			
	1	6	120

[Table of Contents](#)

Trading Book positions by risk factor correspond to the fair and equivalent nominal value (exchange rate or “FX,” inflation and optionality) of the portfolios within the Trading Book. The Trading Book is made up of the financial assets presented in Notes 6 and 8, and financial liabilities presented in Note 8, all of them included in our consolidated financial statements. The currency position incorporates the amortized cost positions from the statement of financial position, excluding the positions related to the foreign investment with their respective hedges. The currency positions in the Trading Book have limits for each currency.

**Banking Book by Risk Factor:****FX and Inflation Positions in Banking Book:**

The following table sets forth the foreign currency and inflation positions in the Banking Book as of December 31, 2015, 2016 and 2017:

	<u>Year End 2015</u>	<u>Year End 2016</u>	<u>Year End 2017</u>
CLF Position	448,256	1,118,526	877,152
FX Position	(52,231)	(684,938)	(889,075)

Positions in currencies other than Chilean pesos and exposure to indexation are classified by book and by their effect on the bank’s financial statements, reflecting the spot exposure to each risk factor. It is important to highlight the impact of structural exchange rate risk arising from the bank’s positions in currencies other than the Chilean peso related primarily to the consolidation of investments in subsidiaries or affiliates and the results and hedges of these investments. The process of managing structural exchange rate risk is dynamic and attempts to limit the impact of currency depreciation, thus optimizing the financial cost of hedges. The general policy for managing this risk is to finance them in the currency of the investment provided that the depth of the market so allows and the cost is justified by the expected depreciation. One-time hedges are also taken out when the bank considers that any currency may weaken beyond market expectations with respect to the Chilean peso. As of December 31, 2017, greater ongoing exposure was concentrated in Colombian pesos (approximately US\$1,019 billion). The bank hedges part of these positions on a permanent basis using currency derivatives. The currency positions in the Banking Book have limits for each currency.

**Structural Interest Rate Position in Banking Book (Interest Rate Gap):**

Structural interest rate risk is measured using representation by risk factor of cash flows expressed at fair value, assigned at the repricing date and by currency. This methodology facilitates the detection of concentrations of interest rate risk over different time frames. All positions in and outside the statement of financial position must be ungrouped into cash flows and placed at the repricing / maturity point. For those accounts that do not have contractual maturities, an internal model is used to analyze and estimate their durations and sensitivities.

The following table shows the Banking Book positions for the most important currencies in which the bank does business as of December 31, 2015, 2016 and 2017 (products valued at amortized cost and available-for-sale instruments and derivatives valued at fair value).

The exposures presented are the present values resulting from:

- Modeling contractual cash flows based on behaviors that affect market risk exposure (for example, prepayment and renewal, among others).
- Discounting cash flows from items accounted for on an accrual basis at a rate that represents the opportunity cost of the liability/asset.
- Discounting cash flows from items accounted for at market value at the market rate.

[Table of Contents](#)

CLP Position	Year-End 2015				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>1,375,771</b>	<b>433,059</b>	<b>740,858</b>	<b>377,601</b>	<b>102,765</b>
Cash	227,450	—	—	—	—
Repurchase agreements	58,296	—	—	—	—
Loans to customers, net	639,202	408,002	701,133	365,287	102,720
Financial assets available for sale	147,925	25,057	39,725	12,314	45
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	97,349	—	—	—	—
Other assets	205,549	—	—	—	—
<b>LIABILITIES</b>	<b>(1,823,957)</b>	<b>(518,933)</b>	<b>(1,046,279)</b>	<b>(278,441)</b>	<b>(10,960)</b>
Checking accounts and demand deposits	(375,365)	(47,417)	(151,741)	(110,807)	(10,960)
Savings accounts and time deposits	(658,190)	(471,444)	(892,462)	(137,889)	—
Debt issued	—	—	(2,077)	(29,745)	—
Repurchase agreements	(88,328)	(72)	—	—	—
Other liabilities	(178,329)	—	—	—	—
Capital and reserves	(523,745)	—	—	—	—
<b>DERIVATIVES</b>	<b>313,295</b>	<b>157,511</b>	<b>414,040</b>	<b>(130,308)</b>	<b>(92,492)</b>
Financial derivative instruments	313,295	157,511	414,040	(130,308)	(92,492)

CLF Position	Year-End 2015				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>340,027</b>	<b>265,914</b>	<b>957,214</b>	<b>627,247</b>	<b>2,133,207</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	248,695	217,467	874,598	546,211	2,133,207
Financial assets available for sale	81,786	48,447	82,616	81,036	—
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	—	—	—	—	—
Other assets	9,546	—	—	—	—
<b>LIABILITIES</b>	<b>(214,234)</b>	<b>(88,779)</b>	<b>(609,756)</b>	<b>(542,924)</b>	<b>(1,756,897)</b>
Checking accounts and demand deposits	(371)	—	—	—	—
Savings accounts and time deposits	(171,613)	(80,000)	(494,159)	(171,808)	(373,648)
Debt issued	(4,173)	(8,776)	(59,318)	(285,780)	(1,331,970)
Repurchase agreements	—	—	—	—	—
Other liabilities	(38,077)	(3)	(56,279)	(85,336)	(51,279)
Capital and reserves	—	—	—	—	—
<b>DERIVATIVES</b>	<b>88,477</b>	<b>(202,459)</b>	<b>(189,140)</b>	<b>(55,062)</b>	<b>(304,577)</b>
Financial derivative instruments	88,477	(202,459)	(189,140)	(55,062)	(304,577)



[Table of Contents](#)

CLF Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>460,596</b>	<b>467,103</b>	<b>2,112,730</b>	<b>1,828,020</b>	<b>3,977,336</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	498,761	453,798	2,019,088	1,751,321	3,931,531
Financial assets available for sale	3,792	13,305	93,642	76,699	45,805
PP&E and intangible assets	—	—	—	—	—
Other assets	(41,957)	—	—	—	—
<b>LIABILITIES</b>	<b>(366,933)</b>	<b>(158,745)</b>	<b>(1,087,649)</b>	<b>(892,317)</b>	<b>(3,218,064)</b>
Other liabilities	(86,149)	—	(46,944)	(66,944)	(21,856)
Capital and reserves	—	—	—	—	—
Debt issued	(41,651)	(12,178)	(542,146)	(649,782)	(2,773,046)
Checking accounts and demand deposits	(17,596)	—	—	—	—
Savings accounts and time deposits	(221,537)	(146,567)	(498,559)	(175,591)	(423,162)
<b>DERIVATIVES</b>	<b>(633,500)</b>	<b>(290,901)</b>	<b>(864,344)</b>	<b>(448,301)</b>	<b>233,496</b>
Financial derivative instruments	(633,500)	(290,901)	(864,344)	(448,301)	233,496

COP and UVR Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>Assets</b>	<b>2,777,361</b>	<b>610,840</b>	<b>667,891</b>	<b>761,052</b>	<b>690,494</b>
Cash	328,871	—	—	—	—
Repurchase agreements	152,665	—	—	—	—
Loans to customers, net	1,697,264	602,867	629,102	695,626	508,008
Financial assets available for sale	44,235	7,973	38,789	65,426	182,486
Financial assets held to maturity	107,541	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	446,735	—	—	—	—
<b>Liabilities</b>	<b>(4,229,588)</b>	<b>(581,868)</b>	<b>(765,798)</b>	<b>(461,681)</b>	<b>(309,997)</b>
Checking accounts and demand deposits	(1,759,415)	—	—	—	—
Savings accounts and time deposits	(930,983)	(570,126)	(631,854)	(342,199)	(101,967)
Debt issued	(24,653)	(11,742)	(133,944)	(119,482)	(208,030)
Other liabilities	(740,891)	—	—	—	—
Capital and reserves	(773,646)	—	—	—	—
<b>Derivatives</b>	<b>(41,422)</b>	<b>(24,828)</b>	<b>220,845</b>	<b>(8,233)</b>	<b>(83,679)</b>
Financial derivative instruments	(41,422)	(24,828)	220,845	(8,233)	(83,679)

[Table of Contents](#)

FX Position	Year-End 2016				
	1 Month	1 -3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>979,846</b>	<b>774,212</b>	<b>1,123,227</b>	<b>31,486</b>	<b>34,326</b>
Cash	349,543	—	—	—	—
Repurchase agreements	39,172	—	—	—	—
Loans to customers, net	645,830	774,108	1,122,529	22,872	22,093
Financial assets available for sale	287	104	698	8,614	12,233
Financial assets held to maturity	—	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	(54,986)	—	—	—	—
<b>LIABILITIES</b>	<b>(1,880,468)</b>	<b>(785,961)</b>	<b>(1,179,179)</b>	<b>(545,528)</b>	<b>—</b>
Checking accounts and demand deposits	(317,104)	—	(7,959)	—	—
Savings accounts and time deposits	(923,035)	(264,542)	(322,601)	—	—
Debt issued	(7,529)	(125,397)	(469,452)	(540,348)	—
Other liabilities	(610,230)	(396,022)	(379,167)	(5,180)	—
Capital and reserves	(22,570)	—	—	—	—
<b>DERIVATIVES</b>	<b>329,880</b>	<b>264,544</b>	<b>461,844</b>	<b>543,063</b>	<b>(57,615)</b>
Financial derivative instruments	329,880	264,544	461,844	543,063	(57,615)

CLP Position	Year-End 2017				
	1 Month	1 -3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>4,256,811</b>	<b>892,701</b>	<b>1,688,269</b>	<b>1,315,538</b>	<b>665,015</b>
Cash	387,847	—	—	—	—
Repurchase agreements	5,956	—	—	—	—
Loans to customers, net	2,162,363	859,897	1,614,115	1,080,663	427,787
Financial assets available for sale	67,735	32,804	74,154	234,876	237,228
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	703,689	—	—	—	—
Other assets	929,221	—	—	—	—
<b>LIABILITIES</b>	<b>(6,418,945)</b>	<b>(1,147,277)</b>	<b>(3,162,828)</b>	<b>(1,204,043)</b>	<b>(221,117)</b>
Checking accounts and demand deposits	(577,488)	(83,941)	(484,133)	(901,810)	(114)
Savings accounts and time deposits	(2,229,619)	(989,646)	(2,633,395)	(194,706)	—
Debt issued	(831)	(7,952)	(45,081)	(107,528)	(221,002)
Other liabilities	(374,333)	(30,483)	—	—	—
Capital and reserves	(3,207,101)	(30,483)	—	—	—
Repos	(29,573)	(4,773)	(219)	—	—
<b>DERIVATIVES</b>	<b>819,878</b>	<b>456,293</b>	<b>268,834</b>	<b>(324,113)</b>	<b>(152,389)</b>
Financial derivative instruments	819,878	456,293	268,834	(324,113)	(152,389)

[Table of Contents](#)

CLF Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>480,999</b>	<b>510,095</b>	<b>2,008,605</b>	<b>2,172,278</b>	<b>3,891,622</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	520,449	422,096	1,786,914	1,767,416	3,804,979
Financial assets available for sale	22,633	87,999	221,691	404,862	86,643
PP&E and intangible assets	—	—	—	—	—
Other assets	—	—	—	—	—
<b>LIABILITIES</b>	<b>(352,331)</b>	<b>(255,086)</b>	<b>(423,122)</b>	<b>(968,507)</b>	<b>(3,748,085)</b>
Other liabilities	(15,778)	—	—	—	—
Capital and reserves	(98,353)	(244,699)	(123,995)	(41,967)	(421,726)
Debt issued	(48,724)	(10,387)	(262,792)	(878,854)	(3,319,434)
Checking accounts and demand deposits	(189,476)	—	(36,335)	(47,686)	(6,925)
Savings accounts and time deposits	—	—	—	—	—
<b>DERIVATIVES</b>	<b>(1,209,472)</b>	<b>(508,032)</b>	<b>(817,140)</b>	<b>(226,061)</b>	<b>321,390</b>
Financial derivative instruments	(1,209,472)	(508,032)	(817,140)	(226,061)	321,390

COP and UVR Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>Assets</b>	<b>1,995,875</b>	<b>579,940</b>	<b>774,648</b>	<b>1,014,375</b>	<b>593,650</b>
Cash	165,848	—	—	—	—
Repurchase agreements	21,263	—	—	—	—
Loans to customers, net	1,237,941	522,042	633,470	619,269	531,424
Financial assets available for sale	3,885	—	141,177	395,107	62,225
Financial assets held to maturity	25,145	57,898	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	541,794	—	—	—	—
<b>Liabilities</b>	<b>(3,184,891)</b>	<b>(628,485)</b>	<b>(686,080)</b>	<b>(484,123)</b>	<b>(303,754)</b>
Checking accounts and demand deposits	(1,490,776)	—	—	—	—
Savings accounts and time deposits	(350,584)	(578,115)	(635,840)	(376,758)	(140,162)
Debt issued	—	(50,370)	(50,240)	(107,365)	(163,593)
Other liabilities	(669,363)	—	—	—	—
Capital and reserves	(674,168)	—	—	—	—
<b>Derivatives</b>	<b>(233,772)</b>	<b>62,977</b>	<b>(330,530)</b>	<b>374,478</b>	<b>(95,155)</b>
Financial derivative instruments	(233,772)	62,977	(330,530)	374,478	(95,155)

FX Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>702,900</b>	<b>263,710</b>	<b>547,829</b>	<b>33,257</b>	<b>11,851</b>
Cash	392,669	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	132,850	263,597	547,358	20,963	10,761
Financial assets available for sale	173	79	439	12,283	1,078
Financial assets held to maturity	—	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	177,207	34	31	12	12
<b>LIABILITIES</b>	<b>(1,861,588)</b>	<b>(318,197)</b>	<b>(539,389)</b>	<b>(450,818)</b>	<b>—</b>
Checking accounts and demand deposits	(388,722)	—	—	—	—
Savings accounts and time deposits	(837,274)	(202,181)	(526,101)	(2,215)	—
Debt issued	(452,157)	(116,016)	(13,288)	(448,603)	—
Other liabilities	(116,183)	—	—	—	—
Capital and reserves	(66,994)	—	—	—	—
<b>DERIVATIVES</b>	<b>879,996</b>	<b>(47,020)</b>	<b>70,834</b>	<b>361,999</b>	<b>6,409</b>
Financial derivative instruments	879,996	(47,020)	70,834	361,999	6,409

[Table of Contents](#)

The following table summarizes the aforementioned exposures:

	2015 Exposure MCh\$	2016 Exposure MCh\$	2017 Exposure MCh\$
CLP	13,530	(1,942,677)	(2,267,374)
CLF	448,256	1,118,526	877,152
COP-UVR	—	(778,611)	(550,847)
FX	(52,231)	93,673	(338,228)

*(iii) Sensitivity Analysis for Financial Risks*

The Bank uses stress testing as a sensitivity analysis tool in order to control financial risk. This measurement is performed separately for each class of financial instruments.

Sensitivity is estimated using the DV01 indicator, which is a measure of sensitivity of the portfolio results considering an increase of one basis point (0.01%) of the zero coupon interest rate of the financial risk factor for different maturities in annualized terms.

The following table presents an estimate of the likely, but reasonable impact of the fluctuations in interest rates, exchange rates and implicit volatilities (market factors) that would have an impact the based on a scenario of each class of financial instrument.

The estimated economic impact derived from the scenarios of changes in market factors presents effects in profit and loss for trading instruments and instruments measured at amortized cost, as well as impacts in other comprehensive income relating the available for sale, cash flow hedges and foreign investments portfolios.

The scenarios presented below correspond to the probable worst-case scenarios chosen from a set of scenarios agreed upon based on the opinions of specialists in economics, financial risk and traders. In order to estimate the economic impact, sensitivities (DV01) and scenario related changes must be multiplied for each market factor.

Scenarios are presented separately for Chile and Colombia.

Interest Rate Scenarios — Chile (basis points — 0.01%):

Scenarios for impact on financial trading instruments							Scenarios for impact on Available-for-Sale Assets (AFS)						Scenarios for impact on instruments measured at amortized cost				
Term	Overnight CLP	Gov't CLP	Overnight CLF	Gov't CLF	Curve USD	Curves MX	Term	Overnight CLP	Gov't CLP	Overnight CLF	Gov't CLF	Curve USD	Curves MX	Term	Overnight CLP	Overnight CLF	Curve USD
1D	(35)	48	116	314	122	(122)	1D	(35)	48	(116)	314	122	122	1D	—	—	—
3M	(35)	48	116	314	122	(122)	3M	(35)	48	(116)	314	122	122	1M	35	116	122
6M	(35)	48	116	314	122	(122)	6M	(35)	48	(116)	314	122	122	3M	35	116	122
9M	(39)	49	97	202	99	(99)	9M	(39)	49	(97)	202	99	99	6M	35	116	122
1Y	(43)	49	77	79	75	(75)	1Y	(43)	49	(77)	79	75	75	9M	39	97	99
2Y	(40)	39	59	75	49	(49)	2Y	(40)	39	(59)	75	49	49	1Y	43	77	75
3Y	(46)	41	57	67	58	(58)	3Y	(46)	41	(57)	67	58	58				
4Y	(56)	42	55	59	67	(67)	4Y	(56)	42	(55)	59	67	67				
5Y	(66)	43	54	51	75	(75)	5Y	(66)	43	(54)	51	75	75				
7Y	(63)	56	58	57	82	(82)	7Y	(63)	56	(58)	57	82	82				
10Y	(59)	74	65	67	93	(93)	10Y	(59)	74	(65)	67	93	93				
20Y	(59)	75	70	58	93	(93)	20Y	(59)	75	(70)	58	93	93				

[Table of Contents](#)Exchange Rate Scenarios — Chile:

Exchange Rate	Scenario for impact on financial trading instruments	Scenario for impact on AFS	Scenario for impact on Amortized Cost Book
USD-CLP	8.1%	(8.1)%	(8.1)%
USD-COP	8.0%	8.0%	8.0%

Interest Rate Scenarios — Colombia (basis points — 0.01%):

Scenarios for impact on financial trading instruments				Scenarios for impact on Available-for-Sale Assets (AFS)				Scenarios for impact on instruments measured at amortized cost			
Term	Gov't COP	Swap IBR	Curve USD	Term	Gov't COP	Swap IBR	Curve USD	Term	Curves MX	Swap IBR	Curve USD
1 D	91	59	(15)	1D	91	59	(15)	1D		59	14
3 M	91	37	(18)	3M	91	37	(18)	1M	122	35	13
6 M	91	48	(8)	6M	91	48	(8)	3M	122	37	11
9 M	91	54	(16)	9M	91	54	(16)	6M	122	48	26
1 Y	91	60	(24)	1Y	91	60	(24)	9M	99	54	22
2 Y	77	43	(33)	2Y	77	43	(33)	1Y	75	60	19
3 Y	67	36	(44)	3Y	67	36	(44)				
4 Y	62	39	(49)	4Y	62	39	(49)				
5 Y	67	43	(54)	5Y	67	43	(54)				
7 Y	75	40	(60)	7Y	75	40	(60)				
10 Y	85	36	(69)	10Y	85	36	(69)				
20 Y	41	23	(99)	20Y	41	23	(99)				

Exchange Rate Scenarios — Colombia:

Exchange Rate	Scenario for impact on financial trading instruments	Scenario for impact on AFS	Scenario for impact on Amortized Cost Book
USD-COP	(8.4)%	8.4%	8.4%

[Table of Contents](#)

The consolidated effects in profit or loss of the scenarios are presented below:

- The following table presents the impact on profit and loss (P&L) for the years ended December 31, 2017, 2016 and 2015 derived from the aforementioned scenarios applied to our financial trading instruments as of year-end:

Potential Impact on P&L	2015 MCh\$	2016 MCh\$	2017 MCh\$
<b>CLP Rate Risk</b>	<b>(1,865)</b>	<b>(2,812)</b>	<b>(849)</b>
Derivatives	(1,823)	(2,604)	(847)
Investments	(42)	(208)	(2)
<b>CLF Rate Risk</b>	<b>(2,662)</b>	<b>(8,069)</b>	<b>(7,839)</b>
Derivatives	(2,635)	(8,069)	(7,839)
Investments	(27)	—	—
<b>COP Rate Risk</b>	<b>—</b>	<b>(11,622)</b>	<b>(14,895)</b>
Derivatives	—	(10,439)	(9,909)
Investments	—	(1,183)	(4,986)
<b>UVR Rate Risk</b>	<b>—</b>	<b>(404)</b>	<b>—</b>
Derivatives	—	—	—
Investments	—	(404)	—
<b>USD Rate Risk</b>	<b>(778)</b>	<b>(2,658)</b>	<b>(2,001)</b>
<b>Other Currencies Rate Risk</b>	<b>(2)</b>	<b>(9)</b>	<b>(50)</b>
<b>Total Rate Risk</b>	<b>(5,307)</b>	<b>(25,574)</b>	<b>(25,633)</b>
<b>Foreign Exchange Risk</b>	<b>(131)</b>	<b>(1,921)</b>	<b>(755)</b>
<b>Options Risk<sup>(1)</sup></b>	<b>—</b>	<b>(87)</b>	<b>66</b>
<b>Total Impact</b>	<b>(5,438)</b>	<b>(27,582)</b>	<b>(26,322)</b>

(1) Option Risk includes the (Vega) and Gamma volatility risks.

- The following table presents the consolidated impact on the net interest income derived from the aforementioned scenarios on the financial instruments measured at amortized cost for the periods ended December 31, 2017, 2016 and 2015:

Potential impact on instruments measured at amortized cost	2015 MCh\$	2016 MCh%	2017 MCh\$
Impact of Interbank Rate Risk	(4,673)	(7,096)	(9,432)

The impact on the Banking Book does not necessarily mean a gain/loss but it does mean smaller/larger net income from the generation of funds (net funding income, which is the net interest from the financial instruments measured at amortized cost portfolio) for the next 12 months.

- Changes in market factors derived from the aforementioned scenarios also generate an impact on equity accounts as a result of the potential change in available-for-sale instruments portfolio and the cash flow and net foreign investment hedges portfolios, which are presented in the following table:

As of December 31, 2015:

Interest Rate	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
	USD	MUSS	MCh\$
CLP	(9,665)	(1)	(242)
CLF	(30,919)	(2)	(1,725)
USD	—	—	—
Other	—	—	—
<b>Total Rate Impact</b>	<b>(40,584)</b>	<b>(3)</b>	<b>(1,967)</b>

[Table of Contents](#)

Foreign Exchange	Impact of Change in Prices	
	MUS\$	MCh\$
USD	—	—
Other	—	—
<b>Total Impact on Exchange Rate</b>	<b>—</b>	<b>—</b>
<b>Total Impact</b>	<b>(3)</b>	<b>(1,967)</b>

As of December 31, 2016:

Interest Rate	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
	US\$	MUS\$	MCh\$
CLP	(293,337)	(14.00)	(9,211)
CLF	41,167	(15.00)	(10,029)
COP	(152,241)	(8.00)	(5,588)
UVR	—	—	—
USD	(77,927)	(3.00)	(2,094)
Other	(159)	—	(7)
<b>Total Rate Impact</b>	<b>(482,497)</b>	<b>(40)</b>	<b>(26,929)</b>

Exchange Rate	Impact of Change in Prices	
	MUS\$	MCh\$
USD	(1)	(269)
COP	(150)	(100,390)
<b>Total Impact on Exchange Rate</b>	<b>(151)</b>	<b>(100,659)</b>
<b>Total Impact</b>	<b>(191)</b>	<b>(127,589)</b>

As of December 31, 2017:

Interest Rate	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
	US\$	MUS\$	MCh\$
CLP	(386,979)	(37.01)	(22,745)
CLF	(245,812)	(47.62)	(29,261)
COP	(225,321)	(17.50)	(10,766)
UVR	—	—	—
USD	(48,791)	(2.77)	(1,700)
Other	—	—	—
<b>Total Rate Impact</b>	<b>(906,903)</b>	<b>(105)</b>	<b>(64,473)</b>

Exchange Rate	Impact of Change in Prices	
	MUS\$	MCh\$
USD	(8)	(4,875)
COP	(9)	(5,621)
<b>Total Impact on Exchange Rate</b>	<b>(17)</b>	<b>(10,497)</b>
<b>Total Impact</b>	<b>(122)</b>	<b>(74,969)</b>

The bank uses accounting hedges to efficiently manage accounting asymmetries present in financial risk exposure. The use of accounting hedges is dependent on limits defined by our board of directors, definitions from the ALCO and our hedging policy. The ALM Division is responsible for designing and implementing strategies and the Financial Risk Management Division for measuring and monitoring the effectiveness of hedges, generating effectiveness indicators that are continuously monitored.

[Table of Contents](#)

For further details on accounting hedge strategies, see Note 8 of our consolidated financial statements.

*b) Liquidity Risk Metrics and Limits*

Liquidity risk measurements are focused mainly on quantifying whether the institution has sufficient resources to meet its intraday and interday obligations under both normal and stressed conditions. They also include a framework of indicators to forecast the occurrence of liquidity stress scenarios and clarity as to the steps to follow once the risk has occurred.

The following regulatory and internal metrics are used to monitor and control liquidity risk.

*(i) Regulatory Measurement of Liquidity Risk*

Adjusted liquidity gap: SBIF Chapter 12-20 (“Management and Measurement of Liquidity Position”) establishes that, with prior authorization from the regulator, cash outflows to retail counterparties may be assigned a different maturity than their contractual maturity based on their statistical behavior. Adjusted mismatches (local consolidated) are restricted to a maximum of:

- 30-day mismatches in consolidated and foreign currency: 100% of Core Capital.
- 90-day mismatches in consolidated currency: 200% of Core Capital.

The bank, on a local consolidated level, must continuously observe those limits and periodically report to the SBIF its positions at risk and compliance with those limits.

The following table sets forth the use of the liquidity regulatory limit as of December 31, 2015, 2016 and 2017:

Regulatory Liquidity Indicator	As of December 31,		
	2015	2016	2017
	%	%	%
At 30 days	(2)	4	18
At 30 days in foreign currency	6	12	25
At 90 days	15	16	11

Note: Negative percentage (-2%) means that cash inflows exceed cash outflows at that maturity.

*(ii) Regulatory Measurement of Contractual Liquidity Gap*

In accordance with SBIF Chapter 12-20, all cash flows in and outside the statement of financial position are analyzed provided that they contribute cash flows at their contractual maturity point.

[Table of Contents](#)

Balances of the bank's consolidated undiscounted contractual cash flows from financial assets and liabilities as of December 31, 2015, 2016 and 2017, are detailed as follows:

	December 31, 2015					
	1 Month MCh\$	1 - 3 Months MCh\$	3 Months to 1 Year MCh\$	1 to 3 Years MCh\$	More than 3 Years MCh\$	Total MCh\$
<b>Assets</b>	<b>1,684,312</b>	<b>634,369</b>	<b>1,862,438</b>	<b>1,106,943</b>	<b>5,370,043</b>	<b>10,658,103</b>
Cash	556,223	—	—	—	—	556,223
Financial instruments recorded at market value	465,982	—	—	—	—	465,982
Loans to other domestic banks without lines of credit	49,779	8,927	38,282	2,825	2,825	102,638
Lines of credit granted to other domestic banks	—	—	—	—	—	—
Commercial loans without lines of credit	548,585	550,736	1,193,941	616,189	2,936,302	5,845,752
Commercial lines of credit and overdrafts	8,671	2,306	38,713	22	22	49,734
Consumer loans without lines of credit	13,780	27,094	113,379	221,144	317,221	692,619
Consumer lines of credit and overdrafts	(9,524)	9,338	295,542	3,001	3,001	301,357
Residential mortgage loans	10,773	21,390	98,262	257,087	2,053,706	2,441,217
Financial instruments recorded based on issuer's flow	89	17,682	34,274	11,504	14,079	77,628
Other transactions or commitments without lines of credit	61,262	—	77,054	—	—	138,316
Other lines of credit granted	—	—	—	—	—	—
Derivative instruments	(21,308)	(3,104)	(27,009)	(4,829)	42,887	(13,363)
<b>Liabilities</b>	<b>(2,140,218)</b>	<b>(875,303)</b>	<b>(2,297,841)</b>	<b>(1,191,284)</b>	<b>(3,520,612)</b>	<b>(10,025,260)</b>
Checking accounts and other demand deposits	(1,013,102)	—	—	—	—	(1,013,102)
Term savings accounts - unconditional withdrawal	—	—	—	—	—	—
Term savings accounts - deferred withdrawal	—	—	—	—	—	—
Obligations with Chilean Central Bank without lines of credit	—	—	—	—	—	—
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	(2)	(2)	(99)	(753)	(9,210)	(10,066)
Lines of credit secured from other domestic banks	(21)	—	—	—	—	(21)
Savings accounts and time deposits	(943,680)	(821,386)	(1,660,957)	(362,949)	(976,198)	(4,765,172)
Foreign loans without lines of credit	(2,992)	(22,259)	(550,776)	(83,019)	(87,778)	(746,824)
Lines of credit from foreign banks	—	—	—	—	—	—
Letter of credit obligations	(1,748)	—	(4,916)	(9,009)	(21,783)	(37,456)
Bonds payable	(3,806)	(952)	(51,699)	(290,792)	(1,907,377)	(2,254,626)
Other obligations or payment commitments without lines of credit	(174,867)	(30,704)	(29,394)	(444,762)	(518,266)	(1,197,993)
Other lines of credit secured	—	—	—	—	—	—
<b>Net band</b>	<b>(455,906)</b>	<b>(240,934)</b>	<b>(435,403)</b>	<b>(84,341)</b>	<b>1,849,431</b>	<b>632,843</b>

[Table of Contents](#)

	December 31, 2016					
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets</b>	<b>4,437,895</b>	<b>2,112,587</b>	<b>4,778,259</b>	<b>5,251,810</b>	<b>17,824,808</b>	<b>34,405,359</b>
Cash	1,119,862	—	—	—	—	1,119,862
Financial instruments recorded at market value	1,004,424	359,123	118,864	494,925	1,159,907	3,137,243
Loans to other domestic banks without lines of credit	167,076	4,092	—	—	—	171,167
Lines of credit granted to other domestic banks	—	—	—	—	—	—
Commercial loans without lines of credit	1,969,379	1,525,530	3,364,118	2,816,389	9,368,578	19,043,975
Commercial lines of credit and overdrafts	(276,662)	2,781	58,006	45	45	(215,785)
Consumer loans without lines of credit	62,325	131,324	525,925	1,038,327	1,744,874	3,502,775
Consumer lines of credit and overdrafts	94,515	4,484	325,597	3,248	3,248	431,093
Residential mortgage loans	37,140	66,144	283,201	739,403	5,314,672	6,440,560
Financial instruments recorded based on issuer's flow	30,967	470	75,868	—	—	107,305
Other transactions or commitments without lines of credit	238,207	6,092	16,098	112,494	117,408	490,299
Other lines of credit granted	—	—	—	—	—	—
Derivative instruments	(9,338)	12,547	10,582	46,999	116,076	176,865
<b>Liabilities</b>	<b>(8,454,693)</b>	<b>(2,799,978)</b>	<b>(5,214,372)</b>	<b>(2,960,247)</b>	<b>(8,655,131)</b>	<b>(28,084,422)</b>
Checking accounts and other demand deposits	(4,318,821)	—	—	—	—	(4,318,821)
Term savings accounts - unconditional withdrawal	(2,901)	—	—	—	—	(2,901)
Term savings accounts - deferred withdrawal	(39,644)	—	—	—	—	(39,644)
Obligations with Chilean Central Bank without lines of credit	(376,629)	—	—	—	—	(376,629)
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	—	—	—	—	—	—
Lines of credit secured from other domestic banks	—	—	—	—	—	—
Savings accounts and time deposits	(3,091,375)	(2,474,208)	(3,500,821)	(1,139,025)	(1,938,961)	(12,144,391)
Foreign loans without lines of credit	(245,352)	(281,556)	(1,017,915)	(109,668)	(328,524)	(1,983,014)
Lines of credit from foreign banks	—	—	—	—	—	—
Letter of credit obligations	(4,099)	(809)	(12,048)	(26,473)	(79,972)	(123,402)
Bonds payable	(40,256)	(32,952)	(632,208)	(1,638,082)	(6,217,523)	(8,561,021)
Other obligations or payment commitments without lines of credit	(335,616)	(10,453)	(51,380)	(46,999)	(90,151)	(534,599)
Other lines of credit secured	—	—	—	—	—	—
<b>Net band</b>	<b>(4,016,798)</b>	<b>(687,391)</b>	<b>(436,113)</b>	<b>2,291,563</b>	<b>9,169,677</b>	<b>6,320,937</b>

[Table of Contents](#)

	December 31, 2017					
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Assets</b>	<b>4,224,229</b>	<b>1,661,207</b>	<b>4,537,928</b>	<b>4,605,864</b>	<b>11,719,090</b>	<b>26,748,318</b>
Cash	964,030	—	—	—	—	964,030
Financial instruments recorded at market value	1,031,730	1,214	15,746	15,448	19,973	1,084,111
Loans to other domestic banks without lines of credit	23,723	—	—	93,955	—	117,678
Lines of credit granted to other domestic banks	—	—	—	—	—	—
Commercial loans without lines of credit	1,746,846	1,401,225	3,153,075	2,656,850	6,132,404	15,090,400
Commercial lines of credit and overdrafts	(325,031)	10,376	94,146	49	—	(220,459)
Consumer loans without lines of credit	141,002	148,208	560,896	1,053,399	728,777	2,632,282
Consumer lines of credit and overdrafts	36,763	21,558	411,528	4,092	—	473,941
Residential mortgage loans	34,318	65,946	291,594	769,201	4,766,325	5,927,384
Financial instruments recorded based on issuer's flow	18,891	250	66,361	—	—	85,502
Other transactions or commitments without lines of credit	703,120	—	—	2,599	—	705,720
Other lines of credit granted	—	—	—	—	—	—
Derivative instruments	(151,164)	12,431	(55,419)	10,270	71,611	(112,271)
<b>Liabilities</b>	<b>(8,239,221)</b>	<b>(2,164,508)</b>	<b>(5,649,539)</b>	<b>(2,859,784)</b>	<b>(6,349,855)</b>	<b>(25,262,908)</b>
Checking accounts and other demand deposits	(4,141,667)	—	—	—	—	(4,141,667)
Term savings accounts - unconditional withdrawal	(2,708)	—	—	—	—	(2,708)
Term savings accounts - deferred withdrawal	(25,702)	—	—	—	—	(25,702)
Obligations with Chilean Central Bank without lines of credit	(397,707)	—	—	—	—	(397,707)
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	—	—	—	—	—	—
Lines of credit secured from other domestic banks	—	—	—	—	—	—
Savings accounts and time deposits	(1,910,317)	(1,938,606)	(4,462,994)	(905,369)	(915,012)	(10,132,297)
Foreign loans without lines of credit	(460,289)	(147,694)	(871,120)	(362,455)	(335,773)	(2,177,330)
Lines of credit from foreign banks	—	—	—	—	—	—
Letter of credit obligations	(3,120)	(582)	(9,448)	(21,623)	(41,055)	(75,828)
Bonds payable	(599,615)	(78,780)	(294,624)	(1,511,971)	(5,039,530)	(7,524,520)
Other obligations or payment commitments without lines of credit	(698,096)	1,154	(11,353)	(58,367)	(18,485)	(785,148)
Other lines of credit secured	—	—	—	—	—	—
<b>Net band</b>	<b>(4,014,992)</b>	<b>(503,301)</b>	<b>(1,111,611)</b>	<b>1,746,079</b>	<b>5,369,235</b>	<b>1,485,410</b>

[Table of Contents](#)

The preceding tables present undiscounted cash flows from the bank's assets (Notes 5 — 11 of our consolidated financial statements) and liabilities (Notes 16 — 18 of our consolidated financial statements) on the basis of maturity estimation models. The bank's expected cash flows could vary as a function of changes in the variables that are used to estimate asset and liability maturities.

The grouping corresponds to regulatory categories that bring together financial items with similar characteristics from the perspective of liquidity risk. These categories are modeled separately and reported in cash flows.

*(iii) Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)*

In line with international risk management practices, the bank uses the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to manage liquidity risk.

The LCR aims to measure the sufficiency of high-quality assets to face a 30-day funding stress scenario. At a minimum, the bank must survive until the 30<sup>th</sup> day of the stress scenario with funding from liquid assets in its portfolio because, as described in the standard, managers and/or supervisors would have been able to establish timely corrective measures. The indicator also recognizes differentiated behavior for wholesale versus retail counterparties, which in the bank's case represent 72% and 28%, respectively, for the 30-day band. On the other hand, the NSFR focuses on maintaining sufficient stable funding to meet (long-term) stable funding needs. We calculate LCR and NSFR using the methodologies defined by the SBIF and the Brazilian Central Bank (BACEN). Both regulators set a limit for LCR, while only the BACEN establishes a limit for NSFR. The methodology used to estimate LCR and NSFR consists of liquidity ratios proposed by the "Basel III Committee on Banking Supervision" ("BIS III") that were adopted by the SBIF and the BACEN.

*(iv) Deposits / Loans*

Structurally, the bank's liquidity can be quantified based on the level of assets and liabilities in its balance sheet. In particular, the following table shows the ratio of deposits / loans in Itaú Corpbanca's balance sheet. Deposits refer to the carrying amount of funds (demand and time deposits) that customers deposit in the bank, while loans are credits that the bank grants. This is a measurement of the reciprocity between the bank's commercial activity and the stability of its funding.

	Dec 2015	Dec 2016	Dec 2017
Year-End	73.5%	78.4%	71.9%
Minimum	73.2%	71.0%	70.2%
Maximum	79.9%	81.5%	78.4%
Average	76.5%	77.5%	72.3%

Note1: loans are reported net of provisions

Note2: comparative basis for 2015 is only Itaú Chile

*(v) Liquidity Warning Levels*

Warning levels seek to provide evidence or signs of potential adverse liquidity events. The most relevant warning levels include: counterparty and maturity concentration, currency concentration, product concentration, reserve management, evolution of funding rates and diversification of Liquid Assets.

*(vi) Analysis of Pledged and Unpledged Assets*

The following presents an analysis of the bank's pledged and uncommitted assets that will be available to generate additional funding as fixed-income instruments. For this, pledged assets are:

- Assets that have been committed or received in guarantee.
- Assets that an entity considers that it are restricted from using.

[Table of Contents](#)

The following table sets forth our available assets and investments adjusted for the delivery or receipt of guarantees as of December 31, 2015, 2016 and 2017:

Year	Amount	Guarantees Furnished	Guarantees Received	Cash
	MCh\$ (i)	MCh\$ (ii)	MCh\$ (iii)	MCh\$ (i-ii+iii)
2015	579,597	43,727	10,293	546,163
2016	1,980,930	423,655	383,424	1,940,699
2017	999,044	(356,881)	172,881	1,528,806

*(vii) Counterparty Risk*

Exposure to derivative counterparty risk is measured by recognizing the different contracts maintained with the bank's customers, including contracts without mitigating clauses, contracts with netting, contracts with Credit Support Annex (CSA) and with clearing houses, which receive a differentiated treatment.

The following table details the netting of these transactions:

	12/31/2015			12/31/2016			12/31/2017		
	Gross amount assets	Gross amount liabilities	Net amounts	Gross amount assets	Gross amount liabilities	Net amounts	Gross amount assets	Gross amount liabilities	Net amounts
	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$
Derivatives with netting agreement	—	—	—	776.613	(885.158)	(108.545)	127,293	(96,942)	30,351
Derivatives without netting agreement	227.984	(253.183)	(25.199)	326.156	(22.176)	303.980	1,121,482	(998,212)	123,270
<b>Total Derivatives</b>	<b>227.984</b>	<b>(253.183)</b>	<b>(25.199)</b>	<b>1.102.769</b>	<b>(907.334)</b>	<b>195.435</b>	<b>1,248,775</b>	<b>(1,095,154)</b>	<b>153,621</b>
Net guarantees delivered in compensation houses <sup>(*)</sup>	724	—	724	56.818	—	56.818	78,097	—	78,097
Net guarantees delivered in bilateral agreements <sup>(**)</sup>	—	—	—	167.148	(49.776)	117.372	88,520	(79,589)	8,931
Net guarantees	724	—	724	223.966	(49.776)	174.190	166,617	(79,589)	87,028
<b>Derivatives net of guarantees</b>	<b>227.984</b>	<b>(252.459)</b>	<b>(24.475)</b>	<b>1.052.993</b>	<b>(683.368)</b>	<b>369.625</b>	<b>1,169,186</b>	<b>(928,537)</b>	<b>240,649</b>

(\*) Clearing Houses: centralized counterparties that play the counterparty role for all participants

(\*\*) Bilateral agreements: contractual agreements between both parties for delivery of guarantees under certain conditions

Market values of derivatives that are reported in accounting do not reflect counterparty risk management using guarantees as they do not reveal the true exposures with the counterparties. The guarantees delivered (received) must be added (subtracted) from the market value in order to correctly reflect these exposures.

It is important to highlight that counterparty risk management is framed within the bank's corporate credit policies.

### 3) Monitoring and Governance of Financial Risks

Our board of directors is the body in charge of the bank's management. Its duties include defining the institution's strategic guidelines and supervising its risk management structure.

Risk management policies are established with the objective of identifying and analyzing the risks faced by the bank, setting adequate limits and controls and monitoring risks and compliance with limits. Risk management policies and structures are reviewed

[Table of Contents](#)

regularly so that they reflect changes in the bank's activities. The bank, through its standards and procedures, aims to develop an appropriate control environment in which all employees understand their roles and responsibilities.

The Audit Committee supervises the way in which the bank monitors and manages risk and compliance with the bank's risk management policies and procedures and checks that the risk management framework is appropriate for the risks faced by the bank. This committee is assisted by the Internal Audit Department in its supervisory role. Internal Audit performs reviews of risk management controls and procedures, whose results are reported to the Audit Committee.

In accordance with the bank's governance outlook, the Financial Risk Department is responsible for identifying, quantifying, analyzing, controlling and monitoring financial risk at the bank. The Credit Risk Division is responsible for managing credit risk for the Corporate Banking, Treasury, Companies and Retail divisions. The Financial Risk Department is part of the Planning and Control Division. The other departments within this division include Accounting, Management Control, Planning and Development, Capital Management and Investor Relations. The main objective of this corporate division is to provide accurate, timely and high-quality information to support decision making by internal and external stakeholders.

The Corporate Treasury Division is charged with managing financial risk in the bank's Trading and Banking Books. In the Banking Book, this consists of managing inflation, interest rate and liquidity risk in the bank's balance sheet in order to maximize returns in compliance with corporate policies and current laws and regulations. The Trading Book refers to the portfolio of financial instruments acquired to obtain short-term gains from increases in fair value arising from changes in the values of underlying variables. This book is responsible for managing currency risk for the entire balance sheet. Management of the bank's funding structure is an important component of managing liquidity and interest rate risk within the Banking Book or balance sheet.

The Financial Risk Department is independent from the business areas and is responsible for controlling and measuring the bank's financial risks (market and liquidity risk) as well as supplying, along with the Treasury Division, the ALCO with the metrics and limits for those risks, which are established in the respective policies.

The bank's financial risk management efforts are framed within the Financial Risk Policy, which is comprised of the Liquidity Management Policy, the Market Risk Management Policy and the Valuation Policy.

*a) Financial Risk Management Principles*

- Risk is monitored and controlled by parties independent from those managing risk, thus correctly aligning incentives.
- Management efforts should be flexible, within the framework permitted by policies, rules and current regulations.
- Senior management establishes the guidelines for risk appetite and is informed periodically on risk levels assumed, contingencies and instances when limits are exceeded.

*b) Financial Risk Management Committees*

In order to guarantee the flexibility of management efforts and communication of risk levels to senior management, the following network of committees has been established:

- Daily Committees: Meets daily to review financial conditions and the latest market movements. This committee reviews the relevance of positions on a daily basis in order to detect in advance any scenarios that could negatively impact returns and liquidity. It also monitors the performance of strategies used for each of the portfolios.
- Proprietary Trading and Market Making Committees: Meets weekly to analyze strategies for managing investment portfolio or directional positions. This committee reviews local and global economic conditions and projections in order to analyze the potential benefits and risks of the strategies executed and evaluate new strategies.
- ALM Committees: This committee meets biweekly to analyze management of structural interest rate and indexation risk in the banking book.
- Liquidity and Market Committee: This committee meets biweekly to analyze management of funding liquidity risk.
- Treasury Committee: This committee meets monthly to analyze matters related to treasury activity and establish agreements and strategies on related matters, always in line with current ALCO policies and guidelines.
- Assets-Liabilities Committee (ALCO): This committee meets monthly to analyze economic and financial conditions and inform senior management of market and liquidity risk levels assumed by presenting indexes of market and funding liquidity risk, limit consumption and results of stress tests.

[Table of Contents](#)

- **Board of Directors:** Our board of directors is informed each quarter of the market and funding liquidity risk levels assumed by presenting established risk indexes, limit consumption and results of stress tests.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES****AMERICAN DEPOSITARY SHARES*****Fees and Expenses***

Effective as of May 7, 2012, Deutsche Bank Trust Company Americas serves as the depositary for our ADSs. Holders of the ADSs are required to pay the fees set forth in the table below to the depositary, and the depositary may refuse to provide any service for which a fee is assessed until the applicable fee has been paid. The depositary may decide, in its sole discretion, to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

<b>Depositary service</b>	<b>Fee payable by ADS holders</b>
Issuance and delivery of ADSs, including in connection with share distributions, stock splits or other distributions (except when converted to cash); exercise rights; cancellation or withdrawal of ADSs, including cash distributions in connection with a cancellation or withdrawal.	US\$5.00 (or less) per 100 ADSs (or fraction thereof)
Any distribution of cash proceeds to ADS registered holders, including cash dividends or sale of rights and other entitlements not made pursuant to a cancellation or withdrawal.	US\$2.00 (or less) per 100 ADS
Operation and maintenance costs.	US\$2.00 (or less) per 100 ADS
<b>Direct and indirect payments by the depositary</b>	
Transfer and registration of shares on our share register to or from the name of the Depositary or its agent when you deposit or withdraw shares	—
Cable, telex and facsimile transmissions and electronic transmissions (when expressly provided in the deposit agreement).	—
Any fees, charges and expenses incurred in connection with the conversion of foreign currency, compliance with exchange control regulations and other regulatory requirements.	—
Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty, or withholding taxes.	—
Any fees and expenses incurred by the depositary in connection with the delivery of deposited securities, including any fees of a central depositary for securities in the local market, where applicable.	—
Any other fees, charges costs or expenses incurred by the depositary or its agents for servicing the deposited securities.	—

Any other charges and expenses of the depositary under the deposit agreement will be paid by Itau Corpbanca upon agreement between the depositary and Itau Corpbanca. All fees and charges may, at any time and from time to time, be changed by agreement between the depositary and the Company but, in the case of fees and charges payable by ADS holders and beneficial owners, only in the manner contemplated by article 20 of the ADS.

The depositary reimburses Itau Corpbanca for certain expenses incurred by Itau Corpbanca that are related to the ADS facility upon such terms and conditions as Itau Corpbanca and the depositary have agreed and may hereinafter agree from time to time. The depositary may make available to Itau Corpbanca a set amount or a portion of the depositary fees charged in respect of the ADS facility or otherwise upon such terms and conditions as Itau Corpbanca and the depositary may agree from time to time.

[Table of Contents](#)

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

There have been no defaults, dividend arrearages or delinquencies in any payments for the year ended December 31, 2017.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

There have been no material modifications to the rights of security holders for the year ended December 31, 2017.

**ITEM 15. CONTROLS AND PROCEDURES**

**DISCLOSURE CONTROLS AND PROCEDURES**

As of December 31, 2017, we carried out an evaluation, under the supervision and with the participation of our management, including our CEO, and our CFO, of the effectiveness of our “disclosure controls and procedures” (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as required by paragraph (b) of Rules 13a-15 and 15d-15 under the Exchange Act.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Therefore, our management does not expect that the controls will prevent all errors and all fraud.

Based upon the evaluation performed, our CEO and CFO have concluded that as of December 31, 2017, our disclosure controls and procedures were effective to provide reasonable assurance that material information relating to us and our consolidated subsidiaries is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officers, to allow timely decisions regarding required disclosure.

**MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes, in accordance with IFRS, and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of the bank’s management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that a decline in the level of compliance with policies or procedures may occur.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth in “Internal Control—Integrated Framework (2013)” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its evaluation and those criteria, our management has concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our Company’s internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers Consultores Auditores SpA, an independent registered public accounting firm.

**CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

In connection with the evaluation required by Rule 13a-15(d) under the Exchange Act, our management, including our CEO and CFO, concluded that the changes that occurred during the year ended December 31, 2017 have not materially affected, and are not reasonably likely to materially affect, our internal control over financial reporting.

[Table of Contents](#)**REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The report of PricewaterhouseCoopers Consultores Auditores SpA, our independent registered public accounting firm, dated April 6, 2018, on the effectiveness of our internal control over financial reporting as of December 31, 2017 is presented on pages F-3 and F-4 of this Annual Report.

**ITEM 16. RESERVED****ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

We believe that each of the members of our audit committee qualifies as an “audit committee financial expert” within the meaning of this Item 16A, in that: (i) each has an understanding of IFRS and financial statements; (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; (iii) significant experience auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the financial statements and experience supervising persons engaged in such activities; (iv) an understanding of internal control over financial accounting and reporting; and (v) an understanding of the functions of an audit committee.

The names of the members of our audit committee are included in “Item 6. Directors, Senior Management and Employees—C. Board Practices.” All the members of this committee meet the independence requirements set forth in Rule 10A-3(b)(1) under the Exchange Act.

**ITEM 16B. ETHICS**

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Exchange Act. Our code of ethics applies to our CEO, CFO, principal accounting officer and persons performing similar functions, as well as to our directors and other employees without exception. A copy of our code of ethics, as amended, along with our Code of Conduct in the Securities Market, is attached as an exhibit to this annual report.

Our code of ethics is available on our website, at [www.itau.cl](http://www.itau.cl) under the heading “*Sobre Itau Corpbanca—Políticas, Manuales y Códigos.*”

No waivers have been granted to the code of ethics since its adoption that applies to the persons indicated above.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth the fees billed to us by our independent auditors during the fiscal years ended December 31, 2016 and 2017 following the accounting form:

	<u>Year Ended December 31</u>	
	<u>2016</u>	<u>2017</u>
	<u>(in millions of constant Ch\$)</u>	
Principal accountant fees and services		
Audit fees	1,862	1,966
Audit-related fees	208	425
Tax fees	—	—
All other fees	—	—
Total	<u>2,070</u>	<u>2,391</u>

Audit fees in the above table are the aggregate fees billed by PwC for 2016 and 2017, in connection with the audit of our consolidated financial statements and services that are normally provided by PwC in connection with statutory and regulatory filings or engagements.

Audit-related fees in the above table are the aggregate fees billed by PwC for 2016 and 2017, for assurance services required by regulators on internal control and certain accounting requirements, agreed upon procedures on quarterly disclosures to investors, and procedures in connection with implementation of accounting standards, as well as the issuance of consents in connection with filings.

**PRE-APPROVAL POLICIES AND PROCEDURES**

Our audit committee approves all audit, audit-related services, tax services and other services provided by PwC. Any services provided by PwC that are not specifically included within the scope of the audit must be pre-approved by the audit committee prior to any engagement.

[Table of Contents](#)**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Itaú Corpbanca's audit committee meets the requirements of Exchange Act Rule 10A-3. However, Itaú Corpbanca is subject to the general exemption contained in Exchange Act Rule 10A-3, which provides an exemption from NYSE's listing standards relating to audit committees for foreign companies like Itaú Corpbanca.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets out certain information concerning purchases of our shares registered under Section 12 of the Exchange Act by us or any affiliated purchaser during fiscal year 2017:

Period <sup>(*)</sup>	(a) Total number of shares purchased	(b) Average price paid per share (in Ch\$)	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Maximum number of shares that may yet be purchased under the plan or programs
January 2017	—	—	—	—
February 2017	—	—	—	—
March 2017	—	—	—	—
April 2017	—	—	—	—
May 2017	—	—	—	—
June 2017	—	—	—	—
July 2017	—	—	—	—
August 2017	—	—	—	—
September 2017	1,800,000,000	7.62	—	—
October 2017	—	—	—	—
November 2017	—	—	—	—
December 2017	—	—	—	—
<b>Total</b>	<b>1,800,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>

(\*) Itaú Corpbanca and our affiliates did not purchase any of our shares registered under Section 12 of the Exchange Act.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Pursuant to Section 303A.11 of the Listed Company Manual of the New York Stock Exchange, "foreign private issuers" are required to provide a summary of the significant ways in which their corporate governance practices differ from those corporate governance standards required of U.S. companies by the New York Stock Exchange. As a Chilean bank, our corporate governance standards are governed by our by-laws, the Chilean General Banking Act, the Chilean Securities Market Act, the Chilean Corporations Act and the Regulations of the SBIF. The following chart notes these differences:

**NYSE Corporate Governance Standards**

Listed companies must have a majority of independent directors and independence test.

**Chilean Corporate Governance Standards**

Publicly traded companies (*sociedades anónimas abiertas*) must designate at least one independent director and a directors committee, if they have a market capitalization equal to or greater than the equivalent of 1,500,000 *unidades de fomento*, and at least 12.5% of its issued shares with voting rights are held by shareholders who individually control or own less than 10% of such shares. Under Chilean law, directors elected by a group or class of shareholders have the same duties to the company and to the shareholders as do the remaining directors, and all transactions with the company in which a director has an interest, either personally (which includes the director's spouse and certain relatives) or as a representative of a third party, requires a report from the directors committee and the prior approval by the board of directors and must be entered into the interest of the Company and on market terms and conditions. Such transactions must be reviewed by the directors committee and disclosed at the subsequent shareholders' meeting.

[Table of Contents](#)**NYSE Corporate Governance Standards**

Non-management directors must meet at regularly scheduled executive sessions without management.

Listed companies must have a nominating/corporate governance committee composed entirely of independent directors. The committee must have a written charter addressing the committee's purpose and responsibilities, which must include (i) identifying, and selecting or recommending, qualified individuals to serve as board members, (ii) developing and recommending corporate governance guidelines; and (iii) overseeing the evaluation of the board and management.

Listed companies must have a compensation committee composed entirely of independent directors. The committee must have a written charter addressing an annual performance evaluation of the committee and addressing the committee's purpose and responsibilities, which must include (i) determining and approving the CEO's compensation level based on an evaluation of the CEO's performance in light of relevant corporate goals and objectives, (ii) making recommendations with respect to non-CEO executive officer compensation and (iii) producing a committee report on executive officer compensation.

Shareholders must have the opportunity to vote on all equity-compensation plans and material revisions thereto, subject to limited exemptions.

Listed companies must adopt and disclose corporate governance guidelines. The guidelines must address (i) director qualification standards, (ii) director responsibilities, (iii) director access to management, (iv) director compensation, (v) director orientation and continuing education, (vi) management succession, and (vii) annual performance evaluation of the board.

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose waivers thereof for directors or executive officers.

**Chilean Corporate Governance Standards**

Chilean law establishes that our executive officers may not serve as directors and therefore, all of our directors are non-management. Our board of directors meets regularly on a monthly basis.

Under Chilean law, we are not required to have, and do not have, a nominating/corporate governance committee. Under Chilean law, the only committees that are required are the audit committee, the directors committee, the anti-money laundering committee and the anti-terrorism finance committee.

Under Chilean law we are not required to have a compensation committee. Our board of directors establishes the compensation of our CEO and does a performance evaluation. The Directors Committee examines the compensation program of executive officers.

Our compensation policies do not provide for equity compensation plans.

We follow corporate governance guidelines established by Chilean laws and by the Regulations of the SBIF which include, among others (i) active participation of directors in our main committees, (ii) the requirement that all employees sign and be knowledgeable of our code of ethics, (iii) a separation of functions — our commercial unit is separated from the back office and risk segments and main credit decisions are taken in committee, (iv) monthly review by the audit committee of internal audit reports and (v) the appointment of an officer who oversees compliance with the code of ethics.

We have a code of business and ethics conduct which drives business and ethical conduct of our CEO, CFO and each employee. This code must be signed by each of our employees and is published in our intranet; it is included as an exhibit in this Annual Report.

[Table of Contents](#)**NYSE Corporate Governance Standards**

Listed companies must have an audit committee that meets the requirements of Exchange Act Rule 10A-3 or be exempt therefrom. If the company has an audit committee, each member must meet Exchange Act Rule 10A-3(b)(1) independence requirements or be exempt therefrom. In particular, Exchange Act Rule 10A-3(b)(1) requires that each member of the audit committee be a member of the board of directors of the issuer, and must otherwise be independent.

**Chilean Corporate Governance Standards**

Under Chilean law, all Chilean banks must establish an audit committee composed of two or more members, two of whom must be directors appointed by the board of directors. The SBIF recommends that at least one of the members of the audit committee, who must also be a member of the board of directors, be experienced with respect to the accounting procedures and financial aspects of banking operations. The members of the audit committee appointed by the board of directors must be independent according to the criteria set by the board of directors. In furtherance of the independence of the audit committee, the board of directors has determined that audit committee members should not, for the last three years, have held positions as our principal executive officers, have performed professional services for us, have commercial commitments with us or with any of our affiliates or related persons or have relations with other entities related to us from which they have received material payments. Moreover, they may not accept any payment or other compensatory fee from us, other than in their capacity as members of the audit committee or of other committees. All the members of the audit committee receive a monthly remuneration.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

[Table of Contents](#)

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

See the following items starting at page F-3:

- (a) Report of independent registered public accounting firm;
- (b) Consolidated statements of financial position as of 2017 and 2016;
- (c) Consolidated statements of income for the years ended December 31, 2017 and 2016;
- (d) Consolidated statements of other comprehensive income for the years ended December 31, 2017 and 2016;
- (e) Consolidated statements of changes in Equity for the years ended December 31, 2017 and 2016;
- (f) Consolidated statements of cash flows for the years ended December 31, 2017 and 2016; and
- (g) Notes to the consolidated financial statements.

**ITEM 19. EXHIBITS**

The following exhibits are filed as part of this Annual Report:

- Exhibit 1.1++++ [Articles of Incorporation and By-laws \(\*estatutos sociales\*\) of Itau Corpbanca, including amendments thereto \(English language translation\).](#)
- Exhibit 2.(a).1\*\* [Form of Amended and Restated Deposit Agreement, dated as of May 7, 2012, by and among Itau Corpbanca, Deutsche Bank Trust Company Americas, as depositary, and the registered holders and beneficial owners from time to time of American Depositary Shares evidenced by American Depositary Receipts issued thereunder, including a form of American Depositary Receipt.](#)
- Exhibit 2.(a).2\* [Form of Itau Corpbanca Share Certificate \(English language translation\).](#)
- Exhibit 2.(b).1\*\*\*\* [Indenture dated January 15, 2013, between Itau Corpbanca and Deutsche Bank Trust Company Americas, as Trustee, related to Itau Corpbanca's 3.125% Senior Notes due 2018.](#)
- Exhibit 2.(b).2\*\*\*\* [First Supplemental Indenture dated January 15, 2013, between Itau Corpbanca and Deutsche Bank Trust Company Americas, as Trustee, related to Itau Corpbanca's 3.125% Senior Notes due 2018.](#)
- Exhibit 2.(b).3\*\*\*\* [Form of Global Note due 2018 \(included in Exhibit 2.\(b\).1\).](#)
- Exhibit 3.1++++ [Amendment dated January 10, 2017 to the Data Processing Master Agreement entered into by and between Itau Corpbanca Colombia and Produban Servicios Informáticos Generales S.L. \(English language translation\).](#)
- Exhibit 3.2++++ [Amendment dated January 25, 2017 to the Software License Agreement entered into by and between Itau Corpbanca Colombia and Ingeniería de Software Bancario S.L. \(English language translation\).](#)
- Exhibit 4.(a).1\* [Systems Operations Services Agreement, dated as of March 30, 2001, between IBM de Chile S.A.C. and Itau Corpbanca \(English language translation\).](#)
- Exhibit 4.(a).2(i)+ [Service Contract, dated as of July 6, 2001, between Inversiones CorpGroup Interhold Limitada and Itau Corpbanca, as amended \(English language translation\).](#)

[Table of Contents](#)

Exhibit 4.(a).2.(i)(a) ++++	<a href="#">Amendment, dated as of January 27, 2014, to the Service Contract dated as of July 6, 2001, between Inversiones CorpGroup Interhold Limitada and Itaú Corpbanca (English language translation).</a>
Exhibit 4.(a).2(ii)+	<a href="#">Service Contract, dated as of April 10, 2008, between Inversiones CorpGroup Interhold Limitada and Itaú Corpbanca, as amended (English language translation).</a>
Exhibit 4.(a).2.(ii)(a) ++++	<a href="#">Amendment, dated as of January 27, 2014, to the Service Contract, dated as of April 10, 2008, between Inversiones CorpGroup Interhold Limitada and Itaú Corpbanca, as amended (English language translation).</a>
Exhibit 4.(a).2(iii)+	<a href="#">Service Contract, dated as of March 27, 2012, between CorpGroup Holding Inversiones Limitada, Alvaro Saieh Bendeck and Itaú Corpbanca, as amended (English language translation).</a>
Exhibit 4.(a).2(iii)(a)++	<a href="#">Amendment, dated as of January 27, 2014 of the Service Contract, dated as of March 27, 2012, between CorpGroup Holding Inversiones Limitada, Alvaro Saieh Bendeck and Itaú Corpbanca, as amended (English language translation).</a>
Exhibit 4.(a).3.1++++	<a href="#">Amendment to the Agreement to Participate in the Automated Teller Machine Network Operated by Redbanc S.A., dated as of October 11, 2016, among Redbanc S.A. and Itaú Corpbanca (English language translation).</a>
Exhibit 4.(a).4.1***	<a href="#">Sublease Automatic Teller Machine Contract, dated as of November 26, 2008 (the "Sublease ATM Contract"), entered into by and between SMU S.A., Rendic Hermanos S.A., Supermercados Bryc S.A. and Distribuidora Super Diez S.A. and Itaú Corpbanca (English language translation).</a>
Exhibit 4.(a).4.2++++	<a href="#">Amendment to the Sublease ATM Contract, dated as of June 4, 2014, entered into by and between SMU S.A., Rendic Hermanos S.A., Supermercados Bryc S.A. and Distribuidora Super Diez S.A. and Itaú Corpbanca (English language translation).</a>
Exhibit 4.(a).5++++	<a href="#">Amended and Restated Credit Agreement, dated as of April 10, 2017, by and among Itaú Corpbanca, as borrower, Wells Fargo Bank, N.A., as administrative agent and BNP Paribas Securities Corp, Mizuho Bank, Ltd. Standard Chartered Bank and Wells Fargo Securities, LLC, as joint lead arrangers and bookrunners.</a>
Exhibit 4.(a).6(i)+	<a href="#">Transaction Agreement dated as of January 29, 2014, entered into by and between Itaú Corpbanca, Inversiones CorpGroup Interhold Limitada, Inversiones Gasas Limitada, Itaú Unibanco and Itaú Chile.</a>
Exhibit 4.(a).6(ii)++	<a href="#">Amendment to the Transaction Agreement, dated as of June 2, 2015, entered into by and between Itaú Corpbanca, Inversiones CorpGroup Interhold Limitada, Inversiones Gasas Limitada, Itaú Unibanco and Itaú Chile.</a>
Exhibit 4.(a).6(iii)+++	<a href="#">Amended and Restated Transaction Agreement, dated as of January 20, 2017, entered into by and between Itaú Corpbanca, Inversiones CorpGroup Interhold Limitada, Inversiones Gasas Limitada, Itaú Unibanco and Itaú Chile.</a>
Exhibit 4.(b).1++	<a href="#">Lease agreement, dated as of July 27, 2015, entered into by and between Itaú Corpbanca as tenant and Compañía de Seguros Corpseguros S.A. as landlord.</a>
Exhibit 4.(b).2++	<a href="#">Lease agreement, dated as of July 27, 2015, entered into by and between Itaú Corpbanca as tenant and Compañía de Seguros CorpVida S.A. as landlord.</a>
Exhibit 4.(b).3++++	<a href="#">Lease Agreement, dated as of June 21, 2016, entered into by and between Itaú Corpbanca as tenant and Compañía de Seguros Confuturo S.A. as landlord.</a>
Exhibit 4.(b).4++++	<a href="#">Lease Agreement, dated as of June 21, 2016, entered into by and between Itaú Corpbanca as tenant and Compañía de Seguros Corpseguros S.A. as landlord.</a>
Exhibit 8.1	<a href="#">List of subsidiaries of Itaú Corpbanca.</a>
Exhibit 11.1++++	<a href="#">Itaú Corpbanca's Code of Ethics (General code of conduct. English language translation).</a>
Exhibit 11.2++++	<a href="#">Itaú Corpbanca's Code of Conduct in the Securities Market (English language translation).</a>
Exhibit 12.1	<a href="#">Certification of the CEO of Itaú Corpbanca required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>
Exhibit 12.2	<a href="#">Certification of the CFO of Itaú Corpbanca required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>

[Table of Contents](#)

Exhibit 13.1	<a href="#">Certification of the CEO of Itaú Corpbanca required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.</a>
Exhibit 13.2	<a href="#">Certification of the CFO of Itaú Corpbanca required under Rule 13a-14(a) or Rule 15d-14(a), pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.</a>
Exhibit 101*****	XBRL Instance Document and related items.

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\* Filed as an exhibit to our Form 20-F (File No. 001-32305) filed on September 24, 2004, and incorporated herein by reference.

\*\* Filed as an exhibit to our registration statement on Form F-6 (File No. 001-32305) filed on April 30, 2012, and incorporated herein by reference.

\*\*\* Filed as an exhibit to our annual report on Form 20-F (File No. 001-32305) for the year ended December 31, 2008 filed on June 30, 2009, and incorporated herein by reference.

\*\*\*\* Filed as an exhibit to our annual report on Form 20-F (File No. 001-32305) for the year ended December 31, 2012 filed on May 15, 2013, and incorporated herein by reference.

\*\*\*\*\* As permitted by Rule 405(a)(2)(ii) of Regulation S-T, the registrant's XBRL (eXtensible Business Reporting Language) information will be furnished in an amendment to this Form 20-F that will be filed no more than 30 days after the date hereof. In accordance with Rule 406T(b)(2) of Regulation S-T, such XBRL information will be furnished and not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Act, will be deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise will not be subject to liability under those sections.

+ Filed as an exhibit to our annual report on Form 20-F (File No. 001-32305) for the year ended December 31, 2013 filed on May 15, 2014, and incorporated herein by reference.

++ Filed as an exhibit to our annual report on Form 20-F (File No. 001-32305) for the year ended December 31, 2015 filed on March 31, 2016, and incorporated herein by reference.

+++ Filed as an exhibit to our Amendment No. 5 to Schedule 13-D Form SC 13 D/A (File No. 0001193125-17-022064) on January 27, 2017, and incorporated herein by reference.

++++ Filed as an exhibit to our annual report on Form 20-F (File No. 001-32305) for the year ended December 31, 2016 filed on April 13, 2017, and incorporated herein by reference.

[Table of Contents](#)

### SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ITAÚ CORPBANCA

/s/ Milton Maluhy

Name: Milton Maluhy

Title: Chief Executive Officer

/s/ Gabriel Moura

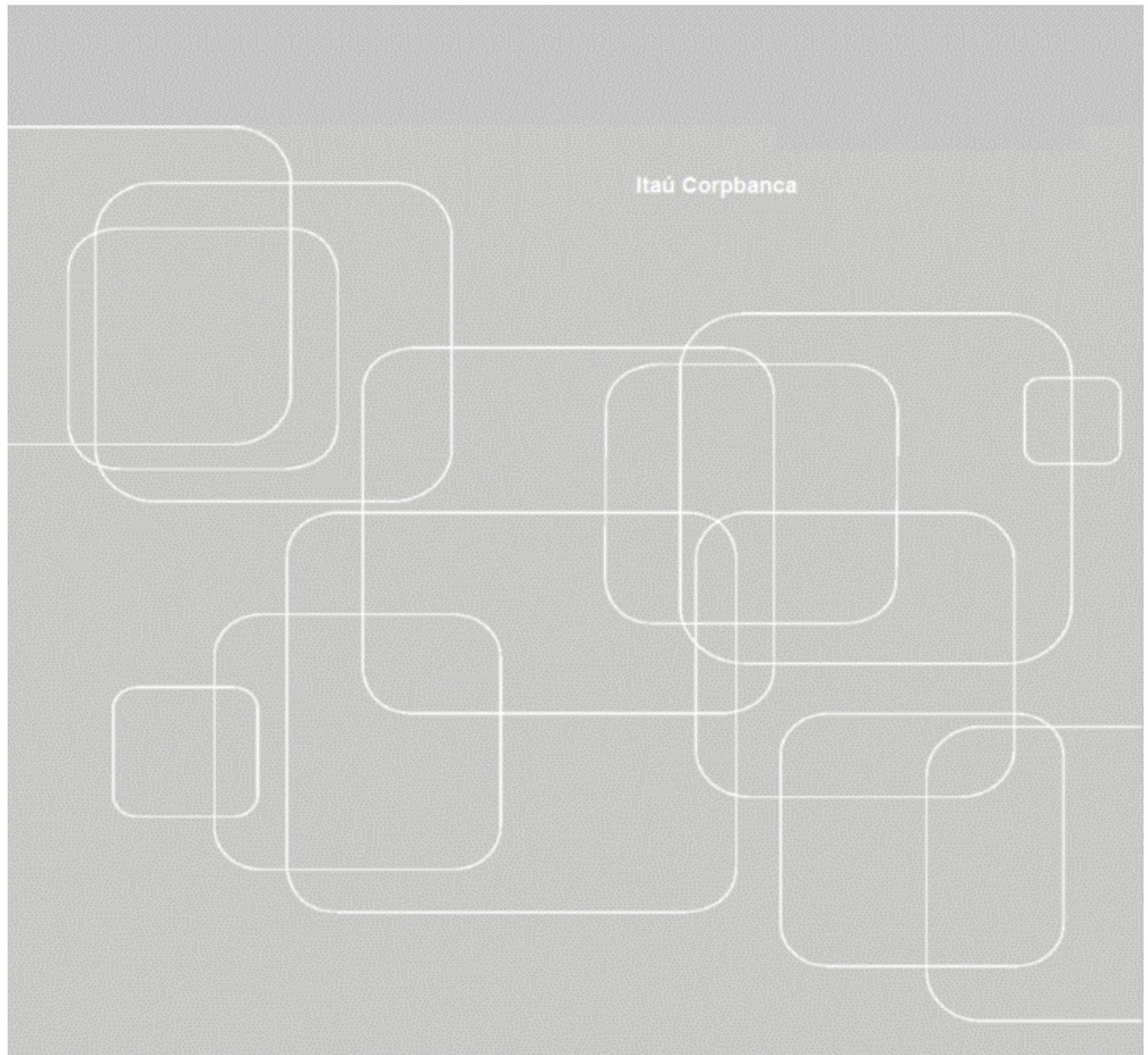
Name: Gabriel Moura

Title: Chief Financial Officer

Date: April 10, 2018

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[Table of Contents](#)



## **Itaú Corpbanca and Subsidiaries**

Consolidated Financial Statements as of December 31, 2017 and 2016  
and for the periods ended December 31, 2017, 2016 and 2015.

[Table of Contents](#)**Index to the Consolidated Financial Statements**

	<u>Page</u>
<a href="#">Report of independent registered public accounting firm</a>	F-3
<a href="#">Consolidated Statements of Financial Position as of December 31, 2017 and 2016</a>	F-5
<a href="#">Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015</a>	F-6
<a href="#">Consolidated Statements of Other Comprehensive income for the years ended December 31, 2017, 2016 and 2015</a>	F-7
<a href="#">Consolidated Statements of Changes in Equity for the years ended December 31, 2017 and 2016</a>	F-8
<a href="#">Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015</a>	F-9
<a href="#">Notes to the Consolidated Financial Statements</a>	F-11

Ch\$	=	Amounts expressed in Chilean pesos.
MCh\$	=	Amounts expressed in millions of Chilean pesos.
US\$	=	Amounts expressed in US dollars.
ThUS\$	=	Amounts expressed in thousands of US dollars.
COP\$	=	Amounts expressed in Colombian pesos.
MCOP\$	=	Amounts expressed in millions of Colombian pesos.
UF or CLF	=	Amounts expressed in <i>unidades de fomento</i> .

Itaú Corpbanca and Subsidiaries – Consolidated Financial Statements– December 31, 2017

[Table of Contents](#)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Itaú CorpBanca

*Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated statements of financial position of Itaú CorpBanca and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, other comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

*Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting appearing under Item 15 of this annual report. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

[Table of Contents](#)

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

*Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Consultores Auditores SpA

Santiago, April 6, 2018

We have served as the Company's auditor since 2006.

[Table of Contents](#)**Itaú Corpbanca and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2017 and 2016**  
*(In millions of Chilean pesos - MCh\$)*

	Note	12/31/2017 MCh\$	12/31/2016 MCh\$
<b>ASSETS</b>			
Cash and deposits in banks	5a)	964,030	1,487,137
Cash in the process of collection	5b)	157,017	145,769
Trading portfolio financial assets	6	415,061	632,557
Investments under agreements to resell	7a)	28,524	170,242
Derivative financial instruments	8a.1)	1,248,775	1,102,769
Loans and receivables from banks, net	9	70,077	150,568
Loans and receivables from customers, net	10	19,764,078	20,444,648
Financial investments available-for-sale	11	2,663,478	2,074,077
Held to maturity investments	11	202,030	226,433
Intangible assets	12	1,562,654	1,614,475
Property, plant and equipment, net	13	130,579	121,043
Current income taxes	14	238,452	164,296
Deferred income taxes	14	140,685	110,765
Other assets	15a)	429,025	427,394
Non-current assets held for sale	15b)	18,308	37,164
<b>TOTAL ASSETS</b>		<b>28,032,773</b>	<b>28,909,337</b>
<b>LIABILITIES</b>			
Current accounts and demand deposits	16a)	4,141,667	4,453,191
Transaction in the course of payment	5b)	109,496	67,413
Obligations under repurchase agreements	7b)	420,920	373,879
Time deposits and saving accounts	16b)	10,065,243	11,581,710
Derivative financial instruments	8a.2)	1,095,154	907,334
Borrowings from financial institutions	17	2,196,130	2,179,870
Debt issued	18	5,950,038	5,460,253
Other financial obligations	18	17,066	25,563
Current income tax provision	14	624	1,886
Deferred income taxes	14	26,354	57,636
Provisions	19	117,889	100,048
Other liabilities	20a)	463,435	269,810
Liabilities directly associated with non-current assets held for sale	20b)	—	7,032
<b>TOTAL LIABILITIES</b>		<b>24,604,016</b>	<b>25,485,625</b>
<b>EQUITY</b>			
<b>Attributable to equity holders of the Bank:</b>			
Capital	22	1,862,826	1,862,826
Reserves	22	1,290,131	1,294,108
Accumulated other comprehensive income	22	(4,735)	15,552
<b>Retained earnings:</b>		<b>63,255</b>	<b>12,257</b>
Retained earnings from prior periods	22	12,668	(1,121)
Net income for the period	22	67,821	14,407
Less: Accrual for mandatory dividends	19/22	(17,234)	(1,029)
		3,211,477	3,184,743
<b>Non-controlling interest</b>	22	217,280	238,969
<b>TOTAL EQUITY</b>		<b>3,428,757</b>	<b>3,423,712</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28,032,773</b>	<b>28,909,337</b>

*The explanatory notes are an integral part of these Consolidated Financial Statements.*

[Table of Contents](#)**Itaú Corpbanca and Subsidiaries****Consolidated Statements of Income****For the years ended December 31, 2017, 2016 and 2015***(In millions of Chilean pesos - MCh\$, except for earnings per share)*

	Notes	12/31/2017 MCh\$	12/31/2016 MCh\$	12/31/2015 MCh\$
Interest income	23a)	1,646,329	1,509,203	501,982
Interest expense	23b)	(863,347)	(870,028)	(278,692)
<b>Net interest income</b>		<b>782,982</b>	<b>639,175</b>	<b>223,290</b>
Income from service fees	24a)	216,420	193,801	81,375
Expenses from service fees	24b)	(38,849)	(43,005)	(10,287)
<b>Net service fee income</b>		<b>177,571</b>	<b>150,796</b>	<b>71,088</b>
Trading and investment income, net	25	8,268	112,952	(33,182)
Foreign exchange gains (losses), net	26	46,165	(48,848)	74,461
Other operating income	31a)	41,532	19,447	8,761
<b>Trading and investment, foreign exchange gains and other operating income</b>		<b>95,965</b>	<b>83,551</b>	<b>50,040</b>
Operating income before provision for loan losses		1,056,518	873,522	344,418
Provision for loan losses	27	(315,417)	(245,990)	(42,929)
<b>Total operating income, net of provision for loan losses, interest and fees</b>		<b>741,101</b>	<b>627,532</b>	<b>301,489</b>
Personnel salaries expenses	28	(281,323)	(245,665)	(86,711)
Administration expenses	29	(305,622)	(235,204)	(66,831)
Depreciation and amortization	30a)	(81,845)	(63,692)	(9,785)
Impairment	30b)	(27)	(351)	—
Other operating expenses	31b)	(62,330)	(71,715)	(15,133)
<b>Total operating expenses</b>		<b>(731,147)</b>	<b>(616,627)</b>	<b>(178,460)</b>
<b>Total net operating income before income taxes</b>		<b>9,954</b>	<b>10,905</b>	<b>123,029</b>
Income taxes	14	52,871	3,568	(17,263)
<b>Income from continuing operations</b>		<b>62,825</b>	<b>14,473</b>	<b>105,766</b>
<b>Income (loss) from discontinued operations</b>			<b>(504)</b>	<b>—</b>
<b>NET INCOME FOR THE PERIOD</b>		<b>62,825</b>	<b>13,969</b>	<b>105,766</b>
<b>Attributable to:</b>				
Equity holders of the Bank		67,821	14,407	105,757
Non controlling interest	22 i)	(4,996)	(438)	9
		<b>Ch\$</b>	<b>Ch\$</b>	<b>Ch\$</b>
<b>Earnings per share attributable to equity holders of the Bank</b>				
Basic earnings per share	22d)	0.132	0.035	0.919
Diluted earning per share	22d)	0.132	0.035	0.919
<b>Earnings per share from continuing operations attributable to equity holders of the Bank</b>				
Basic earnings per share	22d)	0.132	0.035	0.919
Diluted earning per share	22d)	0.132	0.035	0.919

*The explanatory notes are an integral part of these Consolidated Financial Statements.*

[Table of Contents](#)

**Itaú Corpbanca and Subsidiaries**  
**Consolidated Statements of Other Comprehensive Income**  
**For the years ended December 31, 2017, 2016 and 2015**  
(In millions of Chilean pesos - MCh\$)

	Notes	12/31/2017 MCh\$	12/31/2016 MCh\$	12/31/2015 MCh\$
<b>Net income for the period</b>	22j)	<b>62,825</b>	<b>13,969</b>	<b>105,766</b>
Other Comprehensive Income				
Items that may be reclassified subsequently to profit or loss:				
Financial instruments available-for-sale	22j)	9,966	15,418	664
Exchange differences on translation	22j)	(78,302)	(7,101)	—
Gain (loss) from hedge of net investment in foreign operation	22j)	49,197	13,458	—
Gain (loss) from cash flow hedge	22j)	(127)	(5,603)	—
<b>Other comprehensive income (loss) before income taxes</b>		<b>(19,266)</b>	<b>16,172</b>	<b>664</b>
Income tax relating to financial instruments available-for-sale	22j)	(3,333)	(4,025)	(218)
Income tax relating to hedge of net investment in foreign operations	22j)	(14,211)	(2,685)	—
Income tax relating to cash flow hedge	22j)	44	1,345	—
<b>Income taxes</b>		<b>(17,500)</b>	<b>(5,365)</b>	<b>(218)</b>
<b>Total other comprehensive income that may be reclassified to profit in subsequent periods</b>		<b>(36,766)</b>	<b>10,807</b>	<b>446</b>
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit obligation	22j)	(208)	(3,920)	—
Income tax relating to defined benefit obligation	22j)	(6)	1,090	—
<b>Total items that will not be reclassified subsequently to profit or loss</b>		<b>(214)</b>	<b>(2,830)</b>	<b>—</b>
<b>Total other comprehensive income (loss)</b>		<b>(36,980)</b>	<b>7,977</b>	<b>446</b>
<b>Comprehensive income (loss) for the period</b>		<b>25,845</b>	<b>21,946</b>	<b>106,212</b>
Attributable to:				
<b>Equity Holders of the bank</b>	22j)	<b>47,534</b>	<b>30,903</b>	<b>106,203</b>
<b>Non Controlling interest</b>	22j)	<b>(21,689)</b>	<b>(8,957)</b>	<b>9</b>

*The explanatory notes are an integral part of these Consolidated Financial Statements.*

**Itaú Corpbanca and Subsidiaries**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
*(In millions of Chilean pesos-MCh\$-except for number of shares)*

	Number of shares Banco Itaú (i) Unit	Exchange ratio (ii); (a) Unit	Number of shares (Restated) (i)*(ii) Millions	Capital MCh\$	Reserves		Valuation accounts MCh\$	Retained earnings			Total attributable to equity holders of the bank MCh\$	Non controlling interest MCh\$	Total equity MCh\$
					Reserves from earnings MCh\$	Other non- earnings reserves MCh\$		Retained earnings from previous periods MCh\$	Net income for the period MCh\$	Accrual for mandatory dividends MCh\$			
<b>Equity as of January 1, 2016</b>	<b>1,433,690</b>		<b>115,040</b>	<b>344,569</b>	<b>398,843</b>	<b>(2,133)</b>	<b>(944)</b>	<b>103,215</b>		<b>(52,168)</b>	<b>791,382</b>	<b>59</b>	<b>791,441</b>
Increase or decrease of capital and reserves	710,477	80,240	57,009	392,813	52,168			(52,168)			392,813		392,813
Dividends Paid								(52,168)		52,168			
<b>Merger with Corpbanca</b>													
Elimination of legal capital Banco Itaú Chile				(737,382)		737,382							
Legal capital Corpbanca before business combination				781,559		(781,559)							
Increase of capital in Coprbanca				401,424		(401,424)							
Fair Value Corpbanca and subsidiaries			340,358	679,843		1,290,831					1,970,674	247,867	2,218,541
Accrual for mandatory dividends										(1,029)	(1,029)		(1,029)
Comprehensive income for the period							16,496		14,407		30,903	(8,957)	21,946
<b>Equity as of December 31, 2016</b>			<b>512,407</b>	<b>1,862,826</b>	<b>451,011</b>	<b>843,097</b>	<b>15,552</b>	<b>(1,121)</b>	<b>14,407</b>	<b>(1,029)</b>	<b>3,184,743</b>	<b>238,969</b>	<b>3,423,712</b>
Distribution of prior year's net income								14,407	(14,407)				
<b>Equity as of January 1, 2017</b>			<b>512,407</b>	<b>1,862,826</b>	<b>451,011</b>	<b>843,097</b>	<b>15,552</b>	<b>13,286</b>		<b>(1,029)</b>	<b>3,184,743</b>	<b>238,969</b>	<b>3,423,712</b>
Dividends Paid								(618)		1,029	411		411
Other movements						(3,977)					(3,977)		(3,977)
Accrual for mandatory dividends										(17,234)	(17,234)		(17,234)
Comprehensive income for the period							(20,287)		67,821		47,534	(21,689)	25,845
<b>Equity as of December 31, 2017</b>			<b>512,407</b>	<b>1,862,826</b>	<b>451,011</b>	<b>839,120</b>	<b>(4,735)</b>	<b>12,668</b>	<b>67,821</b>	<b>(17,234)</b>	<b>3,211,477</b>	<b>217,280</b>	<b>3,428,757</b>

The explanatory notes are an integral part of these Consolidated Financial Statements.

(a) Due the business combination (reverse acquisition under IFRS 3), made in April 1, 2016, the legal capital of the legal acquirer must be reflected retroactively and, therefore, this adjustment reflects the elimination for presentation purposes of the legal capital of Banco Itaú Chile.

[Table of Contents](#)**Itaú Corpbanca and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2017, 2016 and 2015**  
*(In millions of Chilean pesos - MCh\$)*

	Notes	12/31/2017 MCh\$	12/31/2016 MCh\$	12/31/2015 MCh\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Profit for the period before taxes		9,954	10,905	123,029
<b>Charges (credits) to income that do not represent cash flows:</b>				
Depreciation and amortization	30	81,845	63,692	9,785
Credit risk provisions	27	346,980	269,261	51,234
Provisions and write-offs for assets received in lieu of payment	31b)	14,472	9,463	409
Other provision for contingencies	31b)	586	8,952	81
Impairment	30	27	351	—
Adjustment to market value of investments and derivatives		34,863	24,415	8,559
Net interest income	23	(782,982)	(639,175)	(223,290)
Net service fee income	24	(177,571)	(150,796)	(71,088)
Net foreign exchange gains (losses)	26	(46,165)	48,848	(74,461)
Other charges (credits) that do not represent cash flows		(4,133)	16,328	(10,606)
<b>Subtotal</b>		<b>(522,124)</b>	<b>(337,756)</b>	<b>(186,348)</b>
Loans to customers and banks		393,967	701,084	(581,027)
Receivables from repurchase agreements and securities borrowing	5c) i	(10,784)	45,113	54,797
Payables from repurchase agreements and securities lending	5c) i	47,041	(428,466)	—
Trading securities	5c) ii	207,263	(165,957)	23,760
Financial assets available for sale	5c) ii	(933,263)	555,051	(143,394)
Financial assets held to maturity	5c) ii	24,392	(60,038)	—
Other assets and liabilities		319,624	(2,053)	76,524
Cash from recovery of fine by SBIF		21,765	—	—
Time deposits and Savings accounts		(1,521,753)	(642,318)	(19,030)
Current accounts and other demand deposits		(312,332)	(787,998)	93,642
Foreign borrowings obtained	5c) iii	3,911,800	3,570,163	259,148
Repayment of foreign borrowings	5c) iii	(3,839,035)	(3,953,640)	(226,567)
Interest paid		(875,702)	(835,043)	(222,672)
Interest received		1,661,537	1,420,179	469,519
Net fee		177,660	150,935	71,088
Received (payments) taxes		(136,184)	(201,884)	(54,657)
Repayment of other borrowings	5c) iv	(8,497)	(8,330)	(38,624)
Proceeds from sale of assets received in lieu of payment		3,762	2,060	2,136
<b>Net cash flows used in operating activities</b>		<b>(1,390,863)</b>	<b>(978,898)</b>	<b>(421,705)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment and intangible assets	12-13	(87,155)	(105,157)	(16,481)
Cash and cash equivalents from CorpBanca integration		—	1,694,231	—
<b>Net cash flows provided by (used in) investing activities</b>		<b>(87,155)</b>	<b>1,589,074</b>	<b>(16,481)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Debt instruments issued		1,076,452	810,270	445,789
Redemption of debt issued		(726,232)	(276,131)	(6,124)
Capital increase	22	—	392,813	—
Dividends paid	22c)	(618)	(52,168)	(26,448)
<b>Net cash flows provided by financing activities</b>		<b>349,602</b>	<b>874,784</b>	<b>413,217</b>
<b>Effect of changes in exchange rates</b>		<b>86,761</b>	<b>6,176</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,041,655)</b>	<b>1,491,136</b>	<b>(24,969)</b>
Cash and cash equivalents at beginning of period		2,116,744	625,608	650,577
Cash and cash equivalents at end of period	5	1,075,089	2,116,744	625,608
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(1,041,655)</b>	<b>1,491,136</b>	<b>(24,969)</b>

Item	Balance	Cash Flows		Other changes different of cash				Balance
	December 31, 2016 MCh\$	Received MCh\$	Payments MCh\$	Acquisition MCh\$	Interest MCh\$	Currency movement MCh\$	Changes in fair value MCh\$	As of December 31, 2017 MCh\$
<b>Debt instruments issued</b>								
Letters of credits	86,210		(21,520)	—	3,248	—	—	67,938
Bonds and Subordinated bonds	5,374,043	1,076,452	(704,712)	—	279,636	(143,319)	—	5,882,100
<b>Total</b>	<b>5,460,253</b>	<b>1,076,452</b>	<b>(726,232)</b>	<b>—</b>	<b>282,884</b>	<b>(143,319)</b>	<b>—</b>	<b>5,950,038</b>
<b>Dividends paid</b>			(618)					
<b>Capital increase</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Subtotal Cash Flows from Financing Activities</b>		<b>1,076,452</b>	<b>(726,850)</b>					
<b>Total Cash Flows from Financing Activities (net)</b>		<b>349,602</b>						

The explanatory notes are an integral part of these Consolidated Financial Statements.

[Table of Contents](#)

## INDEX

	<u>Page</u>	
<a href="#">Note 1</a>	<a href="#">GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</a>	F-11
<a href="#">Note 2</a>	<a href="#">ACCOUNTING CHANGES</a>	F-42
<a href="#">Note 3</a>	<a href="#">RELEVANT EVENTS</a>	F-42
<a href="#">Note 4</a>	<a href="#">SEGMENT INFORMATION</a>	F-48
<a href="#">Note 5</a>	<a href="#">CASH AND CASH EQUIVALENTS</a>	F-53
<a href="#">Note 6</a>	<a href="#">TRADING PORTFOLIO FINANCIAL ASSETS</a>	F-55
<a href="#">Note 7</a>	<a href="#">INVESTMENT AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS</a>	F-56
<a href="#">Note 8</a>	<a href="#">DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING</a>	F-58
<a href="#">Note 9</a>	<a href="#">LOANS AND RECEIVABLES FROM BANKS</a>	F-64
<a href="#">Note 10</a>	<a href="#">LOANS AND RECEIVABLES FROM CUSTOMERS</a>	F-65
<a href="#">Note 11</a>	<a href="#">INVESTMENT INSTRUMENTS</a>	F-69
<a href="#">Note 12</a>	<a href="#">INTANGIBLE ASSETS</a>	F-72
<a href="#">Note 13</a>	<a href="#">PROPERTY, PLANT AND EQUIPMENT</a>	F-74
<a href="#">Note 14</a>	<a href="#">INCOME TAXES</a>	F-76
<a href="#">Note 15</a>	<a href="#">OTHER ASSETS AND NON-CURRENT ASSETS HELD FOR SALE</a>	F-80
<a href="#">Note 16</a>	<a href="#">CURRENT ACCOUNTS, DEMAND DEPOSITS, TIME DEPOSITS AND SAVINGS ACCOUNTS</a>	F-81
<a href="#">Note 17</a>	<a href="#">BORROWINGS FROM FINANCIAL INSTITUTIONS</a>	F-82
<a href="#">Note 18</a>	<a href="#">DEBT ISSUED AND OTHER OBLIGATIONS</a>	F-84
<a href="#">Note 19</a>	<a href="#">PROVISIONS</a>	F-88
<a href="#">Note 20</a>	<a href="#">OTHER LIABILITIES AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</a>	F-95
<a href="#">Note 21</a>	<a href="#">CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES</a>	F-96
<a href="#">Note 22</a>	<a href="#">EQUITY</a>	F-100
<a href="#">Note 23</a>	<a href="#">INTEREST INCOME AND EXPENSE</a>	F-108
<a href="#">Note 24</a>	<a href="#">FEES AND INCOME FROM SERVICES</a>	F-109
<a href="#">Note 25</a>	<a href="#">NET TRADING AND INVESTMENT INCOME</a>	F-110
<a href="#">Note 26</a>	<a href="#">NET FOREIGN EXCHANGE INCOME (LOSSES)</a>	F-111
<a href="#">Note 27</a>	<a href="#">PROVISION FOR LOAN LOSSES</a>	F-112
<a href="#">Note 28</a>	<a href="#">PERSONNEL SALARIES EXPENSES</a>	F-114
<a href="#">Note 29</a>	<a href="#">ADMINISTRATION EXPENSES</a>	F-115
<a href="#">Note 30</a>	<a href="#">DEPRECIATION, AMORTIZATION AND IMPAIRMENT</a>	F-116
<a href="#">Note 31</a>	<a href="#">OTHER OPERATING INCOME AND EXPENSES</a>	F-121
<a href="#">Note 32</a>	<a href="#">RELATED PARTY TRANSACTIONS</a>	F-122
<a href="#">Note 33</a>	<a href="#">FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE</a>	F-128
<a href="#">Note 34</a>	<a href="#">RISK MANAGEMENT</a>	F-142
<a href="#">Note 35</a>	<a href="#">MATURITY OF ASSETS AND LIABILITIES</a>	F-179
<a href="#">Note 36</a>	<a href="#">FOREIGN CURRENCY POSITION</a>	F-181
<a href="#">Note 37</a>	<a href="#">SUBSEQUENT EVENTS</a>	F-182

[Table of Contents](#)

**Itaú Corpbanca and Subsidiaries**  
**Notes to the Consolidated Financial Statements**  
**As of and for the years ended December 31, 2017, 2016 and 2015.**  
*(In millions of Chilean pesos, except for the number of shares)*

**NOTE 1 GENERAL INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.1 General Information — Itaú Corpbanca and Subsidiaries**

Itaú Corpbanca (the “Bank”) is a corporation incorporated under the laws of the Republic of Chile and regulated by the Superintendency of Banks and Financial Institutions (SBIF). The merger of Banco Itaú Chile and Corpbanca (the latter is the legal successor)<sup>(1)</sup> was consummated on April 1, 2016, the date on which the Bank was renamed “Itaú Corpbanca”.

The current ownership structure is as follows: Itaú Unibanco (36.06%), CorpGroup and subsidiaries (30.65%) and non-controlling shareholders (33.29%). Itaú Unibanco is the Bank’s controlling shareholder. In this context, and notwithstanding the foregoing, Itaú Unibanco and CorpGroup entered into a shareholder agreement that regulates aspects such as corporate governance, protective rights, dividends, share transfers, liquidity and other matters.

Itaú Corpbanca is headquartered in Chile, and it also has operations in Colombia and Panama. In addition, it has a branch in New York and two representation offices (in Madrid and Peru)<sup>(2)</sup>. The Bank has total consolidated assets of MCh\$28,032,773 (MUS\$45,620) and equity of MCh\$3,428,757 (MUS\$5,580). Itaú Corpbanca offers universal banking products targeted toward large and medium-sized companies and retail customers. The merged Bank is the fourth largest private bank in Chile, with a banking platform for future expansion throughout Latin America, specifically in Chile, Colombia and Peru.

The legal domicile of Itaú Corpbanca is Rosario Norte N° 660, Las Condes, Santiago, Chile, and its web site is [www.itau.cl](http://www.itau.cl).

The Consolidated Financial Statements of Itaú Corpbanca for the period ended December 31, 2017, have were approved for issuance by the Board of Directors on April 6, 2018.

**i) Itaú Corpbanca and Subsidiaries**

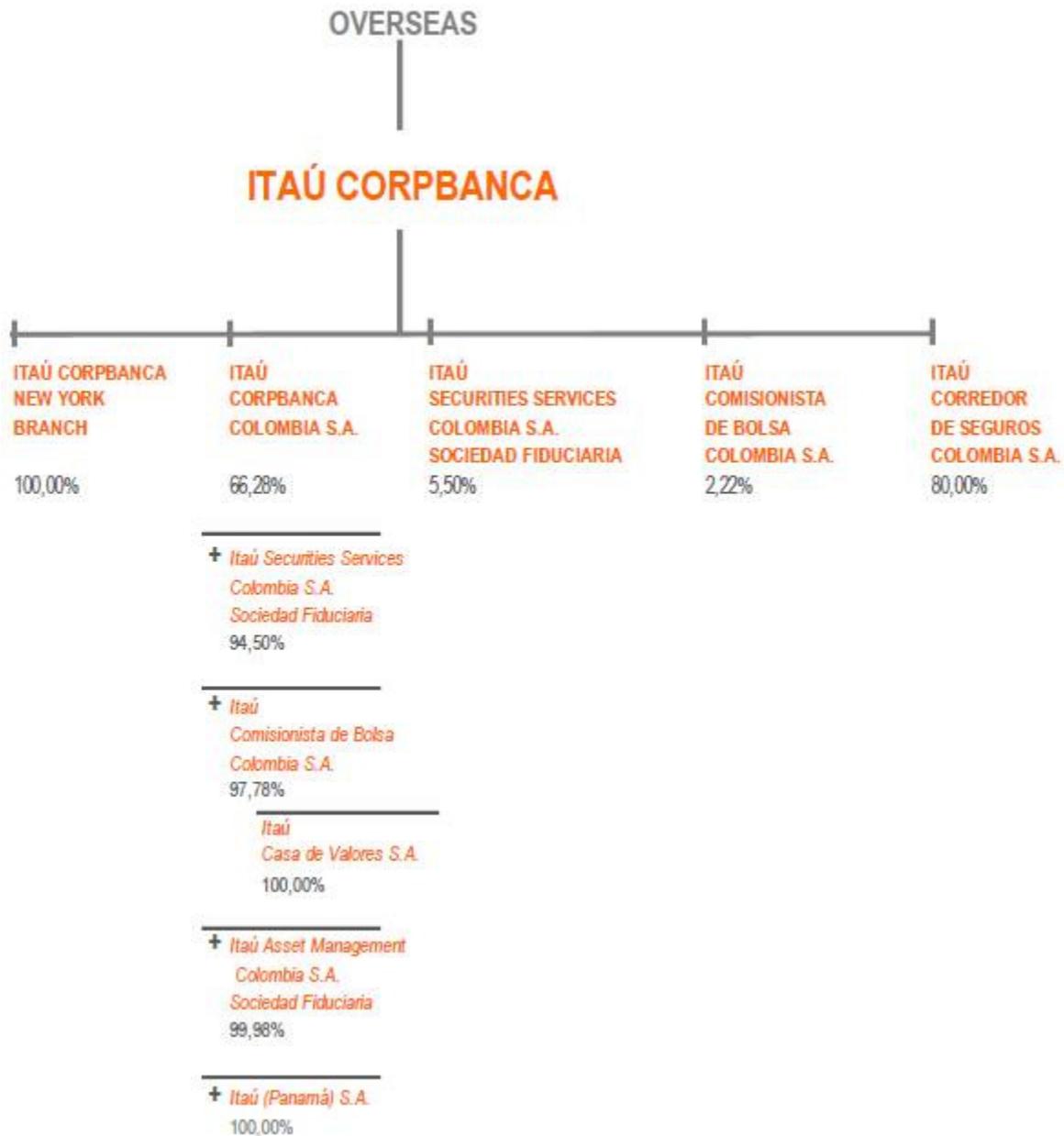
Itaú Corpbanca must prepare consolidated financial statements that include its subsidiaries and its foreign branch, as well as investments in banking support subsidiaries, among others.

The Bank does business in the following local and foreign markets:



(1) The business combination was a “reverse acquisition” as established in IFRS 3, in which Banco Itaú Chile is the successor for accounting purposes and Corpbanca is the legal successor.

(2) None of the markets where Itaú Corpbanca and its subsidiaries operate have a hyperinflationary economy.

[Table of Contents](#)**1.2 Summary of significant accounting policies****a) Basis of preparation**

Itaú Corpbanca is the result of the merger of Banco Itaú Chile with and into Corpbanca, which was consummated on April 1, 2016. For the purposes of financial reporting this operation was accounted for as a reverse acquisition based on the guidance in International Financial Reporting Standards (“IFRS”) 3 “Business Combinations”. Accordingly, the financial statements of Itaú Corpbanca for periods prior to the acquisition date will reflect the historical financial information of Banco Itaú Chile (accounting acquirer).

For purposes of these financial statements we use certain terms and conventions. References to “US\$”, “US dollars” and “dollars” are to United States dollars, references to “Chilean pesos”, “pesos” or “Ch\$” are to Chilean pesos, references to “Colombia pesos”, or “COP\$” are to Colombian pesos and references to “UF” are to Unidades de Fomento. The UF is an inflation-indexed Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) from the previous month.

[Table of Contents](#)

The UF is revalued in monthly cycles. Each day in the period beginning on the tenth day of the current month through the ninth day of the succeeding month, the nominal peso value of the UF is indexed up (or down in the event of deflation) in order to reflect a proportionate amount of the change in the Chilean Consumer Price Index (“CPI”) during the prior calendar month. As of December 31, 2017, 2016 and 2015, one UF equaled Ch\$26,798.14, Ch\$26,347.98 and Ch\$25,629.09, respectively. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense, respectively.

For consolidation purposes, the statements of financial position of our New York Branch have been converted to Chilean pesos at the exchange rate of Ch\$614.48 per US\$1 as of December 31, 2017 (Ch\$669.81 per US\$1 as of December 31, 2016 and Ch\$710.08 per US\$1 as of December 31, 2015), our Colombian subsidiaries have used the exchange rate of Ch\$0.2058 per COP\$1 as of December 31, 2017 (Ch\$0.2231 per COP\$1 as of December 31, 2016 and Ch\$0.2266 per COP\$1 as of December 31, 2015), both in accordance with International Accounting Standard (“IAS”) 21, regarding the translation of a foreign operation whose functional currency is not the currency of a hyperinflationary economy.

The main accounting policies adopted in preparing these financial statements are described below.

**b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Corpbanca and its subsidiaries, the New York Branch and the Colombian subsidiaries that participated in the consolidation as of December 31, 2017 and 2016, and for the three years ended December 31, 2017, 2016 and 2015, include the necessary adjustments and reclassifications to the financial statements of the subsidiaries, our New York Branch and Colombian subsidiaries as of December 31, 2017 and 2016, to bring their accounting policies and valuation criteria in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS-IASB”).

All intragroup balances, transactions, income and expenses are eliminated in full on consolidation.

For consolidation purposes, the financial statements of the New York Branch, the financial statements of Colombian subsidiaries whose functional currency are U.S. dollars and Colombian pesos, respectively, have been translated into Chilean pesos as described in Note 1 f) below.

Business combinations under common control are recorded using “pooling interest” method as a reference. In accordance with this method, assets and liabilities involved in the transaction are recorded as having the same book value they had in the parent company, the with accounting adjustments made as needed to homogenize the accounting policies of the entities involved.

As a result, any difference between the assets and liabilities contributed to the consolidation and the consideration transferred is recorded directly in equity, as a charge or credit to “Other reserves”. The group does not apply to retrospective registry of business combinations under common control.

**c) Controlled Entities**

Regardless of the nature of its involvement in an entity (the investee), Itau Corpbanca will determine whether it controls an investee based on whether it has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns.

Itau Corpbanca controls an investee when it has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns.

Therefore, the Bank controls an investee if and only if it has all of the following elements:

[Table of Contents](#)

- a) Power over the investee, i.e. existing rights that give it the ability to direct the relevant activities of the investee (the activities that significantly affect the investee's returns);
- b) Exposure, or rights, to variable returns from its involvement with the investee; and
- c) The ability to use its power over the investee to affect the amount of the investor's returns.

When the Bank has less than the majority of voting rights in an investee, but these voting rights are sufficient to give it the practical ability to unilaterally direct the investee's relevant activities, the Bank is determined to have control. The Bank considers all relevant factors and circumstances in evaluating whether voting rights are sufficient to obtain control, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of other vote holders;
- Potential voting rights held by the investor, other vote holders or other parties;
- Rights from other contractual agreements;
- Any additional facts and circumstances that indicate that the investor has, or does not have, the current ability to direct the relevant activities when decisions need to be made, including voting behavior patterns in prior shareholder meetings.

The Bank reevaluates whether or not it has control in an investee if the facts and circumstances indicate that there have been changes in one or more of the elements of control listed above.

All balances and transactions among consolidated companies were eliminated upon consolidation. The consolidated financial statements include all assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries presented as if they were one sole economic entity. A controlling shareholder prepares consolidated financial statements using uniform accounting policies for similar transactions and other events under equivalent circumstances.

Non-controlling interest is also presented in the Consolidated Statement of Financial Position, within equity, separately from that of the equity holders of the Bank. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are equity transactions (i.e., transactions with the owners in their role as such).

An entity shall attribute profit for the period and each component of other comprehensive income to equity holders of the Bank and the non-controlling interests.

The entity shall also attribute total comprehensive income to the equity holder of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

[Table of Contents](#)

The following table details the entities over which Itau Corpbanca has the ability to exercise control and, therefore, the entities that it consolidates:

	Country	Functional Currency	Direct and Indirect Ownership					
			12/31/2017			12/31/2016		
			Direct %	Indirect %	Total %	Direct %	Indirect %	Total %
Itau Chile Corredora de Seguros Ltda. <sup>(3)</sup>	Chile	Ch\$	99.900	—	99.900	99.900	—	99.900
Itau Administradora General de Fondos S.A. (Ex Itau Chile Administradora General de Fondos) <sup>(3)(10)</sup>	Chile	Ch\$	99.988	0.001	99.989	99.990	—	99.990
Itau BBA Corredor de Bolsa Ltda. <sup>(3)(8)</sup>	Chile	Ch\$	—	—	—	99.980	—	99.980
Itau Coprbanca Corredores de Bolsa (Ex CorpBanca Corredores de Bolsa S.A.) <sup>(3)(8)</sup>	Chile	Ch\$	99.990	0.010	100.000	99.990	0.010	100.000
CorpBanca Administradora General de Fondos S.A. <sup>(3)(10)</sup>	Chile	Ch\$	—	—	—	99.996	0.004	100.000
CorpBanca Corredores de Seguros S.A. <sup>(3)</sup>	Chile	Ch\$	99.990	0.010	100.000	99.990	0.010	100.000
Itau Asesorías Financieras S.A. <sup>(4)</sup>	Chile	Ch\$	99.990	0.001	99.991	99.990	0.010	100.000
CorpLegal S.A. <sup>(4)</sup>	Chile	Ch\$	99.990	0.001	99.991	99.990	0.010	100.000
Itau Corpbanca Recaudaciones y Cobranzas S.A. <sup>(4)(11)</sup>	Chile	Ch\$	99.999	0.000	99.999	99.990	0.010	100.000
Itau Corpbanca New York Branch <sup>(4)(12)</sup>	U.S.	US\$	100.000	—	100.000	100.000	—	100.000
Corpbanca Securities Inc <sup>(4)(9)</sup>	U.S.	US\$	—	—	—	100.000	—	100.000
Itau CorpBanca Colombia (Ex Banco CorpBanca Colombia S.A.) <sup>(5)</sup>	Colombia	COP\$	66.279	—	66.279	66.279	—	66.279
Itau Corredor de Seguros Colombia S.A. (Ex Helm Corredor de Seguros S.A.) <sup>(5)</sup>	Colombia	COP\$	80.000	—	80.000	80.000	—	80.000
Itau Securities Services Colombia S.A. (Ex CorpBanca Investment Trust Colombia S.A.) <sup>(5)</sup>	Colombia	COP\$	5.499	62.634	68.133	5.499	62.634	68.133
Itau Comisionista de Bolsa Colombia S.A. (Helm Comisionista de Bolsa S.A.) <sup>(5)</sup>	Colombia	COP\$	2.219	64.807	67.026	2.219	64.807	67.026
Itau Asset Management Colombia S.A. Sociedad Fiduciaria (Ex Helm Fiduciaria S.A.) <sup>(5)</sup>	Colombia	COP\$	—	66.266	66.266	—	66.266	66.266
Itau (Panamá) (Ex Helm Bank (Panamá) S.A.) <sup>(6)</sup>	Panamá	US\$	—	66.279	66.279	—	66.279	66.279
Itau Casa de Valores S.A. (Ex Helm Casa de Valores (Panamá) S.A.) <sup>(7)</sup>	Panamá	US\$	—	66.279	66.279	—	66.279	66.279

**Associates**

Associates are entities over which the Bank has the ability to exercise significant influence, but not control. Usually, this ability manifests itself through an ownership interest equal to or greater than 20% of the entity's voting rights and is valued using the equity method.

Other factors considered in determining whether there is significant influence over an entity include representation on the board of directors and the existence of material transactions.

**Fund Management**

Certain subsidiaries of Itau Corpbanca manage and administer assets held in mutual funds and other investment vehicles on behalf of investors. The financial statements of funds are not included in these consolidated financial statements except when the Bank controls the fund. The Bank did not consolidate any funds as of December 31, 2017 or December 31, 2016.

(3) Companies regulated by the Superintendency of Securities and Insurance (SVS) of Chile. On January 15, 2018, this regulator replaced its name with the Financial Market Commission (CMF) of Chile.

(4) Companies regulated by the Superintendency of Banks and Financial Institutions (SBIF) of Chile.

(5) Companies regulated by the Colombian Financial Superintendency (SFC), which has a supervision agreement with the SBIF.

(6) Company regulated by the Superintendency of Banks of Panama.

(7) Company regulated by the Superintendency of the Securities Market of Panama.

(8) On January 1, 2017, the merger of Corpbanca Corredores de Bolsa S.A. and Itau BBA Corredor de Bolsa Ltda. took place, by which the latter absorbed the former. The new resulting company is the legal successor of Corpbanca Corredores de Bolsa S.A., and its new corporate name is Itau Corpbanca Corredores de Bolsa S.A.

(9) On December 18, 2017, the dissolution of this entity located in New York was authorized.

(10) On December 29, 2017, the merger of Corpbanca Administradora General de Fondos S.A. and Itau Chile Administradora General de Fondos, took place, by which the latter absorbed the former. The new resulting company is the legal successor of Itau Chile Administradora General de Fondos S.A., and its new corporate name is Itau Administradora General de Fondos S.A.

(11) On September 29, 2017, the corporate name was changed from Recaudaciones y Cobranzas S.A. to Itau Corpbanca Recaudaciones y Cobranzas S.A.

(12) Company regulated by Office of the Comptroller of the Currency (OCC) y Federal Reserve (FED).



[Table of Contents](#)**Assets Managed, Trust Business and Other Related Businesses**

The Bank and its subsidiaries manage assets held in common investment funds and other investment products on behalf of investors and receive market-rate compensation for services provided. The resources managed belong to third parties and, therefore, are not included in the Consolidated Statement of Financial Position.

In accordance with IFRS 10 “*Consolidated Financial Statements*,” for consolidation purposes, the role of the Bank and its subsidiaries with respect to the managed funds must be evaluated to determine whether it is acting as agent<sup>(13)</sup> or principal. This evaluation must take into account the following elements:

- Scope of its decision-making authority over the investee.
- Rights held by other parties.
- Remuneration it is entitled to in accordance with the remuneration agreement.
- Decision-maker’s exposure to variability of returns from other interests that it holds in the investee.

The Bank does not control or consolidate any trust businesses or other entities related to this type of business. Itaú Corpbanca and its subsidiaries manage funds on behalf of and for the benefit of investors, acting solely as an agent. Under this category, and in accordance with the aforementioned standard, they do not control these operations when they exercise their decision-making authority. Therefore, as of December 31, 2017 and 2016, they act as agents and, therefore, none of these investment vehicles are consolidated.

**d) Non-controlling interest**

Non-controlling interest represents the equity and net income in a subsidiary not attributable, directly or indirectly, to the equity holders of the Bank. Non-controlling interest is disclosed as a separate line item within equity in the Consolidated Statements of Financial Position and as a separate disclosure within the Consolidated Statements of Income and Comprehensive Income.

**e) Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Bank, liabilities incurred by the Bank to the former owners of the acquiree and the equity interests issued by the Bank in exchange for control of the acquiree. Acquisition costs incurred are expensed and included in administrative expenses.

When Itaú Corpbanca and subsidiaries acquire a business, it recognizes the identifiable assets acquired and liabilities assumed in accordance with IFRS. This includes the separation of embedded derivatives from host contracts.

Any contingent consideration that must be transferred by the acquirer is recognized at its fair value at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the fair value of the acquisition-date amounts of the identifiable net assets acquired.

Goodwill amounts are established at the date of acquisition of the business and are subsequently measured at such amounts less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units if applicable) that are expected to benefit from the synergies of the combination (see Note 30 “Depreciation, Amortization and Impairment”)

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(13) According to IFRS 10, an agent is a party primarily engaged to act on behalf of and for the benefit of another party or parties (the principal or principals) and, therefore, does not control the investee when it exercises decision-making authority.

[Table of Contents](#)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**f) Functional currency and foreign currency**

The Bank has determined the Chilean Peso as its functional currency and the presentation currency for its consolidated financial statements. The functional currency is the currency of the primary economic environment in which the Bank operates. Consequently, all balances and transactions denominated in currencies other than Chilean Pesos are considered as denominated in “foreign currencies.”

For the purposes of presenting consolidated financial statements, the assets and liabilities of the foreign consolidated entities whose functional currencies are other than the Chilean Peso are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate of each reporting period.
- Income, expenses and cash flows are translated at the exchange rate on the date of the transactions.

The resulting exchange differences of translating into Chilean pesos the functional currency balances of the consolidated entities whose functional currency is other than the Chilean Peso, are recorded and accumulated as “Exchange differences on translation” within the line item “Accumulated other comprehensive income” in equity. On the disposal of those foreign subsidiaries, all of the exchange differences accumulated in equity with respect to those amounts attributable to the equity holders of the Bank are reclassified as income.

In preparing the consolidated financial statements, transactions in currencies other than the Bank’s functional currency are recognized at the rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the closing exchange rates. Exchange differences in monetary items are recognized as net income in the period in which they arise. The amount of net foreign exchange gains and losses within the statements of income includes the recognition of the effects of fluctuations in the exchange rates on monetary assets and liabilities denominated in foreign currencies.

Exchange differences in monetary items are recognized in profit or loss for the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Assets and liabilities in foreign currency are shown at their equivalent in Chilean pesos, calculated using the exchange rates as of December 31, 2017 of Ch\$614.48 per US\$1 for the U.S. dollar and Ch\$0.2058 per COP\$1 for the Colombian peso (Ch\$669.81 per US\$1 and Ch\$0.2231 per COP\$1 as of December 31, 2016 and Ch\$710.08 per US\$1 and Ch\$0.2266 per COP\$1 as of December 31, 2015).

The foreign exchange gains (losses) presented within the Consolidated Statements of Income (see Note 26 “Net foreign exchange gains (losses)”) for the years ended December 31, 2017, 2016 and 2015 of MCh\$46,165, MCh\$ (48,848) and MCh\$74,461, respectively, include the foreign currency exchanges gain/losses for exchange rate fluctuations over monetary foreign currency-denominated assets and liabilities, and the gains (losses) obtained from the Bank’s operations denominated in foreign currency.

[Table of Contents](#)**g) Relevant definitions and classification criteria****g.1) Classification of financial assets for measurement purposes**

Financial assets are included for measurement purposes in one of the following categories:

- **Financial assets at fair value through profit and loss:** this category includes the financial assets held for trading that are acquired principally for the purpose of generating a profit in the short term from fluctuations in their prices. This category includes the trading portfolio financial assets and derivative financial instruments not designated and effective as hedging instruments.
- **Available-for-sale financial assets:** this category includes debt and equity securities not classified as “held-to-maturity investments,” “loans and accounts receivable from banks and customers” or “financial assets at fair value through profit or loss.”
- **Held-to-maturity investments:** this category includes debt instruments, with fixed maturity and with fixed or determinable payments, for which the Bank has both the intention and proven ability to hold to maturity.
- **Loans and accounts receivable from banks and customers:** this category includes financing granted to third parties, based on their nature, regardless of the type of borrower and the form of financing. Includes loans and accounts receivable from customers, interbank loans, and finance lease transactions in which the consolidated entities act as lessors.
- **Investments under agreements to resell:** this category includes balances of financial instruments purchased under resale agreements.

**g.2) Classification of financial assets for presentation purposes**

Financial assets are classified by their nature into the following line items in the consolidated financial statements:

- **Cash and deposits in banks:** this item includes cash balances, checking accounts and on-demand deposits with the Central Bank of Chile and other domestic and foreign financial institutions.
- **Cash in the process of collection:** this item includes domestic transactions in the process of transfer through a domestic clearinghouse or international transactions that may be delayed in settlement due to time differences, etc.
- **Trading portfolio financial assets:** this item includes financial instruments due for trading purposes and investments in mutual funds that must be adjusted to their fair value in the same way as instruments acquired for trading.
- **Derivative financial instruments:** this item includes the positive fair value of derivative financial instruments including embedded derivatives separated from hybrid financial instruments. (See Note 8 “Derivatives Financial Instrument and Hedge Accounting”).
- **Loans and receivables from banks:** this item includes the balances of transactions with domestic and foreign banks, including the Central Bank of Chile, other than those reflected in the preceding items.
- **Loans and receivables from customers:** this item includes loans that are non-derivative financial assets for which fixed or determined amounts are charged, that are not listed on an active market and that the Bank does not intend to sell immediately or in the short term. When the Bank is the lessor in a lease, and it substantially transfers the risks and benefits incidental to the leased asset, the transaction is presented as a loan.
- **Financial investments available-for-sale:** this item includes debt and equity securities not classified in any of the other categories.

[Table of Contents](#)

- **Held-to-maturity investments:** this item includes debt instruments traded in an active market, with fixed maturity and with fixed or determinable payments, for which the Bank has both the intention and proven ability to hold to maturity.
- **Investments under agreements to resell:** this item includes balances of financial instruments purchased under resale agreements.

**g.3) Classification of financial liabilities for measurement purposes**

Financial liabilities are classified for measurement purposes into one of the following categories:

- **Financial liabilities at fair value through profit or loss:** this category includes financial liabilities issued to generate a short-term profit from fluctuations in their prices, and financial liabilities arising from definitive sales of financial assets purchased under resale agreements or borrowed (“short positions”).
- **Financial liabilities at amortized cost:** this category includes financial liabilities, regardless of their type and maturity, not included in any of the aforementioned categories that arise from the borrowing activities of financial institutions, regardless of their form and maturity.

**g.4) Classification of financial liabilities for presentation purposes**

Financial liabilities are classified by their nature into the following line items in the consolidated financial statements:

- **Current accounts and demand deposits:** this item includes all on-demand obligations except for term savings accounts, which are not considered on-demand instruments in view of their special characteristics. Obligations for which payment may be required during the period are deemed to be on-demand obligations.
- **Transaction in the course of payment:** this item includes transactions in the process of transfer through a domestic clearing house or international transactions that may be delayed as to transfer due to time differences, etc.
- **Obligations under repurchase agreements:** this item includes the balance of sales of financial instruments under securities repurchase and loan agreements.
- **Time deposits and savings accounts:** this item shows the balance of deposit transactions in which a term at the end of which the parties have stipulated a term, at the end of which the transactions become callable. This item also includes saving accounts.
- **Derivative financial instruments:** this item includes financial derivative contracts either for trading or for hedging accounting purposes, as set forth in Note 8 “Derivatives Financial Instrument and Hedge Accounting.”
- **Borrowings from financial institutions:** this item includes obligations due to other domestic banks, foreign banks, or the Central Bank of Chile, that were not classified in any of the previous categories.
- **Debt issued:** this item encompasses obligations under letters of credit, subordinated bonds and senior bonds.
- **Other financial obligations:** this item includes credit obligations to persons distinct from other domestic banks, foreign banks, or the Central Bank of Chile, for financing purposes or operations in the regular course of business.

**h) Operating segments**

Itaú Corpbanca provides financial information by operating segment in conformity with IFRS 8 “*Operating*

[Table of Contents](#)

*Segments*” in order to make disclosures that enable financial statement users to evaluate the nature and financial effects of the business activities in which the Bank engages and the economic environments in which it operates and to allow user to:

- Better understand the Bank’s performance;
- Better evaluate the Bank’s future cash flow projections;
- Form better opinions regarding the Bank as a whole.

To comply with IFRS 8, Itaú Corpbanca identifies operating segments, including the Bank’s operations in Chile and Colombia, that the Executive Committee (Chief Operating Decision Market or “CODM” uses to analyze and make decisions regarding operations, finance and investment decisions, based on the following elements:

- i. The nature of the products and services;
- ii. The type of class of customer for their products and services;
- iii. The methods used to distribute their products or provide their services; and
- iv. If applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

The Executive Committee manages these segments through the use of its own internal profitability reporting system and reviews its segments based on the operational management result and uses indicators of efficiency, profitability and others to evaluate performance and allocate its resources. In addition, a geographical disclosure about the operations presented by the Bank in Colombia and Chile is added.

More information on each segment is presented in Note 4 “Segment Information.”

**i) Transactions involving repurchase agreements and securities lending**

Pursuant to agreements to resell, the Bank purchases financial instruments, which are recorded as assets under the heading “Investments under agreement to resell,” and these instruments accrue interest under the effective interest rate method through the maturity date of the contract.

Investments sold subject to a repurchase obligation and that serve as security for the loan are presented under the heading “Trading portfolio financial assets” or “Financial investments available-for-sale,” respectively. A repurchase obligation is classified as a liability and recorded as “Obligations under repurchase agreements” and accrues interest under the effective interest rate method through the maturity date of the contract.

**j) Assets and liabilities measurement and classification criteria**

**j.1) The criteria for measuring the assets and liabilities presented in the statements of financial position are the following:**

Measurement or valuation of assets and liabilities is the process of determining the amounts at which items of the financial statements are to be recognized and presented in the Statement of Financial Position and the Statement of Comprehensive Income. This involves selecting the particular basis or method of measurement.

Financial assets and liabilities are recorded initially at fair value which, unless there is evidence otherwise, is the transaction price. For instruments not measured at fair value through profit and loss the amounts originally recognized also include transaction costs directly attributable to the acquisition or issue of the asset or liability.

Financial liabilities are subsequently valued generally at amortized cost, except for financial liabilities designated as hedged items (or hedging instruments) and financial liabilities held for trading, which are valued at fair value.

[Table of Contents](#)

The following measurement criteria are used for assets and liabilities recorded in the Statement of Financial Position:

- **Financial assets and liabilities measured at amortized cost:**

The amortized cost of a financial asset or liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

For the amortized cost of a financial asset or liability, the effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

- **Fair value measurements of assets and liabilities:**

Fair value is defined as the price that will be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction on the main (or most advantageous) market as of the measurement date under current market conditions (i.e., exit price), regardless of whether that price is directly observable or estimated using another valuation technique.

Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions or market information might not be available. However, the objective of a fair value measurement in both cases is the same — to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions<sup>7</sup> and at which the market participant who holds the asset or liability could sell or transfer that asset or liability.

When a price for an asset or liability is not directly observable, the Bank will measure the fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. As fair value is a market-based measurement, it should be determined using the assumptions that market participants would use in pricing the asset or liability, including risk assumptions. As a result, the Bank's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value.

A fair value measurement applies to a particular asset or liability. Thus, when measuring fair value, the Bank takes into account the same characteristics of the asset or liability that market participants would consider in pricing that asset or liability on the measurement date.

To increase the consistency and comparability of fair value measurements and related disclosures, the Bank uses and discloses a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and lowest priority to unobservable inputs (Level 3 inputs). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets or liabilities, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

- **Assets valued at cost:**

Cost is defined as the cost of the transaction to acquire the asset, less any impairment losses that may exist.

[Table of Contents](#)**j.2) Measurement of financial assets and financial liabilities****(i) Measurement of financial assets****(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit and loss are initially measured at fair value. Transaction costs are recognized immediately in profit or loss. Subsequent to initial recognition financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in net income.

For "Trading portfolio financial assets," fair value is based on market prices or valuation models prevailing on the closing date of the financial statements. Gains or losses from changes in fair value, as well as gains or losses from their trading are included in line item "Trading and investment income" within the statement of income. Accrued interest income and indexation adjustments are also included as "Trading and investment income."

All purchases and sales of trading instruments to be delivered within the deadline period established by market regulations and conventions are recognized on the trade date, which is the date on which the commitment is made to purchase or sell the asset.

For "Derivative financial instruments" including foreign exchange forwards, interest rate futures, currency and interest rate swaps, interest rate options, and other derivative instruments, fair value is obtained from market quotes, discounted cash flow models and option valuation models, as appropriate. Derivatives contracts are presented on the statement of financial position as an asset when their fair value is positive and as a liability when the fair value is negative in the line item "Derivative financial instruments."

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their risk is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value with changes in fair value recognized in net income.

On initial recognition, derivative contracts are designated by the Bank as a trading derivative or as a hedging instrument for hedge accounting purposes.

The changes in the fair value of trading derivatives are recorded in line item "Trading and investment income" within the Consolidated Statements of Income.

If the derivative is designated as a hedging instrument in a hedge relationship, this may be: (1) a fair value hedge of assets or liabilities or unrecognized firm commitments; (2) a hedge of cash flows related to recognized assets or liabilities that are highly probable, or forecast transactions; or (3) hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met: (a) at the inception of the hedge there is formal designation and documentation of the hedging relationship; (b) the hedge is expected to be highly effective; (c) the effectiveness of the hedge can be reliably measured and; (d) the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Transactions with derivatives that do not qualify for hedge accounting are recognized and presented as trading derivatives, even if they provide an effective economic hedge for managing risk positions.

For fair value hedge, the gain or loss arising from the hedged item, attributable to the effective portion of the hedged risk, should adjust the book value of the hedged item and also be recognized in the income statement. Gains or losses from measuring the fair value of the hedged item and the hedging derivative instrument are recognized in the income statement.

If the hedged item in a fair value hedge is a firm commitment, the changes in the fair value of the firm commitment with respect to the hedged risk are recognized as assets or liabilities with the corresponding gain

[Table of Contents](#)

or loss recognized in the income statement. The gains or losses from measuring the fair value of the hedging derivative instrument are also recorded in the income statement. When an asset or liability is acquired or assumed as a result of the fulfilling of the firm commitment, the initial carrying amount of the acquired asset or assumed liability is adjusted to include the cumulative change in the fair value of the firm commitment attributable to the hedged risk that was recognized in the statement of financial position.

For a cash flow hedge, when a derivative instrument hedges exposure to variability in cash flows of recognized assets or liabilities, or highly probable forecasted transactions, the effective portion of the changes in fair value with regard to the risk hedged is recognized in other comprehensive income. Any ineffective portion is immediately recognized in the income statement. The accumulated gains or losses recognized in other comprehensive income are reclassified to the income statement in the same period or periods in which the hedged item affects the income statement.

When a derivative instrument hedges exposure to variability in the amount of the Bank's interest in the net assets of a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income and the ineffective portion is recognized in net income. The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognized in other comprehensive income is reclassified from equity to the income statement, as a reclassification adjustment on the disposal or partial disposal of the foreign operation.

*(b) Available-for-sale financial assets.*

Instruments available for sale are initially recognized at fair value, including transaction costs. Subsequent to initial recognition, available for sale investments are measured at fair value. Gains or losses from changes in fair value are recognized in other comprehensive income within the line item for "Financial instruments available-for-sale." When these investments are sold or impaired, the cumulative gains or losses previously incorporated into the financial investment available for sale reserve in equity are transferred to the income statement and reported under the line item for "Trading and investment income, Net."

All purchases and sales of investment instruments to be delivered within the deadline period established by market regulations and conventions are recognized on the trade date, which is the date on which the commitment is made to purchase or sell the asset.

Investment instruments designated as hedging instruments are measured using the requirements established for hedge accounting.

*(c) Held-to-maturity investments*

Held-to-maturity investments are measured at amortized cost using the effective interest method. In the case of held-to-maturity investments, amortized cost furthermore includes any reductions for impairment losses.

*(d) Loans and accounts receivables from banks and customers*

Loans and accounts receivables are measured at amortized cost using the effective interest rate method, less any impairment if applicable.

**(ii) Measurement of financial liabilities**

In general, financial liabilities on the Bank's Statement of Financial Position are measured at amortized cost, as defined above, except for those financial liabilities designated as hedged items (or hedging instruments) in hedging relationships that are measured at fair value.

**j.3) Valuation techniques**

Financial instruments at fair value, determined on the basis of quotations in active markets, include

[Table of Contents](#)

government debt securities, private sector debt securities, shares, short positions, and fixed-income securities issued.

In cases where quotations cannot be observed, the Bank's Management ("Management") makes its best estimate of the price that the market would set using its own internal models. In most cases, these models use as significant inputs data based on observable market parameters and, in very specific cases, they use as significant inputs not observable in market data. Various techniques are employed to make these estimates, including the extrapolation of observable market data and other extrapolation techniques.

The main valuation techniques used by the Bank's internal models to determine the fair value of derivatives are as follows:

- (i). In the valuation of financial instruments permitting static hedging (mainly "forwards" and "swaps"), the "present value" method is used. Estimated future cash flows are discounted using the interest rate curves of the related currencies. The interest rate curves are generally observable market data.
- (ii). In the valuation of financial instruments requiring dynamic hedging (mainly structured options and other structured instruments), the Black-Scholes model is normally used. Where appropriate, observable market inputs are used to obtain factors such as the bid-offer spread, exchange rates, volatility, correlation indexes and market liquidity.
- (ii). In the valuation of certain financial instruments exposed to interest rate risk, such as interest rate futures, caps and floors, the present value method (futures) and the Black-Scholes model (plain vanilla options) are used. The main inputs used in these models are observable market data, including the related interest rate curves, volatilities, correlations and exchange rates.

The non-observable inputs are described in Note 33 "Financial Assets and Liabilities Measured at Fair Value."

The fair value of the financial instruments arising from the aforementioned internal models considers contractual terms and observable market data, which include interest rates, credit risk, exchange rates, the quoted market price of raw materials and shares, volatility and prepayments, among other things. The methodologies of the valuation models can be adjusted and evaluated, as appropriate, by internal calculation of fair value and subsequent comparison with the actively traded related price.

#### **j.4) Offsetting**

Financial asset and liability balances are offset if and only if there is a legally enforceable right to offset the recorded amounts and the Bank intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **j.5) Impairment of financial assets**

Financial assets, other than those measured at fair value through net income, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flow of a financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For available-for-sale debt instruments, objective evidence of impairment could include significant financial difficulty of the issuer or breach of contract (such as a default or delinquency in payments), the probability that the issuer will enter bankruptcy or financial re-organization; or the cessation of an active market for that financial asset because of financial difficulties.

Additionally, certain categories of financial assets, such as loans and receivables from banks and customer assets that are not deemed to be impaired individually are also assessed for impairment on a collective basis.

[Table of Contents](#)

For financial assets carried at amortized cost, the amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For equity securities included in the available-for-sale financial asset portfolio, should a significant or prolonged decline in value occur, the impairment loss is equal to the difference between the acquisition cost and current fair value and is recorded in the income statement.

When an available-for-sale financial asset is considered to be impaired, cumulative unrealized gains and losses previously recognized in other comprehensive income are reclassified to the income statement in the period.

In respect of available-for-sale equity securities, impairment losses previously recognized in net income are not reversed through income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading "financial instruments available-for-sale."

In respect of available-for-sale debt securities, impairment losses are subsequently reversed through net income if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly with the exception of loans and receivables from banks and customers, where the carrying amount is reduced through the use of an allowance account ("allowance for loan losses"). When a loan and receivable is considered uncollectible, and a related allowance for loan losses was recognized previous to its write-off, it is written off against the allowance account by charging and releasing provision through the income statement. Subsequent recoveries of amounts previously written off are credited against the income statement.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**k) Revenue and expense recognition**

The most significant criteria used by the Bank to recognize revenue and expenses are summarized as follows:

*1 Interest revenue, interest expense and similar items*

Interest revenue and expense are recorded on an accrual basis using the effective interest method.

*2 Commissions, fees, and similar items*

Fee and commission income and expenses are recorded in the Consolidated Statements of Income based on criteria that differ according to their nature. The main criteria are:

- Income/expenses arising from transactions or services that are performed over a period of time are recorded over the period of such transactions or services.
- Income/expenses originating in a specific transaction are recognized they occur.

*3 Non-finance income and expenses*

Non-finance income and expenses are recognized on an accrual basis.

[Table of Contents](#)**l) Impairment**

Assets are acquired for the benefit they will produce. Therefore, impairment occurs whenever their book value exceeds their recoverable amount; assets are tested for impairment whenever there are indicators that the carrying amount may exceed the recoverable value.

The Bank and its subsidiaries use the following criteria to test for impairment, if any:

**Financial assets**

A financial asset that is not recorded at fair value through profit and loss is evaluated at each period end in order to determine whether there is objective evidence of impairment. As of each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets may be impaired. Financial assets or asset groups are considered impaired only if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and the loss event(s) had an impact on the estimated future cash flows of the financial asset or asset group that can be reliably estimated. It may not be possible to identify a single loss event that individually caused the impairment.

An impairment loss for financial assets recorded at amortized cost is calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate of the financial asset.

Losses expected as the result of future events, whatever their probability, are not recognized. Objective evidence that an asset or group of assets is impaired includes observable data that comes to the attention of the asset holder about the following loss events:

(i) significant financial difficulties of the issuer or the debtor; (ii) breach of a contract; (iii) granting of a concession by the lender to the issuer or the borrower, for economic or legal reasons relating to the borrower's financial difficulty, that the lender would not otherwise consider; (iv) high probability of bankruptcy or other financial reorganization; (v) disappearance of an active market for a given financial asset due to financial difficulties; or (vi) evidence that there has been a measurable reduction in the estimated future cash flows from a group of financial assets since initial recognition, even if it cannot yet be identified with individual financial assets, including data such as: (a) adverse changes in the status of payments by borrowers included in the group; or (b) local or national economic conditions that are linked to delinquency for group assets).

- Individually significant financial assets are examined individually to determine impairment. Remaining financial assets are evaluated collectively in groups that share similar credit risk characteristics. When the Bank determines that there is no objective evidence of impairment for an individually significant loan, it includes the loan in a group of loans of similar credit risk characteristics and collectively evaluates such loans for impairment.

All impairment losses are recognized in the income statement. Any cumulative loss related to available-for-sale debt instruments recognized previously in equity is transferred to the income statement, as explained in the circumstances note in j.5).

An impairment loss can only be reversed if it is objectively related to an event occurring after the impairment loss was recognized. Reversal of impairment on financial assets recorded at amortized cost and those classified as available-for-sale debt instruments is recorded in the income statement.

**Non-financial asset**

The carrying amounts of the Bank's non-financial assets, excluding investment property and deferred taxes,

[Table of Contents](#)

are reviewed regularly, or at least every reporting period, to determine whether indications of impairment exist. If such indication exists, the recoverable amount of the asset is then estimated. The recoverable amount of an asset is the greater of the fair value less costs to sell, whether for an asset or a cash-generating unit "CGU," and its value in use. That recoverable amount is determined for an individual asset, unless the asset does not generate cash flows that are largely independent from the cash flows of other assets or asset groups.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and its value is reduced to its recoverable amount.

Upon assessing the value in use of an individual asset or CGU, estimated future cash flows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the specific risks that an asset may have.

Impairment losses recognized in prior years are assessed at each reporting date in search of any indication that the loss has decreased or disappeared. An impairment loss will be reversed only to the extent that the book value of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Goodwill**

Goodwill is tested annually to determine whether impairment exists and when circumstances indicate that its book value may be impaired. Impairment of goodwill is determined by evaluating the recoverable amount of each cash CGU (or group of CGUs) to which goodwill is allocated. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

Goodwill acquired in a business combination shall be allocated as of the acquisition date among the CGUs or group of CGUs of the acquirer that are expected to benefit from the synergies of the business combination, regardless of whether other of the acquiree's assets or liabilities are allocated to these units. Impairment losses relating to goodwill cannot be reversed in future periods.

In accordance with IAS 36 "Impairment of Assets," annual impairment testing is required for a CGU to which goodwill has been allocated and for intangible assets with indefinite useful lives. Different CGUs and different intangible assets can be tested for impairment at different times during the year as long as testing for the named asset is carried out at the same time each year.

**m) Property, plant and equipment**

Property, plant and equipment consist of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by the Bank or acquired under finance leases.

**Property, plant and equipment for own use**

Property, plant and equipment for own use is measured at acquisition cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment also includes assets received in lieu of payment that are intended to be held for continuing own use (See letter bb) below) and assets acquired under finance leases (see letter cc) below).

Depreciation is calculated using the straight line method over the acquisition cost of assets minus their residual value. The land on which buildings and other structures stand has an indefinite life and, therefore, is not subject to depreciation.

The estimated useful lives and residual value of the items of property, plant and equipment held for own use are reviewed at least at the end of each reporting period to determine significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recorded

[Table of Contents](#)

in the consolidated statements of income in future years of the new useful lives.

Maintenance expenses are recorded as an expense in the period in which they are incurred.

**n) Loans and receivables**

Loans and receivables from customers and loans and receivables from banks, both originally granted by the Bank and acquired, are non-derivative financial assets with fixed or defined charges that are not quoted on an active market and that the Bank has no intention of selling immediately or in the short term. These items are valued initially at cost plus incremental transaction costs and subsequently measured at amortized cost using the effective interest rate method.

When the Bank is the lessor in a lease agreement and transfers substantially all incidental risks and rewards over the leased asset, the transaction is presented as a loan.

**o) Factored receivables**

Factored receivables are valued at the purchase price of the loan. The price difference between the amounts paid and the current face value of the receivables is recognized as deferred interest income derived from the related receivables and recorded as interest income over the financing period, except if such receivables are derecognized.

**p) Lease receivables**

Lease receivables, included in "loans and receivables from customers" are periodic payments from lease agreements that meet certain requirements necessary to qualify as finance leases. These receivables are presented at the aggregate value of the minimum lease payments plus residual value net of unearned interest as of year-end.

Assets leased among consolidated companies are treated as assets held for own use in the financial statements.

**q) Allowances for loan losses**

Clients are individually assessed for impairment mainly considering the significance of the exposure at the year end. Large number of loans for amounts that are not individually significant are collectively assessed for impairment. The criteria used for determining whether the financial assets are individually significant is periodically reviewed by the Bank.

The impairment losses on these loans are determined:

- individually, for all individually significant loans and for those which, although not significant, cannot be classified as part of homogenous groups of loans of similar characteristics, i.e., by type of loan, customer's industry and geographical location, type of guarantee, age of past-due amounts, etc.
- collectively, for those with similar credit risk characteristics.
- when the Bank determines that there is no objective evidence of impairment for an individually significant loan, it includes the loan in a group of loans of similar credit risk characteristics and collectively evaluates such loans for impairment.

Criteria for determining impairment losses may consist of:

- significant financial difficulty on the part of the customer;
- evidence of a deterioration of the customer's ability to pay, either because it is in arrears or for other reasons;
- the probability that the customer will enter bankruptcy or other financial reorganization; and/or

[Table of Contents](#)

- observable data at a portfolio (collectively analyzed) level indicating that there is a measurable decrease in the estimated future cash flows, although the decrease cannot yet be ascribed to individual loan in the portfolio, such as adverse changes in the payment status of customer in the portfolio or national or local economic conditions that correlate with defaults on the loans in the portfolio.

**Write-offs**

Loans and receivables are written off (the entire unpaid principal balance and related accrued interest balance) when we have determined that there is no longer any realistic prospect of recovery of part or all of the loans and receivable. The internal estimated time frames from initial impairment to write-off are as follows:

<u>Type of loans</u>	
Consumer loans with or without collaterals	6 months
Consumer leasing	6 months
Other non-real estate leasing operations	12 months
Other operations without collaterals	24 months
Commercial loans with collaterals	36 months
Real estate leasing (commercial and mortgage)	36 months
Mortgage loans	48 months

Initial impairment starts from the date in which all or part of the loans and receivables fall into arrears.

Subsequent payments received from written-off loans and receivables are recognized in the income statement as recoveries.

**r) Contingent assets and liabilities**

Contingent assets and liabilities are those operations or commitments in which the Bank assumes a credit risk upon committing itself to third parties, before the occurrence of a future fact, to make a payment or disbursement that must be recovered from its clients.

The Bank keeps a record of the following balances related to commitments or to liabilities of its own line of business in memorandum accounts: collateral and guarantees, confirmed foreign letters of credit, documentary letters of credit issued, bank vouchers, inter-bank vouchers, freely disposable lines of credit, other credit commitments and other contingencies.

**s) Provisions and contingent liabilities**

Provisions are liabilities involving uncertainty about their amount or maturity. They are recorded in the Consolidated Statements of Financial Position when the following requirements are met:

- a present (legal or implicit) obligation has arisen from a past event; and
- as of the date of the consolidated financial statements, it is probable that the Bank and/or its controlled entities will have to disburse resources to settle the obligation and the amount can be reliably measured.

A contingent liability is any obligation that arises from past events whose existence will be confirmed only if one or more uncertain future events occur that are not within the control of the Bank and its controlled entities.

The annual consolidated financial statements include all material provisions with respect to which it is considered more likely than not that the obligation will have to be settled.

Provisions that are quantified on the basis of the best available information regarding the consequences of the event that gives rise to them, and are re-estimated at the end of each accounting period are used to cover the specific obligations for which they were originally recognized, and are reversed in full or in part when those obligations cease to exist or are reduced.

[Table of Contents](#)

Provisions are classified into the following groups in the Consolidated Statements of Financial Position based on the obligations they cover:

- Employee benefits and staff salaries
- Mandatory dividends
- Contingencies

**t) Income and Deferred taxes**

The Bank and its subsidiaries have recorded income tax expense for each reporting period in accordance with current tax laws in the country where each of its entities and subsidiaries operates (see Note 14 “Income Taxes”).

The tax expense on profit for the period includes the sum of current taxes that result from applying current tax rates to the taxable income for the period and the deferred tax expense recognized in consolidated profit or loss. The Bank and its subsidiaries recognize, when appropriate, deferred tax assets and liabilities for future estimates of tax effects attributable to differences between the book and tax values of assets and liabilities.

Deferred tax assets and liabilities are determined based on the tax rate applicable in the period in which the deferred tax assets and liabilities are expected to be recovered or settled. The effects of future changes in tax legislation or tax rates are recognized in deferred taxes when the tax legislation is enacted or substantially enacted. The effects of deferred taxes for temporary differences between the tax and book basis are recorded on an accrual basis in accordance with IAS 12 “Income Taxes.”

**Tax Reforms**

**a. Chile**

As of period end, the deferred taxes of the Bank and its Chilean subsidiaries have been adjusted based on the current corporate income tax rates contained in Law No. 20,780, published on September 29, 2014. The law progressively increases the tax rate to 21% for fiscal year 2014, 22.5% for 2015, 24% for 2016 and 25% for 2017 and beyond for taxpayers applying the Attributed Income System. Taxpayers applying the Partial Credit Imputation Regime will have a rate of 25.5% in 2017 and 27% in 2018 and beyond. The latter applies to the Bank.

It should be pointed out that according to the new Article 14 of Chile’s Income Tax Law as amended by Law No. 20,899 of February 8, 2016, as of 2017, the Bank and Chilean subsidiaries are subject to the Partial Credit Imputation Regime, because public limited companies are subject to this regime, by default and unable to opt for the Attributed Income System.

**b. Colombia**

On December 29, 2016, Law No. 1,819 was published in Colombia. This law introduced a variety of amendments Colombia’s Tax Statutes, strengthened the role of the Colombian Internal Revenue Service (“DIAN”) and introduced several mechanisms to prevent tax evasion. One of the main amendments reduced the income tax rate for commercial year 2017 to 40%, consisting of a 34% general tax and a 6% surcharge. In 2018, the tax rate will fall to 37%, consisting of a 33% general rate and a 4% surcharge. Finally, from 2019 onwards, the income tax rate will be 33% and there will be no surcharge.

Deferred taxes for the Bank’s Colombian subsidiaries have been adjusted based on the new income tax rates contained in Law No. 1,819, published on December 29, 2016.

**c. New York**

On December 22, 2017, the United States enacted a tax reform statute that introduced various modifications to the system tax. This reform, among other things, reduced tax rates, modified international tax regulations

[Table of Contents](#)

and made significant changes in the manner in which tax losses are recovered. One of the main modifications is related to a decrease in the income tax rate from 35% to 21% starting from January 1, 2018.

In light of these modifications, the deferred taxes of Chilean, Colombian and New York companies have been recorded according to the rates in the periods when reversal of each temporary difference is expected.

In consideration of the aforementioned legal changes, the deferred taxes of companies operating in Chile have been recorded at a maximum recovery or settlement rate of 27% for the temporary differences reversed as from 2018. For their part, the deferred taxes of companies operating in Colombia have been recorded at a recovery rate of 33%, for the temporary differences reversed as from 2019. The deferred taxes of New York branch have been recorded at a rate of 21%.

#### u) Derecognition of financial assets and liabilities

Accounting for transfers of financial assets is based on the degree and way in which the risks and rewards associated with the transferred assets are transferred:

1. If the risks and rewards are substantially transferred to third parties (e.g., unconditional sales, sales with repurchase agreements at fair value as of the date of repurchase, sales of financial assets with a purchase option deemed deep-out-of-the-money, use of assets in which the transferor does not retain subordinate financing or transfer any type of credit enhancement to the new holders and other similar cases), the transferred asset is derecognized from the balance sheet and any rights or obligations retained or created upon transfer are simultaneously recognized.

2. If the risks and rewards of the transferred financial asset are substantially retained (e.g., sales of financial assets with repurchase agreements at fixed prices or for the sales price plus interest, securities lending agreements in which the borrower has the obligation to return the securities or similar assets and other similar cases) the transferred asset is not derecognized from the balance sheet and will continue to be valued using the same criteria used before the transfer. Otherwise, the following is recorded in accounting:

a) A financial liability for an amount equal to the consideration received, which is subsequently valued at amortized cost.

b) Both income from the transferred (but not derecognized) financial asset and expenses for the new financial liability.

3. If the risks and rewards of the transferred financial asset are not substantially transferred or retained (e.g., sales of financial assets with a purchase option deemed not deep-in-the-money or deep-out-of-the-money, use of assets in which the transferor assumes subordinate financing or another type of credit enhancement for part of the transferred asset and other similar cases), the following will be analyzed:

a) If the transferor has not retained control of the transferred financial asset, it will be derecognized, and any rights or obligations created or retained upon transfer will be recognized.

b) If the transferor has retained control of the transferred financial asset, it will continue to be recognized in the Statement of Financial Position for an amount equal to its exposure to the changes in value that it may experience and a financial liability will be recognized for the financial asset transferred. The net amount of the transferred asset and the associated liability will be the amortized cost of the rights and obligations retained if the transferred asset is measured at amortized cost, or the fair value of the rights and obligations retained if the transferred asset is measured at fair value.

As a result, financial assets will only be derecognized when the rights over the cash flows have been extinguished or when substantially all implicit rights and rewards have been transferred to third parties. Likewise, financial liabilities are only derecognized from the Statement of Financial Position when the obligations they generate have been extinguished.

[Table of Contents](#)**v) Employee Benefits****Short-term benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be fully settled within 12 months after the end of the reporting period in which the employees render the related services.

When an employee has rendered service to an entity during an accounting period, the entity shall recognize the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- a) as an expense, unless another IFRS requires or permits the inclusion of the benefits in the cost of an asset.
- b) as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, an entity shall recognize that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

**Vacation expense**

The annual cost of personnel vacation and benefits is recorded on an accrual basis.

**Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees. Post-employment benefit plans are classified as either defined contribution plans or defined benefit plans, depending on the economic substance of the plan as derived from its principal terms and conditions.

**Other long-term benefits**

Other long-term employee benefits include all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

The standard requires a simplified method of accounting for other long-term employee benefits. In contrast to the accounting required for post-employment benefits, this method does not recognize new measurements in other comprehensive income.

**Termination benefits**

Termination benefits are employee benefits payable as a result of either:

- a) an entity's decision to terminate an employee's employment before the normal retirement date; or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

An entity shall recognize termination benefits as a liability and an expense at the first of the following dates:

- (i) when the entity no longer has a realistic possibility of withdrawal; or
- (ii) when the entity recognizes restructuring costs that fall within the scope of IAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*" and involve the payment of termination benefits.

**w) Debt issued**

The financial instruments issued by the Bank and subsidiaries are classified in the Consolidated Statement of Financial Position within "debt issued," where the Bank has an obligation either to deliver cash or another

[Table of Contents](#)

financial asset to the holder, or to satisfy the obligation by the exchange of a fixed amount of cash or other financial asset.

After initial measurement, debt issued is subsequently measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any discount, premium or cost related directly to the issuance.

**x) Intangible assets**

Intangible assets are identified as non-monetary assets (separately identifiable from other assets) without physical substance that arise as a result of a legal transaction or are separately identifiable. They are assets for which cost can be estimated reliably and from which the consolidated entities consider it probable that future economic benefits will be generated. The cost of intangible assets acquired in a business combination is their fair value as of the date of acquisition.

These intangible assets are recorded initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortization or any accumulated impairment losses.

An entity will evaluate whether the useful life of an intangible asset is finite or indefinite and, if finite, will evaluate the duration or number of units of production or other similar units that make up its useful life. The entity will consider an intangible asset to have an indefinite useful life when, on the basis of an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

An intangible asset is accounted for based on its useful life. An intangible asset with a finite useful life is amortized over its economic useful life and reviewed to determine whether any indication of impairment may exist. The amortization period and method are reviewed at least once every reporting period. An intangible asset with an indefinite useful life is not amortized and the relevant entity will determine if the asset has experienced an impairment loss by comparing its recoverable amount to its carrying amount on a yearly basis and at any time during the year in which there is an indication that its value may be impaired.

**(i) Software**

Computer software acquired by the Bank is accounted for at cost less accumulated amortization and impairment losses.

Expenses for internally developed software are recognized as an asset when the Bank is able to demonstrate its intent and ability to complete development and use it internally to generate future economic benefits and can reliably measure the costs of completing development. Capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over their useful lives. Internally developed software is accounted for at capitalized cost less accumulated amortization and impairment losses.

Subsequent expenses for the recognized asset are capitalized only when they increase the future economic benefit for the specific assets. All other expenses are recognized in profit or loss.

**(ii) Arising from business combinations**

In accordance with IFRS 3, when intangible assets are acquired and/or generated in a business combination, their cost is the fair value as of the date of acquisition. The fair value of an intangible asset must reflect the expectations of market participants as of the acquisition date regarding the likelihood that the future economic benefits incorporated into the asset will flow to the entity. In other words, the entity expects an inflow of economic benefits, even if there is uncertainty regarding the date or amount.

In accordance with IAS 38 "*Intangible Assets*" and IFRS 3 "*Business Combinations*", the acquirer shall

[Table of Contents](#)

recognize an intangible asset from the acquiree on the date of acquisition separately from goodwill, regardless of whether the asset had been recognized by the acquiree before the business combination.

The business combination between Banco Itaú Chile and Corpbanca gave rise to intangible assets and goodwill.

**(iii) Other identifiable intangible assets**

This item applies to intangible assets that qualify as identifiable, which means the assets are controlled by the Bank, their cost can be reliably measured and the assets are likely to generate future economic benefits.

**y) Cash flow statement**

The Bank presents its cash flows from operating, investing and financing activities in a manner that is most appropriate to its business. Classification by activity provides information that allows users to assess the impact of those activities on the financial position of the entity and the amount of its cash and cash equivalents. This information may also be used to evaluate the relationships among those activities.

For the preparation of the cash flow statement, the Bank applied the indirect method, in which, starting with the Bank's consolidated income before taxes, non-cash transactions were subsequently added/subtracted, as were income and expenses associated with cash flows classified as investing or financing activities.

The preparation of the cash flow statements takes the following items into account:

a) Cash flows. The inflow or outflow of cash and cash equivalents, which includes Central Bank of Chile deposits, domestic bank deposits, and foreign bank deposits (includes Bank of the Republic of Colombia deposits).

b) Operating activities. Normal activities performed by the Bank, as well as other activities that cannot be classified as either investing or financing. In this section, the Bank includes among other, items, investments under agreements to resell and obligations under repurchase agreements, foreign borrowings, available-for-sale and held-to-maturity investments, dividends received from investment, etc.

The Bank's activity of granting loans encompasses activities with its debtors and related activities that provide the funding to the loans granted. Since the funding for granting such loans is provided by, among other sources, foreign borrowings, repurchase agreements and securities lending, the company presents the related cash flows as operating activities.

c) Investment activities. The acquisition, sale or disposal by other means, of long-term assets and other investments not included in cash and cash equivalents.

d) Financing activities. Activities that produce changes in the size and composition of the net shareholders' equity and liabilities that are not part of operating activities or investments.

In the statement of cash flows, cash and cash equivalents are defined as cash balances and bank deposits plus the net balance of cash in the process of collection, plus highly-liquid trading and available-for-sale securities with insignificant risk of changing value, maturing in no more than three months from the date of acquisition and repurchase agreements with similar conditions. Cash and cash equivalents balances and their reconciliation to the cash flow statement are detailed in Note 5 "Cash and cash equivalents."

The Statements of Cash Flows also includes investments in fixed-income mutual funds that are presented together with trading securities in the Consolidated Statement of Financial Position. Balances of cash and cash equivalents and their reconciliation with the Consolidated Statement of Cash Flows are detailed in Note 5 "Cash and Cash Equivalents."

[Table of Contents](#)

The provision for loan losses presented in the operating section does not correspond to the amount presented in the statements of income because, for cash flow statement purposes, the provision for loan losses excludes recoveries of assets previously written-off.

**z) Use of estimates**

The preparation of the financial statements requires Management to make estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

The Bank has established allowances to cover incurred losses. Therefore to estimate the allowances, the allowances must be regularly evaluated taking into consideration factors such as changes in the nature and volume of the loan portfolio, trends in forecasted portfolio quality, credit quality and economic conditions that may adversely affect the borrowers' payment capacity. Increases in the allowances for loan losses are reflected as "Provisions for loan losses" in the Consolidated Statement of Income. Loans are write-off when Management determines that a loan or a portion thereof is uncollectible. Write-offs are recorded as a reduction of the provisions for loan losses.

The relevant estimates and assumptions are regularly reviewed by Management to quantify certain assets, liabilities, revenues, expenses, and commitments. Revised accounting estimates are recorded in the period in which the estimate is revised and in any affected future period.

These estimates, made on the basis of the best available information, mainly refer to:

- Useful life of material and intangible assets (Notes 12, 13 and 30)
- Valuation of goodwill (Notes 12 and 30)
- Provisions (Note 19)
- Fair value of financial assets and liabilities (Notes 6, 7, 8, 11 and 33)
- Contingencies and commitments (Note 21)
- Impairment losses for certain assets (Notes 9, 10, 27 and 30)
- Current and deferred taxes (Note 14)
- Consolidation perimeter and evaluation of control (Note 1.2, letter c)).

**aa) Mandatory dividends**

The Bank records within liabilities (as a provision) the portion of profit for the year that should be distributed to comply with the Chilean Corporations Act (30%) or its bylaws. For the years 2017 and 2016, the Bank provisioned 30% and 50% of its profits, respectively. This provision is recorded within "provision for minimum dividends" by reducing "retained earnings" within the Consolidated Statement of Changes in Equity.

Banco Itaú Chile had a policy of not distributing dividends, but in accordance with the transaction agreement signed for the integration of Corpbanca, the companies agreed to distribute 50% of the profit generated for the year 2016. Notwithstanding the above, for the distribution of dividends for that year, on March 27, 2017, at an Ordinary Shareholders' Meeting, the shareholders agreed to reduce said amount to MCh\$618 (see note 22).

Title VII of the bylaws of Itaú Corpbanca establishes that the Bank must distribute an annual cash dividend to its shareholders, as proposed by the Board and prorated based on their shareholdings, of at least thirty percent (30%) of profit for each year. In any event, no dividends may be distributed if there are any capital losses until those losses have been remedied, nor may dividends be distributed if any distribution would cause the Bank to breach any of the capital requirements in the Chilean General Banking Law.

For the purpose of distributing dividends, the Bank will adhere to the terms of the Transaction Agreement (signed January 29, 2014), which was approved at an Ordinary Shareholders' Meeting held March 11, 2016.

[Table of Contents](#)**bb) Leasing****a. Finance leases**

Finance leases are leases that substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee.

When the Bank acts as the lessor of an asset, the sum of the present value of the lease payments receivable from the lessee plus the guaranteed residual value, which is generally the exercise price of the lessee's purchase option at the end of the lease term, is recorded as loans to third parties and is therefore included under "Loans and accounts receivable from customers, net" in the Consolidated Statements of Financial Position.

When the Bank acts as lessee, it shows the cost of the leased assets in the Consolidated Statements of Financial Position based on the nature of the leased asset, and simultaneously records a liability for the same amount (which is the lower of the fair value of the leased asset and the sum of the present value of the lease payments payable to the lessor plus, if appropriate, the exercise of the purchase option). The depreciation policy for these assets is consistent with that for property, plant and equipment for own use.

In both cases, the finance revenues and finance expenses arising from these contracts is credited and debited, respectively, to "Interest income" and "Interest expense" in the Consolidated Statements of Income so as to achieve a constant rate of return over the lease term.

**b. Operating leases**

In operating leases, ownership of the leased asset and substantially all the risks and rewards incidental thereto remain with the lessor.

When the consolidated entities act as the lessor, they present the acquisition cost of the leased assets under property, plant and equipment. The depreciation policy for these assets is consistent with that for similar items of property, plant and equipment held for own use. Income from operating leases is recorded on a straight line basis under "Other operating income" in the Consolidated Statements of Income.

When the consolidated entities act as the lessees, the lease expenses, including any incentives granted by the lessor, are charged on a straight line basis to "Administrative and other expenses" in the Consolidated Statements of Income.

**cc) Fiduciary activities**

The Bank and its subsidiaries provide trust and other fiduciary services that result in the holding or investing of assets on behalf of customers. Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Bank. Contingencies and commitments arising from this activity are disclosed in Note 21 "Contingencies, Commitments and Responsibilities."

**dd) Non-Current assets held for sale**

Non-current assets (or disposal groups made up of assets and liabilities) that are expected to be recovered primarily through sale, rather than through continued use, are classified as held for sale. Immediately before being classified as such, the assets (or elements of a disposal group) are remeasured in accordance with the Bank's accounting policies. From this time forward, assets (or disposal groups) are measured at the lesser of the carrying amount or the fair value less costs to sell.

Impairment losses after the initial classification of assets held for sale and gains and losses after revaluation are recognized in profit or loss. Gains are not recognized if they exceed any accumulated loss.

[Table of Contents](#)

The Bank includes the following as non-current assets held for sale:

- Assets received or awarded in lieu of payment of loans and accounts receivable from customers are initially recognized at the price agreed by the parties or when the parties do not reach an agreement, at the value at which the Bank is awarded those assets at a judicial settlement. Such values approximate the assets' market value as the valuations are determined from market-based evidence by appraisals from by professionally qualified appraisers at the time of the receipt of the assets. The value as of December 31, 2017 was MCh\$18.308 (MCh\$ 18,855 as of December 31, 2016 and MCh\$1,785 as of December 31, 2015).
- As of December 31, 2016, the values related to the investment in SMU CORP S.A., after evaluating the requirements in IFRS 5, are classified as non-current assets available for sale. SMU CORP S.A. is a subsidiary that was acquired exclusively for resale. Its assets and liabilities are valued at MCh\$18,309 (disclosed in "Non-current assets held for sale") and MCh\$7,032 (disclosed in "Liabilities directly associated with non-current assets held for sale"). See Note 15 letter b) and Note 20 letter b).

As of December 31, 2016 the investment was available for immediate sale in its current condition and the sale was considered highly likely as the Bank's senior management was committed to the sale. The Bank had no intention of changing its mind regarding this sale and, therefore, had already begun the process of identifying a buyer, which it expected to conclude within a year. The transaction was completed within one year as detailed in Note 3 "Relevant Events".

**ee) Earnings per share**

Basic earnings per share are determined by dividing the net income attributable to equity holders of the Bank in a period by the weighted average number of shares outstanding during the period.

Diluted earnings per share are determined in a similar manner as basic earnings per share, but the net income attributable to equity holders of the bank and the weighted average number of outstanding shares are adjusted to take into account the potential diluting effect of stock options, warrants, and convertible debt.

As of December 31, 2017, 2016 and 2015, the Bank did not have instruments that generated diluting effects on income attributable to equity holders of the Bank.

**ff) Securitization**

The Bank does not have any securitized financial liabilities or equity instruments.

**gg) Statement of compliance with International Financial Reporting Standards (IFRS)**

These consolidated financial statements for the years ended December 31, 2017, 2016 and 2015, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

[Table of Contents](#)**Application of International Financial Reporting Standards (IFRS)****a) The following new standards and interpretations have been adopted in these Consolidated Financial Statements:****•Amendments and improvements**

**IAS Amendments to IAS 7, “Statement of cash flows”** — Published in February 2016. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

*The Bank’s management evaluated the impact of the adoption of this new standard and concluded that its application had no significant impact on its consolidated financial statements and presents the additional disclosures in the Consolidated Statements of Cash Flows.*

**Amendments to IAS 12, “Income taxes”** — Published in February 2016. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value, in the following aspects:

- Losses on debt instruments measured at fair value and at cost for tax purposes give rise to a deductible temporary difference, regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

*The Bank’s management evaluated the impact of adopting these amendments/new standards and concluded that the amendments would not impact tax disclosures because deferred taxes arising from unrealized losses are determined on the basis of their ability to be credited against tax concepts.*

**•Amendment to IFRS 12, “Disclosure of interests in other entities”**. This amendment clarifies the scope of IFRS 12. This amendment should be applied retrospectively for annual periods beginning on or after January 1, 2017.

*The Bank’s management analyzed this amendment in detail and concluded that the disclosures under IFRS 12 that are applicable have been complied with materially.*

**b) The following new standards and interpretations have been issued but are not yet in effect as of December 31, 2017:****•Standards and interpretations**

**IFRS 9 “Financial instruments”** - IFRS 9 “Financial Instruments” (2015) (IFRS 9) - IFRS 9 (2015). In July 2014, IASB approved IFRS 9 to replace IAS 39 “Financial Instruments: Recognition and Measurement.”

The IASB has published the full version of IFRS 9, which replaces the application guidance of IAS 39. This final version includes requirements relating to the classification and measurement of financial assets and liabilities and an expected credit loss model that replaces the current impairment loss model incurred. The section of IFRS9 relating to hedge accounting that is part of this final version of IFRS 9 had already been published in November 2013. Its early adoption is allowed.

The Bank currently expects that the first financial statements to be disclosed under IFRS 9 will be effective for those for the years ended December 31, 2018.

[Table of Contents](#)**a. Implementation of IFRS 9 “Financial Instruments”**

The new standard is structured to address the following concepts:

- I. Classification and measurement of financial assets. The classification of financial assets should depend on two criteria: the entity’s business model for managing its financial assets and the characteristics of the contractual cash flow of financial assets;
- The business model is determined at a level that reflects how the groups of financial assets are jointly managed to achieve a specific commercial purpose and generate cash flows, not depending on the management’s intentions with respect to an individual instrument. Accordingly, it represents whether cash flows will result from contractual cash flows, the sale of financial assets or both; and
  - Characteristics of the contractual cash flows of financial assets: identification of asset cash flows that constitute only payment of principal and interest by applying the Solely Payment Principal and Interest (“SPPS”) test.
- II. Allowances for impairment. The new standard introduces the concept of expected loss (including the use of prospective information) and classification in three phases. An asset will migrate from the phase as the credit risk deteriorates. If, in a subsequent period, the quality of a financial asset improves or the significant increase in the previously identified credit risk is reversed, the financial asset may return to the phase 1, unless it is a financial asset originated with credit recovery issues.
- Phase 1. Credit losses expected for 12 months: represented possible default events within 12 months. Applicable to financial assets without significant increase in credit risk and no credit recovery issues in origination.
  - Phase 2. Permanent credit losses expected over the life of the financial instrument: resulting from any possible default event. Applicable to financial assets with a significant increase in credit risk, but which were not originated with recovery issues.
  - Phase 3. Permanent credit losses expected for assets with credit recovery issues: Applicable to financial assets considered to have credit recovery issues due to the occurrence of one or more events that negatively impact the estimated cash flows for such asset. Financial assets that are not originated with recovery issues, but that subsequently had recovery issues, differ from phase 2 due to the recognition of interest income by applying the effective interest rate at amortized cost (net of provision) rather than the gross carrying amount.
- III. Hedge accounting. The hedge accounting requirements are directly related to risk management and should be applied prospectively. Itau Corpbanca will continue to apply the hedge accounting requirements established in IAS 39, as permitted by IFRS 9. An entity may elect to begin to apply the hedge accounting requirements of IFRS 9 after the transit to IFRS 9 at the beginning of any subsequent reporting period.

During the second half of 2017, Itau Corpbanca conducted simulations to obtain a better understanding of the potential effect of the new accounting standard. The transition to IFRS 9 will cause, in accordance with management’s best estimate, a reduction in stockholder’s equity of not higher than 3.8%.

The impacts of the transition are based on the Bank’s best estimates as of the date of this report and the identified adjustments will be recognized in accumulated results as of the transition date, directly raising equity (prospectively).

The SBIF has not adopted IFRS 9 as part of the accounting standards and instructions issued by the SBIF. As a result the changes introduced to IFRS 9 are not currently expected to have any impact on the financial statements used for regulatory purposes or on its solvency indicators.

**IFRS 15 “Revenue from contracts with customers”** — Published on May 2014. This standard establishes the guidance that an entity must apply for the presentation of useful information to the users of the financial

[Table of Contents](#)

statements in relation to the nature, amount, timing and uncertainty of the revenues and cash flows derived from contracts with customers. The basic principle is that an entity will recognize the revenues that represent the transfer of goods or services promised to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. Its application supersedes IAS 11 “Construction Contracts”; IAS 18 “Revenue”; IFRIC 13 “Customer loyalty programs”; IFRIC 15 “Agreements for the construction of real estate”; IFRIC 18 “Transfers of Assets from Customers”; and SIC-31 “Barter transactions involving advertising services.” Early adoption is permitted.

*The Bank’s management evaluated the impact of the adoption of this new standard and concluded that its application had no significant impact on its consolidated financial statements.*

**IFRS 16 “Leases”** — Published in January 2016. This standard establishes the recognition, measurement, presentation and disclosure of leases. IFRS 16 replaces IAS 17 and introduces a single lease accounting model and requires a lessee to recognize the assets and liabilities of all leases with a maturity of more than 12 months, unless the underlying asset is of a low value. The objective is to ensure that lessees and lessors provide relevant information in a way that faithfully represents the transactions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, and its early application is permitted for entities applying IFRS 15 or before the date of the initial application of IFRS 16.

*The Bank’s Management is evaluating the potential impact of the adoption of this new pronouncement through by analyzing its lease agreements, which will allow the Bank to reflect the effects both in its Consolidated Financial Statements and in its solvency indicators. For this, The Bank’s parent company (Itaú Unibanco Holding S.A) made available material that allowed us to define and identify the Bank’s initial status in this matter.*

**IFRS interpretation Committee (“IFRIC”) 22 “Foreign currency transactions and advance consideration”** — Published in December 2016. This IFRIC standard addresses foreign currency transactions or parts of transactions in which consideration is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. Its application is mandatory for annual periods beginning on January 1, 2018.

*The Bank’s management evaluated the potential impact of these amendments / new pronouncements on the Bank’s financial statements and concluded that there are no relevant impacts.*

**IFRIC 23 “Uncertainty over Income Tax Treatments”**— Published in June 2017. This standard aims to reduce diversity in how companies recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments. The interpretation addresses how to reflect uncertainty in accounting for income taxes and is applicable to the determination of tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. This standard is effective for periods beginning on or after January 1, 2019.

*The Bank’s management is still in the process of evaluating the potential impact of these amendments / new pronouncements.*

#### ●Amendments and improvements

**Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in associates and joint ventures”** — Published in September 2014. These amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify the treatment of the sale or contribution of assets from an

[Table of Contents](#)

investor to its associate or joint venture. The amendments require the recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and a partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

On December 17, 2015, the IASB deferred the effective date for these amendments indefinitely.

*The Bank's management analyzed these amendments in detail and concluded that they do not apply to the Bank financial statements because the Bank does not engage in this type of transaction with its associates and does not currently have any joint ventures.*

**Amendment to IFRS 15, "Revenue from contracts with costumers"**- Published in April 2016. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance and additional practical expedients related to transition to the new revenue standard.

This amendment is effective for annual periods beginning on or after January 1, 2018, and its early application is permitted.

*The Bank's management evaluated the impact of the adoption of this new standard and concluded that its application had no significant impact on its consolidated financial statements.*

**Amendments to IFRS 2, "Share based payments."** Published in June 2016. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment.

This amendment is effective for annual periods beginning on or after January 1, 2018.

*The Bank's management evaluated the potential impact of these amendments / new pronouncements on the Bank's financial statements and concluded that there are no relevant impacts.*

**Annual Improvements Cycle 2014-2016.** The document covers the following standards:

●**Amendment to IFRS 1, 'First-time adoption of IFRS'**, - Published in December 2016. This amendment regards the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10.

*The Bank's management analyzed these amendments in detail and concluded that they do not apply to the bank's financial statements because the Bank will not be a first-time adopter to IFRS during the year the amendment becomes effective.*

●**Amendment to IAS 28 "Investments in Associates and Joint Ventures"** - Published in December 2016. This amendment relates to the fair value measurement of the associate or joint venture.

*The Bank's management analyzed these amendments in detail and concluded that they do not apply to the bank's financial statements because the Bank does not have investments in associates and joint ventures.*

**Materiality Practice Statement "Making materiality judgments"** — Published in September 2017. The practice statement provides guidance on how to use judgement when selecting information to provide in financial statements prepared applying IFRS Standards. It is a non-mandatory document that companies are permitted to apply to financial statements prepared any time after 14 September 2017.

**Amendment to IFRS 9 "Financial instruments"** - Published in October 2017. The IASB issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). Applying the amendments, if a specific

[Table of Contents](#)

condition is met, entities will be able to measure at amortized cost some prepayable financial assets with so-called negative compensation.

*Information about the implementation of IFRS9, including this amendment is presented elsewhere in this note”.*

**Amendment to IAS 28 “Investments in Associates and Joint Ventures”** — Published in October 2017, these amendments clarify that a company applies IFRS 9 “Financial instruments” to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

This amendment is effective for annual periods beginning on or after January 1, 2019.

*The Bank’s management analyzed these amendments in detail and concluded that they do not apply to the Bank’s to the statements because does not have investments in associates and joint ventures.*

**NOTE 2 ACCOUNTING CHANGES.**

No accounting changes have taken place in comparison with the prior periods presented, except for those mentioned in Note 1.

**NOTE 3 RELEVANT EVENTS**

As of December 31, 2017, the following material events affecting the operations of the Bank and its subsidiaries or the Consolidated Financial Statements have occurred:

**ITAÚ CORPBANCA****a. Distribution of Dividends.**

On March 13, 2017, the Bank’s Board of Directors (the “Board”) agreed to propose to the Bank’s shareholders at the Annual Ordinary Meeting to be held on March 27, 2017, the distribution of 30% of profit for the year 2016, or MCh\$618, as a dividend to the shareholders of all 512,406,760,091 shares validly issued by the Bank, resulting in a dividend of Ch\$0.001205475 per share.

At the Annual Ordinary Meeting of the shareholders of Itaú Corpbanca, held on March 27, 2017, the shareholders approved the following:

1.- Distribution of 30% of profit for the year 2016, or MCh\$618, as dividends to shareholders, resulting in a dividend of Ch\$0.001205475 per share entitled to dividends.

2.- The final appointment of the following directors: Messrs. Pedro Samhan Escáandar, Eduardo Mazzilli de Vassimon and Andrés Bucher Cepeda, who shall hold office until the next Annual General Meeting, at which time all Board members must be renewed. Mr. Pedro Samhan Escáandar was appointed as an independent director, in accordance with article 50 bis of the Chilean Corporations Act.

**b. Modifications to the Board**

On February 23, 2017, the Board of Itaú Corpbanca was notified of and accepted the resignation of the director Nicolás Abovic Wiegand. On that same date, the Board of Itaú Corpbanca appointed Mr. Andrés Bucher Cepeda to replace him. Mr. Bucher shall hold office until the next Annual Ordinary Meeting, at which time shareholders shall ratify his appointment.

[Table of Contents](#)**c. Amendments to Transaction Agreement**

In an ordinary meeting of the Board of Directors' committee of Itaú Corpbanca on December 19, 2016, and an ordinary meeting of the Board of Itaú Corpbanca on December 20, 2016, the following amendments to the Transaction Agreement were approved:

1. The acquisition of Itaú Colombia. The obligation of the parties to cause Itaú Corpbanca to acquire all of the outstanding shares of Itaú Colombia or to carry out a merger of Banco Corpbanca Colombia with Itaú Colombia was amended and replaced with the obligation of the parties to cause Banco Corpbanca Colombia to acquire the assets and liabilities of Itaú Colombia in accordance with the terms and conditions agreed by Banco Corpbanca Colombia and Itaú Colombia on November 1, 2016 (the "Colombian Acquisition"). This agreement also contemplates the rendering of certain services by Banco Corpbanca Colombia in favor of Itaú Colombia and the hiring of the senior management of Itaú Colombia by Banco Corpbanca Colombia. The Colombian Acquisition will be carried out as soon as practicable once the same has been approved by the Colombian Financial Superintendency (the "CFS"). The CFS has been informed that the Colombian Acquisition was already approved by the shareholders of Corpbanca Colombia.
2. The acquisition of shares of Banco Corpbanca Colombia. The acquisition by Itaú Corpbanca of the shares of Banco Corpbanca Colombia held by CorpGroup (currently representing 12.36% of shares outstanding), which was previously agreed to be carried out no later than January 29, 2017, will be postponed until January 28, 2022, subject to receipt of the applicable regulatory approvals
3. Registry of the Shares of Banco Corpbanca Colombia. Itaú Corpbanca and CorpGroup will carry out commercially reasonable efforts, in accordance with the shareholders agreement of Banco Corpbanca Colombia, to cause Banco Corpbanca Colombia to (i) be registered as a public company in the National Registry of Securities and Issuers of the CFS, and (ii) have its shares listed in the Colombian Stock Market (the "CSM").

Once the abovementioned registry and listing have been obtained, CorpGroup will be permitted to sell all of its shares, or a portion thereof, of Banco Corpbanca Colombia in the CSM, subject to a right of first offer granted to Itaú Corpbanca. The shares sold by CorpGroup in the CSM will be deducted from the shares that Itaú Corpbanca must acquire from CorpGroup on January 28, 2022.

**d. Transfer of Ownership SMU Corp S.A.**

On January 30, 2017, Itaú Corpbanca transferred all of its shares in SMU Corp S.A., equivalent to 51%. As a result, that company is no longer a subsidiary of the Bank. The shares were acquired by Inversiones Monserrat S.A.

**e. Lawsuit Brought by Helm LLC against Itaú Corpbanca**

On December 20, 2016, Helm LLC filed a lawsuit in the New York State Supreme Court ("the State Court Lawsuit") and a Request for Arbitration before the ICC International Arbitration Court (the "Arbitration"), against Itaú Corpbanca, alleging certain breaches of contract.

These alleged breaches refer to (i) the amended shareholder agreement of HB Acquisition S.A.S. dated July 31, 2013 ("SHA") and (ii) the Transaction Agreement ("TA") dated January 29, 2014, as amended, which governs, among other matters, the merger between Itaú Chile S.A. and Corpbanca, by which Itaú Corpbanca was formed, and the potential acquisition by Itaú Corpbanca of certain shares of Corpbanca Colombia (the "Acquisition of the Shares under the TA") on or before January 29, 2017.

In the State Court Lawsuit, Helm LLC sought an injunction to support the arbitration to prevent the Acquisition of the Shares from taking place, which, as reported by Itaú Corpbanca as a relevant event on December 20, 2016, was postponed until January 28, 2022.

[Table of Contents](#)

On December 30, 2016, Itau Corpbanca filed its response to the motions filed by Helm LLC in accordance with the State Court Lawsuit and, later, on January 26, 2017, Helm LLC filed a notice to withdraw the State Court Lawsuit. The Arbitration has begun in accordance with applicable procedures.

In its lawsuit, Helm LLC pursues, among other things, compensation that would correspond to the value it estimates and claim a change of its shares in Itau Corpbanca Colombia, plus interest. On February 14, 2017, the defendants responded to the Helm LLC lawsuit, rejecting their claims in full. Also, Itau CorpBanca and CorpGroup Holding Inversiones Ltda. filed a counterclaim against Helm LLC for non-compliance with the SHA, according to which they pursue, among other things, the termination of the aforementioned SHA is declared, on 19 April 2017, Helm LLC submitted its response to this counterclaim. The arbitration procedure has continued in accordance the judicial proceedings and the probationary period are expected to take place in July 2018. Itau Corpbanca estimates that the claim of Helm LLC has no merit and will proceed to defend its rights under the SHA and the legislation applicable.

**f. Fine for Exceeding Credit Margins**

Via Ruling No. 16,191 dated December 30, 2015, the SBIF fined Corpbanca MCh\$21,765 (see Note 21 “*Contingencies, Commitments and Responsibilities*”) for violations of credit margins established in articles 84-1 and 85 of the Chilean General Banking Law (“GBL”) related to Chapter 12-3 of the SBIF’s Updated Standards. On January 18, 2016, Corpbanca filed an appeal with the Santiago Court of Appeals to challenge the fine in conformity with the GBL. On August 31, 2016, the Court of Appeals ruled in favor of Corpbanca and rendered all fines null and void. Five business days later, the SBIF filed a complaint against the appellate court ministers, was heard by the Supreme Court under Case No. 62,128-2016.

On May 9, 2017, the Supreme Court dismissed the complaint filed by the SBIF disagreeing with the aforementioned final ruling issued by the Santiago Court of Appeals. Therefore, the appeal filed by the Bank to render the SBIF fines null and void was accepted, consequently declaring the fines unlawful.

**g. SBIF Ruling**

Through a resolution dated June 30, 2017, served to Itau Corpbanca (the “Bank”) on July 17, 2017, the Superintendence of Banks and Financial Institutions (“SBIF”) resolved, among other matters, the continuation of the administrative proceeding against the Bank for alleged violations of individual credit limits in granting certain loans to Norte Grande S.A., Potasios de Chile S.A. and Sociedad de Inversiones Pampa Calichera S.A., the same transactions which were the basis for the fines rendered null and void by the Santiago Court of Appeals on August 31, 2016.

On July 19, 2017, the Bank filed a motion against that resolution for considering against the law, among other reasons, because there is no administrative proceeding in existence to be continued by the SBIF against the Bank, as resolved by the Santiago Court of Appeals and by Chilean Supreme Court, which dismissed the complaint filed by the SBIF against that resolution. In accordance with a resolution dated July 24, 2017, the SBIF dismissed the aforementioned motion, claiming that the proceeding is in the investigation stage and that the Bank is not formally party to any administrative proceeding.

On October 23, 2017, the Bank received a communication from the SBIF, filing charges against Itau Corpbanca for the same operations above-mentioned. The Bank has the conviction that this administrative procedure is not in accordance with applicable law and the Bank will exercise the defenses granted by the law to that extent. On November 22, 2017, the Bank filed its response with the SBIF with its defense in substantive and procedural matters. The trial period for this administrative procedure carried on by the SBIF has ended.

**h. Increase in Shareholding of Itau Unibanco Holding S.A.**

On September 15, 2017, Itau Unibanco Holding S.A. acquired 1,800,000 shares of Itau Corpbanca. As a result of this acquisition, its interest in Itau Unibanco has increased from 35.71% to 36.06%, with no

[Table of Contents](#)

modifications to the corporate governance within Itaú Corpbanca.

The shares of the Bank were acquired by purchasing 100% of the shares of CGB III SpA, which currently holds the shares of the Bank.

**CORPBANCA ADMINISTRADORA GENERAL DE FONDOS S.A.****a. Merger Date Postponed.**

At an extraordinary Board meeting held January 25, 2017, the Board agreed to render null and void the merger agreement (with Itaú Chile Administradora General de Fondos S.A.) and the amended bylaws that were agreed upon on September 30, 2016, at an Extraordinary Shareholders' Meeting. They also agreed to initiate, as soon as possible, a new merger process to integrate the businesses of both companies and to request the corresponding authorizations.

**b. Merger**

At an Extraordinary Shareholders' Meeting held on June 30, 2017, the shareholders agreed to approve the related party transaction by which the company would merge with Itaú Chile Administradora General de Fondos S.A., and they approved the merger of the subsidiaries of Itaú Corpbanca, Corpbanca Administradora General de Fondos S.A.—absorbed company—and Itaú Chile Administradora General de Fondos S.A.—absorbing company—by which the latter would incorporate the former.

On December 29, 2017, the merger became effective. There was no impact to the Consolidated Financial Statements.

**ITAÚ CHILE ADMINISTRADORA GENERAL DE FONDOS S.A.****a. Merger Date Postponed.**

At an Extraordinary Shareholders' Meeting held on January 25, 2017, the Bank's shareholders agreed to render null and void the merger agreement (with Corpbanca Administradora General de Fondos S.A.) and the amended bylaws agreed upon on September 30, 2016. The shareholders also agreed to initiate, as soon as possible, a new merger process to integrate the businesses of both companies and to request the corresponding authorizations.

**b. Merger**

At an Extraordinary Shareholders' Meeting held on June 30, 2017, the shareholders agreed to approve the related party transaction by which the company would merge with Corpbanca Administradora General de Fondos S.A., and they approved the merger of the subsidiaries of Itaú Corpbanca, Corpbanca Administradora General de Fondos S.A.—absorbed company—and Itaú Chile Administradora General de Fondos S.A.—absorbing company—by which the latter would incorporate the former.

On December 29, 2017, the merger became effective. There was no impact to the consolidated financial statements.

[Table of Contents](#)

**ITAÚCORPBANCA CORREDORES DE BOLSA S.A.**

**a. Merger of Subsidiaries.**

On January 1, 2017, the merger of Corpbanca Corredores de Bolsa S.A. and Itaú BBA Corredor de Bolsa Ltda. took place, by which the latter absorbed the former. The new resulting company is the legal successor of Corpbanca Corredores de Bolsa S.A., and its new corporate name is Itaú Corpbanca Corredores de Bolsa S.A.

**ITAU CHILE CORREDORA DE SEGUROS LIMITADA**

**a. Merger Approved by SBIF**

On June 30, 2017, the SBIF authorized the merger of Itaú Chile Corredora de Seguros Limitada and Corpbanca Corredores de Seguros S.A.

**b. Merger Approved**

On June 30, 2017, the partners of Itaú Chile Corredora de Seguros Limitada approved the company's merger with Corpbanca Corredores de Seguros S.A., by which the latter would incorporate the former. The merger must comply with certain conditions and deadlines established in the merger agreement.

**CORPBANCA CORREDORES DE SEGURO S.A.**

**a. Merger Approved by SBIF.**

On June 30, 2017, the SBIF authorized the merger of Itaú Chile Corredora de Seguros Limitada and Corpbanca Corredores de Seguros S.A.

**b. Merger Approved**

On June 30, 2017, the shareholders of Corpbanca Corredores de Seguros S.A., approved the company's merger with Itaú Chile Corredora de Seguros Limitada, by which the latter would incorporate the former. The merger must comply with certain conditions and deadlines established in the merger agreement.

The merger process to integrate the businesses of both brokers will be effective during 2018.

**BANCO CORPBANCA COLOMBIA S.A.**

**a. Profit Distribution**

At the Annual General Meeting in March 2017, the shareholders agreed to record the losses for the year 2016 of MCh\$150,926 in the 2017 financial statements as prior year losses.

**b. Bylaw Amendments**

At the Annual General Meeting held on March 28, 2017, the shareholders agreed to change the Bank's corporate name to Itaú Corpbanca Colombia S.A., and permit the use of Itaú or Banco Corpbanca or Corpbancato refer to the Bank.

The bylaw amendment to modify the name of the following subsidiaries was also registered in the mercantile registry:

[Table of Contents](#)

Previous Legal Name	New Legal Name	New Commercial Name
Helm Fiduciaria S.A.	Itaú Asset Managment Colombia S.A. Sociedad Fiduciaria	Itaú Asset Managment Itaú Fiduciaria
CorpBanca Investment Trust Colombia S.A.	Itaú Securities Services Colombia S.A. Sociedad Fiduciaria	Itaú Securities Services
Helm Comisionista de Bolsa S.A.	Itaú Comisionista de Bolsa Colombia S.A.	Itaú Comisionista de Bolsa
Helm Casa de Valores Panamá	Itaú Casa de Valores S.A.	Itaú Casa de Valores
Helm Bank Panamá	Itaú (Panamá) S.A.	Itaú

**c. Transfer of Financial Assets and Liabilities from Itaú BBA Colombia S.A. to Banco Itaú Corpbanca Colombia S.A.**

As established in the agreement to transfer financial assets, liabilities and contracts signed on June 1, 2017, between Itaú Corpbanca Colombia S.A., as transferee, and Itaú BBA Colombia S.A. Corporación Financiera, as assignor, the procedure of notifying the contracting parties of the transfer was completed on June 16, 2017. In relation to this transaction, Banco Itaú Corpbanca Colombia S.A. paid MCh\$33,205 to Itaú BBA Colombia S.A. Corporación Financiera.

**d. Investments**

On December 22, 2017, Itaú Corpbanca Colombia performed consummated the exchange of Deceval shares for shares of the Colombian Stock Exchange, in compliance with the previously executed Subscription Framework Contract.

Two subsidiaries of the Bank, Itaú Securities Services S.A. and Itaú Asset Management also consummated the exchange of Deceval shares for shares of the Colombian Stock Exchange.

**ITAU CORPBANCA NEW YORK BRANCH****a. Capital increase**

Itaú Corpbanca Branch New York had two capital increases during the year 2017: the first for US\$30 million in June and the second for US\$60 million in December.

**ITAU CORPBANCA RECAUDACIONES Y COBRANZAS S.A.****a. Capital increase**

On September 29, 2017 a capital increase of MCh \$ 4,446 was agreed, where 502,287 nominal shares of one series were issued without a nominal value.

**b. Acquisition of Recuperadora de Crédito Limitada**

On October 2, 2017, a subsidiary of Itaú Corpbanca Recaudaciones y Cobranzas S.A. completed the purchase and absorption of 100% of the interest ownership in Recuperadora de Credito Limitada, a company formerly controlled by Itaú Chile Inversiones, Servicios y Administración S.A.. Recaudaciones y Cobranzas is the legal continuation of the absorbed entity.

Recuperadora de Credito Limitada had the purpose of providing judicial and extrajudicial collection services of credits, which as of the date of the consummation of the acquisition will be rendered by Itaú Corpbanca Recaudaciones y Cobranzas S.A..

Due to the foregoing, an effect in equity due to the merger was recognized, amounting to MCh\$ (3,977).

[Table of Contents](#)**NOTE 4 SEGMENT INFORMATION**

The segment reporting is determined by the Bank on the basis of its operating segments (Chile<sup>(14)</sup> and Colombia), which are mainly differentiated by the risks and returns that affect them<sup>(15)</sup>.

The reportable segments and the criteria used to inform the Bank's highest authority in the decision-making process of the transaction are in accordance with IFRS 8 "Operating Segments."

**a) Segments**

The descriptions of each operating segment are as follows:

**i) Chile**

The Bank's business activities in Chile take place mainly in the domestic market. It has strategically aligned its operations into the following five business areas that are related directly to its customers' needs and the Bank's strategy: 1) Wholesale Banking (a) Corporate; Real Estate and Construction and (b) Large Companies; 2) Retail Banking (a) Itaú Private Bank, (b) Itaú Companies, (c) Itaú Personal Bank (d) Itaú and (e) Banco Condell; 3) Treasury; 4) Corporate; and 5) Other Financial Services.

The Bank manages these business areas using a reporting system for internal profitability. The operating results are reviewed regularly by the entity's highest decision-making authority for operating decisions as one single cash generating unit, to decide about resource allocation for the segment and evaluate its performance.

The Bank did not enter into transactions with a particular customer or third party that exceeded 10% of its total income in 2017, 2016 and 2015.

**ii) Colombia**

Colombia has been identified as a separate operating segment based on the business activities. Its operating results are reviewed regularly by the entity's highest decision-making authority for operating decisions as one single CGU, to decide about resource allocation for the segment and evaluate its performance. Separate financial information is available for this segment.

The commercial activities of this segment are carried out by Banco Itaú Corpbanca Colombia S.A. and its subsidiaries.

**b) Geographical information**

The segments reported by Itaú Corpbanca, disclose revenue from ordinary activities from external clients:

- (i) attributed to the entity's country of domicile and
- (ii) attributed, in aggregate, to all foreign countries in which the entity obtains revenue.

When revenue from external customers attributed to a particular foreign country is significant, it is disclosed separately.

The Group's operations in its two main geographic areas (Chile<sup>(16)</sup> and Colombia<sup>(17)</sup>) are represented in the following table:

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(14) Includes the New York Branch.

(15) The segments presented here correspond to the segments used by the merged Bank. Information for 2015 (referring to Banco Itaú Chile) was presented using the current segmenting criteria.

(16) Includes the New York Branch.

(17) This segment includes operations carried out by Itaú (Panamá) S.A., and Itaú Casa de Valores (Panamá).

[Table of Contents](#)

	2017			2016			2015		
	Chile	Colombia	Total	Chile	Colombia	Total	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$						
Interest income	1,067,124	579,205	1,646,329	1,013,951	495,252	1,509,203	501,982	—	501,982
Interest expense	(529,584)	(333,763)	(863,347)	(554,246)	(315,782)	(870,028)	(278,692)	—	(278,692)
<b>Net interest income</b>	<b>537,540</b>	<b>245,442</b>	<b>782,982</b>	<b>459,705</b>	<b>179,470</b>	<b>639,175</b>	<b>223,290</b>	<b>—</b>	<b>223,290</b>

**c) Information on assets, liabilities and income**

Segment information on assets and liabilities is presented as of December 31, 2017 and 2016; segment information on income is presented as of December 31, 2017, 2016 and 2015.

**c.1 Assets and Liabilities**

	Note	As of December 31, 2017		
		Chile	Colombia	Total
		MCh\$	MCh\$	MCh\$
<b>ASSETS</b>				
Cash and deposits in banks	5a)	609,279	354,751	964,030
Cash in the process of collection	5b)	155,950	1,067	157,017
Trading portfolio financial assets	6	25,652	389,409	415,061
Investments under agreements to resell	7	2,292	26,232	28,524
Derivative financial instruments	8	1,158,002	90,773	1,248,775
Loans and receivables from banks - Loans and receivables from customers, net	9/10	15,599,269	4,234,886	19,834,155
Financial investments available-for-sale	11	1,937,909	725,569	2,663,478
Held to maturity investments	11	95,652	106,378	202,030
Intangible assets (*)	12	1,378,942	183,712	1,562,654
Property, plant and equipment, net	13	82,481	48,098	130,579
Current income taxes	14	202,093	36,359	238,452
Deferred income taxes	14	140,685	—	140,685
Other assets	15	348,717	80,308	429,025
Non-current assets held for sale	15	18,308	—	18,308
		<b>21,755,231</b>	<b>6,277,542</b>	<b>28,032,773</b>

	Note	As of December 31, 2017		
		Chile	Colombia	Total
		MCh\$	MCh\$	MCh\$
<b>LIABILITIES</b>				
Current accounts and demand deposits	16	2,399,159	1,742,508	4,141,667
Transaction in the course of payment	5b)	109,496	—	109,496
Obligations under repurchase agreements	7	44,264	376,656	420,920
Time deposits and saving accounts	16	7,868,572	2,196,671	10,065,243
Derivative financial instruments	8	1,036,024	59,130	1,095,154
Borrowings from financial institutions	17	1,545,143	650,987	2,196,130
Debt issued	18	5,484,562	465,476	5,950,038
Other financial obligations	18	16,255	811	17,066
Current income tax provision	14	624	—	624
Deferred income taxes	14	53	26,301	26,354
Provisions	19	61,038	56,851	117,889
Other liabilities	20	399,760	63,675	463,435
Liabilities directly associated with non-current assets held for sale	20	—	—	—
		<b>18,964,950</b>	<b>5,639,066</b>	<b>24,604,016</b>

(\*) This includes goodwill generated in business combinations between Banco Itaú Chile and Corpbanca totaling MCh\$1,126,663<sup>(18)</sup> as of December 31, 2017 (MCh\$1,145,308 in 2016).

(18) In order to verify the impairment, the goodwill acquired in the business combination was allocated, from the date of acquisition, between each of the acquiring entity's CGUs or groups of CGUs, taking into account expected synergies of the business combination, regardless of whether other assets or liabilities of the acquired entity are allocated to those units or groups of units, in the case of the Bank: Chile MCh\$904,868 (MCh\$904,868 in 2016) and Colombia MCh\$221,795 (MCh\$240,440 in 2016), see Note 30.

[Table of Contents](#)

	Note	As of December 31, 2016		
		Chile	Colombia	Total
		MCh\$	MCh\$	MCh\$
<b>ASSETS</b>				
Cash and deposits in banks	5a)	816,190	670,947	1,487,137
Cash in the process of collection	5b)	142,553	3,216	145,769
Trading portfolio financial assets	6	64,707	567,850	632,557
Investments under agreements to resell	7	33,820	136,422	170,242
Derivative financial instruments	8	1,010,134	92,635	1,102,769
Loans and receivables from banks - Loans and receivables from customers, net	9/10	15,763,007	4,832,209	20,595,216
Financial investments available-for-sale	11	1,626,951	447,126	2,074,077
Held to maturity investments	11	94,269	132,164	226,433
Intangible assets (*)	12	1,403,454	211,021	1,614,475
Property, plant and equipment, net	13	81,798	39,245	121,043
Current income taxes	14	138,942	25,354	164,296
Deferred income taxes	14	110,739	26	110,765
Other assets	15	334,161	93,233	427,394
Non-current assets held for sale	15	37,164	—	37,164
		<b>21,657,889</b>	<b>7,251,448</b>	<b>28,909,337</b>
<b>As of December 31, 2016</b>				
	Note	Chile	Colombia	Total
		MCh\$	MCh\$	MCh\$
<b>LIABILITIES</b>				
Current accounts and demand deposits	16	2,331,735	2,121,456	4,453,191
Transaction in the course of payment	5b)	67,410	3	67,413
Obligations under repurchase agreements	7	5,470	368,409	373,879
Time deposits and saving accounts	16	8,889,741	2,691,969	11,581,710
Derivative financial instruments	8	854,431	52,903	907,334
Borrowings from financial institutions	17	1,640,136	539,734	2,179,870
Debt issued	18	4,874,653	585,600	5,460,253
Other financial obligations	18	23,298	2,265	25,563
Current income tax provision	14	475	1,411	1,886
Deferred income taxes	14	29	57,607	57,636
Provisions	19	43,600	56,448	100,048
Other liabilities	20	205,364	64,446	269,810
Liabilities directly associated with non-current assets held for sale	20	7,032	—	7,032
		<b>18,943,374</b>	<b>6,542,251</b>	<b>25,485,625</b>

[Table of Contents](#)**c.2 Income**

	As of December 31, 2017		
	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$
<b>Net interest income</b>	537,540	245,442	782,982
Net services fees income	135,624	41,947	177,571
Trading and investment income, net	(49,615)	57,883	8,268
Foreign exchange gains (losses), net	34,661	11,504	46,165
Other operating income	33,398	8,134	41,532
Provision for loan losses	(169,233)	(146,184)	(315,417)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>522,375</b>	<b>218,726</b>	<b>741,101</b>
<b>Other income and expenses</b>	—	—	—
Depreciaion and Amortization	(51,213)	(30,632)	(81,845)
Other Operating expenses	(424,733)	(224,569)	(649,302)
<b>Total operating expenses</b>	<b>(475,946)</b>	<b>(255,201)</b>	<b>(731,147)</b>
<b>Income before taxes</b>	<b>46,429</b>	<b>(36,475)</b>	<b>9,954</b>
Income (loss) taxes	31,188	21,683	52,871
<b>Income from continuing operations</b>	<b>77,617</b>	<b>(14,792)</b>	<b>62,825</b>
Income (loss) discontinued operations	—	—	—
<b>Net income for the period</b>	<b>77,617</b>	<b>(14,792)</b>	<b>62,825</b>
<b>Average loans</b>	<b>15,950,784</b>	<b>4,906,758</b>	<b>20,857,542</b>
<b>Average investments</b>	<b>1,565,017</b>	<b>1,141,938</b>	<b>2,706,955</b>
	As of December 31, 2016		
	Chile	Colombia	Total
	MCh\$	MCh\$	MCh\$
<b>Net interest income</b>	459,705	179,470	639,175
Net services fees income	112,147	38,649	150,796
Trading and investment income, net	38,642	74,310	112,952
Foreign exchange gains (losses), net	(26,744)	(22,104)	(48,848)
Other operating income	9,058	10,389	19,447
Provision for loan losses	(146,812)	(99,178)	(245,990)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>445,996</b>	<b>181,536</b>	<b>627,532</b>
<b>Other income and expenses</b>	—	—	—
Depreciation and Amortization	(40,610)	(23,082)	(63,692)
Other Operating expenses	(397,060)	(155,875)	(552,935)
<b>Total operating expenses</b>	<b>(437,670)</b>	<b>(178,957)</b>	<b>(616,627)</b>
<b>Income before taxes</b>	<b>8,326</b>	<b>2,579</b>	<b>10,905</b>
Income (loss) taxes	(84)	3,652	3,568
<b>Income from continuing operations</b>	<b>8,242</b>	<b>6,231</b>	<b>14,473</b>
Income (loss) discontinued operations	(504)	—	(504)
<b>Net income for the period</b>	<b>7,738</b>	<b>6,231</b>	<b>13,969</b>
<b>Average loans</b>	<b>12,645,761</b>	<b>5,156,124</b>	<b>17,801,885</b>
<b>Average investments</b>	<b>830,584</b>	<b>1,142,595</b>	<b>1,973,179</b>

[Table of Contents](#)

	As of December 31, 2015		
	Chile MCh\$	Colombia MCh\$	Total MCh\$
<b>Net interest income</b>	223,290	—	223,290
Net services fees income	71,088	—	71,088
Trading and investment income, net	(33,182)	—	(33,182)
Foreign exchange gains (losses), net	74,461	—	74,461
Other operating income	8,761	—	8,761
Provision for loan losses	(42,929)	—	(42,929)
<b>Total operating income, net of provision for loan losses, interest and fees</b>	<b>301,489</b>	<b>—</b>	<b>301,489</b>
<b>Other income and expenses</b>	<b>—</b>	<b>—</b>	<b>—</b>
Depreciation and Amortization	(9,785)	—	(9,785)
Other operating expenses	(168,675)	—	(168,675)
<b>Total operating expenses</b>	<b>(178,460)</b>	<b>—</b>	<b>(178,460)</b>
<b>Income before taxes</b>	<b>123,029</b>	<b>—</b>	<b>123,029</b>
Income (loss) taxes	(17,263)	—	(17,263)
<b>Income from continuing operations</b>	<b>105,766</b>	<b>—</b>	<b>105,766</b>
Income (loss) discontinued operations	—	—	—
<b>Net income for the period</b>	<b>105,766</b>	<b>—</b>	<b>105,766</b>
<b>Average loans</b>	<b>6,410,592</b>	<b>—</b>	<b>6,410,592</b>
<b>Average investments</b>	<b>496,220</b>	<b>—</b>	<b>496,220</b>

[Table of Contents](#)

**NOTE 5 CASH AND CASH EQUIVALENTS**

**a) Detail of cash and cash equivalents**

The detail of the balances included under cash and cash equivalents is as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
<b>Cash and deposits in banks <sup>(1)</sup></b>		
Cash	254,824	274,570
Deposits in the Central Bank of Chile	53,187	207,483
Deposits in national banks	9,389	2,116
Foreigns deposits	646,630	1,002,968
<b>Subtotal cash and deposits in banks</b>	<b>964,030</b>	<b>1,487,137</b>
Cash in the process of collection, net (5b))	47,521	78,356
Highly liquid financial instruments <sup>(2)</sup>	35,014	381,009
Investments under agreements to resell <sup>(3)</sup>	28,524	170,242
<b>Total cash and cash equivalents</b>	<b>1,075,089</b>	<b>2,116,744</b>

(1) Amount in "Cash," "Deposits in Central Bank of Chile" and Bank of the Republic of Colombia (included in "Foreign deposits") are regulatory reserve deposits for which the Bank must maintain a certain monthly average.

(2) Corresponds to those financial instruments in the trading portfolio and available-for-sale portfolio with maturities that do not exceed three months from their dates of acquisition:

	Notes	As of December 31,	
		2017	2016
		MCh\$	MCh\$
Trading securities	6	19,239	29,472
Financial assets available for sale	11	15,775	351,537
<b>Highly Liquid Financial Instruments</b>		<b>35,014</b>	<b>381,009</b>

(3) Corresponds to investments under agreements to resell with maturities that do not exceed three months from their dates of acquisition.

	Notes	As of December 31,	
		2017	2016
		MCh\$	MCh\$
Investment under agreement to resell	7a)	28,524	170,242

[Table of Contents](#)**b) Cash in the process of collection**

Cash in the process of collection is short-term, amounts in transit of collection.

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
<b>Assets (Cash in the process of collection)</b>		
Outstanding notes from other banks	66,996	60,546
Funds receivable	90,021	85,223
<b>Subtotal assets</b>	<b>157,017</b>	<b>145,769</b>
<b>Liabilities (Transaction in the course of payment)</b>		
Funds payable	109,496	67,413
<b>Subtotal liabilities</b>	<b>109,496</b>	<b>67,413</b>
<b>Net items in course of collection</b>	<b>47,521</b>	<b>78,356</b>

**c) Cash flows from operations**

Based on the banking nature of our activities, we considered that our funding has a direct relationship with our loan and investing portfolio, as all those activities are taken into consideration to determine, approve and monitor the financial strategies that guide the Bank with respect to the composition of its assets and liabilities, cash inflows and outflows and transactions with financial instruments.

Based on our overall strategy, the Bank considers gains and losses derived from these operations are part of our main revenue producing activities and core business and the presentation of the cash flows from those items under operating activities shows consistency between our Statement of Income and our Statement of Cash Flows.

Examples of cash flows from operating activities are:

- i. **Receivables from repurchase agreements and securities borrowing and Payables from repurchase agreements and securities lending.** These items represent the cash flows (collections and payments) corresponding to the purchase and sale of obligations and securities lending, financial intermediation activities (see Note 7 and Note 1.i).
- ii. **Investing Portfolio.** This item represents the cash flows (collections and payments) of our trading and non-trading portfolio related financial instruments (see Notes 11, 16 and Note 1.j).
- iii. **Foreign borrowings obtained and Repayment of foreign borrowings.** These items represent the cash flows (collections and payments) of obligations with foreign banks (see note 17) for the financing of foreign trade loans, which are included as part of the items entitle "Loans and receivables from banks" (see note 9) and "Loans and receivables from customers" (see note 10 and note 1.n).
- iv. **Repayment of other borrowings.** These items represent the cash flows (collections and payments) arising from the obligations corresponding to financing or operations specific to the business (see note 18).

[Table of Contents](#)**NOTE 6 TRADING PORTFOLIO FINANCIAL ASSETS**

The detail of the financial instruments classified as trading financial assets is as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
<b>Chilean Central Bank and Government securities</b>		
Chilean Central Bank bonds	1,705	8,349
Chilean - Central Bank notes	2,258	—
Other Chilean Central Bank and Government securities	3,163	17,855
<b>Other national institution securities</b>		
Bonds	5	786
Note	—	—
Other Securities	—	12,608
<b>Foreign Institution Securities</b>		
Bonds	381,262	547,499
Note	—	—
Other foreign Securities	8,147	11,727
<b>Mutual funds Investments</b>		
Funds managed by related subsidiaries	18,521	33,733
Funds managed by third parties	—	—
<b>Total</b>	<b>415,061<sup>(*)</sup></b>	<b>632,557<sup>(*)</sup></b>

*(\*) This total includes trading securities as of December 31, 2017 MCh\$19,239 (MCh\$29,472 as of December 31, 2016), that are presented in Note 5 "Cash and cash equivalents," which corresponds to those financial instruments with maturities that do not exceed three months from their dates of acquisition.*

[Table of Contents](#)**NOTE 7 INVESTMENT AND OBLIGATIONS UNDER REPURCHASE AGREEMENTS**

a) The Bank purchases financial instruments agreeing to resell them at a future date. As of December 31, 2017 and 2016, the instruments acquired under agreements to resell were as follows:

	As of December 31, 2017			
	Less than three months	More than three months and less than one year	More than one year	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Government and Chilean Central Bank Securities:</b>				
Chilean Central Bank Securities	2,292	—	—	2,292
Treasury Bonds and Notes	—	—	—	—
Other fiscal securities	—	—	—	—
<b>Other securities issued locally:</b>				
Other local bank securities	—	—	—	—
Bonds and company business papers	—	—	—	—
Other securities issued locally	—	—	—	—
<b>Securities issued abroad:</b>				
Government and Central Bank securities	21,248	—	—	21,248
Other Securities issued abroad	4,984	—	—	4,984
<b>Mutual Funds Investment</b>				
Funds managed by related companies	—	—	—	—
Funds managed by third parties	—	—	—	—
<b>Total</b>	<b>28,524</b>	<b>—</b>	<b>—</b>	<b>28,524</b>

	As of December 31, 2016			
	Less than three months	More than three months and less than one year	More than one year	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Government and Chilean Central Bank Securities:</b>				
Chilean Central Bank Securities	—	—	—	—
Treasury Bonds and Notes	14,416	—	—	14,416
Other fiscal securities	—	—	—	—
<b>Other securities issued locally:</b>				
Other local bank securities	8,620	—	—	8,620
Bonds and company business papers	—	—	—	—
Other securities issued locally	—	—	—	—
<b>Securities issued abroad:</b>				
Government and Central Bank securities	143,866	—	—	143,866
Other Securities issued abroad	3,340	—	—	3,340
<b>Mutual Funds Investment</b>				
Funds managed by related companies	—	—	—	—
Funds managed by third parties	—	—	—	—
<b>Total</b>	<b>170,242</b>	<b>—</b>	<b>—</b>	<b>170,242</b>

[Table of Contents](#)

b) As of December 31, 2017 and 2016, obligations under repurchase agreements were the following:

	As of December 31, 2017			
	Less than three months	More than three months and less than one year	More than one year	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Government and Chilean Central Bank Securities:</b>				
Chilean Central Bank Securities	—	—	—	—
Treasury Bonds and Notes	11,703	—	—	11,703
Other fiscal securities	—	—	—	—
<b>Other securities issued locally:</b>				
Other local bank securities	26,573	—	—	26,573
Bonds and company business papers	5,988	—	—	5,988
Other securities issued locally	—	—	—	—
<b>Securities issued abroad:</b>				
Government and Central Bank securities	—	—	—	—
Other Securities issued abroad	376,656	—	—	376,656
<b>Mutual Funds Investment</b>				
Funds managed by related companies	—	—	—	—
Funds managed by third parties	—	—	—	—
<b>Total</b>	<b>420,920</b>	<b>—</b>	<b>—</b>	<b>420,920</b>
	As of December 31, 2016			
	Less than three months	More than three months and less than one year	More than one year	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Government and Chilean Central Bank Securities:</b>				
Chilean Central Bank Securities	3,367	—	—	3,367
Treasury Bonds and Notes	2,103	—	—	2,103
Other fiscal securities	—	—	—	—
<b>Other securities issued locally:</b>				
Other local bank securities	—	—	—	—
Bonds and company business papers	—	—	—	—
Other securities issued locally	—	—	—	—
<b>Securities issued abroad:</b>				
Government and Central Bank securities	368,409	—	—	368,409
Other Securities issued abroad	—	—	—	—
<b>Mutual Funds Investment</b>				
Funds managed by related companies	—	—	—	—
Funds managed by third parties	—	—	—	—
<b>Total</b>	<b>373,879</b>	<b>—</b>	<b>—</b>	<b>373,879</b>

[Table of Contents](#)**NOTE 8 DERIVATIVE FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING**

a) As of December 31, 2017 and 2016, the Bank held the following portfolio of derivative financial instruments:

a.1) Derivatives financial assets

	As of December 31, 2017			Fair Value MCh\$
	Notional			
	Up to three months	Three months to one year	Over one year	
	MCh\$	MCh\$	MCh\$	
Foreign Currency Forwards	8,855,360	5,728,141	700,252	316,901
Foreign Currency Swap	92,772	299,288	3,260,432	396,239
Interest Rate Swap	5,781,923	10,258,903	23,469,906	534,505
Foreign Currency Call Option	33,709	47,300	26,223	421
Foreign Currency Put Option	6,675	9,827	25,808	709
<b>Total</b>	<b>14,770,439</b>	<b>16,343,459</b>	<b>27,482,621</b>	<b>1,248,775</b>

	As of December 31, 2016			Fair Value MCh\$
	Notional			
	Up to three months	Three months to one year	Over one year	
	MCh\$	MCh\$	MCh\$	
Foreign Currency Forwards	10,287,421	6,857,963	1,348,556	177,590
Foreign Currency Swap	63,647	260,672	3,559,276	389,784
Interest Rate Swap	1,535,239	2,471,415	26,689,571	534,087
Foreign Currency Call Option	50,178	50,222	670	977
Foreign Currency Put Option	15,338	14,571	—	331
<b>Total</b>	<b>11,951,823</b>	<b>9,654,843</b>	<b>31,598,073</b>	<b>1,102,769</b>

a.2) Derivatives financial liabilities

	As of December 31, 2017			Fair Value MCh\$
	Notional			
	Up to three months	Three months to one year	Over one year	
	MCh\$	MCh\$	MCh\$	
Foreign Currency Forwards	9,023,102	5,821,573	807,071	333,482
Foreign Currency Swap	109,275	414,355	2,822,789	290,288
Interest Rate Swap	5,481,548	8,843,640	20,720,506	468,928
Foreign Currency Call Option	6,675	7,369	—	86
Foreign Currency Put Option	17,629	25,459	415	2,370
<b>Total</b>	<b>14,638,229</b>	<b>15,112,396</b>	<b>24,350,781</b>	<b>1,095,154</b>

	As of December 31, 2016			Fair Value MCh\$
	Notional			
	Up to three months	Three months to one year	Over one year	
	MCh\$	MCh\$	MCh\$	
Foreign Currency Forwards	9,302,930	5,458,077	1,456,181	147,783
Foreign Currency Swap	164,065	391,919	2,772,166	299,738
Interest Rate Swap	1,666,415	3,137,117	29,581,896	457,761
Foreign Currency Call Option	20,795	29,304	—	941
Foreign Currency Put Option	6,428	26,387	335	1,111
<b>Total</b>	<b>11,160,633</b>	<b>9,042,804</b>	<b>33,810,578</b>	<b>907,334</b>

[Table of Contents](#)

a.3) As of December 31, 2017 and 2016, the portfolio of derivative financial instruments for account hedging and for trading purposes were as follows:

	As of December 31, 2017				
	Notional			Fair Value	
	Up to three months	Three months to one year	Over one year	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Hedge Accounting</b>					
<b>Fair Value</b>					
Foreign Currency Forwards	—	—	—	1,417	78
Foreign Currency Swap	—	—	264,226	2,735	40,441
Interest Rate Swap	442,426	7,567	2,186,949	7,832	39,327
<b>Subtotal</b>	<b>442,426</b>	<b>7,567</b>	<b>2,451,175</b>	<b>11,984</b>	<b>79,846</b>
<b>Cash Flow</b>					
Foreign Currency Forwards	1,401,144	590,463	219,453	8,787	3,946
Foreign Currency Swap	—	—	309,970	—	22,315
Interest Rate Swap	—	305,800	536,023	1,680	6,481
<b>Subtotal</b>	<b>1,401,144</b>	<b>896,263</b>	<b>1,065,446</b>	<b>10,467</b>	<b>32,742</b>
<b>Net Investment in foreign operation</b>					
Foreign Currency Forwards	1,106,871	291,194	—	28,958	8,790
<b>Subtotal</b>	<b>1,106,871</b>	<b>291,194</b>	<b>—</b>	<b>28,958</b>	<b>8,790</b>
<b>Derivatives held for trading</b>					
Foreign Currency Forwards	15,370,447	10,668,057	1,287,870	277,739	320,668
Foreign Currency Swap	202,047	713,643	5,509,025	393,504	227,532
Interest Rate Swap	10,821,045	18,789,176	41,467,440	524,993	423,120
Foreign Currency Call Option	40,384	54,669	26,223	421	86
Foreign Currency Put Option	24,304	35,286	26,223	709	2,370
<b>Subtotal</b>	<b>26,458,227</b>	<b>30,260,831</b>	<b>48,316,781</b>	<b>1,197,366</b>	<b>973,776</b>
<b>Total</b>	<b>29,408,668</b>	<b>31,455,855</b>	<b>51,833,402</b>	<b>1,248,775</b>	<b>1,095,154</b>
<b>As of December 31, 2016</b>					
	Notional			Fair Value	
	Up to three months	Three months to one year	Over one year	Assets	Liabilities
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Hedge Accounting</b>					
<b>Fair Value</b>					
Foreign Currency Forwards	10,711	13,389	—	1,444	217
Foreign Currency Swap	—	140,660	325,921	735	18,658
Interest Rate Swap	46,628	86,515	1,673,563	5,072	28,411
<b>Subtotal</b>	<b>57,339</b>	<b>240,564</b>	<b>1,999,484</b>	<b>7,251</b>	<b>47,286</b>
<b>Cash Flow</b>					
Foreign Currency Forwards	801,564	209,084	535,758	4,539	676
Foreign Currency Swap	—	—	323,803	7,553	11,780
Interest Rate Swap	25,478	—	657,325	2,786	7,289
<b>Subtotal</b>	<b>827,042</b>	<b>209,084</b>	<b>1,516,886</b>	<b>14,878</b>	<b>19,745</b>
<b>Net Investment in foreign operation</b>					
Foreign Currency Forwards	551,435	684,562	—	13,864	10,431
<b>Subtotal</b>	<b>551,435</b>	<b>684,562</b>	<b>—</b>	<b>13,864</b>	<b>10,431</b>
<b>Derivatives held for trading</b>					
Foreign Currency Forwards	18,226,641	11,409,005	2,268,979	157,743	136,459
Foreign Currency Swap	227,712	511,931	5,681,718	381,496	269,300
Interest Rate Swap	3,129,548	5,522,017	53,940,579	526,229	422,061
Foreign Currency Call Option	70,973	79,526	670	977	941
Foreign Currency Put Option	21,766	40,958	335	331	1,111
<b>Subtotal</b>	<b>21,676,640</b>	<b>17,563,437</b>	<b>61,892,281</b>	<b>1,066,776</b>	<b>829,872</b>
<b>Total</b>	<b>23,112,456</b>	<b>18,697,647</b>	<b>65,408,651</b>	<b>1,102,769</b>	<b>907,334</b>

In order to capture the credit risk in the valuation, the fair value of derivatives were adjusted to include the credit risk of the counterparty.

[Table of Contents](#)**b) Hedge accounting****b.1) Fair value hedges:**

The Bank uses interest rate derivatives to manage its structural risk by minimizing the accounting asymmetries of the Statement of Financial Position. Through different strategies, an item originally contracted at a fixed rate is redenominated to a floating rate, thus reducing the financial stress and consequently the risk value by positioning the expected movements of the yield curve in the structure of the Statement of Financial Position.

The detail of the hedged items and fair value hedging instrument, effective as of December 31, 2017 and 2016 separated by term at maturity, are as follows:

	As of December 31, 2017			
	Notional			
	Within one year MCh\$	Between one and three years MCh\$	Between three and six years MCh\$	Over six years MCh\$
<b>Hedge Items</b>				
Loans	12,978	7,704	402,977	320,539
Investment	—	12,320	1,629	130,518
Bonds	437,015	488,291	77,729	1,009,468
Demand Deposits	—	—	—	—
Working capital	—	—	—	—
<b>Total</b>	<b>449,993</b>	<b>508,315</b>	<b>482,335</b>	<b>1,460,525</b>
<b>Hedge instrument</b>				
Foreign Currency Forwards	—	—	—	—
Currency Swaps	—	264,226	—	—
Interest Rate Swaps	449,993	244,089	482,335	1,460,525
<b>Total</b>	<b>449,993</b>	<b>508,315</b>	<b>482,335</b>	<b>1,460,525</b>
	As of December 31, 2016			
	Notional			
	Within one year MCh\$	Between one and three years MCh\$	Between three and six years MCh\$	Over six years MCh\$
<b>Hedge Items</b>				
Loans	—	31,464	—	396,508
Investment	—	—	65,329	52,205
Bonds	16,745	993,535	123,832	319,088
Demand Deposits	133,144	4,127	—	—
Working capital	148,014	13,396	—	—
<b>Total</b>	<b>297,903</b>	<b>1,042,522</b>	<b>189,161</b>	<b>767,801</b>
<b>Hedge instrument</b>				
Foreign Currency Forwards	24,100	—	—	—
Currency Swaps	140,660	325,921	—	—
Interest Rate Swaps	133,143	716,601	189,161	767,801
<b>Total</b>	<b>297,903</b>	<b>1,042,522</b>	<b>189,161</b>	<b>767,801</b>

[Table of Contents](#)**b.2) Cash flow hedges:**

Cash flow hedges are used by the Bank to:

- a) Reduce the volatility of cash flows in inflation-adjusted statements of financial position through the use of forward inflation contracts and combinations of swap contracts in pesos and readjustments.
- b) Fix the rate of a portion of the pool of short-term liabilities in pesos, reducing the risk of a significant portion of the Bank's cost of financing, while maintaining liquidity risk in the pool of liabilities. This is achieved by equalizing the cash flows of hedged items and derivative instruments, modifying uncertain flows by known flows.
- c) Set the funding source rate in floating rate, decreasing the risk that the cost of funds increases.

Below is a detailed account of hedged items and hedging instruments by maturity as of December 31, 2017, and 2016, under cash flow hedges:

	As of December 31, 2017			
	Notional			
	Within one year	Between one and three years	Between three and six years	Over six years
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Hedge Items</b>				
Loans	1,991,607	219,453	57,823	174,300
Investment	—	—	—	—
Bonds	—	309,970	—	—
Demand Deposits	305,800	303,900	—	—
Working capital	—	—	—	—
<b>Total</b>	<b>2,297,407</b>	<b>833,323</b>	<b>57,823</b>	<b>174,300</b>
<b>Hedge instrument</b>				
Foreign Currency Forwards	1,991,607	219,453	—	—
Currency Swaps	—	309,970	—	—
Interest Rate Swaps	305,800	303,900	57,823	174,300
<b>Total</b>	<b>2,297,407</b>	<b>833,323</b>	<b>57,823</b>	<b>174,300</b>
	As of December 31, 2016			
	Notional			
	Within one year	Between one and three years	Between three and six years	Over six years
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Hedge Items</b>				
Loans	1,036,126	692,109	57,742	158,083
Investment	—	—	—	—
Bonds	—	167,452	—	—
Demand Deposits	—	320,800	79,400	41,300
Working capital	—	—	—	—
<b>Total</b>	<b>1,036,126</b>	<b>1,180,361</b>	<b>137,142</b>	<b>199,383</b>
<b>Hedge instrument</b>				
Foreign Currency Forwards	1,010,648	535,758	—	—
Currency Swaps	—	323,803	—	—
Interest Rate Swaps	25,478	320,800	137,142	199,383
<b>Total</b>	<b>1,036,126</b>	<b>1,180,361</b>	<b>137,142</b>	<b>199,383</b>

[Table of Contents](#)

The effective portion of increase/decrease in fair value of the cash flow hedging instruments of the hedged items was MCh\$127 (MCh\$5,603 as of December 31, 2016) (see note 22j) “Equity”) and the ineffective portion of increase/decrease in fair value of the cash flow hedging instruments of the hedged items was, respectively, (MCh\$(1,300) (MCh\$(413) as of December 31, 2016) (see note 26 “Net Foreign Exchange Income (losses) — Fair value gains (losses) on hedging derivatives”), as of December 31, 2017 and 2016 respectively, were as follows with respect to the following hedged items:

	As of December 31,			
	2017		2016	
	Effective Portion	Ineffective Portion	Effective Portion	Ineffective Portion
	MMS	MMS	MMS	MMS
Loans	(1,890)	155	(4,149)	(465)
Investment	—	—	—	—
Bonds	4,584	(1,329)	5,272	120
Demand Deposits	3,036	(126)	4,480	(68)
Working capital	—	—	—	—
<b>Net Flows</b>	<b>5,730</b>	<b>(1,300)</b>	<b>5,603</b>	<b>(413)</b>

**b.3) Hedging net investment in foreign operations:**

Itaú Corpbanca, which has a functional currency in Chilean pesos, has business investments abroad corresponding to a branch in New York and subsidiaries in Colombia. As a result of the accounting treatment that these investments must receive, fluctuations in the value of investments caused by the variability of the exchange rate between the Chilean peso against the dollar and the Colombian peso, generate changes in the value of the assets of the parent company.

The objective of hedging is to safeguard the value of equity by managing the exchange rate risk of investments. The hedges of a net investment in a foreign operation, including the hedge of a monetary item that is accounted for as part of a net investment, will be recorded in a manner similar to the cash flow hedges, where:

- The part of the gain or loss of the hedging instrument that is determined to be effective is recognized in equity, for an amount of MCh\$45,759 credit net of deferred taxes (credit of MCh\$10,773 as of December 31, 2016);
- The ineffective part is recognized in the result, not presenting amounts for this concept in 2017 and 2016.

Gains or losses on the hedge of the net investment in foreign operations that have been recognized in other comprehensive income and accumulated in equity are as follows:

	Notes	As of December 31,	
		2017	2016
		MCh\$	MCh\$
Beginning balance		10,773	—
Gains (losses) on hedge of net investment in foreign operation, before tax	22 j	49,197	13,458
Income tax relating to hedges of net investment in foreign operations	22 j	(14,211)	(2,685)
<b>Closing Balance</b>		<b>45,759</b>	<b>10,773</b>

[Table of Contents](#)

The detail of each hedge is explained below:

## b.3.1) Hedging net investment in New York Branch

	Notional MUSD	Hedging Instrument (Fair Value) MCh\$	Effective Portion MCh\$	Ineffective Portion MCh\$
As of December 31, 2017	150.1	4,698	4,698	—
As of December 31, 2016	60.1	(164)	(164)	—

## b.3.2) Hedging net investment in Colombia

	As of December 31, 2017					
	Notional				Effective Portion MCh\$	Ineffective Portion MCh\$
	Within one year MCh\$	Between one and three years MCh\$	Between three and six years MCh\$	Over six years MCh\$		
<b>Hedged Items</b>						
<b>Equity</b>						
Investment in foreign operation	1,398,065	—	—	—	44,499	—
<b>Hedging Instrument</b>						
Foreign Currency Forwards	1,398,065	—	—	—	44,499	—

	As of December 31, 2016					
	Notional				Effective Portion MCh\$	Ineffective Portion MCh\$
	Within one year MCh\$	Between one and three years MCh\$	Between three and six years MCh\$	Over six years MCh\$		
<b>Hedged Items</b>						
<b>Equity</b>						
Investment in foreign operation	1,235,997	—	—	—	13,622	—
<b>Hedging Instrument</b>						
Foreign Currency Forwards	1,235,997	—	—	—	—	—

[Table of Contents](#)**NOTE 9 LOANS AND RECEIVABLES FROM BANKS**

As of December 31, 2017 and 2016, loans and receivables from banks were as follows:

	As of December 31	
	2017	2016
	MCh\$	MCh\$
<b>Local Banks</b>		
Loans to local banks	—	—
Allowances for loans losses	—	—
<b>Subtotal</b>	<b>—</b>	<b>—</b>
<b>Foreign Banks</b>		
Interbanks cash loans	862	59,393
Loans to foreign banks	13,875	27,618
Non-transferrable deposits with foreign banks	21,544	63,769
Allowances for loans losses	(208)	(212)
<b>Subtotal</b>	<b>36,073</b>	<b>150,568</b>
<b>Banco Central of Chile</b>		
Deposits in the Central Bank of Chile	34,004	—
<b>Subtotal</b>	<b>34,004</b>	<b>—</b>
<b>Total</b>	<b>70,077</b>	<b>150,568</b>

The movement in the allowances for loan losses as of December 31, 2017 and 2016 was as follows:

	Notes	As of December 31, 2017		
		Local Banks	Foreign Banks	Total
		MCh\$	MCh\$	MCh\$
<b>Balance as of January 1, 2017</b>		—	(212)	(212)
Write-offs		—	—	—
Established provisions	27	—	(226)	(226)
Released provisions	27	—	209	209
Impairment		—	—	—
Exchange differences		—	21	21
<b>Balances as of December 31, 2017</b>		<b>—</b>	<b>(208)</b>	<b>(208)</b>

	Notes	As of December 31, 2016		
		Local Banks	Foreign Banks	Total
		MCh\$	MCh\$	MCh\$
<b>Balance as of January 1, 2016</b>		(17)	(53)	(70)
Write-offs		—	—	—
Established provisions	27	(29)	(278)	(307)
Integration Itaú Corpbanca		—	(120)	(120)
Released provisions	27	46	240	286
Impairment		—	—	—
Exchange differences		—	(1)	(1)
<b>Balances as of December 31, 2016</b>		<b>—</b>	<b>(212)</b>	<b>(212)</b>



[Table of Contents](#)

Guarantees taken by the Bank to secure collections reflected in its loan portfolios are collateral (urban and rural property, farm land, ships and aircraft, mining claims and other assets) and pledges (inventory, farm assets, industrial assets, plantings and other pledged assets). As of December 31, 2017 and 2016, the fair value of guarantees taken corresponds to 126.89% and 116.97% of the loans and receivables, respectively.

In the case of mortgage guarantees, as of December 31, 2017 and 2016, the fair value of the guarantees taken corresponds to 85.46% and 78.35% of the balance of these loans and receivables, respectively.

The Bank finances its customers' asset purchases, both movable and real estate, through lease contracts that are included within loans and receivables from customers. As of December 31, 2017, MCh\$306,931 corresponds to leases of movable assets (MCh\$447,424 as of December 31, 2016) and MCh\$927,168 to leases of real estate assets (MCh\$931,502 as of December 31, 2016).

Where appropriate, we obtain collateral in respect of our loans and receivables from customers. The collateral normally takes the form of a mortgage (i.e., urban and rural properties, agricultural lands, maritime vessels and aircraft, mineral rights and other assets) and liens (i.e., inventories, agricultural goods, industrial goods, plantations and other property pledged as security) over the customer's assets. The existence and amount of collateral generally varies from loan to loan, based on the credit-worthiness of the borrower.

We review collateral fair values by obtaining appraisals on impaired secured loans every 18 months and on normal secured loans every three years.

We monitor collateral values between appraisals on an ongoing basis in order to capture any unusual significant changes (i.e., improved conditions in the real estate industry, changes in overall economic conditions, etc.) in market-based evidence used in the appraisals. In the event that unusual significant changes occur between appraisals, the collateral values are reassessed and recalculated.

During 2017, the Bank received assets such as homes, apartments, commercial and agricultural lands, among others, with a fair value of MCh\$7,227 (MCh\$2,813 in 2016) through foreclosure or judicial proceedings.

**b) Portfolio characteristics**

As of December 31, 2017 and 2016, the loan portfolio before allowances for loan losses by customer economic activity was as follows:

	Local loans		Foreign loans		Total		Distribution Percentage	
	As of December 31,		As of December 31,		As of December 31,		As of December 31,	
	2017	2016	2017	2016	2017	2016	2017	2016
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	%	%
<b>Commercial loans</b>								
Manufacturing	784,608	1,065,647	255,883	155,749	1,040,491	1,221,396	5.11	5.81
Mining	363,065	428,384	280,996	275,056	644,061	703,440	3.16	3.35
Electricity, gas and water	589,067	720,818	347,416	414,511	936,483	1,135,329	4.59	5.41
Agriculture and livestock	205,333	262,449	210,597	165,296	415,930	427,745	2.04	2.04
Forestry and wood extraction	22,975	28,853	15,832	6,494	38,807	35,347	0.19	0.17
Fishing	1,527	58,770	12,385	—	13,912	58,770	0.07	0.28
Transport	461,486	442,468	206,991	251,885	668,477	694,353	3.28	3.31
Communications	29,296	31,712	65,143	48,448	94,439	80,160	0.46	0.38
Construction	1,368,057	1,359,125	270,063	265,669	1,638,120	1,624,794	8.04	7.74
Commerce	815,184	912,877	897,666	801,712	1,712,850	1,714,589	8.40	8.16
Services	2,616,171	2,869,113	1,164,562	1,418,260	3,780,733	4,287,373	18.55	20.41
Others	2,322,773	2,465,332	409,470	185,843	2,732,243	2,651,175	13.41	12.62
<b>Subtotals</b>	<b>9,579,542</b>	<b>10,645,548</b>	<b>4,137,004</b>	<b>3,988,923</b>	<b>13,716,546</b>	<b>14,634,471</b>	<b>67.30</b>	<b>69.68</b>
<b>Mortgage loans</b>	<b>3,635,993</b>	<b>3,360,930</b>	<b>516,760</b>	<b>527,587</b>	<b>4,152,753</b>	<b>3,888,517</b>	<b>20.37</b>	<b>18.51</b>
<b>Consumer loans</b>	<b>1,544,062</b>	<b>1,353,422</b>	<b>969,244</b>	<b>1,127,542</b>	<b>2,513,306</b>	<b>2,480,964</b>	<b>12.33</b>	<b>11.81</b>
<b>Total</b>	<b>14,759,597</b>	<b>15,359,900</b>	<b>5,623,008</b>	<b>5,644,052</b>	<b>20,382,605</b>	<b>21,003,952</b>	<b>100.00</b>	<b>100.00</b>

[Table of Contents](#)**c) Allowances for loans losses**

The changes in allowances for loan losses during the periods ended December 31, 2017 and 2016 are summarized as follows:

	Note	Individually evaluated for impairment MCh\$	Collectively evaluated for impairment MCh\$	Total MCh\$
<b>Balances as January 1, 2017</b>		<b>366,058</b>	<b>193,246</b>	<b>559,304</b>
<b>Impaired portfolio write-offs:</b>				
Commercial loans		(69,702)	(39,648)	(109,350)
Mortgage loans		—	(8,303)	(8,303)
Consumer loans		—	(115,708)	(115,708)
<b>Total write-offs</b>		<b>(69,702)</b>	<b>(163,659)</b>	<b>(233,361)</b>
Established provision	27	338,701	480,567	819,268
Provision released	27	(302,504)	(169,801)	(472,305)
Application of provisions		(9,760)	—	(9,760)
Exchange rate differences		(24,641)	(19,978)	(44,619)
<b>Balances as of December 31, 2017</b>	<b>10a)</b>	<b>298,152</b>	<b>320,375</b>	<b>618,527</b>

	Note	Individually evaluated for impairment MCh\$	Collectively evaluated for impairment MCh\$	Total MCh\$
<b>Balances as January 1, 2016</b>		<b>50,914</b>	<b>44,665</b>	<b>95,579</b>
<b>Impaired portfolio write-offs:</b>				
Commercial loans		(61,460)	(24,184)	(85,644)
Mortgage loans		—	(8,157)	(8,157)
Consumer loans		—	(94,294)	(94,294)
<b>Total write-offs</b>		<b>(61,460)</b>	<b>(126,635)</b>	<b>(188,095)</b>
Established provision	27	387,737	286,297	674,034
Provision released	27	(251,582)	(153,212)	(404,794)
Integration Itau Corpbanca		297,850	145,097	442,947
Application of provisions		(57,170)	(1,576)	(58,746)
Exchange rate differences		(231)	(1,390)	(1,621)
<b>Balances as of December 31, 2016</b>	<b>10a)</b>	<b>366,058</b>	<b>193,246</b>	<b>559,304</b>

**d) Portfolio sales**

1. As of December 31, 2017, 2016 and 2015, the Bank and its subsidiaries engaged in portfolio purchases and sales. The effect on income of these transactions as a whole does not exceed 5% of before-tax profit for the year, and is recorded within net gains from trading and investment income activities in the Consolidated Statement of Income for the period, disclosed in Note 25 “Net Trading and Investment Income” within “Other financial investments at fair value with effect on profit or loss.”

2. As of December 31, 2017, 2016 and 2015, the Bank and its subsidiaries derecognized 100% of its sold portfolio, thus complying with the requirements of the accounting policy for derecognizing financial assets and liabilities in Note 1.2, letter u) of these annual Consolidated Financial Statements.

During 2017 and 2016, Itau Corpbanca sold part of its portfolio of state-guaranteed loans and receivables (or “CAE” the Spanish acronym) acquired through a competitive bidding process for awards of the Financing Facility and Administration of Loans for Studies in Higher Education Law No. 20,027. The open bidding model for financial institutions, reflected in the respective databases, allows companies to sell a percentage of state-guaranteed loans and receivables to third parties. On the portfolio sale, Itau Corpbanca transferred

[Table of Contents](#)

substantially all the risks and benefits associated with this portfolio. The detail of loans and receivables sold is as follows:

	No. Of Loans	Carrying Amount	Proceeds for sales	Gain (loss) on sale <sup>(*)</sup>
		MCh\$	MCh\$	MCh\$
As of December 31, 2017	60,675	118,027	147,725	29,910
As of December 31, 2016	72,780	142,636	175,707	33,871
As of December 31, 2015	23,662	46,405	60,324	14,639

(\*) This amount is included under line item "Trading and investment income, net" in the Consolidated Statements of Income, disclosed in Note 25 Net Trading and Investment Income, line "Other financial investments at fair value with effect on profit or loss."

The gain on the sale, excluding the effect of any provisions on these loans, is comprised of MCh\$15.852 as of December 31, 2017 (MCh\$18,332 in 2016, and MCh\$9,533 in 2015), recognized in the Consolidated Statement of Income within net financial operating income, and the difference, amounting to MCh\$14.058 as of December 31, 2017 (MCh\$ 14,739 in 2016 and MCh\$4,386 in 2015), is recorded in profit or loss based on its period of deferral at the effective tax rate, in accordance with IAS 39.

#### e) Lease

The Bank's scheduled cash flows to be received from finance lease contracts have the following maturities:

	Total receivable		Unearned income		Net lease receivable	
	As of December 31,		As of December 31,		As of December 31,	
	2017	2016	2017	2016	2017	2016
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Up to one month	29,846	30,896	3,677	1,782	26,169	29,114
More than a month to three months	32,672	38,246	2,857	3,561	29,815	34,685
More than three months up to one year	120,691	146,124	11,596	14,774	109,095	131,350
More than one year up to three years	262,576	291,393	33,717	39,983	228,859	251,410
More than three years up to six years	283,010	319,920	57,453	69,467	225,557	250,453
More than six years	1,062,625	1,199,476	448,020	517,562	614,605	681,914
<b>Total<sup>(*)</sup></b>	<b>1,791,420</b>	<b>2,026,055</b>	<b>557,320</b>	<b>647,129</b>	<b>1,234,100</b>	<b>1,378,926</b>

(\*) Includes:

Leasing Transactions	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Commercial	940,789	1,073,506
Mortgage	282,135	288,329
Consumer	11,176	17,091
<b>Total</b>	<b>1,234,100</b>	<b>1,378,926</b>

[Table of Contents](#)**NOTE 11 INVESTMENT INSTRUMENTS**

a) As of December 31, 2017 and 2016, the detail of the instruments that the Bank has designated as financial instruments held as available for sale and until their maturity was as follows:

	As of December 31, 2017			As of December 31, 2016		
	Available for sale	Held to maturity	Total	Available for sale	Held to maturity	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Chilean Central Bank and Government Securities</b>						
Chilean Central Bank securities	687,945	—	<b>687,945</b>	901,239	—	<b>901,239</b>
Chilean Treasury Bonds	1,081,879	—	<b>1,081,879</b>	272,734	—	<b>272,734</b>
Other government securities	14,053	—	<b>14,053</b>	—	—	—
<b>Other financial instruments</b>						
Promissory notes related to deposits in local banks	114,038	—	<b>114,038</b>	397,898	—	<b>397,898</b>
Chilean mortgage finance bonds	64	—	<b>64</b>	76	—	<b>76</b>
Chilean financial institutions bonds	9,032	—	<b>9,032</b>	2,607	—	<b>2,607</b>
Other local investments	6,159	—	<b>6,159</b>	32,230	—	<b>32,230</b>
<b>Financial instruments issued abroad</b>						
Foreign government and central bank instruments	420,687	—	<b>420,687</b>	284,444	226,433	<b>510,877</b>
Other foreign investments	300,740	202,030	<b>502,770</b>	162,882	—	<b>162,882</b>
<b>Unquoted securities in active markets</b>						
Chilean corporate bonds	18,469	—	<b>18,469</b>	—	—	—
Other investments	10,412	—	<b>10,412</b>	19,967	—	<b>19,967</b>
<b>Total</b>	<b>2,663,478</b>	<b>202,030</b>	<b>2,865,508</b>	<b>2,074,077</b>	<b>226,433</b>	<b>2,300,510</b>

As of December 31, 2017 this total includes MCh\$15,775 (MCh\$351,537 as of December 31, 2016), included in Note 5 “Cash and cash equivalents,” which corresponds to those financial instruments with maturities that do not exceed three months from their dates of acquisition.

As of December 31, 2017, the portfolio of financial investments available-for-sale includes an unrealized gain of MCh\$24,552 (loss of MCh\$14,248 at December 31, 2016), presented as equity reserve accounts, distributed among a profit of MCh\$16,592 attributable to equity holders and a gain of MCh\$7,960 attributable to non-controlling interest (see detail in Note 22).

b) Impairment of investment instruments

The Bank’s portfolio of investment instruments does not present impairment as of December 31, 2017, and 2016.

c) The detail of investments quoted in non-active markets classified as available for sale has been recorded at fair value.

Itaú Corpbanca reviewed the instruments with unrealized losses as of December 31, 2017 and 2016, concluding that they were not impairments other than temporary. Therefore, they do require the bank to adjust the results of the fiscal year.

Unrealized gains and losses on the available-for-sale portfolio as of December 31, 2017 and 2016 were as follows:

[Table of Contents](#)

	As of December 31, 2017			Fair Value MCh\$
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	MCh\$	MCh\$	MCh\$	
<b>Chilean Central Bank and Government Securities</b>				
Chilean Central Bank securities	688,770	806	(1,631)	<b>687,945</b>
Chilean Treasury Bonds	1,081,633	3,526	(3,280)	<b>1,081,879</b>
Other government securities	14,206	—	(153)	<b>14,053</b>
<b>Other financial instruments</b>				
Promissory notes related to deposits in local banks	114,073	—	(35)	<b>114,038</b>
Chilean mortgage finance bonds	64	—	—	<b>64</b>
Chilean financial institutions bonds	9,034	25	(27)	<b>9,032</b>
Other local investments	3,942	2,217	—	<b>6,159</b>
<b>Financial instruments issued abroad</b>				
Foreign government and central bank instruments	416,995	3,921	(229)	<b>420,687</b>
Other foreign investments	281,833	19,090	(183)	<b>300,740</b>
<b>Unquoted securities in active markets</b>				
Chilean corporate bonds	17,964	505	—	<b>18,469</b>
Other investments	10,412	—	—	<b>10,412</b>
<b>Total</b>	<b>2,638,926</b>	<b>30,090</b>	<b>(5,538)</b>	<b>2,663,478</b>
<hr/>				
	As of December 31, 2016			Fair Value MCh\$
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	MCh\$	MCh\$	MCh\$	
<b>Chilean Central Bank and Government Securities</b>				
Chilean Central Bank securities	898,579	2,708	(48)	<b>901,239</b>
Chilean Treasury Bonds	272,860	558	(684)	<b>272,734</b>
Other government securities	—	—	—	<b>—</b>
<b>Other financial instruments</b>				
Promissory notes related to deposits in local banks	397,804	105	(11)	<b>397,898</b>
Chilean mortgage finance bonds	76	—	—	<b>76</b>
Chilean financial institutions bonds	2,586	21	—	<b>2,607</b>
Other local investments	31,823	454	(47)	<b>32,230</b>
<b>Financial instruments issued abroad</b>				
Foreign government and central bank instruments	271,179	14,416	(1,151)	<b>284,444</b>
Other foreign investments	164,617	35	(1,770)	<b>162,882</b>
<b>Unquoted securities in active markets</b>				
Chilean corporate bonds	—	—	—	<b>—</b>
Other investments	20,305	—	(338)	<b>19,967</b>
<b>Total</b>	<b>2,059,829</b>	<b>18,297</b>	<b>(4,049)</b>	<b>2,074,077</b>

[Table of Contents](#)

d) The classification of investments in available-for-sale instruments, within the fair value hierarchy, is as follows (see note 33):

As of December 31, 2017					
Available for sale Portfolio					
Note	Total MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$	
<b>Chilean Central Bank and Government Securities</b>	33	1,783,877	1,783,877	—	—
Chilean Central Bank securities		687,945	687,945	—	—
Chilean Treasury Bonds		1,081,879	1,081,879	—	—
Other government securities		14,053	14,053	—	—
<b>Other financial instruments</b>	33	129,293	6,159	123,134	—
Promissory notes related to deposits in local banks		114,038	—	114,038	—
Chilean mortgage finance bonds		64	—	64	—
Chilean financial institutions bonds		9,032	—	9,032	—
Other local investments		6,159	6,159	—	—
<b>Financial instruments issued abroad</b>	33	721,427	721,427	—	—
Foreign government and central bank instruments		420,687	420,687	—	—
Other foreign investments		300,740	300,740	—	—
<b>Unquoted securities in active markets</b>	33	28,881	—	28,881	—
Chilean corporate bonds		18,469	—	18,469	—
Other investments		10,412	—	10,412	—
<b>Total</b>		<b>2,663,478</b>	<b>2,511,463</b>	<b>152,015</b>	<b>—</b>

As of December 31, 2016					
Available for sale Portfolio					
Note	Total MCh\$	Level 1 MCh\$	Level 2 MCh\$	Level 3 MCh\$	
<b>Chilean Central Bank and Government Securities</b>	33	1,173,973	1,173,973	—	—
Chilean Central Bank securities		901,239	901,239	—	—
Chilean Treasury Bonds		272,734	272,734	—	—
Other government securities		—	—	—	—
<b>Other financial instruments</b>	33	432,811	—	432,811	—
Promissory notes related to deposits in local banks		397,898	—	397,898	—
Chilean mortgage finance bonds		76	—	76	—
Chilean financial institutions bonds		2,607	—	2,607	—
Other local investments		32,230	—	32,230	—
<b>Financial instruments issued abroad</b>	33	447,326	306,054	141,272	—
Foreign government and central bank instruments		284,444	150,009	134,435	—
Other foreign investments		162,882	156,045	6,837	—
<b>Unquoted securities in active markets</b>	33	19,967	4,118	15,849	—
Chilean corporate bonds		—	—	—	—
Other investments		19,967	4,118	15,849	—
<b>Total</b>		<b>2,074,077</b>	<b>1,484,145</b>	<b>589,932</b>	<b>—</b>

[Table of Contents](#)

## NOTE 12 INTANGIBLE ASSETS

a) Intangibles assets as December 31, 2017 and 2016 consisted of the following:

As of December 31, 2017

Concept	Useful life years	Remaining amortization years	Net Balance as of January 1, 2017 MCh\$	Gross balance MCh\$	Accumulated amortization MCh\$	Net Balance MCh\$
<b>Integrated banking system</b>	<b>15</b>	<b>1</b>	<b>1,214</b>	<b>9,824</b>	<b>(9,361)</b>	<b>463</b>
<b>Computer equipment system or software</b>	<b>3</b>	<b>1</b>	<b>86,110</b>	<b>193,256</b>	<b>(80,364)</b>	<b>112,892</b>
<b>IT Projects</b>	<b>8</b>	<b>5</b>	<b>21,300</b>	<b>42,474</b>	<b>(25,811)</b>	<b>16,663</b>
<b>Generated in business combination</b>			<b>1,505,034</b>	<b>1,502,615</b>	<b>(70,625)</b>	<b>1,431,990</b>
- Goodwill			<b>1,145,308</b>	1,126,663	—	1,126,663
- Trademark	10	9	<b>47,209</b>	51,417	(9,311)	42,106
- Customer relationship	12	11	<b>89,827</b>	91,046	(15,008)	76,038
- Core deposit	9	8	<b>222,690</b>	233,489	(46,306)	187,183
<b>Other projects</b>	<b>10</b>	<b>1</b>	<b>817</b>	<b>3,645</b>	<b>(2,999)</b>	<b>646</b>
<b>Total</b>			<b>1,614,475</b>	<b>1,751,814</b>	<b>(189,160)</b>	<b>1,562,654</b>

As of December 31, 2016

Concept	Useful life years	Remaining amortization years	Net Balance as of January 1, 2016 MCh\$	Gross balance MCh\$	Accumulated amortization MCh\$	Net Balance MCh\$
<b>Integrated banking system</b>	<b>15</b>	<b>2</b>	<b>—</b>	<b>9,825</b>	<b>(8,611)</b>	<b>1,214</b>
<b>Computer equipment system or software</b>	<b>3</b>	<b>2</b>	<b>49,960</b>	<b>152,560</b>	<b>(66,450)</b>	<b>86,110</b>
<b>IT Projects</b>	<b>8</b>	<b>6</b>	<b>—</b>	<b>42,447</b>	<b>(21,147)</b>	<b>21,300</b>
<b>Generated in business combination</b>			<b>899</b>	<b>1,536,891</b>	<b>(31,857)</b>	<b>1,505,034</b>
- Goodwill			<b>—</b>	1,145,308	—	1,145,308
- Trademark	10	10	<b>—</b>	51,449	(4,240)	47,209
- Customer relationship	12	12	<b>899</b>	96,674	(6,847)	89,827
- Core deposit	9	9	<b>—</b>	243,460	(20,770)	222,690
<b>Other projects</b>	<b>10</b>	<b>2</b>	<b>950</b>	<b>3,645</b>	<b>(2,828)</b>	<b>817</b>
<b>Total</b>			<b>51,809</b>	<b>1,745,368</b>	<b>(130,893)</b>	<b>1,614,475</b>

b) The movement of intangible assets in the period ended December 31, 2017 and 2016 was as follows:

	Integrated banking system MCh\$	Computer equipment system or software MCh\$	IT Projects MCh\$	Generated in business combination MCh\$	Goodwill MCh\$	Other projects MCh\$	Total MCh\$
<b>Balances as of January 1, 2017</b>	<b>9,825</b>	<b>152,560</b>	<b>42,447</b>	<b>391,583</b>	<b>1,145,308</b>	<b>3,645</b>	<b>1,745,368</b>
Purchases	39	40,975	1,889	—	—	—	42,903
Integration Itaú Corpbanca	—	—	—	—	—	—	—
Additions resulting from business combination	—	—	—	—	—	—	—
Retirements	—	(123)	—	—	—	—	(123)
Exchange differences	(40)	(156)	(1,862)	(15,631)	(18,645)	—	(36,334)
<b>Balances as of December 31, 2017</b>	<b>9,824</b>	<b>193,256</b>	<b>42,474</b>	<b>375,952</b>	<b>1,126,663</b>	<b>3,645</b>	<b>1,751,814</b>

	Integrated banking system MCh\$	Computer equipment system or software MCh\$	IT Projects MCh\$	Generated in business combination MCh\$	Goodwill MCh\$	Other projects MCh\$	Total MCh\$
<b>Balances as of January 1, 2016</b>	<b>—</b>	<b>73,554</b>	<b>—</b>	<b>1,284</b>	<b>—</b>	<b>1,520</b>	<b>76,358</b>
Purchases	511	80,509	738	—	—	—	81,758
Integration Itaú Corpbanca	9,342	81,446	41,714	319,733	338,909	2,239	793,383
Additions resulting from business combination	—	—	—	389,558	1,144,338	—	1,533,896
Retirements	—	(83,205)	—	(319,733)	(338,909)	(532)	(742,379)
Exchange differences	(28)	312	(5)	741	970	—	1,990
Others	—	(56)	—	—	—	418	362
<b>Balances as of December 31, 2016</b>	<b>9,825</b>	<b>152,560</b>	<b>42,447</b>	<b>391,583</b>	<b>1,145,308</b>	<b>3,645</b>	<b>1,745,368</b>

[Table of Contents](#)

c) Movements of accumulated amortization of intangible assets as of December 31, 2017 and 2016 were detailed as follows:

	Integrated banking system MCh\$	Computer equipment system or software MCh\$	IT Projets MCh\$	Generated in business combination MCh\$	Other projects MCh\$	Total MCh\$
<b>Balances as of January 1, 2017</b>	<b>(8,611)</b>	<b>(66,450)</b>	<b>(21,147)</b>	<b>(31,857)</b>	<b>(2,828)</b>	<b>(130,893)</b>
Amortization (Note 30)	(788)	(15,819)	(4,672)	(41,038)	(158)	(62,475)
Exchange differences	38	1,905	8	2,270	(13)	4,208
<b>Balances as of December 31, 2017</b>	<b>(9,361)</b>	<b>(80,364)</b>	<b>(25,811)</b>	<b>(70,625)</b>	<b>(2,999)</b>	<b>(189,160)</b>

	Integrated banking system MCh\$	Computer equipment system or software MCh\$	IT Projets MCh\$	Generated in business combination MCh\$	Other projects MCh\$	Total MCh\$
<b>Balances as of January 1, 2016</b>	<b>—</b>	<b>(23,594)</b>	<b>—</b>	<b>(385)</b>	<b>(570)</b>	<b>(24,549)</b>
Amortization (Note 30)	(855)	(13,727)	(3,693)	(31,431)	(152)	(49,858)
Integration Itau Corpbanca	(7,755)	(29,184)	(17,452)	(49,762)	(1,688)	(105,841)
Retirements	—	—	—	49,762	—	49,762
Exchange differences	—	—	—	(41)	—	(41)
Others	(1)	55	(2)	—	(418)	(366)
<b>Balances as of December 31, 2016</b>	<b>(8,611)</b>	<b>(66,450)</b>	<b>(21,147)</b>	<b>(31,857)</b>	<b>(2,828)</b>	<b>(130,893)</b>

d) As of December 31, 2017 and 2016, the Bank has entered into the following contractual commitments for the acquisition of intangible assets:

License detail	As of December 31,	
	2017 MCh\$	2016 MCh\$
IBM	1,154	851
Microsoft	—	726
ULA	—	426
Kony	321	—
Vcloud Suite	169	—
MIS	129	—
Identify Guard IDG)	116	—

e) Impairment

At each reporting date, Banco Itau Corpbanca evaluates whether there is any indication of impairment of any asset. Should any such indication exist, or when impairment testing is required, the entity will estimate the asset's recoverable amount, (see note 30).

f) Restrictions

As of December 31, 2017 and 2016, the Bank and its subsidiaries have no restrictions on intangible assets. In addition, no intangible assets have been given in guarantee for compliance of any obligations. There are also no amounts owed by the Bank on intangible assets as of the aforementioned dates.

[Table of Contents](#)**NOTE 13 PROPERTY, PLANT AND EQUIPMENT**

a) Property, plant and equipment as of December 31, 2017 and 2016 were as follows:

Item	Useful life years	Remaining depreciation years	Net Balance as of January 1, 2017 MCh\$	Gross Balance MCh\$	Accumulated depreciation MCh\$	Net Balance MCh\$
<b>Land and building</b>	<b>25</b>	<b>16</b>	<b>78,034</b>	<b>118,481</b>	<b>(35,330)</b>	<b>83,151</b>
<b>Equipment</b>	<b>5</b>	<b>1</b>	<b>25,997</b>	<b>65,018</b>	<b>(39,858)</b>	<b>25,160</b>
<b>Other</b>	<b>8</b>	<b>3</b>	<b>17,012</b>	<b>50,773</b>	<b>(28,505)</b>	<b>22,268</b>
- Furniture			8,418	27,860	(17,503)	10,357
- Leasing assets			50	28	(28)	—
- Others			8,544	22,885	(10,974)	11,911
<b>Total</b>			<b>121,043</b>	<b>234,272</b>	<b>(103,693)</b>	<b>130,579</b>

Item	Useful life years	Remaining depreciation years	Net Balance as of January 1, 2016 MCh\$	Gross Balance MCh\$	Accumulated depreciation MCh\$	Net Balance MCh\$
<b>Land and building</b>	<b>25</b>	<b>17</b>	<b>16,778</b>	<b>107,989</b>	<b>(29,955)</b>	<b>78,034</b>
<b>Equipment</b>	<b>5</b>	<b>2</b>	<b>6,724</b>	<b>62,007</b>	<b>(36,010)</b>	<b>25,997</b>
<b>Other</b>	<b>8</b>	<b>4</b>	<b>10,468</b>	<b>42,726</b>	<b>(25,714)</b>	<b>17,012</b>
- Furniture			1,011	26,513	(18,095)	8,418
- Leasing assets			—	338	(288)	50
- Others			9,457	15,875	(7,331)	8,544
<b>Total</b>			<b>33,970</b>	<b>212,722</b>	<b>(91,679)</b>	<b>121,043</b>

The useful lives have been determined based on our expected use considering the quality of the original construction, the environment in which the assets are located, the quality and degree of maintenance carried out, and appraisals performed by external specialists who are independent of the Bank that have been taken into consideration by management to determine the useful lives of our buildings.

b) The movement of property, plant and equipment for the periods ended December 31, 2017 and 2016:

	Landing and Building MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
<b>Balances as of January 1, 2017</b>	<b>107,989</b>	<b>62,007</b>	<b>42,726</b>	<b>212,722</b>
Purchases	27,125	7,853	9,274	44,252
Sales/Retirements	(12,636)	(2,241)	(952)	(15,829)
Exchange differences	(3,997)	(2,601)	(275)	(6,873)
<b>Balances as of December 31, 2017</b>	<b>118,481</b>	<b>65,018</b>	<b>50,773</b>	<b>234,272</b>

	Landing and Building MCh\$	Equipment MCh\$	Other MCh\$	Total MCh\$
<b>Balances as of January 1, 2016</b>	<b>18,808</b>	<b>15,876</b>	<b>31,533</b>	<b>66,217</b>
Integration Itaú Corpbanca	75,797	42,354	21,629	139,780
Purchases	11,002	7,091	5,306	23,399
Sales/Retirements	(13,206)	(3,423)	(283)	(16,912)
Exchange differences	170	110	29	309
Others	15,418	(1)	(15,488)	(71)
<b>Balances as of December 31, 2016</b>	<b>107,989</b>	<b>62,007</b>	<b>42,726</b>	<b>212,722</b>

[Table of Contents](#)

c) Movements of accumulated depreciation of property, plant and equipment as of December 31, 2017 and 2016, are detailed as follows:

	Landing and Building	Equipment	Other	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Balances as of January 1, 2017</b>	<b>(29,955)</b>	<b>(36,010)</b>	<b>(25,714)</b>	<b>(91,679)</b>
Depreciation	(7,218)	(8,054)	(4,098)	(19,370)
Sales and retirements	—	2,178	481	2,659
Exchange Differences	1,843	2,055	826	4,724
Impairment (Note 30)	—	(27)	—	(27)
<b>Balances as of December 31, 2017</b>	<b>(35,330)</b>	<b>(39,858)</b>	<b>(28,505)</b>	<b>(103,693)</b>

	Landing and Building	Equipment	Other	Total
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Balances as of January 1, 2016</b>	<b>(2,030)</b>	<b>(9,152)</b>	<b>(21,065)</b>	<b>(32,247)</b>
Integration Itaú Corpbanca	(13,855)	(24,500)	(11,210)	(49,565)
Depreciation	(5,047)	(5,281)	(3,506)	(13,834)
Sales and retirements	732	3,006	259	3,997
Exchange Differences	(52)	(84)	(38)	(174)
Impairment (Note 30)	—	(351)	—	(351)
Others	(9,703)	352	9,846	495
<b>Balances as of December 31, 2016</b>	<b>(29,955)</b>	<b>(36,010)</b>	<b>(25,714)</b>	<b>(91,679)</b>

d) As of December 31, 2017 and 2016, the Bank held operating lease contracts that cannot be unilaterally terminated. The future payment information is detailed as follows:

#### Future Operating Lease Payments Land, Buildings and Equipment

	Up to one year	From one to five years	Over five years	Total
	MCh\$	MCh\$	MCh\$	MCh\$
As of December 31, 2017	23,021	76,949	103,195	203,165
As of December 31, 2016	24,599	100,482	15,900	140,981

e) As of December 31, 2017 and 2016, the Bank held finance lease contracts that cannot be rescinded or unilaterally terminated. The future payment information is detailed as follows:

#### Future Financial Leasing Payments Land, Buildings and Equipment

	Up to one year	From one to five years	Over five years	Total
	MCh\$	MCh\$	MCh\$	MCh\$
As of December 31, 2017	9,078	43,730	43,730	96,538
As of December 31, 2016	46,540	189,623	47,406	283,569

f) As of December 31, 2017 and 2016, the Bank and its subsidiaries had no restrictions on property, plant and equipment. In addition, no property, plant and equipment had been given in guarantee for compliance of any obligations. There are also no amounts owed by the Bank on property, plant and equipment as of the aforementioned dates.

[Table of Contents](#)**NOTE 14 INCOME TAXES**

## a) Current income tax provision.

At the end of each year the bank recognizes an income tax provision, which is determined based on currently enacted tax legislation. Current recoverable taxes recognized as of December 31, 2017 was MCh\$237,828 (MCh\$162,410 as of December 31, 2016). The income tax provision (net of recoverable taxes) is as follows:

## a.1 Tax current:

	As of December 31, 2017			
	Chile	New York <sup>(*)</sup>	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Current tax assets	202,093	—	36,359	238,452
Current tax liabilities	(624)	—	—	(624)
<b>Net total</b>	<b>201,469</b>	<b>—</b>	<b>36,359</b>	<b>237,828</b>

	As of December 31, 2016			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Current tax assets	138,172	770	25,354	164,296
Current tax liabilities	(475)	—	(1,411)	(1,886)
<b>Net total</b>	<b>137,697</b>	<b>770</b>	<b>23,943</b>	<b>162,410</b>

## a.2 Effect of current taxes by geographic area:

	As of December 31, 2017			
	Chile	New York <sup>(*)</sup>	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Income tax	8,332	—	11,357	19,689
<b>Less:</b>				
Monthly Provisional Payment	(49,529)	—	(2,940)	(52,469)
Tax Credit for Training Costs	(831)	—	—	(831)
Tax Credit Donations	—	—	—	—
Other taxes to be recovered (**)	(159,441)	—	(44,776)	(204,217)
<b>Total</b>	<b>(201,469)</b>	<b>—</b>	<b>(36,359)</b>	<b>(237,828)</b>

	As of December 31, 2016			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Income tax	17,672	—	10,409	28,081
<b>Less:</b>				
Monthly Provisional Payment	(153,330)	(770)	(32,232)	(186,332)
Tax Credit for Property Taxes on leased real estate assets	—	—	—	—
Tax Credit for Training Costs	(603)	—	—	(603)
Tax Credit Donations	(538)	—	—	(538)
Other taxes to be recovered	(898)	—	(2,120)	(3,018)
<b>Total</b>	<b>(137,697)</b>	<b>(770)</b>	<b>(23,943)</b>	<b>(162,410)</b>

(\*) Corresponds the subsidiary located in New York. On December 22, 2017, the United States enacted comprehensive tax reform, which introduced various modifications to the tax system. One modification was a decrease in the income tax rate from 35% to 21% as from January 1, 2018

(\*\*) The balance is mainly comprised of the provisional payments on account of from income tax of the tax year 2017, pending return by the tax authority.

[Table of Contents](#)

## b) Effect on income.

The tax expense for the years ended December 31, 2017, 2016 and 2015 was comprised of the following items:

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
<b>Income Tax Expense</b>			
Current tax expense	(19,689)	(19,326)	(14,249)
<b>Deferred taxes</b>			
Deferred tax expenses / (benefit)	74,611	23,105	(966)
<b>Subtotal</b>	<b>54,922</b>	<b>3,779</b>	<b>(15,215)</b>
Others	(2,051)	(211)	(2,048)
<b>Net expense for income taxes</b>	<b>52,871</b>	<b>3,568</b>	<b>(17,263)</b>

## c) Effective tax rate reconciliation.

The following table reconciles the income tax rate to the effective rate applied to determine the Bank's income tax expense as of December 31, 2017, 2016 and 2015.

The nominal tax rates of the countries where consolidated subsidiaries were located are:

	2017	2016	2015
	Rate	Rate	Rate
Chile	25.5%	24.0%	22.5%
Colombia	40.0%	40.0%	39.0%
United States	35.0%	35.0%	34.0%

	As of December 31,					
	2017		2016		2015	
	Tax Rate	Amount	Tax Rate	Amount	Tax Rate	Amount
	%	MCh\$	%	MCh\$	%	MCh\$
Calculation of Statutory Rate	(25.50)	2,538	(24.00)	2,617	(22.50)	27,682
Colombia investment foreign exchange rate variation	204.84	(20,390)	1.06	(116)	—	—
Monetary Correction Tax Capital	141.93	(14,128)	129.59	(14,132)	5.12	(6,300)
Local Tax for United States and Panama results	98.46	(9,801)	(57.55)	6,276	—	—
Effect of rate change Chile	51.68	(5,144)	36.27	(3,955)	(0.02)	26
Tax Reform EE.UU 35%-21%	(95.21)	9,477	—	—	—	—
Effect of rate change Colombia	(47.07)	4,685	21.57	(2,352)	—	—
Effect of rates New York subsidiary (**)	(14.65)	1,458	20.52	(2,238)	—	—
Effect of rates Colombia subsidiary (**)	54.55	(5,430)	34.06	(3,714)	—	—
Other differences (*)	162.11	(16,136)	(128.80)	14,046	3.37	(4,145)
	<b>531.14</b>	<b>(52,871)</b>	<b>32.72</b>	<b>(3,568)</b>	<b>(14.03)</b>	<b>17,263</b>

(\*) Other includes, mainly, a) benefits derived from the tax effect of goodwill from business combinations in Colombia made by Corpbanca prior to the acquisition of Itau, amounting to MCh(\$20,568) in 2017 and MCh(\$14,276) in 2016 and, b) the 2016 period includes effects of wealth tax in Colombia and one-time effects derived from a business combination between Itau and Corpbanca.

(\*\*) This line reflects the differences in tax rates in other jurisdictions, based on the Bank's consolidated results.

[Table of Contents](#)

## d) Other comprehensive income — tax effects.

The table below sets for a summary of the deferred tax effect on other comprehensive income for the years ended December 31, 2017, 2016 and 2015, which consists of the following items:

## d.1 Tax effect of “OCI” that may be reclassified to profit in subsequent periods:

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Financial assets available-for sale	(3,333)	(4,025)	(218)
Hedge of a net investment in foreign operations	(14,211)	(2,685)	—
Cash flow hedge	44	1,345	—
<b>Total charge to other comprehensive income</b>	<b>(17,500)</b>	<b>(5,365)</b>	<b>(218)</b>

## d.2 “OCI” that will not be reclassified subsequently to profit or loss:

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Income tax relating to defined benefit obligation	(6)	1,090	—
<b>Total charge to other comprehensive income</b>	<b>(6)</b>	<b>1,090</b>	<b>—</b>

## e) Effect of deferred taxes.

The deferred tax effects presented by geographic area were as follows:

## e.1 Deferred taxes:

	As of December 31, 2017			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Deferred tax assets	125,917	14,768	—	140,685
Deferred tax liabilities	(53)	—	(26,301)	(26,354)
<b>Net by geographic area</b>	<b>125,864</b>	<b>14,768</b>	<b>(26,301)</b>	<b>114,331</b>

	As of December 31, 2016			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Deferred tax assets	87,399	23,340	26	110,765
Deferred tax liabilities	(29)	—	(57,607)	(57,636)
<b>Net by geographic area</b>	<b>87,370</b>	<b>23,340</b>	<b>(57,581)</b>	<b>53,129</b>

[Table of Contents](#)

## e.2 Deferred taxes by geographic area:

Below are the effects of deferred taxes on assets and liabilities assigned as a result of temporary differences (by geographic area):

	As of December 31, 2017			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Loan provision	93,864	11,615	17,621	123,100
Accrued interest and indexation past due portfolio	6,970	—	—	6,970
Unaccrued price difference	220	—	—	220
Personnel provisions	7,829	282	4,439	12,550
Miscellaneous provisions	28,582	1,221	4,225	34,028
Subsidiary tax loss	16,607	9,146	46,166	71,919
Net tax value of amortizable assets	20,683	—	—	20,683
Depreciation of property, plant and equipment	(34,308)	—	(11,548)	(45,856)
Lease division and others	25,392	—	4,175	29,567
Market value of financial instruments	(12,259)	—	(26,730)	(38,989)
Intagración Itaú Corpbanca	(18,139)	—	(50,158)	(68,297)
Others	(9,577)	(7,496)	(14,491)	(31,564)
<b>Total asset (liability), net</b>	<b>125,864</b>	<b>14,768</b>	<b>(26,301)</b>	<b>114,331</b>

	As of December 31, 2016			
	Chile	New York	Colombia	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Loan provision	73,019	8,846	15,988	97,853
Accrued interest and indexation past due portfolio	6,958	—	—	6,958
Unaccrued price difference	142	—	—	142
Personnel provisions	4,899	1,885	5,742	12,526
Miscellaneous provisions	7,627	14,058	22,534	44,219
Subsidiary tax loss	1,201	640	—	1,841
Net tax value of amortizable assets	18,557	—	—	18,557
Depreciation of property, plant and equipment	(23,864)	—	(3,908)	(27,772)
Lease division and others	19,823	—	5,171	24,994
Market value of financial instruments	(12,554)	—	(27,989)	(40,543)
Intangible assets Corpbanca Colombia	(1,512)	—	(366)	(1,878)
Intangible assets mercantile credit Corpbanca Colombia	—	—	67	67
Intagración Itaú Corpbanca	(8,652)	—	(55,727)	(64,379)
Others	1,726	(2,089)	(19,093)	(19,456)
<b>Total asset (liability), net</b>	<b>87,370</b>	<b>23,340</b>	<b>(57,581)</b>	<b>53,129</b>

[Table of Contents](#)**NOTE 15 OTHER ASSETS AND NON-CURRENT ASSETS HELD FOR SALE**

a) The detail of other assets is as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Rentals in advance <sup>(1)</sup>	7,960	10,181
Accounts and notes receivable <sup>(2)</sup>	200,697	139,683
Prepaid expenses	13,501	5,715
Projects under development <sup>(3)</sup>	4,312	7,939
Assets for leasing <sup>(4)</sup>	25,741	29,017
Margin accounts <sup>(5)</sup>	117,059	195,995
Others	59,755	38,864
<b>Total</b>	<b>429,025</b>	<b>427,394</b>

(1) Rent paid in advance to SMU S.A for ATM locations (see note 32 "Related Party Transactions", letter b)).

(2) This includes rights and accounts that fall outside the Bank's line of business such as tax credits, cash guarantee deposits and other balances pending collections.

(3) Information system and other projects under development.

(4) Fixed assets available for delivery under the financial leases. Within this item, are included items recovered from leasing kept for sale, corresponding to computers, furniture, and transportation equipment. These assets are available for sale and have high probability of being sold. For most of such assets, the Bank expects to complete the sale within one year from the date when the assets are classified as available for sale and/or lease assets recovered held for sale.

(5) Guarantees for financial transactions.

b) The detail of non-current assets held for sale is as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Assets received in lieu of payment	18,308	18,855
Asset to fair value SMU Corp S.A.	—	18,309
<b>Total</b>	<b>18,308</b>	<b>37,164</b>

[Table of Contents](#)**NOTE 16 CURRENT ACCOUNTS, DEMAND DEPOSITS, TIME DEPOSITS AND SAVING ACCOUNTS**

a) As of December 31, 2017 and 2016, "Current accounts and demand deposits" consisted of the following:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Current Accounts	2,473,283	2,591,618
Other deposits and demand accounts	1,363,017	1,536,294
Advance payments received from customers	131,169	161,878
Other demand liabilities	174,198	163,401
<b>Total</b>	<b>4,141,667</b>	<b>4,453,191</b>

b) As of December 31, 2017 and 2016, "Time deposits and saving accounts" consisted of the following:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Time deposits	10,036,583	11,549,010
Team saving accounts	28,410	32,425
Other term creditors	250	275
<b>Total</b>	<b>10,065,243</b>	<b>11,581,710</b>

[Table of Contents](#)**NOTE 17 BORROWINGS FROM FINANCIAL INSTITUTIONS**

As of December 31, 2017 and 2016, borrowings from financial institutions included the following:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Loans obtained from local financial institutions	21,958	—
<b>Subtotal</b>	<b>21,958</b>	<b>—</b>
<b>Loans obtained from foreign financial institutions</b>		
Standard Chartered Bank	140,397	139,702
Kookmin Bank of New York	12,324	—
Multibank Inc	9,222	—
Bank of Taiwan (L.A. Branch)	4,965	—
Bayern Landesbank	11,245	—
China Construction Bank	14,133	—
Corp. Financiera de Desarrollo S.A (Cofide)	10,407	—
Export Development Canada	30,724	—
Interfondos S.A Sociedad Admin de fondos	19,906	—
Land Bank of Taiwan, (N.Y. Branch)	6,206	—
Shanghai Commercial & Savings Bank	6,145	—
The Export-IM Apple Bank for Saving	6,145	—
Commerzbank AG	89,274	83,876
Wells Fargo Bank, N.A.	157,029	281,670
Corporacion Interamericana de Inversiones USA	—	2,981
Citibank N.A.	168,232	113,450
Findeter S.A - Financiera del Desarrollo Territorial	49,528	61,763
Sumitomo Mitsui Banking Corporation	145,156	144,536
Bancoldex S.A - Banco de Comercio Exterior de Colombia S.A	100,834	51,327
Bank of America, N.A.	248,514	200,430
Bank of Montreal	42,836	79,088
Wachovia Bank N.A.	—	5
Corporacion Andina de Fomento	30,724	33,170
Bank of Nova Scotia	65,442	15,018
IFC Corp Financiera Internacional	187,507	133,962
Cobank CB	9,108	40,182
Scotiabank Canada	—	30,141
Banco Crédito del Peru	31,031	59,444
HSBC USA	15,362	26,792
Deg Deutsche Investitions	21,410	12,057
Ing Bank NV	16,965	10,019
Bank of China It	4,609	5,024
KFW Ipex Bank	—	5,358
Barclays Bank PLC London	—	13,641
Mercantil CA Banco Universal	17,395	16,324
Bankinter SA	—	6,578
Banco de Bogota	4,118	31,690
Taiwan Cooperative Bank	9,384	53,117
Banco República	15,119	121,834
Banque Nationale Du Canada	—	23,443
Mizuho Corporate Bank	39,480	23,443
FONDOS SURA SAF S.A.C.	25,436	11,674
BNP Paribas	39,480	23,443
Banco de la Produccion SA	—	10,163
Banco Latinoamericano de export.	57,132	57,259
Apple Bank for Saving	12,290	13,396
Scotia Fondos Soc. Admin de Fondos S.A.	62,205	26,110
Credicorp capital SASAF	125,706	116,374
Uni Bank & Trust, Inc	4,916	10,049
Bancaribe curacao Bank n.v.	13,831	13,420
BBVA ASSET MGMT CONTL SA SOC ADM FONDOS PERU	39,791	34,262
Others	52,509	43,655
<b>Subtotal</b>	<b>2,174,172</b>	<b>2,179,870</b>
<b>Total</b>	<b>2,196,130</b>	<b>2,179,870</b>

[Table of Contents](#)

The detail of borrowings from financial institutions by maturity was as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Due within 1 year	1,475,588	1,206,576
Due within 1 year but within 2 years	422,911	730,642
Due within 2 years but within 3 years	106,260	5,068
Due within 3 years but within 4 years	15,154	12,887
Due within 4 years but within 5 years	73,536	6,889
Due after 5 years	102,681	217,808
<b>Total</b>	<b>2,196,130</b>	<b>2,179,870</b>

[Table of Contents](#)**NOTE 18 DEBT ISSUED AND OTHER OBLIGATIONS**

a) As of December 31, 2017 and 2016, the composition of these items was as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
<b>Debt issued</b>		
Letters of credit	67,938	86,210
Bonds	4,840,918	4,290,747
Subordinated bonds	1,041,182	1,083,296
<b>Subtotal</b>	<b>5,950,038</b>	<b>5,460,253</b>
<b>Other financial obligation</b>		
Public Sector liabilities	—	—
Borrowings from domestic financial institutions	16,255	23,298
Foreign borrowings	811	2,265
<b>Subtotal</b>	<b>17,066</b>	<b>25,563</b>
<b>Total</b>	<b>5,967,104</b>	<b>5,485,816</b>

b) Debt classified as “short term” includes demand obligations or obligations that will mature in less than one year. All other debt is classified as long term, and is detailed as follows:

	As of December 31, 2017		
	Long term	Short term	Total
	MCh\$	MCh\$	MCh\$
Letters of credit	55,678	12,260	67,938
Bonds	4,178,313	662,605	4,840,918
Subordinated bonds	1,041,182	—	1,041,182
<b>Debt issued</b>	<b>5,275,173</b>	<b>674,865</b>	<b>5,950,038</b>
<b>Other financial obligation</b>	<b>16,255</b>	<b>811</b>	<b>17,066</b>

	As of December 31, 2016		
	Long term	Short term	Total
	MCh\$	MCh\$	MCh\$
Letters of credit	71,239	14,971	86,210
Bonds	3,836,778	453,969	4,290,747
Subordinated bonds	1,051,148	32,148	1,083,296
<b>Debt issued</b>	<b>4,959,165</b>	<b>501,088</b>	<b>5,460,253</b>
<b>Other financial obligation</b>	<b>23,298</b>	<b>2,265</b>	<b>25,563</b>

c) The detail of letter of credit by maturity is as follows:

	As of December 31,	
	2017	2016
	MCh\$	
Due within 1 year	12,260	14,971
Due after 1 year but within 2 years	9,965	11,056
Due after 2 years but within 3 years	8,114	10,128
Due after 3 years but within 4 years	7,554	8,158
Due after 4 years but within 5 years	6,952	5,346
Due after 5 years	23,093	36,551
<b>Total</b>	<b>67,938</b>	<b>86,210</b>

[Table of Contents](#)

d) The detail of bonds issued is as follows:

	Expiration Date	Interest rate	Currency	As of December 31,	
				2017	2016
				MCh\$	MCh\$
A	01-07-2017	3.75%	UF	—	67,084
B	01-10-2017	3.50%	UF	—	66,466
E	01-06-2032	5.00%	UF	42,493	41,871
F	01-01-2032	4.00%	UF	27,399	26,961
G	01-03-2032	4.00%	UF	42,529	41,894
H	01-09-2015	3.00%	UF	—	—
I	01-10-2030	4.00%	UF	27,961	27,533
J	01-01-2031	4.00%	UF	27,625	27,203
K	01-06-2021	3.50%	UF	26,906	26,406
L-2	01-10-2022	3.50%	UF	26,543	26,039
M-2	01-10-2018	3.50%	UF	26,829	26,332
N	01-05-2019	3.50%	UF	26,839	26,364
O	01-03-2021	3.50%	UF	26,630	26,118
P	01-03-2026	3.75%	UF	26,725	26,262
Q-1	01-03-2023	3.75%	UF	26,912	26,451
R-2	01-02-2028	3.75%	UF	26,846	26,387
S	01-09-2020	3.50%	UF	26,814	26,321
T	10-09-2022	3.50%	UF	26,797	26,320
U	01-09-2024	3.75%	UF	26,621	26,144
V	01-09-2027	3.75%	UF	26,425	25,945
W	01-09-2029	3.75%	UF	26,388	25,914
X	01-03-2024	3.80%	UF	53,993	53,118
Y	01-03-2028	3.80%	UF	53,840	52,943
Z	01-02-2033	3.80%	UF	27,181	26,739
AA	01-06-2018	6.70%	CLP	27,868	30,765
AB	01-10-2029	3.80%	UF	42,360	41,770
AC	01-10-2033	3.80%	UF	55,727	54,867
AF	01-06-2022	3.50%	UF	54,437	53,663
AG	01-06-2024	3.50%	UF	164,469	162,150
AH	01-06-2029	3.60%	UF	55,595	54,792
AI	01-04-2020	3.50%	UF	138,739	137,924
AJ	01-06-2025	3.60%	UF	55,554	58,620
AL-2	01-07-2025	3.50%	UF	55,321	54,483
BCORAF0710	01-07-2017	3.00%	UF	—	166,897
BCORAG0710	10-09-2018	3.00%	UF	77,592	81,084
BCORAI0710	01-07-2020	3.00%	UF	197,220	195,199
BCOR-L0707	01-07-2017	3.40%	UF	—	107,869
BCORAJ0710	03-08-2021	3.00%	UF	104,654	75,080
BCOR-P0110	09-07-2020	7.30%	CLP	23,838	24,982
BCORBW0914	30-08-2020	5.00%	CLP	45,379	46,669
BCOR-R0110	09-07-2020	4.00%	UF	140,265	140,226
BCORUSD0118	15-01-2018	3.13%	USD	452,172	495,871
BCORUSD0919	22-09-2019	3.88%	USD	471,546	517,724
BCORAL0710	03-08-2023	3.00%	UF	112,173	110,845
BCORAN0710	01-07-2025	3.00%	UF	181,908	179,460
BCORAO0710	01-07-2026	3.00%	UF	324,089	234,079
BCORBX0914	30-08-2021	5.00%	CLP	41,718	43,336
BCORCA0914	01-09-2024	5.00%	CLP	100,105	99,917
BCORBZ0914	01-09-2023	5.00%	CLP	102,921	—
BCORBY0914	01-09-2022	5.00%	CLP	31,306	—
BCORAP0710	01-07-2027	3.00%	CLF	380,404	—
BCORAQ0710	01-07-2028	3.00%	CLF	293,884	—
BCORAK0710	01-07-2022	3.00%	CLF	173,514	—
BBSA168B18	02-03-2018	8.99%	COP	45,255	48,144
BBSA26SA48	10-08-2020	8.74%	COP	43,406	46,181
BBSA316SA060	23-11-2020	8.03%	COP	37,940	40,364
BBCR1109B84	28-10-2017	10.33%	COP	—	26,606
BBCR3119B84	03-08-2018	10.57%	COP	19,686	21,005
BBCR1099B120	10-12-2019	11.30%	COP	17,676	18,826
BBSA69C120	10-08-2026	10.68%	COP	21,732	23,198
BBSA69C180	10-08-2031	10.95%	COP	40,578	43,316
BBSA3169C180	23-11-2031	10.80%	COP	46,388	49,479
BBSA168B18	02-09-2017	9.74%	COP	—	19,047
BBCR3117C84	03-08-2018	4.58%	COP	13,203	13,494
<b>Total</b>				<b>4,840,918</b>	<b>4,290,747</b>

[Table of Contents](#)

e) The detail of bonds issued by maturity is as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Due within 1 year	662,605	453,969
Due after 1 year but within 2 years	516,061	716,695
Due after 2 years but within 3 years	653,601	562,914
Due after 3 years but within 4 years	199,908	657,866
Due after 4 years but within 5 years	312,597	695,324
Due after 5 years	2,496,146	1,203,979
<b>Total</b>	<b>4,840,918</b>	<b>4,290,747</b>

f) The detail of subordinated bonds was as follows:

	Expiration Date	Interest rate	Currency	As of December 31,	
				2017	2016
				MCh\$	MCh\$
AE1	01-01-2034	3.80%	UF	54,585	53,669
C1	01-04-2033	3.50%	UF	6,285	6,572
C2	01-04-2033	3.50%	UF	13,681	14,273
D	01-10-2033	4.50%	UF	20,934	21,833
UCOR-V0808	01-08-2033	4.60%	UF	159,479	157,444
UCOR-Y1197	01-11-2022	6.50%	UF	6,689	7,786
UCOR-Z1197	01-11-2022	6.50%	UF	15,614	18,176
UCORAA0809	09-08-2035	4.90%	UF	145,174	143,413
UCORBF0710	01-07-2032	4.00%	UF	14,013	13,795
UCORBI0710	01-07-2035	4.00%	UF	32,230	31,723
UCORBJ0710	01-07-2036	4.00%	UF	153,334	150,861
UCORBL0710	01-07-2038	4.00%	UF	111,668	109,868
UCORBN0710	01-07-2040	4.00%	UF	85,968	84,573
UCORBP0710	01-07-2042	4.00%	UF	41,917	41,237
US05968TAB17	08-03-2024	LIBOR +SPREAD 4	USD	106,041	115,706
BBSA1099B1	30-03-2019	10.79%	COP	445	483
BBSA110BAVA	23-09-2017	10.68%	COP	—	32,148
BBSA1099B4	30-03-2019	12.85%	COP	21,055	23,139
BBSA1139AS10	07-02-2023	10.08%	COP	21,659	23,542
BBSA1139AS15	07-02-2028	10.20%	COP	30,411	33,055
<b>Total</b>				<b>1,041,182</b>	<b>1,083,296</b>

g) The detail of subordinated bonds by maturity is as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Due within 1 year	—	32,148
Due after 1 year but within 2 years	21,500	—
Due after 2 years but within 3 years	—	23,622
Due after 3 years but within 4 years	—	—
Due after 4 years but within 5 years	22,303	—
Due after 5 years	997,379	1,027,526
<b>Total</b>	<b>1,041,182</b>	<b>1,083,296</b>

[Table of Contents](#)

h) The detail of other financial obligations by maturity is as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Due within 1 year	811	2,265
Due after 1 year but within 2 years	—	—
Due after 2 years but within 3 years	—	—
Due after 3 years but within 4 years	—	—
Due after 4 years but within 5 years	—	—
Due after 5 years	—	—
<b>Total short term obligation</b>	<b>811</b>	<b>2,265</b>
<b>The detail of other long term financial obligations is as follows:</b>		
Amounts due to credit card operations	16,255	23,298
Others	—	—
<b>Total long term financial obligations</b>	<b>16,255</b>	<b>23,298</b>
<b>Total other financial obligations</b>	<b>17,066</b>	<b>25,563</b>

[Table of Contents](#)**NOTE 19 PROVISIONS**

As of December 31, 2017 and 2016 the Bank has recorded the following provisions and changes in its provisions:

## a) Other Provisions.

The provisions as of December 31, 2017 and 2016 were as follows:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
i) Employee benefits and staff salaries	90,559	89,295
ii) Mandatory dividends	17,234	1,029
iii) Contingencies	10,096	9,724
<b>Total</b>	<b>117,889</b>	<b>100,048</b>

## (i) Employee benefits and staff salaries

This item includes the following provisions related to: i) provisions for staff benefits and payroll, ii) provisions for compensation for years of service indemnities, iii) provisions for other employee benefits and iv) provisions for vacations.

## (ii) Mandatory Dividends

This item corresponds to the minimum dividends to be paid

## (iii) Contingencies

This item includes estimates for probable losses.

## b) The provision balance changes during 2017 and 2016 were as follows:

	i) Employee benefits and staff salaries	ii) Mandatory dividends	iii) Contingencies	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1, 2017	89,295	1,029	9,724	100,048
Application of provisions	(23,815)	—	—	(23,815)
Established provision	91,722	17,234	586	109,542
Provision released	(62,231)	(1,029)	—	(63,260)
Other changes	(4,412)	—	(214)	(4,626)
<b>Balances as of December 31, 2017</b>	<b>90,559</b>	<b>17,234</b>	<b>10,096</b>	<b>117,889</b>

	i) Employee benefits and staff salaries	ii) Mandatory dividends	iii) Contingencies	Total
	MCh\$	MCh\$	MCh\$	MCh\$
Balances as of January 1, 2016	23,697	52,168	59	75,924
Application of provisions	(35,258)	(52,168)	(17)	(87,443)
Established provision	70,026	1,029	8,952	80,007
Provision released	(26,862)	—	—	(26,862)
Integration Itaú Corpbanca	57,491	—	1,019	58,510
Other changes	201	—	(289)	(88)
<b>Balances as of December 31, 2016</b>	<b>89,295</b>	<b>1,029</b>	<b>9,724</b>	<b>100,048</b>

[Table of Contents](#)**Accounting effects:**

- (i) Employee benefits and staff salaries are recorded in “Personnel salaries expenses.”  
(ii) Mandatory dividends are recorded in the Equity Statement, against “Accrual for mandatory dividends.”  
(iii) The contingency provisions/(releases) are included in Other Operating (Expenses)/Income, depending on whether they are debit or a credit. The provision balance changes from 2017 and 2016 are shown below:

	Notes	As of December 31,	
		2017	2016
		MCh\$	MCh\$
Balances as of January 1,		9,724	59
Established provision	31b)	586	8,952
Provision released	31a)	—	—
Integration Itau Corpbanca		—	1,019
Others		(214)	(306)
<b>Total</b>		<b>10,096</b>	<b>9,724</b>

## c) Provisions employee benefits and staff salaries

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
<b>Employee benefits:</b>		
Long-term employee benefits (i)	7,914	7,950
Pension Plan (ii)	31,761	34,768
Severance (iii)	371	472
Retirement benefit plan (iv)	476	439
<b>Total Provision for employee benefits</b>	<b>40,522</b>	<b>43,629</b>
Provision for vacations <sup>(1)</sup>	36,811	13,122
Others <sup>(1)</sup>	13,226	32,544
<b>Total</b>	<b>90,559</b>	<b>89,295</b>

(1) Short-term personnel benefits.

## (i) Long-term employee benefits.

Certain employees in Colombia are entitled to receive years-of-service awards starting with the 5th year employment anniversary and each five years thereafter. This award is paid in the month when the employee celebrates his/her corresponding employment anniversary.

**1.- Assumptions used**

The main assumptions used in the valuation are presented in the following tables:

Summary of economic assumptions	As of December 31,	
	2017	2016
	%	%
Discount rate(s)	7.25	6.75
Expected rate(s) of salary increase	6.50	5.50

## Summary of key demographic hypotheses

Retirement Age	62 years (men) and 57 years (women), both with 20 years of service or 30 years of service with no age requirement.
Mortality	RV-08 mortality table “Annuitants Valid” Colombian market.

[Table of Contents](#)**2.- Methodology****Cost Method**

To determine the cost of benefits, the method of the Projected Unit Credit (PUC) was used, according to the provisions of IAS 19 (revised 2011). Under the PUC method, the “projected accrued benefit” is calculated for each benefit. For all active members of the award program, the “projected accrued benefit” determined by using a formula based on the years of service to the date of calculation. The formula takes into account items such as salary average, social security benefits and other items, projected to the age at which it is assumed that the employee will no longer provide services. The defined benefit obligation is the present value of the “projected benefits accrued.”

**Method applied to assets**

The award program does not have its own assets.

**Others**

The movements in the present value of the defined benefit obligation and the amounts recognized in the Consolidated Statements of Income in respect of this award are determined using the projected unit credit method and consisted of the following:

**Changes in provision:**

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Present value of obligations as of January 1, 2017 / April 1, 2016	7,950	6,886
Cost of net profit	1,487	970
Payments	(856)	(439)
Increase in provision	(51)	504
Others	(616)	29
<b>Total</b>	<b>7,914</b>	<b>7,950</b>

**Cost of net profit**

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Current services cost	866	640
Interest expense on obligation	621	330
<b>Total</b>	<b>1,487</b>	<b>970</b>

**(ii) Pension Plan**

The retirement pension liability is recorded based on the present value of the pension obligation for employees who meet certain statutory requirements as to age, length of service and other items, determined in accordance with actuarial adjustments under the existing Colombian law.

The present value of the defined benefit obligation was measured using the Projected Unit Credit method and other long-term employee benefits.

[Table of Contents](#)**1.-Assumptions used:**

The principal assumptions used in the valuation are presented in the following tables:

	As of December 31,	
	2017	2016
	%	%
<b>Summary of economic hypotheses</b>		
Discount rate(s)	9.00	7.25
Expected rate(s) of salary increase	5.60	3.00
Inflation rate	5.60	3.00

**2.-Methodology****Cost Method**

To determine the cost of benefits, the method of the PUC was used, according to the provisions of IAS 19 (revised 2011). Under the PUC method, the “projected accrued benefit” is calculated for each benefit. For all active members of the plan, the “projected accrued benefit” is determinate by using a formula based on the years of service to the date of calculation. The formula takes into account items such as salary average, social security benefits and other items, projected to the age at which it is assumed that the employee will no longer provide services. The defined benefit obligation is the present value of the “projected benefits accrued.”

The service cost is the amount of benefits earned in the year by the active members as a result of a year of credited service value.

The interest cost for the year is the interest on the defined benefit obligation.

**Method applied to assets**

The plan does not have its own assets

**Others**

Amounts recorded with respect to the defined pension benefit plan was as follows:

**Changes in provision:**

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Present value of obligations as of January 1, 2017 / April 1, 2016	34,768	31,149
Interest expense on obligation	2,742	1,081
Payments	(3,581)	(1,349)
Actuarial loss	223	3,761
Others	(2,391)	126
<b>Total</b>	<b>31,761</b>	<b>34,768</b>

**(iii) Severance**

The severance benefit in Colombia is equivalent to one month’s salary, adjusted for the application of a severance factor (defined as the sum of 12 basic salaries plus additional payments included in salary per year of service and corresponding fraction).

**1.- Assumptions used**

The main assumptions used in the valuation are presented in the following tables:

[Table of Contents](#)

	As of December 31,	
	2017	2016
	%	%
<b>Summary of economic hypotheses</b>		
Discount rate(s)	7.25	6.75
Expected rate(s) of salary increase	6.50	5.50
Inflation rate	4.00	3.00

**2.- Methodology****Cost Method**

To determine the cost of benefits, The PUC method was used.

**Method applied to assets**

The severance benefit plan does not have its own assets.

**Others**

Amounts recognized with respect to the severance benefit plan were as follows:

**Changes in provision**

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Present value of obligations as of January 1, 2017 / April 1, 2016	472	348
Current service cost	13	21
Interest expense on obligations	36	16
Actuarial losses	(19)	159
Benefits paid	(93)	(74)
Other- exchange rate differences	(38)	2
Closing defined benefit obligation	—	—
<b>Total</b>	<b>371</b>	<b>472</b>

**(iv) Retirement benefit plan**

This plan corresponds to the payment of a fixed amount in Colombian pesos at the time of retirement of the employee.

**1.- Assumptions used**

The main assumptions used in the valuation are presented in the following tables:

	As of December 31,	
	2017	2016
	%	%
<b>Summary of economic hypotheses</b>		
Discount rate(s)	7.50	7.25
Expected rate(s) of salary increase	6.00	5.00
Inflation rate	4.00	3.00

**2.- Methodology****Cost Method**

To determine the cost of benefits, the method of the PUC was used.

**Method applied to assets**

The plan does not have its own assets.

[Table of Contents](#)**Others**

Amounts recognized respect of these defined benefit plans were as follows:

**Changes in provision**

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Present value of obligations as of January 1, 2017 / April 1, 2016	439	329
Current service cost	34	20
Interest expense on obligations	36	17
Actuarial (gain)/losses	4	—
Benefits paid	(3)	72
Other- exchange rate differences	(34)	1
<b>Total</b>	<b>476</b>	<b>439</b>

**(v) Summary effects in Other Comprehensive Income (OCI)**

	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Pension Plan	223	3,761
Severance	(19)	159
Retirement benefit plan	4	—
<b>Total loss</b>	<b>208</b>	<b>3,920</b>

**(vi) Actuarial Valuation Nature**

Future actuarial calculations may differ with respect to the calculations presented, due to the following factors:

- The experience of the plans differs from those anticipated by economic and demographic hypotheses selected.
- Changes in economic and demographic assumptions.
- Increases or decreases expected as a natural part of the operation of the methodology for these calculations (for example, the end of the amortization period or additional costs based on the funding status of the plan).
- Changes in the characteristics of the plan or applicable law, and with respect thereto, significant events affecting the results presented since the last valuation.

**(vii) Expected future payments****2017**

	<b>Long-term employee benefits</b>	<b>Pension Plan</b>	<b>Severance</b>	<b>Retirement benefit plan</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Fiscal year 2018	944	2,996	55	36
Fiscal year 2019	752	2,922	32	12
Fiscal year 2020	868	2,757	38	21
Fiscal year 2021	1,038	2,586	22	26
Fiscal year 2022	1,177	2,434	68	42
Fiscal year 2023-2027 (combined)	5,384	11,512	177	246

[Table of Contents](#)**2016**

	<b>Long-term employee benefits</b>	<b>Pension Plan</b>	<b>Severance</b>	<b>Retirement benefit plan</b>
	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Fiscal year 2017	946	3,482	60	33
Fiscal year 2018	1,008	3,312	23	11
Fiscal year 2019	806	3,146	45	12
Fiscal year 2020	953	2,963	63	23
Fiscal year 2021	1,136	2,773	42	26
Fiscal year 2022-2031 (combined)	5,590	12,510	366	242

The average duration of the obligation for these plans is: 13.2 years (long-term benefit award program); 14.9 years (pension plan); 6.2 years (severance plan) and 12.9 years (retirement benefit plan).

[Table of Contents](#)**NOTE 20 OTHER LIABILITIES AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE**

a) As of December 31, 2017 and 2016, the Bank's other liabilities are as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Accounts and notes payable <sup>(1)</sup>	348,036	190,111
Dividends payable	703	298
Income received in advance	7,850	6,383
Valuation adjustments for hedges	3,091	—
Creditors through intermediation	21,933	22,648
Guarantees constituted by threshold effect <sup>(2)</sup>	79,589	49,776
Others liabilities	2,233	594
<b>Total</b>	<b>463,435</b>	<b>269,810</b>

(1) Group obligations for business operations, such as withholding taxes, social security contributions, balances due on purchases of materials, balances due on obligations for leasing contracts for acquisition of fixed assets and other.

(2) Guarantees from financial operations.

b) As of December 31, 2017 and 2016, liabilities directly associated with non-current assets held for sale were as follows:

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Fair value liabilities SMU CORP S.A.	—	7,032
<b>Total</b>	<b>—</b>	<b>7,032</b>

[Table of Contents](#)

**NOTE 21 CONTINGENCIES, COMMITMENTS AND RESPONSIBILITIES**

This section discloses information on contingencies of significant loss, contingent loans, contingent liabilities not reflected in the financial statements and other responsibilities, lawsuits or other legal actions involving the Bank and/or its subsidiaries.

a) Lawsuits and Legal Proceedings

- As of the date of issuance of these Consolidated Financial Statements, legal actions have been filed against the Bank and its subsidiaries involving its normal operations. They are mainly lawsuits pending against the Bank related to loans and other matters, most of which, according to the Bank’s Legal Services Divisions involved in the suits, present no risk of significant loss. These amounts are recorded as provisions in the Consolidated Statement of Financial Position.

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>MCh\$</b>	<b>MCh\$</b>
Balance as of January, 1	9,724	59
Integration Itaú Corpbanca	—	1,019
Established provision	586	8,952
Provision released	—	—
Application of provisions	—	(17)
Others	(214)	(289)
<b>Total</b>	<b>10,096</b>	<b>9,724</b>

- On December 20, 2016, Helm LLC initiated an arbitration proceeding (the “Arbitration”) against respondents Itaú CorpBanca and Corp Group Holding Inversiones Ltda. (“Corp Group”), and nominal respondent Itaú CorpBanca Colombia (collectively with Corp Group and Itaú CorpBanca, “Respondents”), by filing a Request for Arbitration in the ICC’s International Court of Arbitration in New York. Helm LLC alleged that Corp Group and Itaú CorpBanca had breached the Amended and Restated Shareholders Agreement of HB Acquisition S.A.S., dated July 31, 2013, between shareholders of Itaú CorpBanca Colombia (the “SHA”). As relief, Helm LLC is seeking, among other things, damages of \$598 million, reflecting what it claims is the value to which it is entitled in return for its shares in Itaú CorpBanca Colombia, plus interest. On February 14, 2017, Respondents filed their answers to Helm LLC’s Request for Arbitration, denying Helm LLC’s claims, and Corp Group and Itaú CorpBanca filed a counterclaim against Helm LLC for breaching the SHA. As relief under their counterclaim, Corp Group and Itaú CorpBanca are seeking, among other things, for Helm LLC’s rights under the SHA to be terminated. On April 19, 2017, Helm LLC filed a reply to Corp Group and Itaú CorpBanca’s counterclaim. The Arbitration has continued pursuant to the applicable procedures and an evidentiary hearing is expected to take place in July 2018. Itaú CorpBanca believes Helm LLC’s claim is without merit and intends to enforce its rights under the SHA and applicable law.

- Other legal actions have been filed against the Bank involving its normal operations. The Bank’s maximum exposure for these lawsuits amounts to approximately MCh\$36,309 as of December 31, 2017 (MCh\$24,000 as of December 2016). However, in management’s opinion, based on reports from the Legal Division as of year-end 2017 and 2016, it is more likely than not that these lawsuits will not result in significant losses not unforeseen by the Bank in these financial statements and, therefore, management has not recorded any provisions for them.

b) Contingent Loans.

The following table contains the amounts for which the Bank and its Subsidiaries are contractually obliged to provide loans and maintain off-balance sheet accounts:

[Table of Contents](#)

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
Collaterals and Guarantees	262,924	264,081
Confirms foreign letters of credit	3,824	167
Letter of credit	88,940	64,216
Bank Guarantees	1,286,807	1,146,598
Cleared lines of credit	2,349,626	2,581,859
Other credit commitments	1,299,494	1,253,215
<b>Total</b>	<b>5,291,615</b>	<b>5,310,136</b>

## c) Responsibilities.

The Bank and its subsidiaries have the following responsibilities arising from the normal course of business regarding maintenance off-balance sheet accounts:

	As of December 31,	
	2017	2016
	MCh\$	MCh\$
<b>Third Party Operations</b>		
Collections	26,143	41,171
Transferred financial assets administered by the bank	997,530	883,902
Third party funds under management	2,215,038	1,165,764
<b>Subtotal</b>	<b>3,238,711</b>	<b>2,090,837</b>
<b>Security Custody</b>		
Security in custody held by the bank	8,675,906	5,636,858
Securities in custody deposited in another entity	549,848	455,678
Bank-issued Securities	163,713	200,333
<b>Subtotal</b>	<b>9,389,467</b>	<b>6,292,869</b>
<b>Total</b>	<b>12,628,178</b>	<b>8,383,706</b>

## d) Guarantees, Contingencies and Other.

**Banco Itaú Corpbanca**

During the fiscal years 2017 and 2016, the Bank did not fail to comply with covenants and other commitments associated with debt instruments issued and obligations with banks.

**Banco Itaú Corpbanca Colombia S.A.**

- The Bank and its subsidiaries are involved in civil, administrative and labor proceedings. Of the 167 outstanding civil and administrative proceedings as of December 31, 2017, 93 are related to banking operations and 74 to ownership of leased assets. In aggregate, the lawsuits are seeking MCh\$13,748. The likelihood of loss is considered possible in 8 cases, remote in 142 cases and probable in 17 cases. Based on this evaluation, the Bank has recorded a provision of MCh\$977. In aggregate, the plaintiffs in the labor proceedings are seeking MCh\$2,230 and the Bank has provisioned MCh\$865. Of the 167 cases, the likelihood of loss is considered probable in 52 cases and remote in 115 cases.

**Corpbanca Corredores de Seguros S.A.**

- In order to comply with Article 58, letter d) of the Chilean Finance Ministry Decree with Force of Law (“DFL”) 251 of 1930, which states, “Insurance Brokers, in order to conduct business, must comply with the requirement of contracting insurance policies as determined by the SVS, in order to correctly and fully comply with the obligations arising from its activities and especially regarding damages that may be incurred by insured parties that contract policies through the brokerage house,” the subsidiary has renewed the following (civil liability (a)

[Table of Contents](#)

and guarantee (b)) policies:

Entity	From	End	Amount (UF)	Beneficiary
Consortio Nacional de Seguros S.A.	04/15/2017	04/14/2018	(a) 60,000 and (b) 500	Corpbanca Corredora de Seguros

**Itaú Corredora de Seguros Limitada**

- As established in Article 58, letter D of DFL 251 and SVS Ruling No. 1,160, the subsidiary has taken out liability (a) and guarantee (b) policies to cover the risk of potential damages that could affect it and to ensure correct and full compliance with all obligations arising from its activities and, especially, regarding damages that may be incurred by insured parties that contract policies through the brokerage house.

Entity	From	End	Amount (UF)	Beneficiary
Consortio Nacional de Seguros S.A.	04/15/2017	04/14/2018	(a) 60,000 and (b) 500	Itaú Corredora de Seguros

**Itaú Corpbanca Corredores de Bolsa S.A.**

In order to comply with articles 30 and 31 of Chilean Law 18,045, this subsidiary kept a bank guarantee certificate is kept on the Chilean Electronic Stock Exchange to ensure the correct and complete fulfillment of its obligations as stock broker. The beneficiaries are the current or future creditors that the subsidiary has or will have derived from its operations. The detail of the bank guarantee certificate is as follows:

Entity	From	End	Amount (UF)	Beneficiary
Itaú Chile	06/30/2017	04/22/2017	16,000	Bolsa Electrónica de Chile
Mapfre Compañía de Seguros S.A	06/30/2017	04/22/2017	4,000	Bolsa de Comercio de Santiago

In addition, the company has acquired a comprehensive insurance policy to comply with Law No. 52 of the Chilean Electronic Stock Exchange.

Amounts recorded with respect to the comprehensive insurance policy are the following:

Entity	From	End	Amount (MUS\$)	Beneficiary
Orion Seguros Generales S.A	05/01/2017	04/30/2017	5,000 and 10,000	Bolsa Electronica de Chile

The company pledged its shares on the Santiago Stock Exchange in favor of said company, to guarantee the fulfillment of the obligations respect to the transactions carried out with other brokers. This amounts to MCh\$14,533.

As of December 31, 2017, this subsidiary is under guarantee with CCLV, Contraparte Central S.A in cash for Mch\$2,239 and a financial instrument for Mch\$1,106.

The company executed a guarantee certificate, as a representative of the beneficiaries of the guarantee pursuant to Articles 98 and 99 of Chilean Law 20,172, with the object of the guaranteeing its obligations as portfolio administrator.

- The company executed a guarantee certificate, as representative of the beneficiaries of the guarantee pursuant to Articles 98 and 99 of Chilean Law 20,172, in order to ensure the faithful and full compliance with its obligations as portfolio manager.

Amounts recorded with respect to the comprehensive insurance policy were the following:

Entity	From	End	Amount (MUS\$)	Beneficiary
Itaú Chile	20/04/2017	20/04/2018	10.000	Itaú Chile

[Table of Contents](#)**Itaú Chile Administradora General de Fondos S.A.**

During the year 2017, the company executed guarantee certificates with Itaú Corpbanca, for the funds it manages in order to guarantee the fulfillment of the obligations of the administrators, for the administration of the funds of third parties and the compensation for the damages resulting from their non-compliance in accordance with the provisions of Article No. 226 and No. 227 of Chilean Law No. 18,045, for UF 1,166,462.

**Corpbanca Administradora General de Fondos S.A.**

- On June 2, 2017, Corpbanca Administradora General de Fondos S.A. (“CORFO”), It executed a guarantee certificate with Bank Santander Chile, for the amount of MCh\$399 equivalent to UF 15,000 in favor of the Development Corporation of the Production to ensure CORFO’s faithful fulfillment of the CORFO portfolio management contract, its committees and funds, and the payment of labor and social costs relating to the contractor’s workers. Their expiration is August 31, 2021.
- On June 28, 2017, Corpbanca Administradora General de Fondos S.A. renewed its insurance policy with Orión Seguros Generales S.A. with the period of validity from May 1, 2017; and maturity on April 30, 2018.
- On August 14, 2017, Corpbanca Administradora General de Fondos S.A. replaced its guarantee certificate with Bank Santander Chile, for the amount of MCh\$14 equivalent to UF 500 issued on June 6, 2017 in favor of the [Production Development Corporation] to ensure CORFO the faithful and timely compliance with the obligations of the portfolio management contract, its committees and funds, and the payment of labor and social costs relating to the contractor’s workers, due on August 30, 2021.

[Table of Contents](#)**NOTE 22 EQUITY**

The business combination (reverse acquisition) rules as established in IFRS3 require that the consolidated financial statements dated after the merger (from April 1, 2016 onward) to be prepared under the name of the legal acquirer (the acquiree for accounting purposes, or Corpbanca, the merged entity, which will take the name Itau Corpbanca), and present the financial information of the legal acquiree (the acquirer for accounting purposes, or Banco Itau Chile) from 2015, for comparative purposes, but for the April - December period present the numbers of Itau - Corpbanca), with an adjustment that will be made retroactively in the legal capital of the acquirer for accounting purposes (Banco Itau Chile) to reflect the legal capital of the acquiree for accounting purposes (Corpbanca). That adjustment is required to reflect the capital of the legal acquirer (the acquiree for accounting purposes).

## a) Movement in shareholders' equity accounts (attributable to equity holders of the Bank)

As of December 31, 2017 and 2016, the Bank's issued shares are represented by the following detail, Ordinary shares authorized, subscribed and paid, with no par value, detailed below:

	<b>Ordinary Shares</b>	
	<b>2017</b>	<b>2016</b>
	<b>(number)</b>	<b>(number)</b>
Issued as of January 1,	512,406,760,091	115,039,690,651
Issuance of paid shares	—	57,008,875,206
Increase in shares for Itau-CorpBanca business combination	—	340,358,194,234
<b>Total</b>	<b><u>512,406,760,091</u></b>	<b><u>512,406,760,091</u></b>

## i. Purchases and sales of Bank Shares.

As of December 31, 2017 and 2016, there were no purchase or sale transactions by the Bank involving its own shares.

## ii. Subscribed and paid shares.

## 2017

As of December 31, 2017, the Bank's paid capital was represented by 512,406,760,091 subscribed and paid common shares with no par value, totaling MCh\$1,862,826.

2016<sup>(19)</sup>

As of December 31, 2016, the Bank's paid capital was represented by 512,406,760,091 subscribed and paid common shares with no par value, totaling MCh\$1,862,826.

On March 22, 2016, Banco Itau Chile's capital was increased by MCh\$392,813, through the subscription of 710,477 of the Bank's single-series shares with no par value (equivalent to 57,008,875,206 shares of the merged bank based on the exchange ratio for the business combination), which were subscribed and paid by ITB Holding Brasil Participações Ltda., a wholly owned subsidiary of Itau Unibanco Holding S.A., within the framework of the merger of Banco Itau Chile and Corpbanca and in compliance with the "Transaction Agreement" signed on January 29, 2014.

(19) The accounting acquiree, Corpbanca, made a capital increase of MCh\$401,424 in 2016, as a result of the capitalization of the reserves generated by over-price paid in share placement (registered since 2014).

[Table of Contents](#)

iii. Profit distribution.

2017

At an ordinary meeting of the shareholders of Banco Itaú Chile on March 27, 2017, shareholders agreed to distribute MCh\$618 in earnings, representing 30% of profit for the year 2016.

2016<sup>(20)</sup>

At an ordinary meeting of the shareholders of Banco Itaú Chile on March 11, 2016, shareholders agreed to distribute MCh\$52,168 in earnings, representing 50% of profit for the year 2015.

b) List of major shareholders.

As of December 31, 2017, the shareholder composition was as follows:

	Common Stock Year 2017	
	N° of Shares	Share %
CORP GROUP BANKING SA	136,127,850,073	26.5700%**
ITAU UNIBANCO HOLDING SA	115,039,610,411	22.4500%*
ITB HOLDING BRASIL PARTICIPACOES LTDA	57,008,875,206	11.1300%*
BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS	23,969,149,414	4.6800%
BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	21,005,216,549	4.1000%
COMPANIA INMOBILIARIA Y DE INVERSIONES SAGA SPA	20,918,245,555	4.0800%**
BANCO ITAU CORPBANCA POR CTA DE INVERSIONISTAS EXTRANJEROS	14,855,609,437	2.9000%
CGB II SPA	10,908,002,836	2.1300%*
SIERRA NEVADA INVESTMENTS CHILE DOS LTDA	9,817,092,180	1.9200%
BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES	9,394,008,435	1.8300%
LARRAIN VIAL S A CORREDORA DE BOLSA	6,767,755,931	1.3200%
MONEDA SA AFI PARA PIONERO FONDO DE INVERSION	6,215,000,000	1.2100%
DEUTSCHE BANK TRUST COMPANY AMERICAS (ADRS)	5,508,798,500	1.0800%
BTG PACTUAL CHILE S A C DE B	4,776,696,832	0.9300%
BANCHILE C DE B S A	4,344,021,387	0.8500%
SANTANDER CORREDORES DE BOLSA LIMITADA	4,070,279,257	0.7900%
MBI CORREDORES DE BOLSA S A	3,591,497,546	0.7000%
BICE INVERSIONES CORREDORES DE BOLSA S A	3,165,903,988	0.6200%
CIA DE SEGUROS DE VIDA CONSORCIO NACIONAL DE SEGUROS SA	2,917,592,780	0.5700%
BCI C DE B S A	2,895,637,765	0.5700%
CREDICORP CAPITAL SA CORREDORES DE BOLSA	2,869,055,927	0.5600%
CONSORCIO C DE B S A	2,766,317,093	0.5400%
INMOB E INVERSIONES BOQUINENI LTDA	2,353,758,526	0.4600%
MBI ARBITRAGE FONDO DE INVERSION	2,340,829,105	0.4600%
BOLSA ELECTRONICA DE CHILE BOLSA DE VALORES	2,015,270,526	0.3900%
INV LAS NIEVES S A	1,890,725,224	0.3700%
CGB III SPA	1,800,000,000	0.3500%*
VALORES SECURITY S A C DE B	1,719,455,989	0.3400%
ITAU CORPBANCA CORREDORES DE BOLSA SA	1,708,710,397	0.3300%
CRN INMOBILIARIA LIMITADA	1,535,239,055	0.3000%
OTROS	28,110,554,167	5.4700%
<b>TOTAL</b>	<b>512,406,760,091</b>	<b>100.00000%</b>

(\*) The controlling group Itaú Unibanco Holding S.A. has a total interest of 36.06%.

(\*\*) CorpGroup has an interest of 30.65%, which includes 182,125,023 shares of Saga under custody.

As of December 31, 2016 the shareholder composition was as follows:

(20) The accounting acquiree, Corpbanca, with respect to its profits for the year 2015, at the Ordinary Shareholders' Meeting held on March 11, 2016, agreed to distribute earnings of MCh\$100,886 corresponding to 50% of the profit in addition to retained earnings, to distribute MCh\$3,196, equivalent to \$0.3058171 per share.

[Table of Contents](#)

	Common Stock Year 2016	
	N° of Shares	Share %
CORP GROUP BANKING SA	136,127,850,073	26.5700%**
ITAU UNIBANCO HOLDING SA	115,039,610,411	22.4500%*
ITB HOLDING BRASIL PARTICIPACOES LTDA	57,008,875,206	11.1300%*
BANCO SANTANDER POR CUENTA DE INV EXTRANJEROS	23,969,149,414	4.6800%
BANCO DE CHILE POR CUENTA DE TERCEROS NO RESIDENTES	21,005,216,549	4.1000%
COMPANIA INMOBILIARIA Y DE INVERSIONES SAGA SPA	20,918,245,555	4.0800%**
BANCO ITAU CORPBANCA POR CTA DE INVERSIONISTAS EXTRANJEROS	14,855,609,437	2.9000%
CGB II SPA	10,908,002,836	2.1300%
SIERRA NEVADA INVESTMENTS CHILE DOS LTDA	9,817,092,180	1.9200%*
BOLSA DE COMERCIO DE SANTIAGO BOLSA DE VALORES	9,394,008,435	1.8300%
LARRAIN VIAL S A CORREDORA DE BOLSA	6,767,755,931	1.3200%
MONEDA SA AFI PARA PIONERO FONDO DE INVERSION	6,215,000,000	1.2100%
Deutsche Bank Trust Company Americas (ADRS)	5,508,798,500	1.0800%
BTG PACTUAL CHILE S A C DE B	4,776,696,832	0.9300%
BANCHILE C DE B S A	4,344,021,387	0.8500%
SANTANDER CORREDORES DE BOLSA LIMITADA	4,070,279,257	0.7900%
MBI CORREDORES DE BOLSA S A	3,591,497,546	0.7000%
BICE INVERSIONES CORREDORES DE BOLSA S A	3,165,903,988	0.6200%
CIA DE SEGUROS DE VIDA CONSORCIO NACIONAL DE SEGUROS SA	2,917,592,780	0.5700%
BCI C DE B S A	2,895,637,765	0.5700%
CREDICORP CAPITAL SA CORREDORES DE BOLSA	2,869,055,927	0.5600%
CONSORCIO C DE B S A	2,766,317,093	0.5400%
INMOB E INVERSIONES BOQUINENI LTDA	2,353,758,526	0.4600%
MBI ARBITRAGE FONDO DE INVERSION	2,340,829,105	0.4600%
BOLSA ELECTRONICA DE CHILE BOLSA DE VALORES	2,015,270,526	0.3900%
INV LAS NIEVES S A	1,890,725,224	0.3700%
CGB III SPA	1,800,000,000	0.3500%
VALORES SECURITY S A C DE B	1,719,455,989	0.3400%
ITAU CORPBANCA CORREDORES DE BOLSA SA	1,708,710,397	0.3300%
CRN INMOBILIARIA LIMITADA	1,535,239,055	0.3000%
COMPANIA DE SEGUROS CONFUTURO S.A.	—	0.0000%
OTROS	28,110,554,167	5.4700%
<b>TOTAL</b>	<b>512,406,760,091</b>	<b>100.00000%</b>

(\*) The controlling group Itau Unibanco Holding S.A. has a total interest of 35.71%.

(\*\*) CorpGroup has an interest of 31.00%, which includes 182,125,023 shares of Saga under custody.

## c) Dividends

The distribution of dividends of the Bank was as follows<sup>(21)</sup>:

Year	Income attributable to equity holders MCh\$	To reserves retained earnings MCh\$	Intended Dividends MCh\$	Percentage distributed %	N° of shares	N° of shares restated <sup>(*)</sup>	Dividend per share in Ch\$
2016 (Shareholders Meeting, March 2017)	2,059	1,441	618	30.00	512,406,760,091	N/A	0,0012
2015 (Shareholders Meeting, March 2016)	104,336	52,168	52,168	50.00	1,433,690	115,039,690,651	36,387
2014 (Shareholders Meeting, June 2015)	85,693	59,245	26,448	30.86	1,433,690	115,039,690,651	18,448

(\*) This corresponds to the total number of shares of Banco Itaú Chile restated based on the exchange ratio for the business combination that gave rise to Itaú-Corpbanca.

(21) Figures are presented as required by local regulations.

[Table of Contents](#)

d) Basic and diluted earnings.

As of the years ended December 31, 2017 and 2016, basic earnings and diluted earnings, attributable to the equity holders of the bank, were as follows:

	As of December 31,					
	2017		2016		2015	
	N° of Shares Millions	Total MCh\$	N° of Shares Millions	Total MCh\$	N° of Shares Millions	Total MCh\$
<b>Basic and diluted earnings per share</b>						
<b>Basic earnings per share</b>						
Net income attributable to the equity holders	—	67,821	—	14,407	—	105,757
Weighted average number of shares outstanding	512,407	—	415,165	—	115,040	—
Assumed Convertible Debt Conversion	—	—	—	—	—	—
Adjusted number of shares	—	—	415,165	—	115,040	—
Basic earning per share (Chilean pesos)	—	<b>0.132</b>	—	<b>0.035</b>	—	<b>0.919</b>
<b>Diluted earnings per share</b>						
Net income attributable to the equity holders	—	67,821	—	14,407	—	105,757
Weighted average number of shares outstanding	512,407	—	415,165	—	115,040	—
<b>Diluted effect</b>						
Assumed Convertible Debt Conversion	—	—	—	—	—	—
Conversion of common shares	—	—	—	—	—	—
Options rights	—	—	—	—	—	—
Adjusted number of shares	512,407	—	415,165	—	115,040	—
Diluted earning per share (Chilean pesos)	—	<b>0.132</b>	—	<b>0.035</b>	—	<b>0.919</b>

e) Reserves presented in other comprehensive income.

**Fair Value Reserve:** This includes accumulated net changes in the fair value of investments available for sale until the investment is disposed of or there is a significant or prolonged decline in value.

**Translation Reserve:** This includes the effects of converting the financial statements of the New York Branch and Colombian subsidiaries, whose functional currencies are the US dollar and Colombian peso, respectively, to the presentation currency of Banco Itaú Corpbanca (the Chilean peso).

**Cash Flow Hedge Reserve:** This includes the effects of hedges on the Bank's exposure to variations in cash flows that are attributed to a particular risk related to a recognized asset and/or liability.

**Foreign Investment Accounting Hedge Reserve:** Corresponds to adjustments for hedges of net investments in foreign operations.

**Defined Benefit Obligation Reserve:** This includes the effects of complying with IAS 19.

[Table of Contents](#)

f) Other comprehensive income.

The following table presents movements in equity and income taxes attributable to the equity holders of the Bank for the years ended December 31, 2017, 2016 and 2015:

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
<b>Other Comprehensive Income</b>			
<b>Financial instruments available for sale</b>			
Balance as of January 1,	10,372	(1,170)	(1,834)
Gains (losses) on remeasuring financial instruments available for sale, before tax	6,220	11,542	664
<b>Total</b>	<b>16,592</b>	<b>10,372</b>	<b>(1,170)</b>
<b>Hedges of net investment in foreign operations</b>			
Balance as of January 1,	14,917	—	—
Gains (losses) on hedges of net investment in foreign operations, before tax	49,824	14,917	—
<b>Total</b>	<b>64,741</b>	<b>14,917</b>	<b>—</b>
<b>Cash Flow Hedges</b>			
Balance as of January 1,	(5,603)	—	—
Gains (losses) on cash flow hedges, before tax	(127)	(5,603)	—
<b>Total</b>	<b>(5,730)</b>	<b>(5,603)</b>	<b>—</b>
<b>Exchange differences on translation</b>			
Balance as of January 1,	2,380	—	—
Gains (losses) on exchange differences on translation, before tax	(59,865)	2,380	—
<b>Total</b>	<b>(57,485)</b>	<b>2,380</b>	<b>—</b>
<b>Remeasurement of defined benefit obligation</b>			
Balance as of January 1,	(2,598)	—	—
Gains (losses) on remeasurement of defined benefit obligation, before tax	(138)	(2,598)	—
<b>Total</b>	<b>(2,736)</b>	<b>(2,598)</b>	<b>—</b>
<b>Other Comprehensive Income, before tax</b>	<b>15,382</b>	<b>19,468</b>	<b>(1,170)</b>
<b>Income tax relating to components of other comprehensive income</b>			
<b>Income tax relating to instruments available for sale</b>			
Balance as of January 1,	(2,764)	226	444
Income Tax Income and Loss Related to Available-for-Sale Instruments	(2,173)	(2,990)	(218)
<b>Total</b>	<b>(4,937)</b>	<b>(2,764)</b>	<b>226</b>
<b>Income tax relating to hedges of net investment in foreign operation</b>			
Balance as of January 1,	(3,219)	—	—
Losses and gains from Income Tax relative to Foreign Coverage	(14,068)	(3,219)	—
<b>Total</b>	<b>(17,287)</b>	<b>(3,219)</b>	<b>—</b>
<b>Income tax relating to cash flow hedges</b>			
Balance as of January 1,	1,345	—	—
Losses and gains from income tax related to hedges	44	1,345	—
<b>Total</b>	<b>1,389</b>	<b>1,345</b>	<b>—</b>
<b>Income tax relating to defined benefit obligation</b>			
Balance as of January 1,	722	—	—
Income tax gains and losses on recognition of defined benefit obligations	(4)	722	—
<b>Total</b>	<b>718</b>	<b>722</b>	<b>—</b>
<b>Totals Income tax in valuation accounts</b>	<b>(20,117)</b>	<b>(3,916)</b>	<b>226</b>
<b>Other comprehensive income after tax</b>	<b>(4,735)</b>	<b>15,552</b>	<b>(944)</b>

[Table of Contents](#)

g) Rollforward for the year ended (OCI).

(i) Rollforward for the year ended (OCI) — Available-for-sale.

	12/31/2017	12/31/2016	12/31/2015
	MCh\$	MCh\$	MCh\$
Opening Balance, Accumulated other comprehensive income	10,372	(1,170)	(1,834)
Amount recognized in other comprehensive income for de period	12,022	18,411	654
Amount reclassified from equity to profit or loss for the period	(5,802)	(6,869)	10
<b>Ending balance, accumulated other comprehensive income</b>	<b>16,592</b>	<b>10,372</b>	<b>(1,170)</b>

(ii) Rollforward for the year ended (OCI) - Cash flow hedges.

ii) Rollforward for the year ended (OCI) - Cash flow hedges.

	12/31/2017	12/31/2016	12/31/2015
	MCh\$	MCh\$	MCh\$
Opening Balance, Accumulated other comprehensive income	(5,603)	—	—
Amount recognized in other comprehensive income for de period	(55)	(5,603)	—
Amount reclassified from equity to profit or loss for the period	(72)	—	—
<b>Ending balance, accumulated other comprehensive income</b>	<b>(5,730)</b>	<b>(5,603)</b>	<b>—</b>

h) Reserves.

This item is made up of Other Reserves not from profits<sup>(22)</sup> of MCh\$843,097 and Reserves from profits<sup>(23)</sup> of MCh\$451,011.

i) Non-controlling interest:

This corresponds to the net amount of equity in the consolidated subsidiaries attributable to capital that does not belong, directly or indirectly, to the Bank, including the part of profit for the period that is attributed to them.

Non-controlling interest in the subsidiary's equity and profit for the period is detailed as follows:

As of December 31, 2017 Subsidiaries	Other Comprehensive Income										
	Non-controlling %	Equity MCh\$	Net income MCh\$	Defined benefit obligation MCh\$	Financial instruments available for sale MCh\$	Exchange differences on translation MCh\$	Effect hedge Accounting Foreign Investment MCh\$	Cash Flow hedges MCh\$	Deferred Tax MCh\$	Other comprehensive income MCh\$	Comprehensive income MCh\$
Itaú Corredor de Seguros S.A (ex-Helm Corredor de Seguros S.A)	20.00%	380	(5)	—	—	—	—	—	—	—	(5)
Itaú Corpbanca Colombia S.A (ex-Banco Corpbanca Colombia S.A.)	33.72%	216,883	(5,001)	(70)	3,746	(18,437)	(627)	—	(1,305)	(16,693)	(21,694)
Itaú Chile C. de Seguros Ltda.	0.10%	12	10	—	—	—	—	—	—	—	10
Itaú Administradora General de Fondos S.A.	0.01%	1	—	—	—	—	—	—	—	—	—
Itaú BBA Corredor de Bolsa Ltda.	0.01%	4	—	—	—	—	—	—	—	—	—
		<b>217,280</b>	<b>(4,996)</b>							<b>(16,693)</b>	<b>(21,689)</b>

As of December 31, 2016 Subsidiaries	Other Comprehensive Income										
	Non-controlling %	Equity MCh\$	Net income MCh\$	Defined benefit obligation MCh\$	Financial instruments available for sale MCh\$	Exchange differences on translation MCh\$	Effect hedge Accounting Foreign Investment MCh\$	Cash Flow hedges MCh\$	Deferred Tax MCh\$	Other comprehensive income MCh\$	Comprehensive income MCh\$
SMU CORP S.A.	49.00%	437	—	—	—	—	—	—	—	—	—
Itaú Corredor de Seguros S.A (ex-Helm Corredor de Seguros S.A)	20.00%	601	78	—	—	—	—	—	—	—	78
Itaú Corpbanca Colombia S.A (ex-Banco Corpbanca Colombia S.A.)	33.72%	237,917	(527)	(1,322)	3,876	(9,481)	(1,459)	—	(133)	(8,519)	(9,046)
Itaú Chile C. de Seguros Ltda.	0.10%	13	10	—	—	—	—	—	—	—	10
Itaú Administradora General de Fondos S.A.	0.01%	1	1	—	—	—	—	—	—	—	1
Itaú BBA Corredor de Bolsa Ltda.	0.02%	—	—	—	—	—	—	—	—	—	—
		<b>238,969</b>	<b>(438)</b>							<b>(8,519)</b>	<b>(8,957)</b>

(22) The amounts presented in this item correspond to the adjustments made as a result of the business combination between Banco Itaú Chile and Corpbanca.

(23) Coming from Banco Itaú Chile.

[Table of Contents](#)

As of December 31, 2015 Subsidiaries	Non-controlling %	Equity MCh\$	Net income MCh\$	Other Comprehensive Income							Comprehensive income MCh\$
				Defined benefit obligation MCh\$	Financial instruments available for sale MCh\$	Exchange differences on translation MCh\$	Effect hedge Accounting Foreign Investment MCh\$	Cash Flow hedges MCh\$	Deferred Tax MCh\$	Other comprehensive income MCh\$	
Itaú Chile C. de Seguros Ltda.	99.90%	51	8	—	—	—	—	—	—	—	8
Itaú Chile Adm. General de Fondos S.A.	99.99%	4	1	—	—	—	—	—	—	—	1
Itaú BBA Corredor de Bolsa Ltda.	99.98%	4	—	—	—	—	—	—	—	—	—
		<u>59</u>	<u>9</u>								<u>9</u>

Amounts recorded for non-controlling interest movement were as follows:

	As of December 31,		
	2017 MCh\$	2016 MCh\$	2015 MCh\$
Balances as of January 1,	238,969	59	50
Integration Itaú Corpbanca	—	247,867	—
Comprehensive income	(21,689)	(8,957)	9
<b>Total</b>	<b><u>217,280</u></b>	<b><u>238,969</u></b>	<b><u>59</u></b>

The main subsidiary with non-controlling interest of Itaú Corpbanca, is the following:

Entity name	Country	Group participation	Non-controlling participation	Main Activity
Itaú Corpbanca Colombia	Colombia	66.28%	33.72%	Bank

Information representing the non-controlling interest of the above-named company, before consolidation and elimination adjustments was as follows:

Summary of Financial Statements	As of December 31,	
	2017 MCh\$	2016 MCh\$
Current assets	4,589,487	5,502,852
Current liabilities	3,939,253	4,813,426
<b>Net current assets</b>	<b>650,234</b>	<b>689,426</b>
Non-current assets	1,690,890	1,780,581
Non-current liabilities	1,697,961	1,764,461
<b>Net non-current assets</b>	<b>(7,071)</b>	<b>16,120</b>
<b>Net assets</b>	<b>643,163</b>	<b>705,546</b>
<b>Non-controlling interests accumulated</b>	<b><u>216,883</u></b>	<b><u>237,917</u></b>

Summary of Income Statement	As of December 31,	
	2017 MCh\$	2016 MCh\$
Interest income and readjustments	579,176	482,806
Income of the period	(14,830)	(1,563)
Non-controlling interests income	<u>(5,001)</u>	<u>(527)</u>

Statement of Cash Flow Statement	As of December 31,	
	2017 MCh\$	2016 MCh\$
Cash flow from operating activities	16,822	(35,057)
Cash flow from investing activities	(158,402)	93,018
Cash flow from financing activities	35,937	(4,400)
<b>Net increase (decrease) in cash flow</b>	<b><u>(105,643)</u></b>	<b><u>53,561</u></b>

[Table of Contents](#)

j) Consolidated comprehensive income for the period was as follows:

Concepts	2017		
	Holder of the Bank	Non-controlling Interest	Total
	MCh\$	MCh\$	MCh\$
<b>Consolidated Income of the Period</b>	<b>67,821</b>	<b>(4,996)</b>	<b>62,825</b>
<b>Other Comprehensive Income Before Taxes</b>			
Instruments available for sale	6,220	3,746	9,966
Hedge in foreign operation	49,824	(627)	49,197
Cash flow hedge	(127)	—	(127)
Exchange differences on translation	(59,865)	(18,437)	(78,302)
Defined benefit obligation	(138)	(70)	(208)
<b>Total</b>	<b>63,735</b>	<b>(20,384)</b>	<b>43,351</b>
<b>Income taxes</b>			
Instruments available for sale	(2,173)	(1,160)	(3,333)
Hedge in foreign operation	(14,068)	(143)	(14,211)
Cash flow hedge	44	—	44
Defined benefit obligation	(4)	(2)	(6)
<b>Total</b>	<b>(16,201)</b>	<b>(1,305)</b>	<b>(17,506)</b>
<b>Comprehensive Income of the period</b>	<b>47,534</b>	<b>(21,689)</b>	<b>25,845</b>
Concepts	2016		
	Holder of the Bank	Non-controlling Interest	Total
	MCh\$	MCh\$	MCh\$
<b>Consolidated Income of the Period</b>	<b>14,407</b>	<b>(438)</b>	<b>13,969</b>
<b>Other Comprehensive Income Before Taxes</b>			
Instruments available for sale	11,542	3,876	15,418
Hedge in foreign operation	14,917	(1,459)	13,458
Cash flow hedge	(5,603)	—	(5,603)
Exchange differences on translation	2,380	(9,481)	(7,101)
Defined benefit obligation	(2,598)	(1,322)	(3,920)
<b>Total</b>	<b>35,045</b>	<b>(8,824)</b>	<b>26,221</b>
<b>Income taxes</b>			
Instruments available for sale	(2,990)	(1,035)	(4,025)
Hedge in foreign operation	(3,219)	534	(2,685)
Cash flow hedge	1,345	—	1,345
Defined benefit obligation	722	368	1,090
<b>Total</b>	<b>(4,142)</b>	<b>(133)</b>	<b>(4,275)</b>
<b>Comprehensive Income of the period</b>	<b>30,903</b>	<b>(8,957)</b>	<b>21,946</b>
Concepts	2015		
	Holder of the Bank	Non-controlling Interest	Total
	MCh\$	MCh\$	MCh\$
<b>Consolidated Income of the Period</b>	<b>105,757</b>	<b>9</b>	<b>105,766</b>
<b>Other Comprehensive Income Before Taxes</b>			
Instruments available for sale	664	—	664
<b>Total</b>	<b>106,421</b>	<b>9</b>	<b>106,430</b>
<b>Income taxes</b>			
Instruments available for sale	(218)	—	(218)
<b>Total</b>	<b>(218)</b>	<b>—</b>	<b>(218)</b>
<b>Comprehensive Income of the period</b>	<b>106,203</b>	<b>9</b>	<b>106,212</b>

[Table of Contents](#)**NOTE 23 INTEREST INCOME AND EXPENSE**

This item comprises interest and readjustments accrued in the period by all financial assets whose implicit or explicit performance, is obtained by applying the effective interest rate method, independently if these are valued at fair value, as well as of the effect from accounting hedges.

a) The composition of interest income and inflation-indexing for the years ended December 31, 2017, 2016 and 2015 was as follows:

	2017			2016			2015		
	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$
Investments under agreements to resell	6,643	2	<b>6,645</b>	25,550	—	<b>25,550</b>	916	—	<b>916</b>
Loans and receivables to banks	5,460	—	<b>5,460</b>	8,180	—	<b>8,180</b>	1,459	—	<b>1,459</b>
Commercial loans	872,416	68,729	<b>941,145</b>	772,704	100,381	<b>873,085</b>	198,585	67,977	<b>266,562</b>
Mortgage loans	188,094	59,149	<b>247,243</b>	155,101	79,655	<b>234,756</b>	60,188	58,433	<b>118,621</b>
Consumer loans	360,268	64	<b>360,332</b>	283,005	31	<b>283,036</b>	98,684	195	<b>98,879</b>
Financial investmens	70,556	8,274	<b>78,830</b>	67,683	11,032	<b>78,715</b>	9,576	11,305	<b>20,881</b>
Other interest income	9,656	545	<b>10,201</b>	8,427	466	<b>8,893</b>	4,557	1,488	<b>6,045</b>
Gain (loss) from accounting hedges <sup>(*)</sup>	(3,527)	—	<b>(3,527)</b>	(3,012)	—	<b>(3,012)</b>	(11,381)	—	<b>(11,381)</b>
<b>Total</b>	<b><u>1,509,566</u></b>	<b><u>136,763</u></b>	<b><u>1,646,329</u></b>	<b><u>1,317,638</u></b>	<b><u>191,565</u></b>	<b><u>1,509,203</u></b>	<b><u>362,584</u></b>	<b><u>139,398</u></b>	<b><u>501,982</u></b>

b) The amount recorded as of interest expenses for the years ended December 31, 2017, 2016 and 2015 was as follows:

	2017			2016			2015		
	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$	Interest MCh\$	Inflation <sup>(1)</sup> MCh\$	Total MCh\$
Demand deposits	(72,732)	(139)	<b>(72,871)</b>	(78,147)	(173)	<b>(78,320)</b>	—	—	—
Investment under agreements to repurchase	(32,677)	—	<b>(32,677)</b>	(48,086)	—	<b>(48,086)</b>	(1,772)	—	<b>(1,772)</b>
Deposits and time deposits	(420,190)	(13,047)	<b>(433,237)</b>	(419,661)	(39,720)	<b>(459,381)</b>	(122,326)	(38,575)	<b>(160,901)</b>
Borrowings from financial institutions	(51,922)	(2,463)	<b>(54,385)</b>	(45,801)	—	<b>(45,801)</b>	(16,790)	—	<b>(16,790)</b>
Debt issued	(210,104)	(72,780)	<b>(282,884)</b>	(156,168)	(79,126)	<b>(235,294)</b>	(45,468)	(50,274)	<b>(95,742)</b>
Other financial obligations	(114)	—	<b>(114)</b>	(142)	(197)	<b>(339)</b>	(204)	(291)	<b>(495)</b>
Other interest expenses	(556)	(1,962)	<b>(2,518)</b>	(905)	(2,261)	<b>(3,166)</b>	—	(2,992)	<b>(2,992)</b>
Gain (loss) from accounting hedges <sup>(*)</sup>	15,339	—	<b>15,339</b>	359	—	<b>359</b>	—	—	—
<b>Total interest expenses</b>	<b><u>(772,956)</u></b>	<b><u>(90,391)</u></b>	<b><u>(863,347)</u></b>	<b><u>(748,551)</u></b>	<b><u>(121,477)</u></b>	<b><u>(870,028)</u></b>	<b><u>(186,560)</u></b>	<b><u>(92,132)</u></b>	<b><u>(278,692)</u></b>

(1) The inflation indexing is the result of changes in the Unidades de Fomento (“UF”). The UF is an inflation-index Chilean monetary unit with a value in Chilean pesos that changes daily to reflect changes in the Official Consumer Price Index (“CPI”) of the Instituto Nacional de Estadísticas (the Chilean National Institute of Statistics) for the previous month. The effect of any changes in the nominal peso value of our UF-denominated interest earning assets and interest bearing liabilities is reflected in our results of operations as an increase (or decrease, in the event of deflation) in interest income and expense respectively.

(\*) The mark to market adjustments are presented in this line for hedging derivatives used in hedging of assets except in the case of foreign currency hedges and cash flow hedges (cross-currency), their all-in mark to market adjustment is included in the foreign exchange gain (losses) (see Note 26 “Net foreign exchange income (losses)”).

[Table of Contents](#)**NOTE 24 FEES AND INCOME FROM SERVICES**

This item comprises the amount of all commissions accrued and paid in the period, except for those that form an integral part of the effective interest rate of the financial instruments, corresponds mainly to the following items:

## a) Commissions income:

This item comprised of the financial income of the period corresponding to remunerations generated by the services rendered by the entity and its subsidiaries mainly with regard to the following items:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	MCh\$	MCh\$	MCh\$
Lines of credit and overdrafts	3,306	4,911	1,537
Letters of credit and guarantees	14,776	13,562	5,228
Card services	63,388	52,775	24,296
Account administration	12,024	10,171	2,014
Collection, billings and payments	25,359	24,813	2,271
Management and brokerage commissions for securities	13,183	9,454	6,940
Investments in mutual funds and others	25,965	23,614	11,760
Insurance brokerage	26,096	21,477	6,230
Financial advisory	8,162	8,951	5,389
Commissions for student loan credits	4,680	3,354	965
Commissions for credit operations	2,560	2,572	56
Commissions for mortgage loans	1,112	1,023	1,192
Other payments for services rendered	12,088	12,768	4,319
Other fees earned	3,721	4,356	9,178
<b>Total income from services fees</b>	<b><u>216,420</u></b>	<b><u>193,801</u></b>	<b><u>81,375</u></b>

## b) Commissions expenses:

This item includes expenses for commissions accrued during the year for operations, with regard to the following items:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	MCh\$	MCh\$	MCh\$
Credit card transactions	(23,439)	(29,376)	(8,021)
Securities transactions	(4,855)	(3,328)	—
Commission paid through Chilean clearing house (ACC)	(2,449)	(1,348)	—
Foreign trade transactions	(1,439)	(1,309)	—
Customer loyalty program benefits	(3,157)	(3,232)	—
Loan services to customers	(2,912)	(4,385)	—
Other paid commissions	(598)	(27)	(2,266)
<b>Total expenses from services fees</b>	<b><u>(38,849)</u></b>	<b><u>(43,005)</u></b>	<b><u>(10,287)</u></b>

Commissions earned on loans with letters of credit are recorded in the Statement of Income under "Interest income."

[Table of Contents](#)**NOTE 25 NET TRADING AND INVESTMENT INCOME**

This item includes the amount of adjustments for variation of financial instruments, except those attributable to interest accrued by applying the effective interest rate method of value adjustments of assets, as well as the results obtained in the sale of such assets.

Trading and investment income recognized on the Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015 was as follows:

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Trading instruments (securities)	43,323	40,893	1,762
Trading instruments (derivatives) <sup>(1)</sup>	(63,992)	44,499	(47,769)
Other financial investments at fair value with effect on profit or loss	15,121	18,863	11,416
Financial investments available-for-sale realized gain (loss) <sup>(*)</sup>	13,641	7,998	1,409
Other	175	699	—
<b>Total</b>	<b>8,268</b>	<b>112,952</b>	<b>(33,182)</b>

*(\*) Results generated by instruments available for sale mainly composed by the following:*

- *Fair value adjustments recognized in the results. This includes transfers to results, generated on exercise, of the fair value adjustments by selling of those instruments available for sale.*
- *Results generated from sales and / or liquidation, corresponding to the difference between the value obtained as compensation and the fair value of the instruments transferred.*

(1) The gains (losses) on trading instruments (derivatives) as of December 31, 2017, 2016 and 2015 was as follows:

Gain / (Loss)	As of December 31,		
	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Foreign currency forwards	(60,164)	38,992	(34,906)
Interest rate swaps	10,446	9,796	2,605
Foreign currency swaps	1,520	(1,896)	(15,468)
Foreign currency call options	1,312	(1,954)	—
Foreign currency put options	(17,106)	(439)	—
<b>Total</b>	<b>(63,992)</b>	<b>44,499</b>	<b>(47,769)</b>

[Table of Contents](#)**NOTE 26 NET FOREIGN EXCHANGE INCOME (LOSSES)**

This item includes the income earned from foreign currency trading, the differences arising from converting monetary items in a foreign currency to the functional currency and those generated by non-monetary assets in a foreign currency at the time of their disposal.

The detail of net foreign exchange gains (losses) for the years ended December 31, 2017, 2016 and 2015 was as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	MCh\$	MCh\$	MCh\$
<b>Gains (losses) of foreign currency exchange differences</b>			
Net gains (losses) of foreign currency exchange positions	131,196	(30,191)	75,873
Other foreign currency exchange gains (losses)	1,537	1,202	(1,412)
<b>Subtotal</b>	<b>132,733</b>	<b>(28,989)</b>	<b>74,461</b>
<b>Gains (losses) of exchange rate readjustments</b>			
Adjustment to loan to customers	(82)	14	—
Adjustment to investment instruments	(824)	(121)	—
Adjustments to deposits and saving account	—	10	—
Adjustments to other liabilities	1,385	—	—
Fair value gains (losses) on foreign currency hedging derivatives <sup>(1)(*)</sup>	(87,047)	(19,762)	—
<b>Subtotal</b>	<b>(86,568)</b>	<b>(19,859)</b>	<b>—</b>
<b>Total</b>	<b>46,165</b>	<b>(48,848)</b>	<b>74,461</b>

(1) Correspond to current earnings related to hedging foreign currency assets and liabilities. Different information is disclosed in Note 23 "Interest Income and Expense" and Note 25 "Net Trading and Investment Income".

(\*) The fair value gains (losses) on hedging derivatives as of December 31, 2017, 2016 and 2015 was as follows:

	<u>As of December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	MCh\$	MCh\$	MCh\$
Fair value hedges	(1,032)	(17,281)	—
Cash flow hedges	(80,968)	20,687	—
Net investment in foreign operation	(5,047)	(23,168)	—
<b>Total</b>	<b>(87,047)</b>	<b>(19,762)</b>	<b>—</b>

[Table of Contents](#)**NOTE 27 PROVISION FOR LOAN LOSSES**

a) The changes in provision for loan losses recorded on the Statement of Income for the years ended December 31, 2017, 2016 and 2015 was as follows:

	Loans and receivables from banks MCh\$	Loans and receivables from customers			Total MCh\$
		Commercial loans MCh\$	Mortgage loans MCh\$	Consumer loans MCh\$	
<b>2017</b>					
<b>Recognized provision</b>					
Individually evaluated	(226)	(338,701)	—	—	(338,927)
Collectively evaluated	—	(104,171)	(63,699)	(312,697)	(480,567)
<b>Charge to income for provisions recognized</b>	<b>(226)</b>	<b>(442,872)</b>	<b>(63,699)</b>	<b>(312,697)</b>	<b>(819,494)<sup>(*)</sup></b>
<b>Released provisions</b>					
Individually evaluated	209	302,504	—	—	302,713
Collectively evaluated	—	33,538	31,310	104,953	169,801
<b>Charge to income for provisions used</b>	<b>209</b>	<b>336,042</b>	<b>31,310</b>	<b>104,953</b>	<b>472,514<sup>(*)</sup></b>
Recovery of assets previously written-off	—	13,236	1,908	16,419	31,563
<b>Net charge to income</b>	<b>(17)</b>	<b>(93,594)</b>	<b>(30,481)</b>	<b>(191,325)</b>	<b>(315,417)</b>
<b>2016</b>					
<b>Recognized provision</b>					
Individually evaluated	(307)	(387,737)	—	—	(388,044)
Collectively evaluated	—	(49,218)	(38,837)	(198,242)	(286,297)
<b>Charge to income for provisions recognized</b>	<b>(307)</b>	<b>(436,955)</b>	<b>(38,837)</b>	<b>(198,242)</b>	<b>(674,341)<sup>(*)</sup></b>
<b>Released provisions</b>					
Individually evaluated	286	251,582	—	—	251,868
Collectively evaluated	—	22,242	34,589	96,381	153,212
<b>Charge to income for provisions used</b>	<b>286</b>	<b>273,824</b>	<b>34,589</b>	<b>96,381</b>	<b>405,080<sup>(*)</sup></b>
Recovery of assets previously written-off	—	8,898	1,285	13,088	23,271
<b>Net charge to income</b>	<b>(21)</b>	<b>(154,233)</b>	<b>(2,963)</b>	<b>(88,773)</b>	<b>(245,990)</b>
<b>2015</b>					
<b>Recognized provision</b>					
Individually evaluated	(255)	(80,424)	—	—	(80,679)
Collectively evaluated	—	(20,953)	(12,827)	(85,149)	(118,929)
<b>Charge to income for provisions recognized</b>	<b>(255)</b>	<b>(101,377)</b>	<b>(12,827)</b>	<b>(85,149)</b>	<b>(199,608)<sup>(*)</sup></b>
<b>Released provisions</b>					
Individually evaluated	238	71,558	—	—	71,796
Collectively evaluated	—	13,388	8,403	54,787	76,578
<b>Charge to income for provisions used</b>	<b>238</b>	<b>84,946</b>	<b>8,403</b>	<b>54,787</b>	<b>148,374<sup>(*)</sup></b>
Recovery of assets previously written-off	—	1,871	616	5,818	8,305
<b>Net charge to income</b>	<b>(17)</b>	<b>(14,560)</b>	<b>(3,808)</b>	<b>(24,544)</b>	<b>(42,929)</b>

(\*)The amounts disclosed in the Consolidated Statements of Cash Flows are detailed below:

[Table of Contents](#)

	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Charge to income for provisions recognized	819,494	674,341	199,608
Credit to income for provisions used	(472,514)	(405,080)	(148,374)
	<b>346,980</b>	<b>269,261</b>	<b>51,234</b>

b) The break down by type of loan, whether assessed collectively or individually, for established and released provision amounts, respectively, was as follows:

As of December 31, 2017						
Note	Established Provision			Released Provision		
	Individual analysis	Group Analysis	Total	Individual analysis	Group Analysis	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial Loans	(338,701)	(104,171)	(442,872)	302,504	33,538	336,042
Mortgage Loans	—	(63,699)	(63,699)	—	31,310	31,310
Consumer Loans	—	(312,697)	(312,697)	—	104,953	104,953
<b>Subtotal</b>	<b>10</b>	<b>(338,701)</b>	<b>(480,567)</b>	<b>302,504</b>	<b>169,801</b>	<b>472,305</b>
Banks	<b>9</b>	(226)	—	209	—	209
<b>Total</b>		<b>(338,927)</b>	<b>(480,567)</b>	<b>302,713</b>	<b>169,801</b>	<b>472,514</b>

As of December 31, 2016						
Note	Established Provision			Released Provision		
	Individual analysis	Group Analysis	Total	Individual analysis	Group Analysis	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial Loans	(387,737)	(49,218)	(436,955)	251,582	22,242	273,824
Mortgage Loans	—	(38,837)	(38,837)	—	34,589	34,589
Consumer Loans	—	(198,242)	(198,242)	—	96,381	96,381
<b>Subtotal</b>	<b>10</b>	<b>(387,737)</b>	<b>(286,297)</b>	<b>251,582</b>	<b>153,212</b>	<b>404,794</b>
Banks	<b>9</b>	(307)	—	286	—	286
<b>Total</b>		<b>(388,044)</b>	<b>(286,297)</b>	<b>251,868</b>	<b>153,212</b>	<b>405,080</b>

As of December 31, 2015						
Note	Established Provision			Released Provision		
	Individual analysis	Group Analysis	Total	Individual analysis	Group Analysis	Total
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Commercial Loans	(80,424)	(20,953)	(101,377)	71,558	13,388	84,946
Mortgage Loans	—	(12,827)	(12,827)	—	8,403	8,403
Consumer Loans	—	(85,149)	(85,149)	—	54,787	54,787
<b>Subtotal</b>	<b>10</b>	<b>(80,424)</b>	<b>(118,929)</b>	<b>71,558</b>	<b>76,578</b>	<b>148,136</b>
Banks	<b>9</b>	(255)	—	238	—	238
<b>Total</b>		<b>(80,679)</b>	<b>(118,929)</b>	<b>71,796</b>	<b>76,578</b>	<b>148,374</b>

In management's opinion, the credit risk provisions established cover all losses that may arise from estimated incurred loan losses, based on the information examined by the Bank and its subsidiaries.

[Table of Contents](#)**NOTE 28 PERSONNEL SALARIES EXPENSES**

Personnel salary expenses for the years ended December 31, 2017, 2016 and 2015 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Personnel remunerations	(174,029)	(148,073)	(54,129)
Bonus and gratifications/awards	(68,946)	(53,669)	(22,660)
Severances indemnities	(18,803)	(32,704)	(3,458)
Training expenses	(734)	(1,050)	(543)
Life and health insurance	(3,487)	(1,576)	(391)
Other personnel expenses	(15,324)	(8,593)	(5,530)
<b>Total</b>	<b><u>(281,323)</u></b>	<b><u>(245,665)</u></b>	<b><u>(86,711)</u></b>

[Table of Contents](#)**NOTE 29 ADMINISTRATION EXPENSES**

Administration expenses for the years ended December 31, 2017, 2016 and 2015 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	<u>MCh\$</u>	<u>MCh\$</u>	<u>MCh\$</u>
Maintenance and repair of fixed assets	(34,754)	(23,226)	(5,209)
Office rental	(36,482)	(26,308)	(6,987)
Equipment rentals	(2,890)	(2,649)	(461)
Insurance premiums	(22,624)	(14,953)	(1,373)
Office supplies	(2,228)	(2,004)	(663)
IT and communications expense	(41,872)	(25,860)	(14,354)
Lighting, heating and other services	(5,022)	(4,240)	(935)
Security Service and transportation of securities	(4,691)	(3,469)	(916)
Public relations expense and staff travel expenses	(3,347)	(2,427)	(973)
Legal and Notary Costs	(9,546)	(7,232)	(1,899)
Technical report fees	(11,274)	(7,096)	(1,167)
Professional services fees	(2,358)	(2,535)	(434)
Securities classification fees	(1,613)	(888)	(561)
Fines	(75)	(728)	(8)
Comprehensive management ATMs	(5,837)	(5,855)	—
Management of outsourced temp services	(812)	(201)	—
Postage and mailing expenses	(523)	(2,864)	—
Internal events	(666)	(237)	—
Miscellaneous contributions	(62)	(732)	—
Credit card management	(1,253)	(2,609)	—
Other administration expenses	(29,201)	(28,181)	(17,883)
<b>Subtotal</b>	<b>(217,130)</b>	<b>(164,294)</b>	<b>(53,823)</b>
<b>Subcontracted services</b>			
Data processing	(14,733)	(14,369)	(3,153)
Sales	(832)	(435)	—
Others	(9,159)	(8,805)	(2,179)
<b>Subtotal</b>	<b>(24,724)</b>	<b>(23,609)</b>	<b>(5,332)</b>
<b>Board of Directors Expenses</b>			
Remunerations	(1,394)	(1,056)	(72)
<b>Subtotal</b>	<b>(1,394)</b>	<b>(1,056)</b>	<b>(72)</b>
<b>Marketing and advertising</b>	<b>(16,268)</b>	<b>(8,322)</b>	<b>(2,586)</b>
<b>Real estate taxes, contributions and levies</b>			
Real estate taxes	(671)	(443)	(228)
Patents	(1,430)	(1,665)	(805)
Other taxes (*)	(36,031)	(29,591)	(1,720)
Contributions to SBIF	(7,974)	(6,224)	(2,265)
<b>Subtotal</b>	<b>(46,106)</b>	<b>(37,923)</b>	<b>(5,018)</b>
<b>Total</b>	<b>(305,622)</b>	<b>(235,204)</b>	<b>(66,831)</b>

(\*) This amount corresponds primarily to taxes other than income taxes that affect Banco Itau Corpbanca Colombia and its subsidiaries (Colombian segment). They are taxes on local financial transactions, ongoing performance of commercial activities or services, non-discountable value added tax and equity tax, among others.

[Table of Contents](#)**NOTE 30 DEPRECIATION, AMORTIZATION AND IMPAIRMENT**

a) Depreciation and amortization expenses as of December 31, 2017, 2016 and 2015 were as follows:

	Notes	2017 MCh\$	2016 MCh\$	2015 MCh\$
<b>Depreciation and amortization</b>				
Depreciation of property, plant and equipment	13	(19,370)	(13,834)	(4,404)
Amortization of intangible assets	12	(62,475)	(49,858)	(5,381)
<b>Balances</b>		<b>(81,845)</b>	<b>(63,692)</b>	<b>(9,785)</b>

b) Impairment losses for the years ended December 31, 2017, 2016 and 2015 are detailed below:

	2017 MCh\$	2016 MCh\$	2015 MCh\$
Impairment of financial investments available-for-sale	—	—	—
Impairment of financial investments held-to-maturity	—	—	—
<b>Subtotal financial assets (i)</b>	—	—	—
Impairment of property, plant and equipment (*)	(27)	(351)	—
Impairment of goodwill and intangibles	—	—	—
<b>Subtotal Non-financial assets (ii)</b>	<b>(27)</b>	<b>(351)</b>	—
<b>Total</b>	<b>(27)</b>	<b>(351)</b>	—

(\*) Impairment for technological obsolescence as a result of regulations on ATMs (Decree 222 dated October 30, 2013 from the Ministry of Internal Affairs and Public Safety of Chile), are accounted for in accordance with IAS 36 "Impairment of Assets". See Note 13 "Property, Plant and Equipment", letter c).

At each reporting date, Banco Itaú Corpbanca evaluate whether there is any indication of impairment of any asset. Should any such indication exist, or when impairment testing is required, the entity will estimate the asset's recoverable amount.

The Bank has defined two CGUs: CGU Chile<sup>(24)</sup> and CGU Colombia<sup>(25)</sup>. These CGUs were defined based on their main geographic areas. Their cash flow generation and performance are analyzed separately by senior management because their contributions to the consolidated entity can be identified independently. These CGUs are consistent with the Bank's operating segments (see Note 4).

The CGUs' Carrying Value was as follows:

UGE	As of December 31,		
	2017 MCh\$	2016 MCh\$	2015 MCh\$
Chile	2,563,799	2,477,726	—
Colombia	864,958	945,986	—

(24) CGU Chile is comprised of Banco Itaú Corpbanca and its Chilean subsidiaries plus the New York branch.

(25) CGU Colombia is comprised of Banco Itaú Corpbanca Colombia and its Colombian subsidiaries plus Helm Corredor de Seguros S.A.

[Table of Contents](#)**1. Goodwill impairment testing**

The Goodwill generated in the reverse acquisition mentioned in Note 1, section “General Information — Itau Corpbanca and Subsidiaries”, was allocated as follows<sup>(26)</sup>:

Goodwill	As of December 31,		
	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Chile	904,868	904,868	—
Colombia	221,795	240,440	—
<b>Total</b>	<b>1,126,663</b>	<b>1,145,308</b>	<b>—</b>

**2. Methodology used by the Bank**

Consistent with the methodology used in the previous year, the recoverable amounts of the CGUs in Chile and Colombia have been determined based on the dividend discount model. This methodology considers the cash flows that would generate the dividends distributed to its shareholders in a perpetual forecast projection, discounted at their rate of cost of capital at the valuation date. In this way, the economic equity value can be estimated, using projections of cash flows derived from financial budgets and other assumptions approved by the management.

In its process to test the impairment of goodwill, management considered several information sources, including the following:

- The existing historical information for both post-merger banks and, if relevant, also pre-merger. The historical information was reconciled considering those events judged as one-time and non-recurring.
- The budgets approved by management.
- Information from external sources, such as reports from analysts, supervisors, Central Banks and press releases.
- Observable market information, such as rate curves, inflation and growth projections.
- The competitive strategy defined for both banks.
- The projected financing structure and its impact on the capital requirements and internal policy of the Bank.

**3. Key assumptions used in calculating the recoverable amount**

The key assumptions used in the calculation of the recoverable amount, defined as those to which the calculation is most sensitive, are presented below:

Key assumptions		31/12/2017		31/12/2016	
		Chile	Colombia	Chile	Colombia
Growth rates Perpetuity	(%)	5.2	6.5	4.0	5.6
Projected inflation rates	(%)	2.8 - 3.0	3.0 - 3.4	2.4 - 3.0	3.0 - 4.0
Discount rate	(%)	10.5	11.5	12.0	12.4
Loans growth rate	(%)	8.4 - 9.9	6.2 - 13.4	8.4 - 9.9	6.2 - 13.4
Solvency index limit	(%)	10 - 12	9 - 10.8	10 - 12	9 - 10.8

(26) The goodwill arising from the acquisition of a business abroad (Colombia case) is expressed in the functional currency of the aforementioned business (Colombian Peso), converting to the closing exchange rate (COP of CLP for accounting registration purposes in Chile) in accordance with IAS 21. See Note 12.

[Table of Contents](#)**a. Period of projection and perpetuity**

The cash projections were prepared for a period of six years, from 2018 to 2023 (seven years from 2016). After this period, the present value of the cash flows of the year 2023 was projected in perpetuity using growth rates of the gross domestic product aligned with those rates expected for the markets in which the described CGUs operate.

The definition of projecting six years (seven years from 2016) is consistent with the time necessary to deploy the corporate integration plan, the objective of which is to better capture opportunities for creating value for the Bank. In this way, the strategy being implemented implies, in addition to changes in managerial staff and models of operation of both banks, the change toward a new product mix, customer segmentation and medium to long term objectives.

This transformation results in implied additional costs with the expectation of capturing synergies beginning in 2018.

Considering the above, management decided to project the results over a period of six years (seven years from 2016), to achieve and accurate representation of the Bank before calculating the perpetuity flows.

**b. Loans and deposits**

Loans were projected considering an increase of around 9.26% annually for Chile and 10.31% for Colombia. Expected changes in the product mix was modeled for both countries. The deposit portfolio was projected in relation to the reciprocity established as a goal.

Both concepts were modeled in line with the expectations of market growth and target market share. For the particular case of the Colombian market, the growth of the recovery portfolio was modeled in a way that considers the recovery of the market share that the Bank had before the merger will occur until 2023.

**c. Income**

Interest income and commissions were projected in a consistent way with loans, modeling the interest rates and commissions projected for each portfolio and type of product. In addition, other important macroeconomic issues were considered, such as inflation and basic interest rate.

**d. Costs of funding**

The cost projections are mainly determined based on demand deposits, term deposits and balances, considering an annual average ratio of 5.0% for Chile and 3.5% for Colombia.

**e. Discount rate**

The discount rate of the cost of capital ("Ke") in local currency, was used to discount the cash flows of each CGU. This calculation considers a premium for the risk of the country for each CGU.

**f. Perpetuity rate**

The perpetuity growth rates are aligned with the growth of the economy in both jurisdictions. Consequently, these were built considering local inflation and GDP growth projections.

**g. Dividend payment**

Dividend payments were used to maximize the cash flows to shareholders with the restriction that solvency ratio (technical capital to risk-weighted assets) did not exceed the limits required by the regulatory bodies, plus an additional 20%. In this way, a dividend of 30% was considered for the first six years and 50% in perpetuity.

[Table of Contents](#)**4. Results of assessment**

As a consequence of the impairment assessment process described above, management concluded that the amount recoverable from the CGUs exceed their carrying value (“CV”) according to the following:

		31/12/2017		31/12/2016		31/12/2015	
		Chile	Colombia	Chile	Colombia	Chile	Colombia
Recoverable Amount / Carrying Value	(%)	118.30	102.00	127.70	109.5	—	—

Consequently, management has not identified an impairment impact that has to be recognized in the financial statements.

**5. Sensitivity to changes in the key assumptions used**

Estimates and judgments included in the calculations of recoverable amounts are based on historical experience and other factors, including the expectations of management regarding future events that are considered reasonable under current circumstances. Due to the inherent uncertainty associated with considering these estimates, actual results could differ from those estimates. Future events and changing market conditions may impact the Bank’s assumptions as to future interest and commissions’ revenue, net interest margin growth rates or discount rates that may result in changes in the estimates of the Bank’s future cash flows.

The following factors, among others, could significantly impact the impairment analysis and may result in future goodwill impairment charges that, if incurred, could have a material adverse effect on the Company’s financial condition and results of operations:

- The macroeconomic factors in both, the Chilean and Colombian markets, may not recover and evolve from 2018 onwards in line with current expectations.
- The operational integration of the Banks in Chile is not completed by 2019.
- The operational integration, introduction of the Itaú brand and client segmentation in the Colombian market may not have the expected impact. Additionally, the Bank may not achieve the change in the product mix as stated in its formal budgets and plans. As a result, the Colombian CGU may not be able to achieve breakeven result during 2018 and a business recovery from 2019 onwards.
- The recovery of the Bank’s pre-merger market share in Colombia expected to occur by 2023, depends on the achievement of the projection of an annual composed average growth rate for the loans portfolio, during the first years.

Management has performed a sensitivity analysis of the discount rates and growth in perpetuity of the CGU Colombia, separately, which would cause recoverable amount (“RA”) of the CGU Colombia to equal its CV:

		31/12/2017	31/12/2016	31/12/2015
Discount rates	(%)	11.6	13.1	—
Perpetuity growth rate	(%)	6.4	4.3	—

In addition, management performed a sensitivity analysis for the discount and growth rates of 60 basis points for the perpetuity of the Colombian CGU, separately considering in both cases, as follows:

[Table of Contents](#)

		31/12/2017	31/12/2016	31/12/2015
<b>Discount rates</b>	<b>(%)</b>	<b>11.5</b>	<b>12.4</b>	—
Range	(%)	10.9 - 12.1	11.8 - 13.0	—
Range (RA/CV)	(%)	91.8 - 115.0	99.8 - 121.2	—
<b>Perpetuity growth rate</b>	<b>(%)</b>	<b>6.5</b>	<b>5.6</b>	—
Range	(%)	5.9 - 7.1	5.0 - 6.2	—
Range (RA/CV)	(%)	91.5 - 115.4	103.8 - 116.3	—

Management has considered and analyzed any possible reasonable changes for key assumptions and has not identified other situations in which the CV would exceed the RA.

#### 6. Reconciliation of before and after taxes

The Bank has used the Ke as the rate of discount in its calculation of recoverable amount, which is observable after taxes. The following table shows the effect of considering the cash flows and the discount rate before taxes.

		31/12/2017		31/12/2016		31/12/2015	
		Chile	Colombia	Chile	Colombia	Chile	Colombia
<b>Discount rates</b>	<b>(%)</b>	<b>12.78</b>	<b>17.93</b>	<b>17.77</b>	<b>20.85</b>	—	—
Recoverable amount/Carrying value	(%)	150.5	118.06	133.42	116.43	—	—

[Table of Contents](#)**NOTE 31 OTHER OPERATING INCOME AND EXPENSES**

## a) Other operating income

The detail of other operating income is as follows:

	Notes	2017 MCh\$	2016 MCh\$	2015 MCh\$
<b>Revenues for assets received in lieu of payment</b>				
Gain on sales of assets received in lieu of payment		5,566	1,176	116
Others		2,578	75	169
<b>Subtotal</b>		<b>8,144</b>	<b>1,251</b>	<b>285</b>
<b>Contingency provisions used</b>				
Other contingency provisions	19b)	—	—	5
<b>Subtotal</b>		<b>—</b>	<b>—</b>	<b>5</b>
<b>Other revenues</b>				
Gain on sales of property, plant and equipment		14,119	37	—
<b>Subtotal</b>		<b>14,119</b>	<b>37</b>	<b>—</b>
Leasing contributions revenue		522	514	—
Income tax Leasing assets		—	144	—
Other operating income - Subsidiaries		3,092	2,572	—
Gain on sales of leased assets		19	349	274
Other operating income - Leasing		173	598	3,499
Insurance reimbursement		21	742	—
Minor Revenue		7,244	7,151	4,095
Provision Reimbursement		2,352	4,997	—
Other income		5,846	1,092	603
<b>Subtotal</b>		<b>19,269</b>	<b>18,159</b>	<b>8,471</b>
<b>Total</b>		<b>41,532</b>	<b>19,447</b>	<b>8,761</b>

## b) Other operating expenses

Other operating expenses are the following:

	Notes	2017 MCh\$	2016 MCh\$	2015 MCh\$
<b>Provisions and expenses for assets received in lieu of payment</b>				
Provisions for assets received in lieu of payment		(14,472)	(9,463)	(409)
Expenses for maintenance of goods received in payment		(714)	(596)	(72)
<b>Subtotal</b>		<b>(15,186)</b>	<b>(10,059)</b>	<b>(481)</b>
<b>Provisions for contingencies</b>				
Other provisions for contingencies	19b)	(586)	(8,952)	(81)
<b>Subtotal</b>		<b>(586)</b>	<b>(8,952)</b>	<b>(81)</b>
<b>Other expenses.</b>				
Loss on sale of fixed assets		(1,099)	(71)	(615)
<b>Subtotal</b>		<b>(1,099)</b>	<b>(71)</b>	<b>(615)</b>
Business Report Expense		—	(176)	—
Spend benefits points cards		(13,238)	(26,303)	(7,330)
Expenses for operating losses		(8,098)	(2,661)	(1,970)
Insurance expense law 20,027		(1,205)	(1,420)	(1,418)
Provisions for assets received in lieu of payment from leasing		(4,835)	(11,327)	—
Bank expenditure		(3,482)	(2,184)	—
Pronexo Spending		—	(439)	—
Fines and penalties		(2,025)	(880)	—
Lost property		(2,026)	(962)	—
Other expenses		(10,550)	(6,281)	(3,238)
<b>Subtotal</b>		<b>(45,459)</b>	<b>(52,633)</b>	<b>(13,956)</b>
<b>Total</b>		<b>(62,330)</b>	<b>(71,715)</b>	<b>(15,133)</b>

[Table of Contents](#)**NOTE 32 RELATED PARTY TRANSACTIONS**

As defined in IAS 24, a related party is: (a) a person or a close member of that person's family related to a reporting entity if that person (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a) or; (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transactions that the Bank entered into with related parties as of December 31, 2017, 2016 and 2015 are specified below:

## a) Loans granted to related parties

Loan granted to related parties as of December 31, 2017 and 2016 are as follows:

	<b>Operating Companies</b>	<b>Investment Companies</b>	<b>Individuals</b>
<b>As of December 31, 2017</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
<b>Loan and receivables to customer</b>			
Commercial Loans	113,202	79,715	3,730
Mortgages Loans	—	—	19,273
Consumer Loans	—	—	5,081
<b>Loans and receivables to customers - gross</b>	<b>113,202</b>	<b>79,715</b>	<b>28,084</b>
Provision for loan losses	(1,323)	(5,688)	(98)
<b>Loans and receivables to customers, net</b>	<b>111,879</b>	<b>74,027</b>	<b>27,986</b>
<b>As of December 31, 2016</b>	<b>Operating Companies</b>	<b>Investment Companies</b>	<b>Individuals</b>
<b>Loan and receivables to customer</b>	<b>MCh\$</b>	<b>MCh\$</b>	<b>MCh\$</b>
Commercial Loans	117,362	93,170	3,070
Mortgages Loans	—	—	19,568
Consumer Loans	—	—	3,493
<b>Loans and receivables to customers - gross</b>	<b>117,362</b>	<b>93,170</b>	<b>26,131</b>
Provision for loan losses	(2,398)	(396)	(197)
<b>Loans and receivables to customers, net</b>	<b>114,964</b>	<b>92,774</b>	<b>25,934</b>

[Table of Contents](#)

## b) Other transactions with related parties.

For the years ended December 31, 2017, 2016 and 2015, the Bank entered into the following transactions with related parties for amounts exceeding UF 1,000.

As of December 31, 2017:

Company	Description	Notes	Balance Assets (Liability) MCh\$	Effect on statement of Income	
				Income MCh\$	(Expense) MCh\$
Redbanc S.A.	Automatic teller machine administration		—	—	3,355
Transbank S.A.	Credit Card processing		—	—	14,586
Combanc S.A.	Data transmission services		—	—	378
Itaú Chile Cía. de Seguros de Vida S.A.	Life insurance		—	7,819	948
Asesorias Cumelen S.A.	Advisory services		—	—	—
Corp Research S.A.	Management advisory services		—	—	453
Recuperadora de Créditos S.A.	Credit collection		—	—	—
Itaú Chile Inv. Serv. y Administración S.A.	Leases		—	—	650
Compañía de Seguros Confuturo S. A. (*)	Insurance		—	—	—
Instituto de Estudios Bancarios Guillermo Subercaseaux	Education services		—	—	143
Opina S.A.	Publishing services		—	—	—
VIP Asesorias y Servicios Integrales Ltda.	Advisory services		—	—	415
Everis Chile S.A.	Advisory services		—	—	607
CAI Gestion Inmobiliaria S.A.	Commercial home (Department stores)		—	—	115
Compañía de Seguros Corp Seguros S.A (*)	Insurance		—	—	—
Universidad Andres Bello	Education services		—	—	—
Promoservice S.A.	Promotion services		—	—	267
Comder Contraparte Central S.A	Banking services		—	—	1,067
Sinacofi S.A (*)	Data transmission services		—	—	—
Operadora de Tarjeta de Crédito Nexus S.A.	Credit Card processing		—	—	3,836
Pulso Editorial S.A.	Publishing services		—	—	509
Inmobiliaria Edificio Corpgroup S.A.	Corporate office rent and building cost		—	—	4,725
Grupo de Radios Dial S.A.	Publicity		—	—	—
Hotel Corporation of Chile S.A.	Accommodation, events		—	—	265
Corp Imagen y diseños S.A.	Other services		—	—	196
Asesorias e Inversiones Rapelco Limitada S.A.	Other services		—	—	—
Corp Group Holding Inversiones Limitada	Advisory services		—	—	398
SMU S.A., Rendic Hnos. S.A.	Prepaid rent for space for ATMs	15	7,960	—	2,221
Inversiones Corp Group Interhold Ltda.	Management advisory services		—	—	3,097
Bcycle Latam SPA	Other services		—	—	552

(\*)These companies at the end of December 2017 are no considered related parties.

[Table of Contents](#)

As of December 31, 2016

Company	Description	Notes	Effect on statement of Income		
			Balance Assets (Liability) MCh\$	Income MCh\$	(Expense) MCh\$
Redbanc S.A.	Automatic teller machine administration		—	—	3,754
Transbank S.A.	Credit Card processing		—	—	10,882
Combanc S.A.	Data transmission services		—	—	291
Itaú Chile Cía. de Seguros de Vida S.A.	Life insurance		—	5,653	2,782
Asesorias Cumelen S.A.	Advisory services		—	—	450
Corp Research S.A.	Management advisory services		—	—	443
Recuperadora de Créditos S.A.	Credit collection		—	—	540
Itaú Chile Inv. Serv. y Administración S.A.	Leases		—	—	422
Compañía de Seguros Confuturo S. A.	Insurance		—	—	1,418
Instituto de Estudios Bancarios Guillermo Subercaseaux	Education services		—	—	69
Opina S.A.	Publishing services		—	—	110
VIP Asesorias y Servicios Integrales Ltda.	Advisory services		—	—	185
Itaú Unibanco S.A.	Advisory services		—	—	—
CAI Gestion Inmobiliaria S.A.	Commercial home (Department stores)		—	—	90
Compañía de Seguros Corp Seguros S.A	Insurance		—	—	3,263
Universidad Andres Bello	Education services		—	—	32
Promoservice S.A.	Promotion services		—	—	1,431
Comder Contraparte Central S.A	Banking services		—	—	697
Sinacofi S.A	Data transmission services		—	—	918
Operadora de Tarjeta de Crédito Nexus S.A.	Credit Card processing		—	—	1,896
Pulso Editorial S.A	Publishing services		—	—	521
Inmobiliaria Edificio Corpgroup S.A.	Corporate office rent and building cost		—	—	5,010
Grupo de Radios Dial S.A.	Publicity		—	—	107
Hotel Corporation of Chile S.A.	Accomodation, events		—	—	64
Corp Imagen y diseños S.A.	Other services		—	—	82
Asesorias e Inversiones Rapelco Limitada S.A.	Other services		—	—	37
Corp Group Holding Inversiones Limitada	Advisory services		—	—	394
SMU S.A., Rendic Hnos. S.A.	Prepaid rent for space for ATMs	15	10,181	—	2,152
Inversiones Corp Group Interhold Ltda.	Management advisory services		—	—	2,172

The Bank, during 2016, purchased credit from Itaú Unibanco S.A. - Nassau Branch, for US\$152,263,397 and Itaú Unibanco S.A. - New York Branch for US\$25,875,000, through its New York Branch. This purchase was made at the par value of the loan portfolio and did not generate any impact on the financial statements.

As of December 31, 2015

Company	Description	Notes	Effect on statement of Income		
			Balance Assets (Liability) MCh\$	Income MCh\$	(Expense) MCh\$
Redbanc S.A.	Automatic teller machine administration		—	—	888
Transbank S.A.	Credit Card processing		—	—	5,572
Combanc S.A.	Data transmission services		—	—	164
Itaú Chile Cía. de Seguros	Insurance		—	—	2,168
Itaú Chile Cía. de Seguros	Credit collection		—	—	53
Itaú Chile Cía. de Seguros	Leases		—	—	15
Recuperadora de Créditos S.A.	Credit collection		—	—	1,030
Itaú Chile Inv. Serv. y Administración S.A.	Leases		—	—	587
Itaú Unibanco S.A.	Advisory services		—	—	6,610

These transactions were carried out at normal market prices prevailing on the days of the transactions.

In accordance with IAS 24, the relationship of all listed companies in the above table falls under the category “other related parties.”

[Table of Contents](#)

c) Donations

As of December 31, 2017:

Company	Description	Balance Assets (Liability) MCh\$	Effect on Statement of Income	
			Income	(Expense)
			MCh\$	MCh\$
Fundación Corpgroup Centro Cultural	Donations	—	—	1,302
Fundación Descúbreme	Donations	—	—	200
Fundación Itaú	Donations	—	—	167
Fundación de Inclusión Social Aprendamos	Donations	—	—	5

As of December 31, 2016:

Company	Description	Balance Assets (Liability) MCh\$	Effect on Statement of Income	
			Income	(Expense)
			MCh\$	MCh\$
Fundación Corpgroup Centro Cultural	Donations	—	—	1,373
Fundación Descúbreme	Donations	—	—	173
Fundación Itaú	Donations	—	—	152
Fundación de Inclusión Social Aprendamos	Donations	—	—	5

As of December 31, 2015:

Company	Description	Balance Assets (Liability) MCh\$	Effect on Statement of Income	
			Income	(Expense)
			MCh\$	MCh\$
Fundación Itaú	Donations	—	—	336

d) Other assets and liabilities with related parties

	As of December 31,		
	2017	2016	2015
	MCh\$	MCh\$	MCh\$
<b>ASSETS</b>	<b>23,962</b>	<b>44,790</b>	<b>2,251</b>
Derivative financial instruments	21,687	33,951	1,807
Other assets	2,275	10,839	444
<b>LIABILITIES</b>	<b>185,056</b>	<b>249,741</b>	<b>33,866</b>
Derivative financial instruments	1,935	14,227	6,270
Demand deposits	37,464	69,473	3,757
Deposits and other time deposits	131,409	155,251	23,645
Other liabilities	14,248	10,790	194

[Table of Contents](#)

## e) Operating income / expenses from related party transactions

Type of recognized income or expense	2017		2016		2015	
	Income	Expenses	Income	Expenses	Income	Expenses
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Interest revenue	10,146	4,902	11,370	5,913	167	1,817
Income and expenses on fees and services	5,227	—	5,483	—	1,632	—
Gain and loss on trading	2,333	1,534	3,399	7,810	1,887	6,303
Operating support expense	537	99	324	438	—	40
Other income and expense	216	390	70	303	225	382
<b>Total</b>	<b>18,459</b>	<b>6,925</b>	<b>20,646</b>	<b>14,464</b>	<b>3,911</b>	<b>8,542</b>

## f) Contracts with related parties

As of December 31, 2017:

Company	Description
Redbanc S.A.	Automatic teller machine administration
CAI Gestión Inmobiliaria S.A.	Commercial home (Department stores)
Unired S.A.	Payment management
Corp Imagen y Diseño S.A	Other services
Corp Research S.A	Advisory
Copesa S.A.	Advertising
Transbank S.A.	Credit card processing
Inversiones Santa Valentina S.A.	Administrative consulting
Combanc S.A.	Data transmission services
Servicios de Información Avanzada Comercial Financiera S.A	Advisory
Comder Contraparte Central S.A.	Advisory
Promoservice S.A.	Promotion services
Inversiones Corp Group Interhold S.A.	Administrative consulting
Nexus S.A.	Credit card processing
Rendic Hnos S.A.	Publishing services
Corp Group Holding Inversiones Limitada	Advisory
Inmobiliaria Edificio Corpgroup S.A.	Corporate office rent and building cost
Empresa Periodística La Tercera S.A.	Publishing services

As of December 31, 2016:

Company	Description
Redbanc S.A.	Automatic teller machine administration
Pulso Editorial S.A	Publishing services
SMU S.A., Rendic Hnos S.A.	Prepaid rent for space for ATMs
CAI Gestión Inmobiliaria S.A.	Commercial home (Department stores)
Unired S.A.	Payment management
Corp Imagen y Diseño S.A	Other services
Corp Research S.A	Advisory
Compañía de Seguros Vida Corp S.A.	Brokerage of insurance premiums and office lease
Instituto profesional AIEP S.A	Advertising services
Distribución y Servicios META S.A.	Other services
Transbank S.A.	Credit card processing
Inversiones Santa Valentina S.A.	Administrative consulting
Opina S.A.	Advisory
Compañía de Seguros CorpSeguros S.A.	Office rent
Itaú Chile Inversiones, Servicios y Administración S.A.	Office rent
Combanc S.A.	Data transmission services
Servicios de Información Avanzada Comercial Financiera S.A	Advisory
Sinacofi S.A.	Data transmission services
Comder Contraparte Central S.A.	Advisory
Promoservice S.A.	Promotion services
Inversiones Corp Group Interhold S.A.	Administrative consulting
Operadora de Tarjeta de Crédito Nexus S.A.	Credit card processing
Laborum.com Chile S.A.	Publishing services
Corp Group Holding Inversiones Limitada	Advisory
Inmobiliaria Edificio Corpgroup S.A.	Corporate office rent and building cost
Empresa Periodística La Tercera S.A.	Publishing services

[Table of Contents](#)

As of December 31, 2015:

Company	Description
Itaú Chile Inversiones Servicios y Administración S.A.	Corporate office rent

g) Remunerations to members of the board and key management personnel

Remunerations paid to key management personnel are set forth in the table below:

	As of December 31		
	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Short term benefits	27,759	35,762	18,523
Post-employment benefits	—	—	—
Other long-term benefits	—	—	72
Severance indemnities	3,471	14,893	—
<b>Total</b>	<b>31,230</b>	<b>50,655</b>	<b>18,595</b>

## 2017

The total remuneration received during the year 2017 by the managers and chief executives of Itaú Corpbanca amounted to MCh\$21,505.

## 2016

The total remuneration received during the year 2016 by the managers and chief executives of Itaú Corpbanca amounted to MCh\$23,878.

## 2015

The total remuneration received during the year 2016 by the managers and chief executives of Itaú Corpbanca amounted to MCh\$18,523.

h) Key management personnel

As of December 31, 2017, 2016 and 2015, the composition of the Bank's key management personnel was as follows:

Position	Number of executives		
	As of December 31,		
	2017	2016	2015
Directors	11	11	—
Chief Executive Officers-at the Subsidiaries	7	10	1
Corporate Manager	11	9	8
Area manager	94	102	3
Deputy Managers	155	149	—
Vicepresident	2	2	—

i) Transactions with key management personnel

During 2017, 2016 and 2015 transactions with key personnel were carried out as follows:

	Income		
	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Credit Cards	390	307	392
Consumer loans	793	868	717
Commercial loans	815	700	646
Mortgages loans	3,541	3,554	4,337

[Table of Contents](#)**NOTE 33 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

This disclosure was prepared based on the guidelines “Fair Value of Financial Instruments” from IFRS 13 “Fair Value Measurements.”

The following section details the main guidelines and definitions used by the Group:

**Fair value:** The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The transaction is carried out in the principal<sup>(27)</sup> or most advantageous<sup>(28)</sup> market and is not forced (i.e., it does not consider factors specific to the Group that may influence a real transaction).

**Market participants:** Buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- a. They are independent of each other, i.e. they are not related parties as defined in IAS 24, “Related Party Disclosures,” although the price in a related party transaction may be used as an input to a fair value measurement if the entity has evidence that the transaction was entered into at market terms.
- b. They are knowledgeable, having a reasonable understanding about the asset or liability and the transaction using all available information, including information that might be obtained through due diligence efforts that are usual and customary.
- c. They are able to enter into a transaction for the asset or liability.
- d. They are willing to enter into a transaction for the asset or liability (i.e., they are motivated, but not forced or otherwise compelled, to do so).

**Fair value measurement:** When measuring fair value, the Group takes into account the same characteristics of the asset or liability that market participants would consider in pricing that asset or liability on the measurement date.

**Aspects of the transaction:** A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. The measurement assumes that the transaction to sell the asset or transfer the liability takes place: (a) on the principal market for the asset or liability; or (b) in the absence of a principal market, on the most advantageous market for the asset or liability.

**Market participants:** The fair value measurement measures the fair value of the asset or liability using the assumptions that the market participants would use in pricing the asset or liability, assuming that the participants act in their best economic interest.

**Prices:** Fair value is the price that will be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction on the main (or most advantageous) market as of the measurement date under current market conditions (i.e., exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

**Highest and best use of non-financial assets:** The fair value measurement of these assets takes into account the market participant’s ability to generate economic benefits through the highest and best use of the asset or through the sale of the asset to another market participant that would maximize the value of the asset.

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(27) The market with the greatest volume and level of activity for the asset or liability.

(28) The market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs and transport costs.

[Table of Contents](#)

**Group's own liabilities and equity instruments:** The fair value measurement assumes that these items are transferred to a market participant on the date of measurement. The transfer of these items assumes that:

- a. A liability would remain outstanding and the market participant transferee would be required to fulfill the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date.
- b. An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

**Default risk:** The fair value of a liability reflects the effect of the default risk. This risk includes, but is not limited to, the entity's own credit risk. This risk is assumed to be the same before and after the liability is transferred.

**Initial recognition:** When an asset is acquired or a liability assumed in an exchange transaction involving that asset or liability, the transaction price is the price paid to acquire the asset or received to assume the liability (the entry price). In contrast, the fair value of the asset or liability is the price received to sell the asset or paid to transfer the liability (the exit price). Entities do not necessarily sell assets at the prices paid to acquire them. Likewise, they do not necessarily transfer liabilities at the price received to assume them.

**Valuation techniques:** The Bank will use techniques that are appropriate for the circumstances and for which sufficient data is available to measure the fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. The following approaches deserve mention:

- a. **Market approach.** Uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g., a business).
- b. **Income approach.** Converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts. The fair value measurement is determined based on the value indicated by the current market expectations about those future amounts.
- c. **Cost approach.** Reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).

**Present value techniques:** Technique to adjust the discount rate and expected cash flows (expected present value). The present value technique used to measure the fair value will depend on the specific facts and circumstances of the asset or liability being measured and the availability of sufficient data.

**Components of the present value measurement:** Present value is the tool used to link future amounts (e.g., cash flows or values) to a present amount using a discount rate. A fair value measurement of an asset or a liability using a present value technique captures all the following elements from the perspective of market participants at the measurement date:

- a. An estimate of future cash flows for the asset or liability being measured.
- b. Expectations about possible variations in the amount and timing of the cash flows representing the uncertainty inherent in the cash flows.
- c. The time value of money, represented by the rate on risk-free monetary assets that have maturity dates or durations that coincide with the period covered by the cash flows and pose neither uncertainty in timing nor risk of default to the holder (i.e. a risk-free interest rate).
- d. The price for bearing the uncertainty inherent in the cash flows (i.e., a risk premium).

[Table of Contents](#)

- e. Other factors that market participants would take into account in the circumstances.
- f. For a liability, the non-performance risk relating to that liability, including the entity's (i.e., the debtor's) own credit risk.

**Fair value hierarchy:** Gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 inputs) and lowest priority to unobservable inputs (Level 3 inputs). Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

### 1.1 Determination of the fair value of financial instruments

The following table summarizes the fair values of the Bank's main financial assets and liabilities as of December 31, 2017, 2016 and 2015, including those that are not recorded at fair value in the Consolidated Statement of Financial Position.

	Note	As of December 31,					
		2017		2016		2015	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>ASSETS</b>							
Cash and deposits in banks	5	964,030	964,030	1,487,137	1,487,137	477,809	477,809
Cash in the process of collection	5	157,017	157,017	145,769	145,769	62,095	62,095
Trading portfolio financial assets	6	415,061	415,061	632,557	632,557	17,765	17,765
Investments under agreements to resell	7	28,524	28,524	170,242	170,242	10,293	10,291
Derivative financial instruments	8	1,248,775	1,248,775	1,102,769	1,102,769	227,984	227,984
Loans and receivables from banks	9	70,077	70,077	150,568	150,568	99,398	99,493
Loans and receivables from customers	10	19,764,078	19,893,448	20,444,648	20,480,706	6,705,492	7,228,761
Financial investments available-for-sale	11	2,663,478	2,663,478	2,074,077	2,074,077	514,985	514,985
Held to maturity investments	11	202,030	201,283	226,433	200,615	—	—
<b>LIABILITIES</b>							
Current accounts and demand deposits	16	4,141,667	4,141,667	4,453,191	4,453,191	981,349	981,998
Transaction in the course of payment	5	109,496	109,496	67,413	67,413	26,377	26,377
Obligations under repurchase agreements	7	420,920	420,920	373,879	373,879	43,727	46,933
Time deposits and saving accounts	16	10,065,243	10,099,251	11,581,710	11,603,528	3,952,573	4,069,435
Derivative financial instruments	8	1,095,154	1,095,154	907,334	907,334	253,183	253,183
Borrowings from financial institutions	17	2,196,130	2,216,507	2,179,870	2,190,715	658,600	660,721
Debt issued	18	5,950,038	6,185,043	5,460,253	5,419,646	1,504,335	1,723,689
Other financial obligations	18	17,066	17,066	25,563	25,563	20,733	21,457

In addition, the fair value estimates presented above do not attempt to estimate the value of the Group's profits generated by its business, nor future business activities, and, therefore, do not represent the value of the Group as a going concern.

[Table of Contents](#)

The following section describes the methods used to estimate fair value:

**1.1.1. Fair Value Measurements of assets and liabilities only for disclosure purposes (non-recurring):**

	Notes	Non-Recurring Fair Value Measurement of Items		
		As of December 31,		
		2017	2016	2015
		MCh\$	MCh\$	MCh\$
<b>ASSETS</b>				
Cash and deposits in banks	5	964,030	1,487,137	477,809
Cash in the process of collection	5	157,017	145,769	62,095
Investments under agreements to resell	7	28,524	170,242	10,291
Loans and receivables from banks	9	70,077	150,568	99,493
Loans and receivables from customers		19,893,448	20,480,706	7,228,761
Held to maturity investments		201,283	200,615	—
		<u>21,314,379</u>	<u>22,635,037</u>	<u>7,878,449</u>
<b>LIABILITIES</b>				
Current accounts and demand deposits	16	4,141,667	4,453,191	981,998
Transaction in the course of payment	5	109,496	67,413	26,377
Obligations under repurchase agreements	7	420,920	373,879	46,933
Time deposits and saving accounts		10,099,251	11,603,528	4,069,435
Borrowings from financial institutions		2,216,507	2,190,715	660,721
Debt issued		6,185,043	5,419,646	1,723,689
Other financial obligations	18	17,066	25,563	21,457
		<u>23,189,950</u>	<u>24,133,935</u>	<u>7,530,610</u>

**Cash, short-term assets and short-term liabilities**

The fair value of these items approximates their book value given their short-term nature. These items include:

- Cash and deposits in banks
- Cash in the process of collection
- Investments under agreements to resell
- Current accounts and demand deposits
- Other financial obligations

**Loans**

The fair value of loans is determined using a discounted cash flow analysis, using a risk-free interest rate adjusted for expected losses from debtors based on their credit quality. The credit risk adjustment is based on the Group's credit risk policies and methodologies. These items include:

- Loans and receivables from banks
- Loans and receivables from customers

**Financial instruments held to maturity**

The estimated fair value of these financial instruments is determined using quotes and transactions observed in the main market for identical instruments, or in their absence, for similar instruments. Fair value estimates of debt instruments or securities representative of debt take into account additional variables and inputs to the extent that they apply, including estimates of prepayment rates and the credit risk of issuers.

[Table of Contents](#)**Medium and long-term liabilities**

The fair value of medium and long-term liabilities is determined using a discounted cash flow analysis, using an interest rate curve that reflects current market conditions at which the entity's debt instruments are traded. Medium and long-term liabilities include:

- Time deposits and saving accounts
- Borrowings from financial institutions
- Debt issued

**1.1.2. Fair Value measurement of financial assets and liabilities (recurring):**

	Note	Fair value measurement of recurring items		
		As of December 31,		
		2017	2016	2015
		MCh\$	MCh\$	MCh\$
<b>ASSETS</b>				
<b>Trading portfolio financial assets</b>	<b>6</b>	<b>415,061</b>	<b>632,557</b>	<b>17,765</b>
From the Chilean Government and Central Bank		7,126	26,204	6,411
Other instruments issued in Chile		5	13,394	—
Foreign government and Central Bank instruments		381,262	547,499	—
Other instruments issued abroad		8,147	11,727	—
Mutual fund investments		18,521	33,733	11,354
<b>Financial investments available for sale</b>	<b>11</b>	<b>2,663,478</b>	<b>2,074,077</b>	<b>514,985</b>
From the Chilean Government and Central Bank		1,783,877	1,173,973	250,869
Other instruments issued in Chile		147,762	432,811	261,641
Foreign government and Central Bank instruments		420,687	284,444	—
Other instruments issued abroad		300,740	162,882	—
Other investments		10,412	19,967	2,475
<b>Derivative financial instruments</b>	<b>8</b>	<b>1,248,775</b>	<b>1,102,769</b>	<b>227,984</b>
Forwards		316,901	177,590	35,874
Swaps		930,744	923,871	192,110
Call Options		421	977	—
Put Options		709	331	—
Others		—	—	—
<b>Total</b>		<b>4,327,314</b>	<b>3,809,403</b>	<b>760,734</b>
<b>LIABILITIES</b>				
<b>Derivative financial instruments</b>	<b>8</b>	<b>1,095,154</b>	<b>907,334</b>	<b>253,183</b>
Forwards		333,482	147,783	54,016
Swaps		759,216	757,499	199,167
Call Options		86	941	—
Put Options		2,370	1,111	—
Others		—	—	—
<b>Total</b>		<b>1,095,154</b>	<b>907,334</b>	<b>253,183</b>

**Financial Instruments**

The estimated fair value of these financial instruments is determined using quotes and transactions observed in the main market for identical instruments, or in their absence, for similar instruments. Fair value estimates of debt instruments or securities representative of debt take into account additional variables and inputs to the extent that they apply, including estimates of prepayment rates and the credit risk of issuers. These financial instruments are classified as follows:

- Trading portfolio financial assets
- Financial investments available for sale

[Table of Contents](#)**Financial Derivative Instruments**

The estimated fair value of derivative instruments is calculated using prices quoted on the market for financial instruments of similar characteristics. The methodology, therefore, recognizes the credit risk of each counterparty. The adjustments are known internationally as the counterparty value adjustment (“CVA”), which consists of an adjustment for debtor risk (credit value adjustment or CVA) and for creditor risk (debit value adjustment or “DVA”). The sum of these adjustments gives the effective counterparty risk that the derivative contract must have. These adjustments are recorded periodically in the financial statements. As of December 2017, 2016 and 2015, the portfolio of derivative contracts in both Chile and Colombia had an aggregate effect of (MCh\$52,029), MCh\$(50,750) and MCh\$(97) respectively detailed as follows:

	As of December 31,					
	2017		2016		2015	
	CVA MCh\$	DVA MCh\$	CVA MCh\$	DVA MCh\$	CVA MCh\$	DVA MCh\$
<b>Derivatives held for hedging</b>	<b>(2)</b>	<b>815</b>	<b>(36)</b>	<b>244</b>	<b>—</b>	<b>—</b>
<b>Fair value</b>	<b>(11)</b>	<b>783</b>	<b>(12)</b>	<b>274</b>	<b>—</b>	<b>—</b>
Currency Forwards	—	—	—	—	—	—
Currency Swaps	(5)	222	9	37	—	—
Interest Rate Swaps	(6)	561	(21)	237	—	—
<b>Cash flow</b>	<b>1</b>	<b>54</b>	<b>(18)</b>	<b>(6)</b>	<b>—</b>	<b>—</b>
Currency Forwards	(1)	(13)	(17)	—	—	—
Currency Swaps	—	27	(1)	5	—	—
Interest Rate Swaps	2	40	—	(11)	—	—
<b>Foreign investment</b>	<b>8</b>	<b>(22)</b>	<b>(6)</b>	<b>(24)</b>	<b>—</b>	<b>—</b>
Currency Forwards	8	(22)	(6)	(24)	—	—
Currency Swaps	—	—	—	—	—	—
Interest Rate Swaps	—	—	—	—	—	—
<b>Derivatives held for trading</b>	<b>(53,396)</b>	<b>554</b>	<b>(51,961)</b>	<b>1,003</b>	<b>(97)</b>	<b>—</b>
Currency Forwards	(258)	(724)	(1,161)	(72)	(477)	—
Currency Swaps	(42,829)	367	(28,951)	526	537	—
Interest Rate Swaps	(10,244)	911	(21,860)	549	(157)	—
Currency Call Options	—	—	(10)	—	—	—
Currency Put Options	(65)	—	21	—	—	—
<b>Total financial derivatives</b>	<b>(53,398)</b>	<b>1,369</b>	<b>(51,997)</b>	<b>1,247</b>	<b>(97)</b>	<b>—</b>

**1.2 Fair value hierarchy<sup>(29)</sup>**

IFRS 13 establishes a fair value hierarchy that classifies assets and liabilities based on the characteristics of the data that the technique requires for its valuation:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. The inputs needed to value the instruments in this category are available daily and used directly.

In the case of currency, shares and mutual funds, prices are observed directly in over-the-counter (“OTC”) markets and the stock exchange. These prices correspond to the values at which the exact same assets are traded. As a result, the portfolio valuation does not require assumptions or models of any type.

For instruments issued by the Chilean Central Bank and the Chilean Treasury, a price provider is used, which corresponds to a public quotation. The comparative prices are defined under the criterion of similarity in duration, type of currency and they are traded equivalently on a daily basis. The valuation of these instruments is identical to the Stock Exchange Comercio de Santiago, which is a standard and international methodology. This methodology uses the rate of internal return to discount the flows of the instrument.

(29) Level 2 and level 1 hierarchy instruments are not subject to adjustments of liquidity and credit spread because prices for such instruments are observed on active markets.

[Table of Contents](#)

- Level 2: the specific instrument does not have daily quotes. However, similar instruments can be observed (e.g., same issuer, different maturity; or different issuer, same maturity and risk rating). In general, they are diverse combinations of pseudo-arbitration. Although the inputs are not directly observable, observable inputs are available with the needed periodicity.

In this category, instruments are valued by discounting contractual cash flows based on a zero-coupon curve determined through the price of instruments with similar characteristics and a similar issuer risk. The income approach is used, which converts future amounts to present amounts.

For derivative instruments within this category, quotes from over-the-counter (“OTC”) transactions reported by the most important brokers in the Chilean market and the Bloomberg platform are used. The inputs observed include forward prices, interest rates and volatilities. Based on these inputs, market curves are modeled. They are a numerical representation of the opportunity costs of the instrument’s cash flows or the price volatility of an asset. Finally, cash flows are discounted.

The Black and Scholes model is used for options based on prices of brokers in the OTC market.

For money market instruments, prices of transactions on the Santiago Stock Exchange are observed and used to model market curves.

For corporate or bank bonds, given the lack of market depth, the Bank uses transactions (if any) in the Chilean market, on foreign markets, zero-coupon curves of risk-free instruments, adjustment curves, spread modeling, correlation with similar financial instruments, etc. and creates market curves for use in the final result. These market curves are provided by a pricing supplier and are widely accepted by the market, regulators and scholars.

- Level 3: inputs are unobservable inputs for the asset or liability.

This is used when prices, data or necessary inputs are not directly or indirectly observable for similar instruments for the asset or liability as of the valuation date. These fair value valuation models are subjective in nature. Therefore, they base their estimate of prices on a series of assumptions that are widely accepted by the market. The Group has two products in this category.

Due to the lack of liquidity of the active banking rate (“TAB”), the price is not observable and, therefore, models must be used to estimate the future cash flows of the contract. This spread is calculated on a historical basis using the Interest Rate Swap with the greatest market depth.

In addition, the Bank develops American forwards to meet its customers’ needs. They do not have a secondary market and, therefore, their value is estimated using an extension of the Hull-White model, used widely by the financial services industry.

None of these products generate significant impacts on the Bank’s results as a result of recalibration. The TAB swap does not have significant impacts on the valuation as the parameters are stable and the reversal to a historic average is empirically quick, which this model reflects correctly. On the other hand, the American forward behaves like a traditional forward when there is an important curve differential, which is the case between the Chilean peso-US dollar curve. Also, the model’s parameters are very stable.

The table below summarizes the impacts on the portfolio of a recalibration of the models based on a stress scenario, recalibrating parameters with the shock incorporated.

[Table of Contents](#)

As of December 31, 2017:

Impact of Calibration in MCh\$	As of December 31, 2017					
	Total	Volatility of American Forwards	TAB 30	TAB 90	TAB 180	TAB 360
American Forward USD-CLP	—	—	—	—	—	—
Basis TAB CLP	292	—	157	46	84	5
Basis TAB CLF	38	—	—	—	30	8
<b>Total</b>	<b>330</b>	<b>—</b>	<b>157</b>	<b>46</b>	<b>114</b>	<b>13</b>

As of December 31, 2016:

Impact of Calibration in MCh\$	As of December 31, 2016					
	Total	Volatility of American Forwards	TAB 30	TAB 90	TAB 180	TAB 360
American Forward USD-CLP	—	—	—	—	—	—
Basis TAB CLP	399	—	221	70	99	9
Basis TAB CLF	61	—	—	—	43	18
<b>Total</b>	<b>460</b>	<b>—</b>	<b>221</b>	<b>70</b>	<b>142</b>	<b>27</b>

As of December 31, 2015:

Impact of Calibration in MCh\$	As of December 31, 2015					
	Total	Volatility of American Forwards	TAB 30	TAB 90	TAB 180	TAB 360
Basis TAB CLP	48	—	—	—	46	2
Basis TAB CLF	5	—	—	—	5	—
<b>Total</b>	<b>53</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>51</b>	<b>2</b>

The following table summarizes the fair value hierarchy for the Group's recurring valuation of financial instruments:

Level	Instrument	Issuer	Price Source	Model
1	Foreign Exchange	Not Applicable	OTC, Bloomberg	Directly observable price.
	Shares	Various	Santiago Stock Exchange	Directly observable price.
	Mutual Funds	Asset Managers	SVS	Directly observable price.
	Bonds	Chilean Central Bank and Chilean Treasury	Santiago Stock Exchange	Internal rate of return ("IRR") based on prices.
2	Derivatives	Not Applicable	OTC (brokers), Bloomberg	Interest rate curves based on forward prices and coupon rates.
	Money market instruments	Chilean Central Bank and Chilean Treasury	Santiago Stock Exchange	Interest rate curves based on prices.
	Money market instruments	Banks	Santiago Stock Exchange	Interest rate curves based on prices.
	Bonds	Companies,	Pricing supplier	Interest rate curves based on

[Table of Contents](#)

		banks		correlations, spreads, extrapolations, etc.
3	Derivatives, active banking rate (TAB)	Not Applicable	OTC (brokers)	Interest rate curves based on modeling of TAB-Chamber spread.
	Derivatives, American forwards	Not Applicable	Bloomberg	Black and Scholes with inputs from European options.

The following table classifies assets and liabilities measured at fair value on a recurring basis, in accordance with the fair value hierarchy established in IFRS 13 for December 31, 2017, 2016 and 2015.

As of December 31, 2017:

	Note	Recurring Fair Value Measurement of Items Using			
		Fair Value MCh\$	Quoted prices in Active Markets for identical assets (Level 1)	Significant Other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			MCh\$	MCh\$	MCh\$
<b>ASSETS</b>					
<b>Trading portfolio financial assets</b>	<b>6</b>	<b>415,061</b>	<b>409,197</b>	<b>5,864</b>	<b>—</b>
From the Chilean Government and Central Bank		7,126	7,126	—	—
Others instruments issued in Chile	5	—	—	5	—
Foreign government and Central Bank instruments		381,262	378,636	2,626	—
Others instruments issued abroad		8,147	4,914	3,233	—
Mutual fund investments		18,521	18,521	—	—
<b>Financial investments available for sale</b>	<b>11</b>	<b>2,663,478</b>	<b>2,505,304</b>	<b>158,174</b>	<b>—</b>
From the Chilean Government and Central Bank		1,783,877	1,783,877	—	—
Others instruments issued in Chile		147,762	—	147,762	—
Foreign government and Central Bank instruments		420,687	420,687	—	—
Others instruments issued abroad		300,740	300,740	—	—
Others investments		10,412	—	10,412	—
<b>Derivative financial instruments</b>	<b>8</b>	<b>1,248,775</b>	<b>—</b>	<b>1,218,247</b>	<b>30,528</b>
Forwards		316,867	—	316,814	53
Swaps		930,745	—	900,270	30,475
Call Options		419	—	419	—
Put Options		709	—	709	—
Others		35	—	35	—
<b>Total</b>		<b>4,327,314</b>	<b>2,914,501</b>	<b>1,382,285</b>	<b>30,528</b>
<b>LIABILITIES</b>					
<b>Derivative financial instruments</b>	<b>8</b>	<b>1,095,154</b>	<b>—</b>	<b>1,094,549</b>	<b>605</b>
Forwards		333,481	—	333,481	—
Swaps		759,216	—	758,611	605
Call Options		87	—	87	—
Put Options		2,370	—	2,370	—
Others		—	—	—	—
<b>Total</b>		<b>1,095,154</b>	<b>—</b>	<b>1,094,549</b>	<b>605</b>

[Table of Contents](#)

As of December 31, 2016:

	Note	Recurring Fair Value Measurement of Items Using			
		Fair Value MCh\$	Quoted prices in Active Markets for identical assets (Level 1) MCh\$	Significant Other observable inputs (Level 2) MCh\$	Significant unobservable inputs (Level 3) MCh\$
<b>ASSETS</b>					
<b>Trading portfolio financial assets</b>	<b>6</b>	<b>632,557</b>	<b>607,436</b>	<b>25,121</b>	<b>—</b>
From the Chilean Government and Central Bank		26,204	26,204	—	—
Others instruments issued in Chile		13,394	—	13,394	—
Foreign government and Central Bank instruments		547,499	547,499	—	—
Others instruments issued abroad		11,727	—	11,727	—
Mutual fund investments		33,733	33,733	—	—
<b>Financial investments available for sale</b>	<b>11</b>	<b>2,074,077</b>	<b>1,484,145</b>	<b>589,932</b>	<b>—</b>
From the Chilean Government and Central Bank		1,173,973	1,173,973	—	—
Others instruments issued in Chile		432,811	—	432,811	—
Foreign government and Central Bank instruments		284,444	150,009	134,435	—
Others instruments issued abroad		162,882	156,045	6,837	—
Others investments		19,967	4,118	15,849	—
<b>Derivative financial instruments</b>	<b>8</b>	<b>1,102,769</b>	<b>—</b>	<b>1,061,645</b>	<b>41,124</b>
Forwards		177,590	—	177,590	—
Swaps		923,871	—	882,747	41,124
Call Options		977	—	977	—
Put Options		331	—	331	—
Others		—	—	—	—
<b>Total</b>		<b>3,809,403</b>	<b>2,091,581</b>	<b>1,676,698</b>	<b>41,124</b>
<b>LIABILITIES</b>					
<b>Derivative financial instruments</b>	<b>8</b>	<b>907,334</b>	<b>—</b>	<b>905,994</b>	<b>1,340</b>
Forwards		147,783	—	147,174	609
Swaps		757,499	—	756,768	731
Call Options		941	—	941	—
Put Options		1,111	—	1,111	—
Others		—	—	—	—
<b>Total</b>		<b>907,334</b>	<b>—</b>	<b>905,994</b>	<b>1,340</b>

As of December 31, 2015:

	Note	Recurring Fair Value Measurement of Items Using			
		Fair Value MCh\$	Quoted prices in Active Markets for identical assets (Level 1) MCh\$	Significant Other observable inputs (Level 2) MCh\$	Significant unobservable inputs (Level 3) MCh\$
<b>ASSETS</b>					
<b>Trading portfolio financial assets</b>	<b>6</b>	<b>17,765</b>	<b>17,765</b>	<b>—</b>	<b>—</b>
From the Chilean Government and Central Bank		6,411	6,411	—	—
Others instruments issued in Chile		—	—	—	—
Foreign government and Central Bank instruments		—	—	—	—
Others instruments issued abroad		—	—	—	—
Mutual fund investments		11,354	11,354	—	—
<b>Financial investments available for sale</b>	<b>11</b>	<b>514,985</b>	<b>514,679</b>	<b>306</b>	<b>—</b>
From the Chilean Government and Central Bank		250,869	250,869	—	—
Others instruments issued in Chile		261,641	261,641	—	—
Foreign government and Central Bank instruments		—	—	—	—
Others instruments issued abroad		—	—	—	—
Others investments		2,475	2,169	306	—
<b>Derivative financial instruments</b>	<b>8</b>	<b>227,984</b>	<b>—</b>	<b>227,230</b>	<b>754</b>
Forwards		35,873	—	35,873	—
Swaps		192,111	—	191,357	754
Call Options		—	—	—	—
Put Options		—	—	—	—
Others		—	—	—	—
<b>Total</b>		<b>760,734</b>	<b>532,444</b>	<b>227,536</b>	<b>754</b>
<b>LIABILITIES</b>					

<b>Derivative financial instruments</b>	<b>8</b>	<b>253,183</b>	—	<b>253,183</b>	—
Forwards		54,016	—	54,016	—
Swaps		199,167	—	199,167	—
Call Options		—	—	—	—
Put Options		—	—	—	—
Others		—	—	—	—
<b>Total</b>		<b>253,183</b>	—	<b>253,183</b>	—

[Table of Contents](#)**1.2.1 Transfers between level 1 and 2**

During 2017 and 2016, no assets were transferred between levels 1 and 2.

**1.2.2 Disclosures regarding level 3 assets and liabilities**

Level 3 assets and liabilities are valued using techniques that require inputs that are not observable on the market, for which the income approach is used to convert future amounts to present amounts.

This category includes:

- Derivative financial instruments indexed to the TAB rate. This rate is comprised of an interbank rate and a liquidity premium charged to financial institutions and is determined using a short-rate model with mean reversion.
- American forward options.

As none of these products has a market, the Bank uses valuation techniques which incorporate unobservable input.

These techniques use the following inputs: transaction prices from the main financial instrument markets and assumptions that are widely accepted by the financial services industry. Using this information, unobservable variables are constructed such as: adjustment curves, spreads, volatilities and other variables necessary for the valuation. Lastly, all of the models are subject to internal contrasts by independent areas and have been reviewed by internal auditors and regulators.

None of these products generate significant impacts on the Bank's results as a result of recalibration. The American forward is only offered for the US dollar-Chilean peso market and until now, given the important differential between these interest rates, the product behaves like a traditional forward. The TAB swap does not have significant impacts on the valuation as the modeled liquidity premiums have a quick mean reversion for the short part and low volatility for the long part, concentrating on the book's sensitivity in the longest part of the curve. The following table reconciles assets and liabilities measured at fair value on a recurring basis as of year-end 2017, 2016 and 2015.

Level 3 Reconciliation 2017	Opening balance MCh\$	Gain (loss) recognized in profit or loss MCh\$	Gain (loss) recognized in equity MCh\$	Net of purchases, sales and agreements MCh\$	Transfers from level 1 or level 2 MCh\$	Closing balance MCh\$
<b>ASSETS</b>						
Trading portfolio financial assets	—	—	—	—	—	—
Financial investments available for sale	—	—	—	—	—	—
Derivative financial instruments	41,124	4,849	—	(15,445)	—	30,528
Forwards	—	209	—	(156)	—	53
Swaps	41,124	4,640	—	(15,289)	—	30,475
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>41,124</b>	<b>4,849</b>	<b>—</b>	<b>(15,445)</b>	<b>—</b>	<b>30,528</b>
<b>LIABILITIES</b>						
Derivative financial instruments	1,340	(325)	—	(410)	—	605
Forwards	609	(465)	—	(144)	—	—
Swaps	731	140	—	(266)	—	605
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>1,340</b>	<b>(325)</b>	<b>—</b>	<b>(410)</b>	<b>—</b>	<b>605</b>

[Table of Contents](#)

Level 3 Reconciliation	Opening balance	Gain (loss) recognized in profit or loss	Gain (loss) recognized in equity	Net of purchases, sales and agreements	Transfers from level 1 or level 2	Closing balance
2016	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>ASSETS</b>						
Trading portfolio financial assets	—	—	—	—	—	—
Financial investments available for sale	—	—	—	—	—	—
Derivative financial instruments	754	646	—	39,724	—	41,124
Forwards	—	221	—	(221)	—	—
Swaps	754	425	—	39,945	—	41,124
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>754</b>	<b>646</b>	<b>—</b>	<b>39,724</b>	<b>—</b>	<b>41,124</b>
<b>LIABILITIES</b>						
Derivative financial instruments	—	2,715	—	(1,375)	—	1,340
Forwards	—	738	—	(129)	—	609
Swaps	—	1,977	—	(1,246)	—	731
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>2,715</b>	<b>—</b>	<b>(1,375)</b>	<b>—</b>	<b>1,340</b>
<b>Level 3 Reconciliation 2015</b>						
	Opening balance	Gain (loss) recognized in profit or loss	Gain (loss) recognized in equity	Net of purchases, sales and agreements	Transfers from level 1 or level 2	Closing balance
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>ASSETS</b>						
Trading portfolio financial assets	—	—	—	—	—	—
Financial investments available for sale	—	—	—	—	—	—
Derivative financial instruments	173	581	—	—	—	754
Forwards	—	—	—	—	—	—
Swaps	173	581	—	—	—	754
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>173</b>	<b>581</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>754</b>
<b>LIABILITIES</b>						
Derivative financial instruments	—	—	—	—	—	—
Forwards	—	—	—	—	—	—
Swaps	—	—	—	—	—	—
Call Option	—	—	—	—	—	—
Put Option	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

[Table of Contents](#)**1.2.3 Hierarchy for remaining assets and liabilities**

The following table classifies assets and liabilities measured at fair value on a non-recurring basis, in accordance with the fair value hierarchy as of December 31, 2017, 2016 and 2015.

As of December 31, 2017	Note	Measurement at fair value of items not valued on recurrent			
		Estimated fair value MCh\$	Quoted prices in Active Markets for identical assets (Level 1) MCh\$	Significant Other observable inputs (Level 2) MCh\$	Significant unobservable inputs (Level 3) MCh\$
<b>ASSETS</b>					
Cash and deposits in banks	5	964,030	964,030	—	—
Cash in the process of collection	5	157,017	157,017	—	—
Investments under agreements to resell	7	28,524	28,524	—	—
Loans and receivables from banks	9	70,077	70,077	—	—
Loans and receivables from customers		19,893,448	—	—	19,893,448
Held to maturity investments		201,283	—	201,283	—
		<b>21,314,379</b>	<b>1,219,648</b>	<b>201,283</b>	<b>19,893,448</b>
<b>LIABILITIES</b>					
Current accounts and demand deposits	16	4,141,667	4,141,667	—	—
Transaction in the course of payment	5	109,496	109,496	—	—
Obligations under repurchase agreements	7	420,920	420,920	—	—
Time deposits and saving accounts		10,099,251	—	10,099,251	—
Borrowings from financial institutions		2,216,507	2,216,507	—	—
Debt issued		6,185,043	—	6,185,043	—
Other financial obligations	18	17,066	17,066	—	—
		<b>23,189,950</b>	<b>6,905,656</b>	<b>16,284,294</b>	<b>—</b>

As of December 31, 2016	Note	Measurement at fair value of items not valued on recurrent			
		Estimated fair value MCh\$	Quoted prices in Active Markets for identical assets (Level 1) MCh\$	Significant Other observable inputs (Level 2) MCh\$	Significant unobservable inputs (Level 3) MCh\$
<b>ASSETS</b>					
Cash and deposits in banks	5	1,487,137	1,487,137	—	—
Cash in the process of collection	5	145,769	145,769	—	—
Investments under agreements to resell	7	170,242	170,242	—	—
Loans and receivables from banks	9	150,568	150,568	—	—
Loans and receivables from customers		20,480,706	—	—	20,480,706
Held to maturity investments		200,615	—	200,615	—
		<b>22,635,037</b>	<b>1,953,716</b>	<b>200,615</b>	<b>20,480,706</b>
<b>LIABILITIES</b>					
Current accounts and demand deposits	16	4,453,191	4,453,191	—	—
Transaction in the course of payment	5	67,413	67,413	—	—
Obligations under repurchase agreements	7	373,879	373,879	—	—
Time deposits and saving accounts		11,603,528	—	11,603,528	—
Borrowings from financial institutions		2,190,715	2,190,715	—	—
Debt issued		5,419,646	—	5,419,646	—
Other financial obligations	18	25,563	25,563	—	—
		<b>24,133,935</b>	<b>7,110,761</b>	<b>17,023,174</b>	<b>—</b>

[Table of Contents](#)

As of December 31, 2015	Note	Measurement at fair value of items not valued on recurrent			
		Estimated fair value MCh\$	Quoted prices in Active Markets for identical assets (Level 1) MCh\$	Significant Other observable inputs (Level 2) MCh\$	Significant unobservable inputs (Level 3) MCh\$
<b>ASSETS</b>					
Cash and deposits in banks	5	477,809	477,809	—	—
Cash in the process of collection		62,086	62,086	—	—
Investments under agreements to resell		10,291	10,291	—	—
Loans and receivables from banks		99,493	99,493	—	—
Loans and receivables from customers		7,228,761	—	—	7,228,761
Held to maturity investments		—	—	—	—
		<b>7,878,440</b>	<b>649,679</b>	<b>—</b>	<b>7,228,761</b>
<b>LIABILITIES</b>					
Current accounts and demand deposits		981,998	981,998	—	—
Transaction in the course of payment	5	26,377	26,377	—	—
Obligations under repurchase agreements		46,933	46,933	—	—
Time deposits and saving accounts		4,069,435	—	4,069,435	—
Borrowings from financial institutions		660,721	660,721	—	—
Debt issued		1,723,689	—	1,723,689	—
Other financial obligations		21,457	21,457	—	—
		<b>7,530,610</b>	<b>1,737,486</b>	<b>5,793,124</b>	<b>—</b>

[Table of Contents](#)**NOTE 34 RISK MANAGEMENT****a. Introduction:**

As a result of its activities, the Group is exposed to several types of risks mainly related to its loan portfolio and financial instruments.

Risk management policies are established with the objective of identifying and analyzing the risks faced by the Bank, setting adequate limits and controls and monitoring risks and compliance with limits. Risk management policies and structures are reviewed regularly in order to reflect changes in the Bank's activities. The Bank, through its standards and procedures, aims to develop an appropriate control environment in which all associates understand their roles and responsibilities.

The following sections describe the Bank's main business activities and policies as they relate to risk management.

**Risk Management Structure:****Board of Directors**

Within the Group, the Board of Directors plays a leading role in corporate governance. It is responsible for establishing and monitoring the Bank's risk management structure, for which it has a corporate governance system aligned with international best practices and Chilean regulations, mainly from the SBIF. One of the principal functions of the Board of Directors is to ensure that measures are in place to monitor, evaluate and guide senior management to ensure that their actions are in line with best practices and defined risk appetite levels. To accomplish this, a governance structure made up of various committees has been formed. These committees lay out behavioral guidelines for the Bank's associates and assist them in carrying out their functions related to controlling and managing the Bank's risks.

**Audit Committee**

The Audit Committee's objective is to monitor the Bank's internal control systems and its compliance with regulations and other internal standards. It is also responsible for the oversight of the different aspects of maintenance, application and functioning of the Bank's internal controls, monitoring compliance with standards and procedures regulating its practices, and having a understanding of the risks that can arise from the business conducted by the Bank.

The committee is linked to the Board of Directors through the participation of at least two board members named by the Board itself. These members must report to the Board situations and events analyzed by the Committee, thus holding the Bank's board members responsible for complying with both self-control policies established and practiced by the entity as well as laws and regulations to which it is subject.

The Audit Committee must reinforce and support internal audit functions including its independence from management and serve, at the same time, as a link between the internal audit department and the independent auditors as well as between these two groups and the Board of Directors.

**Directors' Committee**

The Directors' Committee's objective is to strengthen the self-regulation of the Bank and other entities under its control, making the Board's work more efficient through increased oversight of management's activities.

Likewise, responsible for making the agreements necessary to protect shareholders, especially minority shareholders, examining executive compensation systems and analyzing and issuing a report on the transactions referenced in title XVI of Law 18,046. A copy of this report is sent to the Board, which must read the report and approve or reject each respective transaction.

[Table of Contents](#)

In its role as overseer of corporate activity, the committee must inform the market of any violations or major corporate events as well as transactions that the company carries out with related parties of the controlling shareholder or takeovers of any form.

**Corporate Governance Committee**

For the purposes of this committee, which is aware of how difficult it is to bring together all aspects of good corporate governance under one definition, corporate governance shall be defined as the set of bodies and institutional practices that impact a company's decision making process, contributing to sustainable value creation in a framework of transparency, proper management, risk control and corporate responsibility towards the market.

Therefore, appropriate corporate governance in a bank must align organizational incentives and promote the rights of shareholders and other direct or indirect stakeholders.

The Corporate Governance Committee is a consultation body of the Board of Directors whose mission is to ensure the existence and development within the Bank of the best corporate governance practices for financial entities. To this end, it will evaluate the current practices and policies, propose and make recommendations to the Board of Directors on improvements, reforms and adjustments that it deems appropriate and work to ensure proper implementation and application of these corporate governance practices and policies defined by the Board of Directors.

**Executive Loan Committees**

The Executive Loan Committee's objective is to approve transactions and matters submitted to it in accordance with defined limits and procedures, ensuring application and compliance of credit risk policies defined by the Bank and in strict adherence of current regulations.

**Asset-Liability Committee ("ALCO")**

After the Board and its specialized committees, the Asset-Liability Committee (hereinafter also "ALCO") is the next highest body involved in managing the institution's financial policies.

The committee's main purpose is to comply with the financial guidelines set by the Board of Directors. In this spirit, it must approve and monitor the financial strategies that guide the Bank with respect to the composition of its assets and liabilities, cash inflows and outflows and transactions with financial instruments.

It will consider the diverse alternatives available to make decisions that ensure the highest and most sustainable returns with financial risk levels that are compatible with the business, current regulations and internal standards.

**Anti-Money Laundering and Anti-Terrorism Finance Prevention Committee**

This committee's main purpose is to plan and coordinate activities to comply with policies and procedures to prevent asset laundering, terrorism financing and bribery, to maintain itself informed of the work carried out by the Bank's compliance officer, who has also been designated as the head of prevention in conformity with Law No. 20,393, as well as to adopt agreements to improve prevention and control measures proposed by the compliance officer.

**Operational Risk Committee**

This committee's objective is to evaluate the status of critical processes that are directly related to the Bank's Operational Risk and Internal Controls, in accordance with current Superintendency of Banks and Financial Institutions standards in order to improve any weaknesses that the Bank may present and ensure proper implementation of regulatory changes. It is also responsible for attaining critical processes under an internal

[Table of Contents](#)

control environment that enables the Bank to operate stably and consistently, thus procuring desired levels of reliability, integrity and availability for information resources.

**Compliance Committee**

The Compliance Committee's main purpose is to define, promote and ensure that the conduct of all Itaú Corpbanca employees meets the highest possible standards of personal and professional excellence. Employee conduct should, at all times, be guided by the principles and values that embody our organization's spirit, philosophy and good business practices. It is also responsible for ensuring that the Bank's regulatory compliance model is properly applied in accordance with definitions set by this committee, and for maintaining itself informed of the work carried out by the compliance officer on such matters, as well as adopting agreements to improve control measures proposed by the compliance officer.

**Committee on Risk Methodologies**

The objective of the Risk Methodologies Committee is to ensure the quality of all methodologies for estimating the Bank's provisions for all business areas.

This Committee - which exercises its functions with respect to the Bank, its divisions and subsidiaries - deals with certain corporate aspects such as policies, manuals and procedures related to the methodologies of group provisions, as well as the statistical models of admission, behavior and provisions.

Its main members are: Corporate Risk Manager, Risk Control Manager, Retail Credit Manager, Financial Risk Manager, Responsible for Monitoring and Control of Retail and Responsible for Risk Models.

**Portfolio Committee**

The objective of the Portfolio Committee is to monitor the evolution of the Bank's wholesale and retail portfolios in terms of their risk-return ratio, their adjustment to the defined risk appetite and the progress made in materializing short-term and long-term strategies or instructions.

As a result, it considers in its analysis the competition, the movements of its most relevant actors and the main risks that affect the management of the portfolios, as well as the projects that have an impact on the matter.

Its main members are: General Manager, Corporate Risk Manager, Risk Control Manager, Wholesale Credit Manager, Wholesale Banking Manager, Retail Credit Manager, Retail Banking Manager, Financial Planning and Control Manager and Product Manager and Marketing.

**Internal Audit**

The main function of Internal Audit is to support the Board of Directors and senior management to independently assess the maintenance, application and proper functioning of the Bank's internal control system, which also entails supervising compliance with rules and procedures.

**Code of Conduct and Market Information Manual**

The objective of the Code of Conduct and Market Information Manual is to continue progressing to become the best bank and have first-rate human capital. All associates, directors and subsidiaries must adhere to ethical standards based on principles and values designed to guide and maintain the highest possible standards.

In response to our clients' trust and recognition, which are vital to our success, all associates and directors should strive to retain this trust, strictly complying with the Code of Conduct.

[Table of Contents](#)**b. Main Risks and Requirements Affecting the Bank and its Subsidiaries:****b.1 Credit Risk**

The Corporate Risk Division is responsible for identifying, analyzing and monitoring risk at the Bank.

Credit risk is the risk of potential loss faced by the Bank if a customer or counterparty in a financial instrument does not comply with its contractual obligations to the Bank.

- Quantitative and Qualitative Disclosures about Credit Risk

For Itaú Corpbanca, proper risk management in all areas, particularly regarding credit risk, is one of the core pillars of the Bank's portfolio management efforts, striving to maintain a proper risk/return ratio.

The Bank's risk philosophy outlines three lines of defense: first, its business areas; second, the credit risk areas and third, the internal auditing area.

The credit risk areas are fully autonomous from the business areas. Their size and organizational structure are in accordance with the size of their portfolio and the complexity of their transactions.

Each credit risk area uses tools and methodologies tailored to the particular segments it serves to manage and monitor credit risk. This allows them to properly control risk based on the size and complexity of the transactions carried out by the Bank.

Credit risk management is based on the following key elements:

- Loan policies.
- Loan approval processes.
- Sound risk culture that is consistent with the Bank's strategy.
- Regulatory and preventative outlook on risk.
- Human resources with considerable expertise in loan-related decision making.
- Active participation from Credit Risk Division in the approval process, using a market segmented structure.
- Defined monitoring and collections processes with involvement from the commercial and risk areas.
- Dissemination of a risk culture throughout the Bank with internal and external training programs for the commercial and risk areas.

The Bank also has credit committees, which include risk managers that determine debtor risk ratings.

These committees define individual and group exposure levels with customers as well as mitigating conditions such as collateral, loan agreements, etc. As part of the policies it defines that all customers must be analyzed at least once a year when the credit line is renewed or when a warning is activated, whichever occurs first.

The Bank's risk management tool divides its portfolio into the following categories:

- Normal risk portfolio.
- Substandard portfolio.
- Default portfolio.

[Table of Contents](#)**Normal Risk Portfolio<sup>(30)</sup>**

This includes debtors with payment capacity to comply normally with their obligations and commitments whose economic and financial situation shows no signs that this may change.

They are evaluated by analyzing a general parametric model with three qualitative factors (industry, shareholders and access to credit) and three quantitative financial rating parameters, which are weighted based on the Bank's total sales.

**Substandard Portfolio<sup>(31)</sup>**

This portfolio includes debtors with financial difficulties that significantly affect their payment capacity and about which there are reasonable doubts regarding repayment of all principal and interest in the contractually agreed-upon terms, showing low flexibility to meet its financial obligations in the short term. Among other customers, this portfolio includes debtors with recent balances between 30 and 89 days past due that can be attributed to the company's performance.

They are evaluated by analyzing a default parametric model that includes payment behavior and also considers the impact of negative results (losses).

**Default Portfolio<sup>(32)</sup>**

This portfolio consists of debtors managed by the normalization area, including customers with individual default ratings and all customers that have defaulted on any loan as a result of payment capacity problems, regardless of their rating.

The rating and asset control area reviews compliance with this provision on a monthly basis.

**Contingent Commitments**

The Bank operates with diverse instruments that, although they are exposed to credit risk, are not reflected in the balance sheet. These include co-signatures and guarantees, documentary letters of credit, performance and bid bonds and commitments to grant loans, among others.

Collaterals and guarantees represent an irrevocable payment obligation. In the event that a customer with a co-signer does not fulfill its obligations with third parties guaranteed by the Bank, this will affect the corresponding payments so that these transactions represent the same exposure to credit risk as a common loan.

The letters of credit are commitments documented by the Bank on behalf of a customer that are guaranteed by merchandise on board, which therefore have less risk than direct indebtedness. Performance and bid bonds are contingent commitments that take effect only if the customer does not comply with a commitment made with a third party, guaranteed by them.

**Financial Instruments**

For this type of asset, the Bank measures the probability of not being able to collect from issuers using internal and external ratings such as risk rating agencies that are independent from the Bank.

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(30) Corresponding to amounts presented in Note 34 "Credit Quality by Financial Asset Class", detail in Normal Portfolio (letter A1 to A6).

(31) Corresponding to amounts presented in Note 34 section Credit Quality by Financial Asset Class, detail in Impaired Portfolio (letter B1 to B2).

(32) Corresponding to amounts presented in Note 34 section Credit Quality by Financial Asset Class, detail in Impaired Portfolio (Impaired column)

[Table of Contents](#)**Maximum Exposure to Credit Risk**

The following table shows the Bank's maximum credit risk exposure by financial asset as of December 31, 2017, 2016 and 2015 for different balance sheet items, including derivatives, without deducting real guarantees or other credit enhancements received:

	Notes	Maximum Exposure		
		12/31/2017	12/31/2016	12/31/2015
		MCh\$	MCh\$	MCh\$
Loans and receivables from banks, net	9	70,077	150,568	99,398
Loans and receivables from customers, net	10	19,764,078	20,444,648	6,705,492
Derivative financial instruments	8	1,248,775	1,102,769	227,984
Investments under agreements to resell	7	28,524	170,242	10,293
Financial investments available-for-sale	11	2,663,478	2,074,077	514,985
Held to maturity investments	11	202,030	226,433	—
Other assets	15	429,025	427,394	135,742
<b>Total</b>		<b>24,405,987</b>	<b>24,596,131</b>	<b>7,693,894</b>

For more detail on maximum credit risk exposure and concentration by type of financial instrument, see the specific Notes.

The following table displays the concentration of credit risk by industry for financial assets:

	Note	12/31/2017			12/31/2016			12/31/2015		
		Maximum gross exposure	Maximum net exposure <sup>(1)</sup>	%	Maximum gross exposure	Maximum net exposure <sup>(1)</sup>	%	Maximum gross exposure	Maximum net exposure <sup>(1)</sup>	%
		MCh\$	MCh\$		MCh\$	MCh\$		MCh\$	MCh\$	
Manufacturing		1,040,491	960,774	7.24%	1,221,396	1,175,746	8.27%	444,647	432,418	9.74%
Mining		644,061	419,582	3.16%	703,440	660,238	4.64%	203,501	202,984	4.46%
Electricity, gas and water		936,483	466,008	3.51%	1,135,329	1,101,118	7.75%	323,299	323,961	7.08%
Agriculture and Livestock		415,930	289,826	2.18%	427,745	415,040	2.92%	118,839	114,863	2.60%
Forestry and wood extraction		38,807	32,165	0.24%	35,347	34,621	0.24%	25,146	25,036	0.55%
Fishing		13,912	8,688	0.07%	58,770	50,014	0.35%	30,433	20,798	0.67%
Transport		668,477	450,949	3.40%	694,353	670,160	4.71%	310,530	307,912	6.80%
Communications		94,439	28,201	0.21%	80,160	77,433	0.54%	13,954	13,710	0.31%
Construction		1,638,120	1,357,343	10.23%	1,624,794	1,596,341	11.23%	296,322	292,737	6.49%
Commerce		1,712,850	998,567	7.54%	1,714,589	1,629,316	11.46%	480,645	469,286	10.53%
Services		3,780,733	2,578,863	19.43%	4,287,373	4,183,200	29.42%	1,522,177	1,515,440	33.33%
Others		2,732,243	5,678,666	42.79%	2,651,175	2,622,316	18.47%	796,973	785,326	17.44%
<b>Subtotal</b>										
<b>Commercial Loans</b>	10 a)	<b>13,716,546</b>	<b>13,269,632</b>	<b>100.00%</b>	<b>14,634,471</b>	<b>14,215,543</b>	<b>100.00%</b>	<b>4,566,466</b>	<b>4,504,471</b>	<b>100.00%</b>
<b>Consumer Loans</b>	10 a)	<b>2,513,306</b>	<b>2,376,712</b>		<b>2,480,964</b>	<b>2,364,060</b>		<b>700,757</b>	<b>673,424</b>	
<b>Mortgage Loans</b>	10 a)	<b>4,152,753</b>	<b>4,117,734</b>		<b>3,888,517</b>	<b>3,865,045</b>		<b>1,533,848</b>	<b>1,527,597</b>	
<b>Total</b>		<b>20,382,605</b>	<b>19,764,078</b>		<b>21,003,952</b>	<b>20,444,648</b>		<b>6,801,071</b>	<b>6,705,492</b>	

(1) Net of allowances

**Guarantees**

In order to mitigate credit risk, guarantees have been established in the Bank's favor. The main guarantees provided by customers are detailed as follows:

For loans to companies, the main guarantees are:

- Machinery and/or equipment
- Projects under construction, buildings with specific purposes and
- Urban plots or land.

For loans to individuals, the main guarantees are:

- Houses and
- Apartments.

Guarantees taken by the Bank to secure collections of rights reflected in its loan portfolios are real mortgage-type guarantees (urban and rural property, farm land, ships and aircraft, mining claims and other assets) and pledges (inventory, farm assets, industrial assets, plantings and other pledged assets). As of December 31,

[Table of Contents](#)

2017, 2016 and 2015, the fair value of guarantees taken corresponds to 126.89%, 116.97% and 107.40% of the assets covered, respectively.

In the case of mortgage guarantees, as of December 31, 2017, 2016 and 2015, the fair value of the guarantees taken corresponds to 85.46%, 78.35% and 69.98% of the balance receivable on loans, respectively.

[Table of Contents](#)

**Credit Quality by Financial Asset Class**

A detail by credit quality is summarized as follows:

12/31/2017	Normal Portfolio						Impaired Portfolio <sup>(*)</sup>					Total	Group Portfolio		Subtotal	General Total
	A1	A2	A3	A4	A5	A6	B1	B2	Impaired	Subtotal	Normal Portfolio		Impaired Portfolio			
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$		MCh\$			
<b>Loans and receivables from banks</b>	862	42,105	23,025	4,293	—	—	—	—	—	—	—	70,285	—	—	—	70,285
Provisions	—	76	132	—	—	—	—	—	—	—	—	208	—	—	—	208
% Provisions	0.00%	0.18%	0.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.30%	0.00%	0.00%	0.00%	0.30%
<b>Loans and receivables from customers Commercial</b>																
<b>Loans:</b>																
General Commercial loans	34,371	188,865	2,651,517	3,263,945	2,423,298	593,069	158,313	106,093	606,942	871,348	10,026,413	980,093	109,570	1,089,663	11,116,076	
Foreign Trade loans	—	—	150,154	244,954	145,609	13,995	17,078	8,085	85,032	110,195	664,907	27,168	8,658	35,826	700,733	
Lines of credit and overdrafts	633	922	13,317	25,229	24,647	5,443	4,345	640	4,447	9,432	79,623	48,594	11,131	59,725	139,348	
Factored receivables	27,456	9,726	17,735	50,559	18,656	3,443	598	—	298	896	128,471	12,202	65	12,267	140,738	
Student loans	—	—	—	—	—	—	—	—	—	—	—	598,717	54,286	653,003	653,003	
Leasing contracts	2,186	7,059	94,226	269,425	310,915	66,536	25,076	5,783	82,231	113,090	863,437	70,641	6,711	77,352	940,789	
Other outstanding loans	3	59	508	2,972	3,509	563	126	39	878	1,043	8,657	13,817	3,385	17,202	25,859	
<b>Subtotal Commercial loans</b>	<b>64,649</b>	<b>206,631</b>	<b>2,927,457</b>	<b>3,857,084</b>	<b>2,926,634</b>	<b>683,049</b>	<b>205,536</b>	<b>120,640</b>	<b>779,828</b>	<b>1,106,004</b>	<b>11,771,508</b>	<b>1,751,232</b>	<b>193,806</b>	<b>1,945,038</b>	<b>13,716,546</b>	
Provisions	21	197	2,153	22,819	52,874	16,509	6,087	2,315	195,177	203,579	298,152	57,057	91,705	148,762	446,914	
% Provision	0.03%	0.10%	0.07%	0.59%	1.81%	2.42%	2.96%	1.92%	25.03%	18.41%	2.53%	3.26%	47.32%	7.65%	3.26%	
<b>Consumer loans</b>												<b>2,396,246</b>	<b>117,060</b>	<b>2,513,306</b>	<b>2,513,306</b>	
Provisions	—	—	—	—	—	—	—	—	—	—	—	93,255	43,339	136,594	136,594	
% Provision	—	—	—	—	—	—	—	—	—	—	—	3.89%	37.02%	5.43%	5.43%	
<b>Mortgage loans</b>												<b>3,975,744</b>	<b>177,009</b>	<b>4,152,753</b>	<b>4,152,753</b>	
Provisions	—	—	—	—	—	—	—	—	—	—	—	22,730	12,289	35,019	35,019	
% Provision	—	—	—	—	—	—	—	—	—	—	—	0.57%	6.94%	0.84%	0.84%	
<b>Total loans and receivable from customers</b>	<b>64,649</b>	<b>206,631</b>	<b>2,927,457</b>	<b>3,857,084</b>	<b>2,926,634</b>	<b>683,049</b>	<b>205,536</b>	<b>120,640</b>	<b>779,828</b>	<b>1,106,004</b>	<b>11,771,508</b>	<b>8,123,222</b>	<b>487,875</b>	<b>8,611,097</b>	<b>20,382,605</b>	
Provisions	21	197	2,153	22,819	52,874	16,509	6,087	2,315	195,177	203,579	298,152	173,042	147,333	320,375	618,527	
% Provision	0.03%	0.10%	0.07%	0.59%	1.81%	2.42%	2.96%	1.92%	25.03%	18.41%	2.53%	2.13%	30.20%	3.72%	3.03%	
<b>Financial investments</b>																

(\*) B1 and B2: Customers who have financial difficulties but still are not impaired.  
 Impaired: Customers who have financial difficulties and are impaired.

12/31/2016	Normal Portfolio						Impaired Portfolio <sup>(*)</sup>					Group Portfolio			General Total MCh\$
	A1	A2	A3	A4	A5	A6	B1	B2	Impaired	Subtotal	Total	Normal Portfolio	Impaired Portfolio	Subtotal	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
<b>Loans and receivables from banks</b>	37,960	76,834	33,751	2,235	—	—	—	—	—	—	150,780	—	—	—	150,780
Provisions	14	85	74	39	—	—	—	—	—	—	212	—	—	—	212
% Provisions	0.04%	0.11%	0.22%	1.74%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.14%	0.00%	0.00%	0.00%	0.14%
<b>Loans and receivables from customers Commercial Loans:</b>															
General Commercial loans	47,699	204,313	2,647,749	3,852,211	2,438,286	509,927	288,559	124,372	533,585	946,516	10,646,701	1,195,886	113,777	1,309,663	11,956,364
Foreign Trade loans	—	727	150,548	337,499	113,418	34,313	21,950	7,419	67,299	96,668	733,173	20,198	773	20,971	754,144
Lines of credit and overdrafts	2	407	10,443	19,249	20,847	7,218	2,140	914	3,452	6,506	64,672	65,640	3,389	69,029	133,701
Factored receivables	11,811	9,550	20,040	15,093	11,729	2,903	128	—	835	963	72,089	3,713	339	4,052	76,141
Student loans	—	—	—	—	—	—	—	—	—	—	—	583,776	26,539	610,315	610,315
Leasing contracts	4,234	6,064	107,786	307,019	325,678	62,920	54,327	6,998	87,025	148,350	962,051	104,279	7,176	111,455	1,073,506
Other outstanding loans	111	312	2,101	3,264	3,318	664	493	51	826	1,370	11,140	17,446	1,714	19,160	30,300
<b>Subtotal Commercial loans</b>	<b>63,857</b>	<b>221,373</b>	<b>2,938,667</b>	<b>4,534,335</b>	<b>2,913,276</b>	<b>617,945</b>	<b>367,597</b>	<b>139,754</b>	<b>693,022</b>	<b>1,200,373</b>	<b>12,489,826</b>	<b>1,990,938</b>	<b>153,707</b>	<b>2,144,645</b>	<b>14,634,471</b>
Provisions	—	28	5,463	33,775	47,643	23,149	14,663	21,760	219,577	256,000	366,058	21,337	31,533	52,870	418,928
% Provisión	0.00%	0.01%	0.19%	0.74%	1.64%	3.75%	3.99%	15.57%	31.68%	21.33%	2.93%	1.07%	20.52%	2.47%	2.86%
<b>Consumer loans</b>	—	—	—	—	—	—	—	—	—	—	—	2,387,009	93,955	2,480,964	2,480,964
Provisions	—	—	—	—	—	—	—	—	—	—	—	65,934	50,970	116,904	116,904
% Provisión	—	—	—	—	—	—	—	—	—	—	—	2.76%	54.25%	4.71%	4.71%
<b>Mortgage loans</b>	—	—	—	—	—	—	—	—	—	—	—	3,755,370	133,147	3,888,517	3,888,517
Provisions	—	—	—	—	—	—	—	—	—	—	—	12,494	10,978	23,472	23,472
% Provisión	—	—	—	—	—	—	—	—	—	—	—	0.33%	8.25%	0.60%	0.60%
<b>Total loans and receivable from customers</b>	<b>63,857</b>	<b>221,373</b>	<b>2,938,667</b>	<b>4,534,335</b>	<b>2,913,276</b>	<b>617,945</b>	<b>367,597</b>	<b>139,754</b>	<b>693,022</b>	<b>1,200,373</b>	<b>12,489,826</b>	<b>8,133,317</b>	<b>380,809</b>	<b>8,514,126</b>	<b>21,003,952</b>
Provisions	—	28	5,463	33,775	47,643	23,149	14,663	21,760	219,577	256,000	366,058	99,765	93,481	193,246	559,304
% Provisión	0.00%	0.01%	0.19%	0.74%	1.64%	3.75%	3.99%	15.57%	31.68%	21.33%	2.93%	1.23%	24.55%	2.27%	2.66%
<b>Financial investments</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(\*) B1 and B2: Customers who have financial difficulties but still are not impaired.  
 Impaired: Customers who have financial difficulties and are impaired.

12/31/2015	Normal Portfolio						Impaired Portfolio <sup>(*)</sup>				Group Portfolio			General Total MCh\$	
	A1 MCh\$	A2 MCh\$	A3 MCh\$	A4 MCh\$	A5 MCh\$	A6 MCh\$	B1 MCh\$	B2 MCh\$	Impaired MCh\$	Subtotal MCh\$	Total MCh\$	Normal Portfolio MCh\$	Impaired Portfolio MCh\$		Subtotal MCh\$
<b>Loans and receivables from banks</b>	35,506	60,395	3,567	—	—	—	—	—	—	—	99,468	—	—	—	99,468
Provisions	13	49	8	—	—	—	—	—	—	—	70	—	—	—	70
% Provisions	0.04%	0.08%	0.22%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.00%	0.00%	0.00%	0.07%
<b>Loans and receivables from customers</b>															
<b>Commercial Loans:</b>															
General Commercial loans	12,155	162,931	1,259,304	1,059,879	152,478	231,136	12,627	29,873	37,617	80,117	2,958,000	598,460	48,061	646,521	3,604,521
Foreign Trade loans	—	70,317	186,081	92,216	25,507	22,099	2,933	6,057	18,748	27,738	423,958	5,351	11	5,362	429,320
Lines of credit and overdrafts	2	2,865	3,735	5,443	1,268	1,315	528	47	948	1,523	16,151	21,977	986	22,963	39,114
Factored receivables	5,559	5,740	21,619	15,119	2,053	1,430	112	—	717	829	52,349	4,854	29	4,883	57,232
Student loans	—	—	—	—	—	—	—	—	—	—	—	167,195	9,828	177,023	177,023
Leasing contracts	—	11,614	90,037	63,768	21,626	15,527	3,322	2,167	22,175	27,664	230,236	18,088	431	18,519	248,755
Other outstanding loans	52	93	1,487	640	180	215	12	12	77	101	2,768	7,718	15	7,733	10,501
<b>Subtotal Commercial loans</b>	<b>17,768</b>	<b>253,560</b>	<b>1,562,263</b>	<b>1,237,065</b>	<b>203,112</b>	<b>271,722</b>	<b>19,534</b>	<b>38,156</b>	<b>80,282</b>	<b>137,972</b>	<b>3,683,462</b>	<b>823,643</b>	<b>59,361</b>	<b>883,004</b>	<b>4,566,466</b>
Provisions	9	254	1,691	5,297	3,984	4,615	1,681	4,905	28,590	35,176	51,026	5,350	5,619	10,969	61,995
% Provision	0.05%	0.10%	0.11%	0.43%	1.96%	1.70%	8.61%	12.86%	35.61%	25.50%	1.39%	0.65%	9.47%	1.24%	1.36%
<b>Consumer loans</b>												662,936	37,821	700,757	700,757
Provisions	—	—	—	—	—	—	—	—	—	—	—	13,721	13,612	27,333	27,333
% Provision	—	—	—	—	—	—	—	—	—	—	—	2.07%	35.99%	3.90%	3.90%
<b>Mortgage loans</b>												1,469,501	64,347	1,533,848	1,533,848
Provisions	—	—	—	—	—	—	—	—	—	—	—	2,846	3,405	6,251	6,251
% Provision	—	—	—	—	—	—	—	—	—	—	—	0.19%	5.29%	0.41%	0.41%
<b>Total loans and receivable from customers</b>	<b>17,768</b>	<b>253,560</b>	<b>1,562,263</b>	<b>1,237,065</b>	<b>203,112</b>	<b>271,722</b>	<b>19,534</b>	<b>38,156</b>	<b>80,282</b>	<b>137,972</b>	<b>3,683,462</b>	<b>2,956,080</b>	<b>161,529</b>	<b>3,117,609</b>	<b>6,801,071</b>
Provisions	9	254	1,691	5,297	3,984	4,615	1,681	4,905	28,590	35,176	51,026	21,917	22,636	44,553	95,579
% Provision	0.05%	0.10%	0.11%	0.43%	1.96%	1.70%	8.61%	12.86%	35.61%	25.50%	1.39%	0.74%	14.01%	1.43%	1.41%
<b>Financial investments</b>															

(\*) B1 and B2: Customers who have financial difficulties but still are not impaired.  
 Impaired: Customers who have financial difficulties and are impaired.

[Table of Contents](#)

An analysis of the age of past-due loans by class of financial asset is provided below<sup>(33)</sup>:

	As of December 31, 2017					
	Up to date	From 1 to 29 days	From 30 to 89 days	Over 90 days or more	Loans and receivables to customers	Total overdue debt
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Loans and receivables to banks</b>	70,285	—	—	—	70,285	—
<b>Loans and receivables to customers:</b>						
Commercial loans	13,526,944	211,535	143,063	319,377	14,200,919	673,975
Mortgage loans	3,893,786	115,688	61,890	93,786	4,165,150	271,364
Consumer loans	2,521,397	68,955	52,854	48,852	2,692,058	170,661
<b>Total</b>	<b>20,012,412</b>	<b>396,178</b>	<b>257,807</b>	<b>462,015</b>	<b>21,128,412</b>	<b>1,116,000</b>
	As of December 31, 2016					
	Up to date	From 1 to 29 days	From 30 to 89 days	Over 90 days or more	Loans and receivables to customers	Total overdue debt
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Loans and receivables to banks</b>	150,780	—	—	—	150,780	—
<b>Loans and receivables to customers:</b>						
Commercial loans	14,438,474	103,689	247,807	284,774	15,074,744	636,270
Mortgage loans	3,881,940	2,137	1,532	12,611	3,898,220	16,280
Consumer loans	2,418,789	9,408	10,309	169,690	2,608,196	189,407
<b>Total</b>	<b>20,889,983</b>	<b>115,234</b>	<b>259,648</b>	<b>467,075</b>	<b>21,731,940</b>	<b>841,957</b>
	As of December 31, 2015					
	Up to date	From 1 to 29 days	From 30 to 89 days	Over 90 days or more	Loans and receivables to customers	Total overdue debt
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
<b>Loans and receivables to banks</b>	98,398	—	—	—	98,398	—
<b>Loans and receivables to customers:</b>						
Commercial loans	4,527,939	27,487	13,600	48,101	4,617,127	89,188
Mortgage loans	1,533,536	446	429	1,864	1,536,275	2,739
Consumer loans	697,182	1,906	3,587	56,190	758,865	61,683
<b>Total</b>	<b>6,857,055</b>	<b>29,839</b>	<b>17,616</b>	<b>106,155</b>	<b>7,010,665</b>	<b>153,610</b>

(33) This information includes obligations with interest and indexation accrued as agreed and excludes penalty interest for default. Consequently, the tables do not consider the values of the mentioned assets but rather the debts due, which excludes those obligations for transferred assets that have not been derecognized for financial or accounting reasons and of which the bank or its subsidiaries are not creditors, and includes those obligations for acquired loan titles that are calculated as financing for the transferor in the Statement of Financial Position.

[Table of Contents](#)

**Assets and liabilities by currency**

The following tables detail assets and liabilities by currency as of December 31, 2017, 2016 and 2015:

As of December 31, 2017:

	Notes	US\$ MCh\$	Euro MCh\$	Yen MCh\$	Sterlin pounds MCh\$	Colombian Pesos MCh\$	Other currencies MCh\$	UF MCh\$	Pesos MCh\$	ER (*) MCh\$	Total MCh\$
Cash and deposits in banks	5	377,014	10,340	16	38	354,751	834	—	221,037	—	964,030
Cash in the process of collection	5	22,202	9,286	—	—	1,067	48	—	124,414	—	157,017
Trading portfolio financial assets	6	—	—	—	—	389,409	—	—	25,652	—	415,061
Investments under agreements to resell	7	218	—	—	—	26,232	—	—	2,074	—	28,524
Derivative financial instruments	8	119,997	—	—	—	90,773	—	70,174	967,831	—	1,248,775
Loans and receivables from banks, net	9	35,287	—	—	—	862	—	—	33,928	—	70,077
Loans and receivables from customers, net	10	2,204,036	—	—	—	4,234,024	—	7,693,789	5,625,571	6,658	19,764,078
Financial investments available-for-sale	11	14,053	—	—	—	725,568	—	999,540	914,657	9,660	2,663,478
Held to maturity investments	11	95,652	—	—	—	106,378	—	—	—	—	202,030
Intangible assets	12	1,422	—	—	—	183,712	—	—	1,377,520	—	1,562,654
Property, plant and equipment, net	13	1,043	—	—	—	48,098	—	—	81,438	—	130,579
Current income taxes	14	—	—	—	—	36,359	—	—	202,093	—	238,452
Deferred income taxes	14	24,885	—	—	—	—	—	—	115,800	—	140,685
Other assets	15	95,806	677	2	80	80,308	—	12,844	239,308	—	429,025
Non-current assets held for sale	15	—	—	—	—	—	—	—	18,308	—	18,308
<b>Total Assets</b>		<b>2,991,615</b>	<b>20,303</b>	<b>18</b>	<b>118</b>	<b>6,277,541</b>	<b>882</b>	<b>8,776,347</b>	<b>9,949,631</b>	<b>16,318</b>	<b>28,032,773</b>
Current accounts and demand deposits	16	432,253	6,076	—	8	1,742,508	44	7,803	1,952,975	—	4,141,667
Transaction in the course of payment	5	53,097	—	—	—	—	—	—	56,399	—	109,496
Obligations under repurchase agreements	7	—	—	—	—	376,656	—	—	44,264	—	420,920
Time deposits and saving accounts	16	1,013,235	6,429	—	—	2,196,671	—	814,336	6,034,571	1	10,065,243
Derivative financial instruments	8	82,231	—	—	—	59,130	—	84,530	869,263	—	1,095,154
Borrowings from financial institutions	17	1,516,717	2,269	4,869	—	650,987	587	21,958	(1,257)	—	2,196,130
Debt issued	18	923,718	—	—	—	465,476	—	3,381,318	1,179,526	—	5,950,038
Other financial obligations	18	—	—	—	—	811	—	—	16,255	—	17,066
Current income tax provision	14	—	—	—	—	—	—	—	624	—	624
Deferred income taxes	14	—	—	—	—	26,301	—	—	53	—	26,354
Provisions	19	25,772	—	—	—	56,851	—	—	35,266	—	117,889
Other liabilities	20	86,648	—	—	—	63,675	—	166,867	145,598	647	463,435
Liabilities directly associated with non-currente assets held for sale	20	—	—	—	—	—	—	—	—	—	—
<b>Total Liabilities</b>		<b>4,133,671</b>	<b>14,774</b>	<b>4,869</b>	<b>8</b>	<b>5,639,066</b>	<b>631</b>	<b>4,476,812</b>	<b>10,333,537</b>	<b>648</b>	<b>24,604,016</b>
Net Assets (Liabilities)		(1,142,056)	5,529	(4,851)	110	638,475	251	4,299,535	(383,906)	15,670	3,428,757
Contingent loans		455,991	3,919	3,537	—	1,015,275	—	—	3,813,073	—	5,291,795
Net Assets (Liabilities) position		(686,065)	9,448	(1,314)	110	1,653,750	251	4,299,535	3,429,167	15,670	8,720,552

F-153

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(\*) Exchange rate

[Table of Contents](#)

As of December 31, 2016:

	Notes	US\$ MCh\$	Euro MCh\$	Yen MCh\$	Sterlin pounds MCh\$	Colombian Pesos MCh\$	Other currencies MCh\$	UF MCh\$	Pesos MCh\$	ER (*) MCh\$	Total MCh\$
Cash and deposits in banks	5	450,282	11,255	28	75	670,955	780	—	353,762	—	1,487,137
Cash in the process of collection	5	40,289	842	—	—	3,216	—	—	101,422	—	145,769
Trading portfolio financial assets	6	—	—	—	—	567,850	—	10,603	54,104	—	632,557
Investments under agreements to resell	7	—	—	—	—	136,422	—	—	33,820	—	170,242
Derivative financial instruments	8	121,377	—	—	—	92,635	—	63,946	824,811	—	1,102,769
Loans and receivables from banks, net	9	91,261	—	—	—	59,310	—	—	(3)	—	150,568
Loans and receivables from customers, net	10	2,458,017	—	—	—	4,773,065	—	7,508,358	5,697,061	8,147	20,444,648
Financial investments available-for-sale	11	28,724	—	—	—	447,126	—	461,067	1,126,737	10,423	2,074,077
Held to maturity investments	11	94,258	—	—	—	132,164	—	—	11	—	226,433
Intangible assets	12	76	—	—	—	211,021	—	—	1,403,378	—	1,614,475
Property, plant and equipment, net	13	1,227	—	—	—	38,921	—	—	80,895	—	121,043
Current income taxes	14	770	—	—	—	25,354	—	—	138,172	—	164,296
Deferred income taxes	14	23,340	—	—	—	26	—	—	87,399	—	110,765
Other assets	15	168,198	375	—	—	93,233	—	6,371	159,215	2	427,394
Non-current assets held for sale	15	—	—	—	—	—	—	—	37,164	—	37,164
<b>Total Assets</b>		<b>3,477,819</b>	<b>12,472</b>	<b>28</b>	<b>75</b>	<b>7,251,298</b>	<b>780</b>	<b>8,050,345</b>	<b>10,097,948</b>	<b>18,572</b>	<b>28,909,337</b>
Current accounts and demand deposits	16	410,288	7,571	2	98	2,121,456	31	8,490	1,905,255	—	4,453,191
Transaction in the course of payment	5	28,543	917	—	108	3	313	—	37,529	—	67,413
Obligations under repurchase agreements	7	—	—	—	—	368,409	—	—	5,470	—	373,879
Time deposits and saving accounts	16	1,449,128	244	—	—	2,691,969	—	1,314,902	6,125,462	5	11,581,710
Derivative financial instruments	8	83,779	—	—	—	52,903	—	95,381	675,271	—	907,334
Borrowings from financial institutions	17	1,639,878	400	39	—	539,734	9	—	(190)	—	2,179,870
Debt issued	18	1,013,595	—	—	—	585,600	—	3,610,708	250,350	—	5,460,253
Other financial obligations	18	—	—	—	—	2,265	—	—	23,298	—	25,563
Current income tax provision	14	—	—	—	—	1,411	—	—	475	—	1,886
Deferred income taxes	14	—	—	—	—	57,607	—	—	29	—	57,636
Provisions	19	5,975	—	—	—	37,625	—	—	56,448	—	100,048
Other liabilities	20	54,666	4,318	—	—	65,343	—	—	145,483	—	269,810
Liabilities directly associated with non-currente assets held for sale	20	—	—	—	—	—	—	—	7,032	—	7,032
<b>Total Liabilities</b>		<b>4,685,852</b>	<b>13,450</b>	<b>41</b>	<b>206</b>	<b>6,524,325</b>	<b>353</b>	<b>5,029,481</b>	<b>9,231,912</b>	<b>5</b>	<b>25,485,625</b>
Net Assets (Liabilities)		(1,208,033)	(978)	(13)	(131)	726,973	427	3,020,864	866,036	18,567	3,423,712
Contingent loans	21	578,432	2,972	431	—	948,343	—	—	3,779,958	—	5,310,136
Net Assets (Liabilities) position		<u>(629,601)</u>	<u>1,994</u>	<u>418</u>	<u>(131)</u>	<u>1,675,316</u>	<u>427</u>	<u>3,020,864</u>	<u>4,645,994</u>	<u>18,567</u>	<u>8,733,848</u>

(\*) Exchange rate

[Table of Contents](#)

As of December 31, 2015:

	Notes	US\$ MCh\$	Euro MCh\$	Yen MCh\$	Sterlin pounds MCh\$	Colombian Pesos MCh\$	Other currencies MCh\$	UF MCh\$	Pesos MCh\$	ER (*) MCh\$	Total MCh\$
Cash and deposits in banks	5	174,423	3,505	—	19	—	35	—	299,827	—	477,809
Cash in the process of collection	5	22,777	700	—	—	—	18	—	38,600	—	62,095
Trading portfolio financial assets	6	—	—	—	—	—	—	2,678	15,087	—	17,765
Investments under agreements to resell	7	—	—	—	—	—	—	—	10,293	—	10,293
Derivative financial instruments	8	61,102	—	—	—	—	—	36,695	130,187	—	227,984
Loans and receivables from banks, net	9	99,158	—	—	—	—	—	—	240	—	99,398
Loans and receivables from customers, net	10	1,241,249	7,675	52	—	—	—	3,312,378	2,127,269	16,869	6,705,492
Financial investments available-for-sale	11	—	—	—	—	—	—	290,254	224,731	—	514,985
Held to maturity investments	11	—	—	—	—	—	—	—	—	—	—
Intangible assets	12	—	—	—	—	—	—	—	51,809	—	51,809
Property, plant and equipment, net	13	—	—	—	—	—	—	—	33,970	—	33,970
Current income taxes	14	—	—	—	—	—	—	—	8,275	—	8,275
Deferred income taxes	14	—	—	—	—	—	—	—	13,930	—	13,930
Other assets	15	74,820	5	—	—	—	—	—	60,917	—	135,742
Non-current assets held for sale	15	—	—	—	—	—	—	—	1,785	—	1,785
<b>Total Assets</b>		<b>1,673,529</b>	<b>11,885</b>	<b>52</b>	<b>19</b>	<b>—</b>	<b>53</b>	<b>3,642,005</b>	<b>3,016,920</b>	<b>16,869</b>	<b>8,361,332</b>
Current accounts and demand deposits	16	158,456	3,092	—	13	—	11	—	819,777	—	981,349
Transaction in the course of payment	5	8,114	108	—	—	—	—	—	18,155	—	26,377
Obligations under repurchase agreements	7	—	—	—	—	—	—	—	43,727	—	43,727
Time deposits and saving accounts	16	572,304	—	—	—	—	—	1,200,423	2,179,846	—	3,952,573
Derivative financial instruments	8	48,164	—	—	—	—	—	51,883	153,136	—	253,183
Borrowings from financial institutions	17	658,070	467	52	—	—	11	—	—	—	658,600
Debt issued	18	—	—	—	—	—	—	1,473,174	31,161	—	1,504,335
Other financial obligations	18	—	—	—	—	—	—	7,722	13,011	—	20,733
Current income tax provision	14	—	—	—	—	—	—	—	543	—	543
Deferred income taxes	14	—	—	—	—	—	—	—	67	—	67
Provisions	19	—	—	—	—	—	—	—	75,924	—	75,924
Other liabilities	20	1,049	—	—	—	—	16	—	51,415	—	52,480
Liabilities directly associated with non-current assets held for sale	20	—	—	—	—	—	—	—	—	—	—
<b>Total Liabilities</b>		<b>1,446,157</b>	<b>3,667</b>	<b>52</b>	<b>13</b>	<b>—</b>	<b>38</b>	<b>2,733,202</b>	<b>3,386,762</b>	<b>—</b>	<b>7,569,891</b>
Net Assets (Liabilities)		227,372	8,218	—	6	—	15	908,803	(369,842)	16,869	791,441
Contingent loans	21	132,521	5,057	11	719	—	—	—	2,153,773	—	2,292,081
Net Assets (Liabilities) position		<u>359,893</u>	<u>13,275</u>	<u>11</u>	<u>725</u>	<u>—</u>	<u>15</u>	<u>908,803</u>	<u>1,783,931</u>	<u>16,869</u>	<u>3,083,522</u>

(\*) Exchange rate

[Table of Contents](#)**b.2 Financial Risk****a. Definition and Principles of Financial Risk Management**

While there is no single definition of financial risk, the Bank defines this risk as the possibility of an event having unexpected financial consequences on the institution. Although this definition involves a strong adversity component, it also involves an important opportunity component. Therefore, the purpose of financial risk management is not to eliminate this risk, but rather to limit its exposure to negative events in line with the risk appetite of the Bank's shareholders and the regulations that govern the institution. The main financial risks to which the Bank is exposed are: market risk, liquidity risk and counterparty risk.

**a.1) Market Risk**

Market risk is the exposure to economic gains or losses caused by movements in prices and market variables. This risk stems from the activities of the trading and banking books<sup>(34)</sup>. In the first case, it comes from activities intended to obtain short-term gains and from the intensive use of fair value instruments. In the second case, with a more long-term vision, it stems from commercial activities with products valued at amortized cost. The following section describes the main market risk factors to which the Bank and its subsidiaries are exposed:

**• Foreign Exchange Risk**

Foreign exchange risk is the exposure to adverse movements in the exchange rates of currencies other than the base currency for all balance sheet and off-balance sheet positions. The main sources of foreign exchange risk are:

- Positions in foreign currency ("FX") within the trading book.
- Currency mismatches between assets and liabilities in the banking book.
- Cash flow mismatches in different currencies.
- Structural positions produced from consolidating assets and liabilities from our foreign branches and subsidiaries denominated in currencies other than the Chilean peso. As a result, movements in exchange rates can generate volatility within the Bank's income statement and equity. This effect is known as "translation risk."

**• Indexation Risk**

Indexation risk is the exposure to changes in indexed units (e.g., Unidad de Fomento ("UF"), Unidad de Valor Real ("UVR") or others) linked to domestic or foreign currency in which any instruments, contracts or other transactions recorded in the Statement of Financial Position may be denominated.

**• Interest Rate Risk**

Interest rate risk is the exposure to movements in market interest rates. Changes in market interest rates can affect both the price of instruments recorded at fair value and the financial margin and other gains from the banking book such as fees. Fluctuations in interest rates also affect the Bank's economic value.

Interest rate risk can be represented by sensitivities to parallel and/or non-parallel yield shifts with the effects reflected in the prices of instruments, the financial margin, equity and economic value.

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(34) The trading book includes non-derivative financial instruments that have been classified as trading instruments and all derivative positions that have not been classified as hedging instruments, according to accounting standards. The banking book includes all positions in derivative and non-derivative instruments that do not form part of the trading book.

[Table of Contents](#)**• Volatility Risk**

In addition to the exposure related to the underlying asset, issuing options has other risks. These risks arise from the non-linear relationship between the gain generated by the option and the price and level of the underlying factors, as well as exposure to changes in the price volatility of the underlying asset.

**a.2) Funding Liquidity Risk**

Funding liquidity risk is the exposure of the Bank's and its subsidiaries to events that affect their ability to meet, in a timely manner and at reasonable costs, cash payment obligations arising from maturities of time deposits that are not renewed, withdrawals from demand accounts, maturities or settlements of derivatives, liquidations of investments or any other payment obligation.

Financial institutions are exposed to funding liquidity risk that is intrinsic to the role of intermediary that they play in the economy. In general, in financial markets demand for medium or long-term financing is usually much greater than the supply of funds for those terms while short-term financing is in considerable supply. In this sense, the role of intermediary played by financial institutions, which assume the risk of satisfying the demand for medium and long-term financing by brokering short-term available funds, is essential for the economy to function properly.

Appropriately managing funding liquidity risk not only allows contractual obligations to be met in a timely manner, but also enables:

- the liquidation of positions, when it so decides, to occur without significant losses.
- the commercial and treasury activities of the Bank and its subsidiaries to be financed at competitive rates.
- the Bank to avoid fines or regulatory penalties for not complying with regulations.

**a.3) Counterparty Risk**

Counterparty risk is the risk of loss arising from non-compliance by a given counterparty, for whatever reason, in paying all or part of its obligations with the Bank under contractually agreed-upon conditions. This risk also includes a given counterparty's inability to comply with obligations to settle derivative operations with bilateral risk.

The Bank diversifies credit risk by placing concentration limits on different groups. Exposure to credit risk is evaluated using an individual analysis of the payment capacity of debtors and potential debtors to meet their obligations on time and as agreed.

**b. Financial Risk Management**

The process of managing financial risks is an ongoing, interlinked process that begins by identifying the risks to which the institution is exposed. After that, the Bank calculates the potential impact of that exposure on its profit or loss and limits it to a desired level. This involves actively monitoring risk and studying how it evolves over time. The risk management process can be subdivided into the following stages:

**b.1) Identification of Financial Risks**

The financial risk division has a highly technical team that is constantly monitoring the activities of the Bank and its subsidiaries to search for potential risks that have not been quantified and controlled. The Bank's treasury division serves as a first line of defense and plays an essential role in risk detection. Itaú Corpbanca's structure facilitates this role of identifying risks by preserving the division's independence and ensuring active participation from management in creating/modifying products. After a risk is identified, it is quantified to see the potential impact on value creation within the institution.

[Table of Contents](#)**b.2) Quantification and Control of Financial Risk Exposure**

Once a risk has been identified, the financial risk division is responsible for mapping the risk using the appropriate quantification metrics. The Board and senior management are aware of the methods used to measure exposure and are responsible for setting the institution's desired risk appetite levels (by business unit, associate, risk factor, area, etc.), always taking care to adhere to current regulations. The limit setting process is the instrument used to establish the equity available to each activity. Limit determination is, by design, a dynamic process that responds to the risk level considered acceptable by senior management.

The financial risk division requests and proposes a system of quantitative and qualitative limits and warning levels that affect liquidity and market risk; this request must be authorized by the ALCO and the Board. It also regularly measures risk incurred, develops valuation tools and models, performs periodic stress testing, measures the degree of concentration with interbank counterparties, drafts policy and procedure handbooks and monitors authorized limits and warning levels, which are reviewed at least once per year.

The limit structure the division is required to carry out a process that includes the following steps:

- Efficiently and comprehensively identify and outline the main types of financial risks incurred so that they are consistent with the running of the business and the defined strategy.
- Quantify and communicate to business areas the risk levels and profile that senior management considers acceptable in order to avoid incurring undesired risks.
- Give business areas flexibility to take on financial risks in an efficient and timely manner based on changes in the market and business strategies, and always within the risk levels considered acceptable by the entity.
- Enable business generators to take on a cautious yet sufficient level of risk in order to achieve budgeted results.
- Outline the range of products and underlying assets with which each treasury unit can operate, based on characteristics like the model, valuation systems and liquidity of the instruments involved, among other factors.

The metrics, by type of risk, used to quantify exposure or demonstrate that a risk has been materialized are detailed below:

- **Market Risk Metrics and Limits**

Given the complexity and relevance of the portfolios managed by Itaú Corpbanca, diverse instruments have been chosen to control market risk based on the characteristics of the financial products in the trading and banking books: The following regulatory and internal metrics are used to monitor and control market risk:

**Regulatory Risk Measurements for the Trading and Banking Books**

The Bank measures regulatory exposure using the standardized methodology provided by the Chilean Central Bank (Chapter III-B-2.2 "Standards on Measuring and Controlling Market Risks in Banking Companies" of the Compendium of Financial Standards) and complemented by the SBIF (Chapter 12-21 "Standards on Measuring and Controlling Market Risks"), which is a risk measurement based on the standard methodology of the Basel Committee, which is designed to quantify exposure to market risks for the banking and trading books.

The regulatory measurement of market risk in the trading book allows the Bank to estimate its potential losses from fluctuations standardized by the regulator. The regulatory limit is the sum of this risk (also known as market risk exposure or "MRE") and 10% of the credit risk weighted assets; in no case may this sum be greater than the Bank's regulatory capital.

The Bank, on an individual level, must continuously observe those limits and report to the SBIF on a weekly basis regarding its positions at risk and compliance with those limits (see regulatory report SBIF C41

[Table of Contents](#)

“Weekly information on market risk using standardized methodology”). It must also inform the SBIF each month on the consolidated positions at risk of subsidiaries and foreign subsidiaries (see regulatory report SBIF C43 “Consolidated information on market risk using standardized methodology”).

The following table details regulatory limit consumption for market risk, specifically for the trading book as of December 31, 2017, 2016 and 2015.

**Trading Book**

Limit Consumption	As of December 31,		
	2017	2016	2015
Market risk exposure (MRE)	71.3%	60.4%	71.8%

The regulatory risk measurement for the banking book (see regulatory report SBIF C40 “Cash flows related to interest rate and indexation risk in the Banking Book”) is used to estimate the Bank’s potential losses from standardized adverse movements in interest and exchange rates. It is important to specify that for regulatory reporting purposes, the trading book includes the interest rate risk of derivatives managed in the banking book.

The standardized regulatory report for the banking book (see regulatory report SBIF C40) is used to estimate the Bank’s potential economic losses from standardized adverse movements in interest rates defined by the SBIF. Currently, limits for short-term exposure (“STE”) to interest rate and indexation risk in the banking book must not exceed 35% of annual operating income (LTM moving period) and long-term limit consumption (“LTE”) must be less than 20% of the Bank’s regulatory capital.

The following table details regulatory limit consumption for market risk, specifically for the banking book as of December 31, 2017, 2016 and 2015:

**Banking Book**

Limit Consumption	As of December 31,		
	2017	2016	2015
Short-term exposure to interest rate risk (STE)	45.0%	51.8%	60.6%
Long-term exposure to interest rate risk (LTE)	43.2%	60.1%	13.8%

**Value at Risk (“VaR”)**

- Calculation of historical VaR (non-parametric). This measurement provides the maximum potential economic loss at a certain confidence level and a given time horizon. Historical VaR, as opposed to statistical or parametric VaR, is based on the observed distribution of past returns, does not need to make assumptions of probability distributions (frequently normal distribution) and, therefore, does not need a mean (assumed 0), standard deviation or correlations across returns (parameters). The Bank uses a 99% confidence level and a time horizon of one day.
- Calculation of volatility-adjusted historical VaR (non-parametric). This measurement is based on the above and the profit and loss vector is adjusted according to whether it is facing a period of greater or less volatility.

The Board of Directors defines limits on the Value at Risk (as of the end of the first half of 2016 it uses the volatility-adjusted historical VaR method) that can be maintained, which is monitored on a daily basis. The measurement is also subjected to backtesting to verify that the daily losses that effectively occurred do not exceed VaR more than once every 100 days. The result is monitored daily to confirm the validity of the assumptions, hypothesis and the adequacy of the parameters and risk factors used in the VaR calculation. The Bank in turn calculates VaR for sub/portfolios and risk factors, which allows it to quickly detect pockets

[Table of Contents](#)

of risk. Since VaR does not consider stress scenarios, it is complemented by stress testing. Specifically, the Bank uses metrics that take into account prospective, historical and standardized scenarios.

Although the Value at Risk model is one of the models most frequently used by the local financial industry, like any model it has limitations that must be considered:

- It does not take into account the expected loss in the event that the portfolio return is above the confidence level defined in the VaR. In other words, in the Bank's case it does not reflect what happens in the 1% of the tail. This is mitigated with the stress measures detailed below.
- It does not consider intraday results, but only reflects the potential loss given current positions.
- It does not take into account potential changes in the dynamics of movements in market variables (i.e.. potential changes in the matrix of variance and covariance).

### Sensitivity Measurements

Sensitivity measurements are based on estimated scenarios for positions in the trading and banking books.

- **Trading Book Positions by Risk Factor:**

Trading book positions as of December 31, 2017, 2016 and 2015, are detailed as follows:

Risk Factor / Products	Position		
	2017 MCh\$	2016 MCh\$	2015 MCh\$
<b>CLP rates</b>			
Derivatives	(738,006)	(131,852)	(77,875)
Investments	263,964	344,390	3,733
<b>CLF rates</b>			
Derivatives	694,368	319,785	175,245
Investments	171,330	72,668	2,678
<b>COP rates</b>			
Derivatives	(223,400)	4,275	—
Investments	384,244	381,848	—
<b>UVR rates</b>			
Derivatives	—	—	—
Investments	—	164,828	—
<b>USD rates</b>	<b>256,495</b>	<b>44,211</b>	<b>7,835</b>
<b>OM rates</b>	<b>10</b>	<b>(1,061)</b>	<b>52</b>
<b>FX (exchange rate)</b>	<b>15,620</b>	<b>14,089</b>	<b>7,887</b>
<b>Inflation (CLF)</b>	—	—	—
<b>Optionality (Gamma, Vega)</b>	<b>120</b>	<b>6</b>	<b>1</b>

OM = Other money or currencies

Trading book positions by risk factor correspond to the fair and equivalent nominal value (exchange rate or "FX," inflation and optionality) of the portfolios within the trading book. The trading book is made up of the financial assets presented in Notes 6 and 8, and financial liabilities presented in Note 8. The currency position incorporates the amortized cost positions from the Statement of Financial Position, excluding the positions related to the foreign investment with their respective hedges. The currency positions in the trading book have limits for each currency.

[Table of Contents](#)

- **Banking Book Positions by Risk Factor:**

**FX and Inflation Positions in Banking Book:**

Foreign currency and inflation positions in the banking book as of December 31, 2017, 2016 and 2015, are detailed as follows:

	<u>Year-End 2017</u>	<u>Year-End 2016</u>	<u>Year-End 2015</u>
CLF Position	877,152	1,118,526	448,256
FX Position	(889,075)	(684,938)	(52,231)

Positions in currencies other than Chilean pesos (FX) and exposure to indexation is classified by book and by their effect on the Bank's financial statements, reflecting the spot exposure to each risk factor. It is important to highlight the impact of structural exchange rate risk arising from the Bank's positions in currencies other than the Chilean peso related primarily to the consolidation of investments in subsidiaries or affiliates and the results and hedges of these investments. The process of managing structural exchange rate risk is dynamic and attempts to limit the impact of currency depreciation, thus optimizing the financial cost of hedges. The general policy for managing this risk is to finance them in the currency of the investment provided that the depth of the market so allows and the cost is justified by the expected depreciation. One-time hedges are also taken out when the Bank considers that any currency may weaken beyond market expectations with respect to the Chilean peso. As of December 2017, greater ongoing exposure was concentrated in Colombian pesos (approximately MUS\$ 1,000). The Bank hedges part of these positions on a permanent basis using currency derivatives. The currency positions in the banking book have limits for each currency.

**Structural Interest Rate Position in Banking Book (Interest Rate Gap):**

Structural interest rate risk is measured using representation by risk factor of cash flows expressed at fair value, assigned at the repricing date and by currency. This methodology facilitates the detection of concentrations of interest rate risk over different time frames. All positions inside and outside the Statement of Financial Position must be ungrouped into cash flows and placed at the repricing / maturity point. For those accounts that do not have contractual maturities, an internal model is used to analyze and estimate their durations and sensitivities.

The following table shows the banking book positions (products valued at amortized cost and available-for-sale instruments and derivatives valued at fair value) for the most important currencies in which the Bank does business as of year-end 2017, 2016 and 2015.

The exposures presented are the present values resulting from:

- Modeling contractual cash flows based on behaviors that affect market risk exposure. Example: prepayment, renewal, etc.
- Discounting cash flows from items accounted for on an accrual basis at a rate that represents the opportunity cost of the liability/asset.
- Discounting cash flows from items accounted for at market value at the market rate.

[Table of Contents](#)

CLP Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>4,256,811</b>	<b>892,701</b>	<b>1,688,269</b>	<b>1,315,539</b>	<b>665,015</b>
Cash	387,847	—	—	—	—
Repurchase agreements	5,956	—	—	—	—
Loans to customers, net	2,162,363	859,897	1,614,115	1,080,663	427,787
Financial assets available for sale	67,735	32,804	74,154	234,876	237,228
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	703,689	—	—	—	—
Other assets	929,221	—	—	—	—
<b>LIABILITIES</b>	<b>(6,418,945)</b>	<b>(1,147,278)</b>	<b>(3,162,828)</b>	<b>(1,204,044)</b>	<b>(221,116)</b>
Current accounts and demand deposits	(577,488)	(83,941)	(484,133)	(901,810)	(114)
Savings accounts and time deposits	(2,229,619)	(989,646)	(2,633,395)	(194,706)	—
Debt issued	(831)	(7,952)	(45,081)	(107,528)	(221,002)
Other liabilities	(374,333)	(30,483)	—	—	—
Capital and reserves	(3,207,101)	(30,483)	—	—	—
Resell agreements	(29,573)	(4,773)	(219)	—	—
<b>DERIVATIVES</b>	<b>819,878</b>	<b>456,293</b>	<b>268,834</b>	<b>(324,113)</b>	<b>(152,389)</b>
Financial derivative instruments	819,878	456,293	268,834	(324,113)	(152,389)

CLF Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>481,000</b>	<b>510,095</b>	<b>2,008,605</b>	<b>2,172,278</b>	<b>3,891,622</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	520,449	422,096	1,786,914	1,767,416	3,804,979
Financial assets available for sale	22,633	87,999	221,691	404,862	86,643
PP&E and intangible assets	—	—	—	—	—
Other assets	(62,082)	—	—	—	—
<b>LIABILITIES</b>	<b>(352,331)</b>	<b>(255,086)</b>	<b>(423,122)</b>	<b>(968,507)</b>	<b>(3,748,085)</b>
Other liabilities	(189,476)	—	(36,335)	(47,686)	(6,925)
Capital and reserves	—	—	—	—	—
Debt issued	(48,724)	(10,387)	(262,792)	(878,854)	(3,319,434)
Current accounts and demand deposits	(98,353)	(244,699)	(123,995)	(41,967)	(421,726)
Savings accounts and time deposits	(15,778)	—	—	—	—
<b>DERIVATIVES</b>	<b>(1,209,472)</b>	<b>508,032</b>	<b>(817,140)</b>	<b>(226,061)</b>	<b>(321,390)</b>
Financial derivative instruments	(1,209,472)	508,032	(817,140)	(226,061)	(321,390)

COP and UVR Position	Year-End 2017				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>Assets</b>	<b>1,995,876</b>	<b>579,940</b>	<b>774,647</b>	<b>1,014,376</b>	<b>593,649</b>
Cash	165,848	—	—	—	—
Repurchase agreements	21,263	—	—	—	—
Loans to customers, net	1,237,941	522,042	633,470	619,269	531,424
Financial assets available for sale	3,885	—	141,177	395,107	62,225
Financial assets held to maturity	25,145	57,898	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	541,794	—	—	—	—
<b>Liabilities</b>	<b>(3,184,891)</b>	<b>(628,485)</b>	<b>(686,080)</b>	<b>(484,123)</b>	<b>(303,755)</b>
Current accounts and demand deposits	(1,490,776)	—	—	—	—
Savings accounts and time deposits	(350,584)	(578,115)	(635,840)	(376,758)	(140,162)
Debt issued	—	(50,370)	(50,240)	(107,365)	(163,593)
Other liabilities	(669,363)	—	—	—	—
Capital and reserves	(674,168)	—	—	—	—
<b>Derivatives</b>	<b>(233,772)</b>	<b>62,977</b>	<b>(330,530)</b>	<b>374,478</b>	<b>(95,155)</b>
Financial derivative instruments	(233,772)	62,977	(330,530)	374,478	(95,155)

[Table of Contents](#)

FX Position	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>702,899</b>	<b>263,710</b>	<b>547,828</b>	<b>33,258</b>	<b>11,851</b>
Cash	392,669	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	132,850	263,597	547,358	20,963	10,761
Financial assets available for sale	173	79	439	12,283	1,078
Financial assets held to maturity	—	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	177,207	34	31	12	12
<b>LIABILITIES</b>	<b>(1,861,588)</b>	<b>(318,197)</b>	<b>(539,389)</b>	<b>(450,818)</b>	<b>—</b>
Current accounts and demand deposits	(388,722)	—	—	—	—
Savings accounts and time deposits	(837,274)	(202,181)	(526,101)	(2,215)	—
Debt issued	(452,157)	(116,016)	(13,288)	(448,603)	—
Other liabilities	(116,183)	—	—	—	—
Capital and reserves	(66,994)	—	—	—	—
Resell agreements	(258)	—	—	—	—
<b>DERIVATIVES</b>	<b>879,996</b>	<b>(47,020)</b>	<b>70,834</b>	<b>361,999</b>	<b>6,409</b>
Financial derivative instruments	879,996	(47,020)	70,834	361,999	6,409

CLP Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>3,501,743</b>	<b>870,778</b>	<b>2,160,430</b>	<b>1,290,116</b>	<b>543,713</b>
Cash	456,753	—	—	—	—
Repurchase agreements	82,146	—	—	—	—
Loans to customers, net	2,103,570	823,545	2,126,992	1,126,147	459,420
Financial assets available for sale	320,536	47,233	33,438	163,969	84,293
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	214,411	—	—	—	—
Other assets	324,327	—	—	—	—
<b>LIABILITIES</b>	<b>(6,504,266)</b>	<b>(1,196,757)</b>	<b>(2,361,334)</b>	<b>(227,588)</b>	<b>(158,564)</b>
Current accounts and demand deposits	(1,890,606)	—	(58,425)	—	—
Savings accounts and time deposits	(3,042,768)	(1,190,542)	(2,286,425)	(157,934)	(255)
Debt issued	(831)	(4,710)	(15,982)	(69,654)	(158,309)
Other liabilities	(302,491)	(1,505)	(502)	—	—
Capital and reserves	(1,267,570)	—	—	—	—
<b>DERIVATIVES</b>	<b>(136,936)</b>	<b>(204,005)</b>	<b>548,898</b>	<b>(117,704)</b>	<b>48,800</b>
Financial derivative instruments	(136,936)	(204,005)	548,898	(117,704)	48,800

CLF Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>460,596</b>	<b>467,103</b>	<b>2,112,730</b>	<b>1,828,020</b>	<b>3,977,336</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	498,761	453,798	2,019,088	1,751,321	3,931,531
Financial assets available for sale	3,792	13,305	93,642	76,699	45,805
PP&E and intangible assets	—	—	—	—	—
Other assets	(41,957)	—	—	—	—
<b>LIABILITIES</b>	<b>(366,933)</b>	<b>(158,745)</b>	<b>(1,087,649)</b>	<b>(892,317)</b>	<b>(3,218,064)</b>
Other liabilities	(86,149)	—	(46,944)	(66,944)	(21,856)
Capital and reserves	—	—	—	—	—
Debt issued	(41,651)	(12,178)	(542,146)	(649,782)	(2,773,046)
Current accounts and demand deposits	(17,596)	—	—	—	—
Savings accounts and time deposits	(221,537)	(146,567)	(498,559)	(175,591)	(423,162)
<b>DERIVATIVES</b>	<b>(633,500)</b>	<b>(290,901)</b>	<b>(864,344)</b>	<b>(448,301)</b>	<b>233,496</b>
Financial derivative instruments	(633,500)	(290,901)	(864,344)	(448,301)	233,496

[Table of Contents](#)

COP and UVR Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>Assets</b>	<b>2,777,361</b>	<b>610,840</b>	<b>667,891</b>	<b>761,052</b>	<b>690,494</b>
Cash	328,871	—	—	—	—
Repurchase agreements	152,665	—	—	—	—
Loans to customers, net	1,697,264	602,867	629,102	695,626	508,008
Financial assets available for sale	44,235	7,973	38,789	65,426	182,486
Financial assets held to maturity	107,541	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	446,785	—	—	—	—
<b>Liabilities</b>	<b>(4,229,588)</b>	<b>(581,868)</b>	<b>(765,798)</b>	<b>(461,681)</b>	<b>(309,997)</b>
Current accounts and demand deposits	(1,759,415)	—	—	—	—
Savings accounts and time deposits	(930,983)	(570,126)	(631,854)	(342,199)	(101,967)
Debt issued	(24,653)	(11,742)	(133,944)	(119,482)	(208,030)
Other liabilities	(740,891)	—	—	—	—
Capital and reserves	(773,646)	—	—	—	—
<b>Derivatives</b>	<b>(41,422)</b>	<b>(24,828)</b>	<b>220,845</b>	<b>(8,233)</b>	<b>(83,679)</b>
Financial derivative instruments	(41,422)	(24,828)	220,845	(8,233)	(83,679)

FX Position	Year-End 2016				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>979,846</b>	<b>774,212</b>	<b>1,123,227</b>	<b>31,486</b>	<b>34,326</b>
Cash	349,543	—	—	—	—
Repurchase agreements	39,172	—	—	—	—
Loans to customers, net	645,830	774,108	1,122,529	22,872	22,093
Financial assets available for sale	287	104	698	8,614	12,233
Financial assets held to maturity	—	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	(54,986)	—	—	—	—
<b>LIABILITIES</b>	<b>(1,880,468)</b>	<b>(785,961)</b>	<b>(1,179,179)</b>	<b>(545,528)</b>	<b>—</b>
Current accounts and demand deposits	(317,104)	—	(7,959)	—	—
Savings accounts and time deposits	(923,035)	(264,542)	(322,601)	—	—
Debt issued	(7,529)	(125,397)	(469,452)	(540,348)	—
Other liabilities	(610,230)	(396,022)	(379,167)	(5,180)	—
Capital and reserves	(22,570)	—	—	—	—
<b>DERIVATIVES</b>	<b>329,880</b>	<b>264,544</b>	<b>461,844</b>	<b>543,063</b>	<b>(57,615)</b>
Financial derivative instruments	329,880	264,544	461,844	543,063	(57,615)

CLP Position	Year-End 2015				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>1,375,771</b>	<b>433,059</b>	<b>740,858</b>	<b>377,601</b>	<b>102,765</b>
Cash	227,450	—	—	—	—
Repurchase agreements	58,296	—	—	—	—
Loans to customers, net	639,202	408,002	701,133	365,287	102,720
Financial assets available for sale	147,925	25,057	39,725	12,314	45
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	97,349	—	—	—	—
Other assets	205,549	—	—	—	—
<b>LIABILITIES</b>	<b>(1,823,957)</b>	<b>(518,933)</b>	<b>(1,046,280)</b>	<b>(278,441)</b>	<b>(10,960)</b>
Current accounts and demand deposits	(375,365)	(47,417)	(151,741)	(110,807)	(10,960)
Savings accounts and time deposits	(658,190)	(471,444)	(892,462)	(137,889)	—
Debt issued	—	—	(2,077)	(29,745)	—
Repurchase agreements	(88,328)	(72)	—	—	—
Other liabilities	(178,329)	—	—	—	—
Capital and reserves	(523,745)	—	—	—	—
<b>DERIVATIVES</b>	<b>313,295</b>	<b>157,511</b>	<b>414,040</b>	<b>(130,308)</b>	<b>(92,492)</b>
Financial derivative instruments	313,295	157,511	414,040	(130,308)	(92,492)

[Table of Contents](#)

CLF Position	Year-End 2015				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>340,027</b>	<b>265,914</b>	<b>957,214</b>	<b>627,247</b>	<b>2,133,207</b>
Cash	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	248,695	217,467	874,598	546,211	2,133,207
Financial assets available for sale	81,786	48,447	82,616	81,036	—
Financial assets held to maturity	—	—	—	—	—
PP&E and intangible assets	—	—	—	—	—
Other assets	9,546	—	—	—	—
<b>LIABILITIES</b>	<b>(214,234)</b>	<b>(88,779)</b>	<b>(609,756)</b>	<b>(542,924)</b>	<b>(1,756,897)</b>
Current accounts and demand deposits	(371)	—	—	—	—
Savings accounts and time deposits	(171,613)	(80,000)	(494,159)	(171,808)	(373,648)
Debt issued	(4,173)	(8,776)	(59,318)	(285,780)	(1,331,970)
Repurchase agreements	—	—	—	—	—
Other liabilities	(38,077)	(3)	(56,279)	(85,336)	(51,279)
Capital and reserves	—	—	—	—	—
<b>DERIVATIVES</b>	<b>88,477</b>	<b>(202,459)</b>	<b>(189,140)</b>	<b>(55,062)</b>	<b>(304,577)</b>
Financial derivative instruments	88,477	(202,459)	(189,140)	(55,062)	(304,577)

FX Position	Year-End 2015				
	1 Month	1 - 3 Months	3 Months to 1 Year	1 to 3 Years	More than 3 Years
<b>ASSETS</b>	<b>535,528</b>	<b>426,188</b>	<b>548,729</b>	<b>22,657</b>	<b>16,207</b>
Cash	143,224	—	—	—	—
Repurchase agreements	—	—	—	—	—
Loans to customers, net	335,312	426,188	548,729	22,657	16,207
Financial assets available for sale	—	—	—	—	—
Financial assets held to maturity	—	—	—	—	—
PP&E and investments	—	—	—	—	—
Other assets	56,992	—	—	—	—
<b>LIABILITIES</b>	<b>(445,017)</b>	<b>(499,406)</b>	<b>(452,259)</b>	<b>(30,098)</b>	<b>(5,389)</b>
Current accounts and demand deposits	(65,134)	(10,675)	(34,114)	(24,691)	(5,389)
Savings accounts and time deposits	(241,110)	(159,131)	(169,009)	—	—
Debt issued	—	—	—	—	—
Repurchase agreements	—	—	—	—	—
Other liabilities	(138,773)	(329,600)	(249,136)	(5,407)	—
Capital and reserves	—	—	—	—	—
<b>DERIVATIVES</b>	<b>(229,775)</b>	<b>74,931</b>	<b>9,984</b>	<b>(630)</b>	<b>(23,882)</b>
Financial derivative instruments	(229,775)	74,931	9,984	(630)	(23,882)

Cash presented in the above tables correspond term deposits. The remaining portion of the cash and cash equivalents is considered readily available.

The following table summarizes the aforementioned exposures:

Currency	2017 Exposure	2016 Exposure	2015 Exposure
	MCh\$	MCh\$	MCh\$
CLP	(2,267,374)	(1,942,677)	13,530
CLF	877,152	1,118,526	448,256
COP-UVR	(550,847)	(778,611)	—
FX	(338,228)	93,673	(52,231)

- **Sensitivity Analysis for Financial Risks**

The Bank uses stress testing as a sensitivity analysis tool in order to control financial risk. This measurement is performed separately for each class of financial instruments.

Sensitivity is estimated using the DV01 indicator, which is a measure of sensitivity of the portfolio results considering the increase by 1 basis point (0.01%) of the zero coupon interest rate of the financial risk factor for different maturities in annualized terms.

[Table of Contents](#)

The following table presents an estimate of the likely, but reasonable impact of the fluctuations in interest rates, exchange rates and implicit volatilities (market factors) that would have an impact the based on a scenario of each class of financial instrument.

The estimated economic impact derived from the scenarios of changes in market factors presents effects in profit and loss for trading instruments and instruments measured at amortized cost, as well as impacts in other comprehensive income relating the available for sale, cash flow hedges and foreign investments portfolios.

The scenarios presented below correspond to the probable worst-case scenarios chosen from a set of scenarios agreed upon based on the opinions of specialists in economics, financial risk and traders. In order to estimate the economic impact, sensitivities (DV01) and scenario related changes must be multiplied for each market factor.

Scenarios are presented separately for Chile and Colombia.

## a) Chile

## Interest Rate Scenarios - Chile (basis points — 0.01%)

Scenarios for impact on financial trading instruments							Scenarios for impact on Available-for-Sale Assets(AFS)							Scenarios for impact on instruments measured at amortized cost			
Term	Overnight CLP	Gov't CLP	Overnight CLF	Gov't CLF	Curve USD	Curves MX	Term	Overnight CLP	Gov't CLP	Overnight CLF	Gov't CLF	Curve USD	Curves MX	Term	Overnight CLP	Overnight CLF	Curve USD
1D	(35)	48	116	314	122	(122)	1D	(35)	48	(116)	314	122	122	1D	35	116	122
3M	(35)	48	116	314	122	(122)	3M	(35)	48	(116)	314	122	122	1M	35	116	122
6M	(35)	48	116	314	122	(122)	6M	(35)	48	(116)	314	122	122	3M	35	116	122
9M	(39)	49	97	202	99	(99)	9M	(39)	49	(97)	202	99	99	6M	35	116	122
1Y	(43)	49	77	79	75	(75)	1Y	(43)	49	(77)	79	75	75	9M	39	97	99
2Y	(40)	39	59	75	49	(49)	2Y	(40)	39	(59)	75	49	49	1Y	43	77	75
3Y	(46)	41	57	67	58	(58)	3Y	(46)	41	(57)	67	58	58				
4Y	(56)	42	55	59	67	(67)	4Y	(56)	42	(55)	59	67	67				
5Y	(66)	43	54	51	75	(75)	5Y	(66)	43	(54)	51	75	75				
7Y	(63)	56	58	57	82	(82)	7Y	(63)	56	(58)	57	82	82				
10Y	(59)	74	65	67	93	(93)	10Y	(59)	74	(65)	67	93	93				
20Y	(59)	75	70	58	93	(93)	20Y	(59)	75	(70)	58	93	93				

## Exchange Rate Scenarios - Chile

Exchange Rate	Scenarios for impact on financial trading instruments	Scenario for Impact on AFS	Scenario for Impact on Amortized Cost Book
USD-CLP		8.1%	-8.1%
USD-COP		8.0%	8.0%

## b) Colombia

## Interest Rate Scenarios - Colombia (basis points — 0.01%)

Scenarios for impact on financial trading instruments				Scenarios for impact on Available-for-Sale Assets (AFS)				Scenarios for impact on instruments measured at amortized cost			
Term	Gov't COP	Swap IBR	Curve USD	Term	Gov't COP	Swap IBR	Curve USD	Term	Curves MX	Swap IBR	Curve USD
1D	91	59	(15)	1D	91	59	(15)	1D	—	59	14
3M	91	37	(18)	3M	91	37	(18)	1M	122	35	13
6M	91	48	(8)	6M	91	48	(8)	3M	122	37	11
9M	91	54	(16)	9M	91	54	(16)	6M	122	48	26
1Y	91	60	(24)	1Y	91	60	(24)	9M	99	54	22
2Y	77	43	(33)	2Y	77	43	(33)	1Y	75	60	19
3Y	67	36	(44)	3Y	67	36	(44)				
4Y	62	39	(49)	4Y	62	39	(49)				
5Y	67	43	(54)	5Y	67	43	(54)				
7Y	75	40	(60)	7Y	75	40	(60)				
10Y	85	36	(69)	10Y	85	36	(69)				
20Y	41	23	(99)	20Y	41	23	(99)				

[Table of Contents](#)**Exchange Rate Scenarios — Colombia**

Exchange Rate	Scenarios for impact on financial trading instruments	Scenario for Impact on AFS	Scenario for Impact on Amortized Cost Book
<b>USD-COP</b>	-8.4%	8.4%	8.4%

c) Consolidated effects in profit or loss of the scenarios

i) The following table presents the impact profit and loss (P&L) for the years ended December 31, 2017, 2016 and 2015 derived from the aforementioned scenarios applied to our financial trading instruments as of year-end:

Potential Impact on P&L	2017	2016	2015
	MCh\$	MCh\$	MCh\$
<b>CLP Rate Risk</b>	<b>(849)</b>	<b>(2,812)</b>	<b>(1,865)</b>
Derivatives	(847)	(2,604)	(1,823)
Investments	(2)	(208)	(42)
<b>CLF Rate Risk</b>	<b>(7,839)</b>	<b>(8,069)</b>	<b>(2,662)</b>
Derivatives	(7,839)	(8,069)	(2,635)
Investments	—	—	(27)
<b>COP Rate Risk</b>	<b>(14,895)</b>	<b>(11,622)</b>	<b>—</b>
Derivatives	(9,909)	(10,439)	—
Investments	(4,986)	(1,183)	—
<b>UVR Rate Risk</b>	<b>—</b>	<b>(404)</b>	<b>—</b>
Derivatives	—	—	—
Investments	—	(404)	—
<b>USD Rate Risk</b>	<b>(2,001)</b>	<b>(2,658)</b>	<b>(778)</b>
<b>Other Currencies Rate Risk</b>	<b>(50)</b>	<b>(9)</b>	<b>(2)</b>
<b>Total Rate Risk</b>	<b>(25,634)</b>	<b>(25,574)</b>	<b>(5,307)</b>
<b>Foreign Exchange Risk</b>	<b>(755)</b>	<b>(1,921)</b>	<b>(131)</b>
<b>Options Risk <sup>(1)</sup></b>	<b>66</b>	<b>(87)</b>	<b>—</b>
<b>Total Impact</b>	<b>(26,323)</b>	<b>(27,582)</b>	<b>(5,438)</b>

(1) Option Risk includes the (Vega) and Gamma volatility risks.

ii) The following table presents the consolidated impact on the net interest income derived from the aforementioned scenarios on the financial instruments measured at amortized cost for the periods ended December 31, 2017, 2016 and 2015.

Potential impact on instruments measured at amortized cost	2017	2016	2015
	MCh\$	MCh\$	MCh\$
Impact of Interbank Rate Risk	(9,432)	(7,096)	(4,673)

The impact on the banking book does not necessarily mean a gain/loss but it does mean smaller/larger net income from the generation of funds (net funding income, which is the net interest from the financial instruments measured at amortized cost portfolio) for the next 12 months.

iii) Changes in market factors derived from the aforementioned scenarios also generate an impact on equity accounts as a result of the potential change in available-for-sale instruments portfolio and the cash flow and net foreign investment hedges portfolios, which are presented in the following table:

[Table of Contents](#)

As of December 31, 2017:

As of December 31, 2017	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
		US\$	MUS\$
Interest Rate			
CLP	(386,979)	(37.01)	(22,745)
CLF	(245,812)	(47.62)	(29,261)
COP	(225,321)	(17.50)	(10,766)
UVR	—	—	—
USD	(48,791)	(2.77)	(1,700)
Other	—	—	—
<b>Total Rate Impact</b>	<b>(906,903)</b>	<b>(105)</b>	<b>(64,472)</b>

Exchange Rate	Impact of Change in Prices	
	MUS\$	MCh\$
USD	(8)	(4,875)
COP	(9)	(5,621)
<b>Total Impact on Exchange Rate</b>	<b>(17)</b>	<b>(10,496)</b>
<b>Total Impact</b>	<b>(122)</b>	<b>(74,968)</b>

As of December 31, 2016:

As of December 31, 2016	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
		US\$	MUS\$
Interest Rate			
CLP	(293,337)	(14.00)	(9,211)
CLF	41,167	(15.00)	(10,029)
COP	(152,241)	(8.00)	(5,588)
UVR	—	—	—
USD	(77,927)	(3.00)	(2,094)
Other	(159)	—	(7)
<b>Total Rate Impact</b>	<b>(482,497)</b>	<b>(40)</b>	<b>(26,929)</b>

Exchange Rate	Impact of Change in Prices	
	MUS\$	MCh\$
USD	(1)	(269)
COP	(150)	(100,390)
<b>Total Impact on Exchange Rate</b>	<b>(151)</b>	<b>(100,659)</b>
<b>Total Impact</b>	<b>(191)</b>	<b>(127,588)</b>

[Table of Contents](#)

As of December 31, 2015:

Interest Rate	Potential Impact on Equity		
	DV01 (+1 bp)	Impact of Change in Interest Rate	
	USD	MUS\$	MCh\$
CLP	(9,665)	(1)	(242)
CLF	(30,919)	(2)	(1,725)
USD	—	—	—
Other	—	—	—
<b>Total Rate Impact</b>	<b>(40,584)</b>	<b>(3)</b>	<b>(1,967)</b>

Foreign Exchange	Impact of Change in Prices	
	MUS\$	MCh\$
USD	—	—
Other	—	—
<b>Total Impact on Exchange Rate</b>	<b>—</b>	<b>—</b>
<b>Total Impact</b>	<b>(3)</b>	<b>(1,967)</b>

The Bank uses accounting hedges to efficiently manage accounting asymmetries present in financial risk exposure.

The use of accounting hedges is dependent on limits defined by the Board, definitions from the ALCO and the hedging policy. The ALM division is responsible for designing and implementing strategies and the financial risk management division for measuring and monitoring the effectiveness of hedges, generating effectiveness indicators that are continuously monitored.

See Note 8 for more information on accounting hedge strategies.

- **Liquidity Risk Metrics and Limits**

Liquidity risk measurements are focused mainly on quantifying whether the institution has sufficient resources to meet its intraday and intraday obligations under both normal and stressed conditions. They also include a framework of indicators to forecast the occurrence of liquidity stress scenarios and clarity as to the steps to follow once the risk has occurred.

The following regulatory and internal metrics are used to monitor and control liquidity risk:

#### Regulatory Measurement of Liquidity Risk

Adjusted liquidity gap: the same chapter (SBIF 12-20 “Management and Measurement of Liquidity Position”) establishes that, with prior authorization from the regulator, cash outflows to retail counterparties may be assigned a different maturity than their contractual maturity based on their statistical behavior. Adjusted mismatches (local consolidated) are restricted to a maximum of:

- 30-day mismatches in consolidated and foreign currency: 100% of Core Capital.
- 90-day mismatches in consolidated currency: 200% of Core Capital.

The Bank, on a local consolidated level, must continuously observe those limits and periodically report to the SBIF its positions at risk and compliance with those limits using the C46 regulatory report “Liquidity Situation.”

The use of the liquidity regulatory limit as of December 31, 2017, 2016 and 2015, is detailed as follows:

[Table of Contents](#)

Regulatory Liquidity Indicator	As of December 31,		
	2017	2016	2015
	%	%	%
At 30 days	18	4	(2)
At 30 days in foreign currency	25	12	6
At 90 days	11	16	15

Note: Negative percentage (-2%) means that cash inflows exceed cash outflows at that maturity.

**Regulatory Measurement of Contractual Liquidity Gap**

In accordance with SBIF Chapter 12-20, all cash flows in and outside the Statement of Financial Position are analyzed provided that they contribute cash flows at their contractual maturity point.

Balances of the Bank's consolidated undiscounted contractual cash flows from financial assets and liabilities as of December 31, 2017, 2016 and 2015, are detailed as follows in MCh\$:

	December 31, 2017							Total
	1 Month	1 - 3 Months	3 Months to 6 month	6 month to 1 Year	1 year to 3 years	3 years to 5 years	More than 5 years	
	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
<b>Assets</b>	<b>4,224,228</b>	<b>1,661,208</b>	<b>2,030,492</b>	<b>2,507,437</b>	<b>4,605,863</b>	<b>2,979,975</b>	<b>8,739,115</b>	<b>26,748,318</b>
Cash	964,030	—	—	—	—	—	—	964,030
Financial instruments recorded at market value	1,031,730	1,214	230	15,516	15,448	6,634	13,339	1,084,111
Loans to other domestic banks without lines of credit	23,723	—	—	—	93,955	—	—	117,678
Lines of credit granted to other domestic banks	—	—	—	—	—	—	—	—
Commercial loans without lines of credit	1,746,846	1,401,225	1,663,302	1,489,772	2,656,850	1,677,277	4,455,127	15,090,399
Commercial lines of credit and overdrafts	(325,031)	10,376	(3,633)	97,780	49	—	—	(220,459)
Consumer loans without lines of credit	141,002	148,208	205,219	355,677	1,053,399	519,643	209,134	2,632,282
Consumer lines of credit and overdrafts	36,763	21,558	(13,488)	425,016	4,092	—	—	473,941
Residential mortgage loans	34,318	65,946	96,918	194,677	769,201	719,814	4,046,511	5,927,385
Financial instruments recorded based on issuer's flow	18,891	250	31,240	35,122	—	—	—	85,503
Other transactions or commitments without lines of credit	703,120	—	—	—	2,599	—	—	705,719
Other lines of credit granted	—	—	—	—	—	—	—	—
Derivative instruments	(151,164)	12,431	50,704	(106,123)	10,270	56,607	15,004	(112,271)
<b>Liabilities</b>	<b>(8,239,221)</b>	<b>(2,164,508)</b>	<b>(2,393,760)</b>	<b>(3,255,779)</b>	<b>(2,859,785)</b>	<b>(1,094,157)</b>	<b>(5,255,700)</b>	<b>(25,262,910)</b>
Current accounts and other demand deposits	(4,141,667)	—	—	—	—	—	—	(4,141,667)
Term savings accounts - unconditional withdrawal	(2,708)	—	—	—	—	—	—	(2,708)
Term savings accounts - deferred withdrawal	(25,702)	—	—	—	—	—	—	(25,702)
Obligations with Chilean Central Bank without lines of credit	(397,707)	—	—	—	—	—	—	(397,707)
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	—	—	—	—	—	—	—	—
Lines of credit secured from other domestic banks	—	—	—	—	—	—	—	—
Savings accounts and time deposits	(1,910,317)	(1,938,606)	(2,106,012)	(2,356,981)	(905,369)	(125,129)	(789,883)	(10,132,297)
Foreign loans without lines of credit	(460,289)	(147,694)	(224,952)	(646,167)	(362,455)	(95,084)	(240,690)	(2,177,331)
Lines of credit from foreign banks	—	—	—	—	—	—	—	—
Letter of credit obligations	(3,120)	(582)	(3,191)	(6,257)	(21,623)	(16,323)	(24,732)	(75,828)
Bonds payable	(599,615)	(78,780)	(63,087)	(231,538)	(1,511,971)	(839,412)	(4,200,119)	(7,524,522)
Other obligations or payment commitments without lines of credit	(698,096)	1,154	3,482	(14,836)	(58,367)	(18,209)	(276)	(785,148)
Other lines of credit secured	—	—	—	—	—	—	—	—
<b>Net band</b>	<b>(4,014,993)</b>	<b>(503,300)</b>	<b>(363,268)</b>	<b>(748,342)</b>	<b>1,746,078</b>	<b>1,885,818</b>	<b>3,483,415</b>	<b>1,485,408</b>

[Table of Contents](#)

	December 31, 2016					
	1 Month	1 - 3 Months	3 Months to 1	1 to 3 Years	More than 3	Total
	MCh\$	MCh\$	Year	MCh\$	Years	MCh\$
<b>Assets</b>	<b>4,437,895</b>	<b>2,112,587</b>	<b>4,778,259</b>	<b>5,251,810</b>	<b>17,824,808</b>	<b>34,405,359</b>
Cash	1,119,862	—	—	—	—	1,119,862
Financial instruments recorded at market value	1,004,424	359,123	118,864	494,925	1,159,907	3,137,243
Loans to other domestic banks without lines of credit	167,076	4,092	—	—	—	171,167
Lines of credit granted to other domestic banks	—	—	—	—	—	—
Commercial loans without lines of credit	1,969,379	1,525,530	3,364,118	2,816,369	9,368,578	19,043,975
Commercial lines of credit and overdrafts	(276,662)	2,781	58,006	45	45	(215,785)
Consumer loans without lines of credit	62,325	131,324	525,925	1,038,327	1,744,874	3,502,775
Consumer lines of credit and overdrafts	94,515	4,484	325,597	3,248	3,248	431,093
Residential mortgage loans	37,140	66,144	283,201	739,403	5,314,672	6,440,560
Financial instruments recorded based on issuer's flow	30,967	470	75,868	—	—	107,305
Other transactions or commitments without lines of credit	238,207	6,092	16,098	112,494	117,408	490,299
Other lines of credit granted	—	—	—	—	—	—
Derivative instruments	(9,338)	12,547	10,582	46,999	116,076	176,865
<b>Liabilities</b>	<b>(8,454,693)</b>	<b>(2,799,978)</b>	<b>(5,214,372)</b>	<b>(2,960,247)</b>	<b>(8,655,131)</b>	<b>(28,084,422)</b>
Current accounts and other demand deposits	(4,318,821)	—	—	—	—	(4,318,821)
Term savings accounts - unconditional withdrawal	(2,901)	—	—	—	—	(2,901)
Term savings accounts - deferred withdrawal	(39,644)	—	—	—	—	(39,644)
Obligations with Chilean Central Bank without lines of credit	(376,629)	—	—	—	—	(376,629)
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	—	—	—	—	—	—
Lines of credit secured from other domestic banks	—	—	—	—	—	—
Savings accounts and time deposits	(3,091,375)	(2,474,208)	(3,500,821)	(1,139,025)	(1,938,961)	(12,144,391)
Foreign loans without lines of credit	(245,352)	(281,556)	(1,017,915)	(109,668)	(328,524)	(1,983,014)
Lines of credit from foreign banks	—	—	—	—	—	—
Letter of credit obligations	(4,099)	(809)	(12,048)	(26,473)	(79,972)	(123,402)
Bonds payable	(40,256)	(32,952)	(632,208)	(1,638,082)	(6,217,523)	(8,561,021)
Other obligations or payment commitments without lines of credit	(335,616)	(10,453)	(51,380)	(46,999)	(90,151)	(534,599)
Other lines of credit secured	—	—	—	—	—	—
<b>Net band</b>	<b>(4,016,798)</b>	<b>(687,391)</b>	<b>(436,113)</b>	<b>2,291,563</b>	<b>9,169,677</b>	<b>6,320,937</b>

	December 31, 2015					
	1 Month	1 - 3 Months	3 Months to 1	1 to 3 Years	More than 3	Total
	MCh\$	MCh\$	Year	MCh\$	Years	MCh\$
<b>Assets</b>	<b>1,684,312</b>	<b>634,369</b>	<b>1,862,438</b>	<b>1,106,943</b>	<b>5,370,043</b>	<b>10,658,103</b>
Cash	556,223	—	—	—	—	556,223
Financial instruments recorded at market value	465,982	—	—	—	—	465,982
Loans to other domestic banks without lines of credit	49,779	8,927	38,282	2,825	2,825	102,638
Lines of credit granted to other domestic banks	—	—	—	—	—	—
Commercial loans without lines of credit	548,585	550,736	1,193,941	616,189	2,936,302	5,845,752
Commercial lines of credit and overdrafts	8,671	2,306	38,713	22	22	49,734
Consumer loans without lines of credit	13,780	27,094	113,379	221,144	317,221	692,619
Consumer lines of credit and overdrafts	(9,524)	9,338	295,542	3,001	3,001	301,357
Residential mortgage loans	10,773	21,390	98,262	257,087	2,053,706	2,441,217
Financial instruments recorded based on issuer's flow	89	17,682	34,274	11,504	14,079	77,628
Other transactions or commitments without lines of credit	61,262	—	77,054	—	—	138,316
Other lines of credit granted	—	—	—	—	—	—
Derivative instruments	(21,308)	(3,104)	(27,009)	(4,829)	42,887	(13,363)
<b>Liabilities</b>	<b>(2,140,218)</b>	<b>(875,303)</b>	<b>(2,297,841)</b>	<b>(1,191,284)</b>	<b>(3,520,612)</b>	<b>(10,025,260)</b>
Current accounts and other demand						

deposits	(1,013,102)	—	—	—	—	(1,013,102)
Term savings accounts - unconditional withdrawal	—	—	—	—	—	—
Term savings accounts - deferred withdrawal	—	—	—	—	—	—
Obligations with Chilean Central Bank without lines of credit	—	—	—	—	—	—
Lines of credit secured from Chilean Central Bank	—	—	—	—	—	—
Obligations with other domestic banks without lines of credit	(2)	(2)	(99)	(753)	(9,210)	(10,066)
Lines of credit secured from other domestic banks	(21)	—	—	—	—	(21)
Savings accounts and time deposits	(943,680)	(821,386)	(1,660,957)	(362,949)	(976,198)	(4,765,172)
Foreign loans without lines of credit	(2,992)	(22,259)	(550,776)	(83,019)	(87,778)	(746,824)
Lines of credit from foreign banks	—	—	—	—	—	—
Letter of credit obligations	(1,748)	—	(4,916)	(9,009)	(21,783)	(37,456)
Bonds payable	(3,806)	(952)	(51,699)	(290,792)	(1,907,377)	(2,254,626)
Other obligations or payment commitments without lines of credit	(174,867)	(30,704)	(29,394)	(444,762)	(518,266)	(1,197,993)
Other lines of credit secured	—	—	—	—	—	—
<b>Net band</b>	<b><u>(455,906)</u></b>	<b><u>(240,934)</u></b>	<b><u>(435,403)</u></b>	<b><u>(84,341)</u></b>	<b><u>1,849,431</u></b>	<b><u>632,843</u></b>

Note: comparative basis for 2015 is only Itau Chile

The preceding tables present undiscounted cash flows from the Bank's assets (Notes 5 - 11) and liabilities (Notes 16 - 18) on the basis of maturity estimation models. The Bank's expected cash flows could vary as a function of changes in the variable that are used to estimate asset and liability maturities.

The grouping corresponds to regulatory categories that bring together financial items with similar characteristics from the perspective of liquidity risk. These categories are modeled separately and reported in cash flows.

[Table of Contents](#)**Liquidity Coverage Ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”)**

In line with international risk management practices, the Bank uses the liquidity coverage ratio (“LCR”) and net stable funding ratio (“NSFR”) to manage liquidity risk.

The LCR aims to measure the sufficiency of high-quality assets to face a 30-day funding stress scenario. At a minimum, the institution must survive until the thirtieth day of the stress scenario with funding from liquid assets in its portfolio because, as described in the standard, managers and/or supervisors would have been able to establish timely corrective measures. The indicator also recognizes differentiated behavior for wholesale versus retail counterparties, which in the Bank’s case represent 72% and 28%, respectively, for the 30-day band. On the other hand, the NSFR focuses on maintaining sufficient stable funding to meet (long-term) stable funding needs. The bank calculates LCR and NSFR using the methodologies defined by the local regulator and the Brazilian Central Bank (“BACEN”). Both regulators set a limit for LCR, while the parent company establishes a limit for NSFR. The methodology used to estimate LCR and NSFR consists of liquidity ratios proposed by the “Basel III Committee on Banking Supervision” (“BIS III”) that were adopted by the local Chilean regulator and the Brazilian Central Bank.

**Deposits / Loans**

Structurally, the Bank’s liquidity can be quantified based on the level of assets and liabilities in its balance sheet. In particular, the following table shows the ratio of deposits / loans in Itaú Corpbanca’s balance sheet. Deposits refer to the carrying amount of funds (demand and time deposits) that customers deposit in the bank, while loans are credit that the bank grants. This is a measurement of the reciprocity between the Bank’s commercial activity and the stability of its funding.

	Dec 2017	Dec 2016	Dec 2015
Year-End	71.9%	78.4%	73.5%
Minimum	70.2%	71.0%	73.2%
Maximum	78.4%	81.5%	79.9%
Average	72.3%	77.5%	76.5%

*Note1: loans are reported net of provisions*

*Note2: comparative basis for 2015 is only Itaú Chile*

**Liquidity Warning Levels**

Warning levels seek to provide evidence or signs of potential adverse liquidity events. The most relevant warning levels include: counterparty and maturity concentration, currency concentration, product concentration, reserve management, evolution of funding rates and diversification of liquid assets.

**Analysis of Pledged and Unpledged Assets**

The following presents an analysis of the Bank’s pledged and uncommitted assets that will be available to generate additional funding as fixed-income instruments. For this, pledged assets are:

- Assets that have been committed or received in guarantee.
- Assets that an entity considers that it is restricted from using.

Available assets and investments adjusted for the delivery or receipt of guarantees for year-end 2017, 2016 and 2015 are detailed as follows.

Year	Amount	Guarantees Furnished	Guarantees Received	Cash
	MCh\$	MCh\$	MCh\$	MCh\$
	(i)	(ii)	(iii)	(i-ii+iii)
2017	999,044	(356,881)	172,881	1,528,806
2016	1,980,930	423,655	383,424	1,940,699
2015	579,597	43,727	10,293	546,163

[Table of Contents](#)

- **Counterparty Risk**

Exposure to derivative counterparty risk is measured by recognizing the different contracts maintained with the institution's customers, including contracts without mitigating clauses, contracts with netting, contracts with Credit Support Annex ("CSA") and with clearing houses, which receive a differentiated treatment.

The following table details the netting of these transactions:

Notes	12/31/2017			12/31/2016			12/31/2015		
	Gross amount assets	Gross amount liabilities	Net amounts	Gross amount assets	Gross amount liabilities	Net amounts	Gross amount assets	Gross amount liabilities	Net amounts
	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$	(a) MCh\$	(b) MCh\$	(c) = (a) + (b) MCh\$
Derivatives with netting agreement	127,293	(96,942)	30,351	776,613	(885,158)	(108,545)	—	—	—
Derivatives without netting agreement	1,121,482	(998,212)	123,270	326,156	(22,176)	303,980	227,984	(253,183)	(25,199)
<b>Total Derivatives</b>	<b>1,248,775</b>	<b>(1,095,154)</b>	<b>153,621</b>	<b>1,102,769</b>	<b>(907,334)</b>	<b>195,435</b>	<b>227,984</b>	<b>(253,183)</b>	<b>(25,199)</b>
Net guarantees delivered in compensation houses (*)	78,097	—	78,097	56,818	—	56,818	724	—	724
Net guarantees delivered in bilateral agreements (**)	88,520	(79,589)	8,931	167,148	(49,776)	117,372	—	—	—
Net guarantees	166,617	(79,589)	87,028	223,966	(49,776)	174,190	724	—	724
<b>Derivatives net of guarantees</b>	<b>1,169,186</b>	<b>(928,537)</b>	<b>240,649</b>	<b>1,052,993</b>	<b>(683,368)</b>	<b>369,625</b>	<b>227,984</b>	<b>(252,459)</b>	<b>(24,475)</b>

(\*) *Clearing Houses: centralized counterparties that play the counterparty role for all participants*

(\*\*) *Bilateral agreements: contractual agreements between both parties for delivery of guarantees under certain conditions*

Market values of derivatives that are reported in accounting do not reflect counterparty risk management using guarantees as they do not reveal the true exposures with the counterparties. The guarantees delivered (received) must be added (subtracted) from the market value in order to correctly reflect these exposures.

It is important to highlight that counterparty risk management is framed within the Bank's corporate credit policies.

### b.3) Monitoring and Governance of Financial Risks

The Board is the body in charge of the Bank's management. Its duties include defining the institution's strategic guidelines and supervising its risk management structure.

Risk management policies are established with the objective of identifying and analyzing the risks faced by the Bank, setting adequate limits and controls and monitoring risks and compliance with limits. Risk management policies and structures are reviewed regularly so that they reflect changes in the Bank's activities. The Bank, through its standards and procedures, aims to develop an appropriate control environment in which all employees understand their roles and responsibilities.

The Audit Committee supervises the way in which the Bank monitors and manages risk and compliance with the risk management policies and procedures and oversees if the risks management framework is appropriate for the risks faced by the Bank. This committee is assisted by the Internal Audit in its oversight role. Internal Audit performs reviews of risk management controls and procedures, whose results are reported to the Audit Committee.

In accordance with the Bank's governance outlook, the Financial Risk Division is responsible for identifying, quantifying, analyzing, controlling and monitoring financial risk at the Bank. The Credit Risk Division is responsible for managing credit risk for the Corporate Banking, Treasury, Companies and Retail divisions. The Financial Risk Department is part of the Planning and Control Division. The other departments within this division include Accounting, Management Control, Planning and Development, Capital Management and Investor Relations. The main objective of this corporate division is to provide accurate, timely and high-quality information to support decision making by internal and external stakeholders.

The Corporate Treasury Division is charged with managing financial risk in the Bank's trading and banking books. In the banking book, this consists of managing inflation, interest rate and liquidity risk in the Bank's balance sheet in order to maximize returns in compliance with corporate policies and current laws and regulations. The trading book refers to the portfolio of financial instruments acquired to obtain short-term gains from increases in fair value arising from changes in the values of underlying variables. This book is responsible for managing currency risk for the entire balance sheet. Management of the Bank's funding

[Table of Contents](#)

structure is an important component of managing liquidity and interest rate risk within the Banking Book or balance sheet.

The Financial Risk Division is independent from the business areas and is responsible for controlling and measuring the Bank's financial risks (market and liquidity risk) as well as supplying, along with the Treasury Division, the ALCO with the metrics and limits for those risks, which are established in the respective policies.

The Bank's financial risk management efforts are framed within the Financial Risk Policy, which is comprised of the Liquidity Management Policy, the Market Risk Management Policy and the Valuation Policy.

### Financial Risk Management Principles

- Risk is monitored and controlled by parties independent from those managing risk, thus correctly aligning incentives.
- Management efforts should be flexible, within the framework permitted by policies, rules and current regulations.
- Senior management establishes the guidelines for risk appetite, and is informed periodically on risk levels assumed, contingencies and instances when limits are exceeded.

### Financial Risk Management Committees

In order to guarantee the flexibility of management efforts and communication of risk levels to senior management, the following network of committees has been established:

- Daily meeting: Happens daily to review financial conditions and the latest market movements. This committee reviews the relevance of positions on a daily basis in order to detect in advance any scenarios that could negatively impact returns and liquidity. It also monitors the performance of strategies used for each of the portfolios.
- Proprietary Trading and Market Making Commission: Meets weekly to analyze strategies for managing investment portfolio or directional positions. This committee reviews local and global economic conditions and projections in order to analyze the potential benefits and risks of the strategies executed and evaluate new strategies.
- Asset and Liability Management Commission ("ALM"): Meets biweekly to analyze management of structural interest rate and indexation risk in the Banking Book.
- Liquidity and Market Commission: Meets biweekly to analyze management of funding liquidity risk.
- Treasury Committee: Meets monthly to analyze matters related to treasury activity and establish agreements and strategies on related matters, always in line with current ALCO policies and guidelines.
- Asset-Liability Committee ("ALCO"): Meets monthly to analyze economic and financial conditions and inform senior management of market and liquidity risk levels assumed by presenting indexes of market and funding liquidity risk, limit consumption and results of stress tests.
- Board of Directors: The Board of Directors is informed each quarter of the market and funding liquidity risk levels assumed by presenting established risk indexes, limit consumption and results of stress tests.

### b.3 Shareholders' equity requirement

The primary objectives of capital management are to ensure compliance with regulatory requirements and to maintain a solid risk rating and healthy capital ratios. During 2016 and 2015, the Bank has complied fully with all capital requirements.

The Bank maintains and actively manages core capital to cover the risks inherent to its business. The Bank's capital adequacy is monitored using, among other measures, indices and rules established by the SBIF.

In accordance with General Banking Law, the Bank must maintain a minimum ratio of regulatory capital to consolidated risk-weighted assets of 8%, net of required provisions, and a minimum ratio of core capital to

[Table of Contents](#)

total consolidated assets of 3%, net of required provisions. However, after the merger, the SBIF determined that the Bank's regulatory capital could not be less than 10% of its risk-weighted assets. For this purpose, regulatory capital is determined based on capital and reserves or core capital, adjusted by:

- adding subordinated bonds limited to 50% of core capital and
- subtracting the asset balance of goodwill and unconsolidated investments in companies
- adding non-controlling interest up to a maximum of 20% of core capital.

Assets are weighted using risk categories, which are assigned a risk percentage based on the capital needed to back each asset. There are five risk categories (0%, 10%, 20%, 60% and 100%). For example, cash, due from banks and financial instruments issued by the Chilean Central Bank have 0% risk, which means that, in accordance with current standards, no capital is required to back these assets. Property, plant and equipment have 100% risk, which means that minimum capital equivalent to 8% of the value of these assets is needed.

All derivative instruments traded off-market are taken into account to determine risk assets using conversion factors over notional values, thus calculating the value of the credit risk exposure (or "credit equivalent"). For weighting purposes, "credit equivalent" also considers contingent loans not recorded in the Consolidated Statement of Financial Position.

As instructed in Chapter 12-1 "*Equity for Legal and Regulatory Purposes*" of the SBIF RAN, beginning in January 2010, a regulatory change was implemented that made effective Chapter B-3 of the Compendium of Accounting Standards and its subsequent amendments, which changed the risk exposures of contingent loans, passing from 100% to the percentages indicated below:

Type of Contingent Loan	Exposure
a) Collaterals and Guarantors	100%
b) Confirmed foreign letters of credit	20%
c) Issued documentary letters of credit	20%
d) Performance and bid bonds	50%
e) Unrestricted lines of credit:	35%
f) Other loan commitments:	
- Higher education loans Law 20,027	15%
- Other	100%
g) Other contingent loans	100%

[Table of Contents](#)

As of year-end, the ratio of assets to risk-weighted assets was as follows:

	Consolidated Assets		Risk-Weighted Assets	
	2017	2016	2017	2016
	MCh\$	MCh\$	MCh\$	MCh\$
<b>Balance sheet assets (net of provisions)</b>				
Cash and due from banks	964,030	1,487,137	—	—
Transactions pending settlement	157,017	137,190	30,679	41,425
Trading securities	415,061	632,557	64,799	104,617
Receivables from repurchase agreements and securities borrowing	28,524	159,458	7,277	59,703
Financial derivative instruments	1,461,326	1,615,789	1,094,481	1,203,011
Loans and advances to banks	70,077	150,568	36,073	123,759
Loans to customers	19,767,434	20,449,754	17,850,495	18,713,221
Financial assets available for sale	2,653,066	2,054,110	501,656	326,964
Financial assets held to maturity	202,030	226,422	202,030	226,422
Investments in other companies	10,412	19,967	10,412	19,967
Intangible assets	1,605,234	1,657,614	435,991	469,167
Property, plant and equipment	130,579	119,970	130,579	119,970
Current tax assets	238,452	162,410	23,845	16,241
Deferred tax assets	161,109	287,051	16,111	28,705
Other assets	444,692	486,047	427,567	388,304
<b>Off-balance-sheet assets</b>				
Contingent loans	2,199,660	2,255,880	1,319,796	1,353,528
<b>Total risk-weighted assets</b>	<b>30,508,703</b>	<b>31,901,924</b>	<b>22,151,791</b>	<b>23,195,004</b>

Figures are presented as required by local regulations.

Risk weighted assets are calculated according to Chapter 12-1 of the Recopilación Actualizada de Normas —RAN (update compilation of rules) issued by the Superintendency of Bank and Financial Institutions.

	Amount		Ratio	
	2017	2016	2017	2016
	MCh\$	MCh\$	%	%
Basic capital	3,189,876 <sup>(a)</sup>	3,173,516	10.46 <sup>(c)</sup>	9.95
Regulatory capital	3,249,572 <sup>(b)</sup>	3,252,175	14.67 <sup>(d)</sup>	14.02

(a) Basic capital is defined as the net amount that should be shown in the Consolidated Financial Statements as “equity attributable to equity holders of the Bank” as indicated in the Compendium of Accounting Standards.

(b) Regulatory capital is equal to basic capital plus subordinated bonds, additional provisions, and non-controlling interest as indicated in the Compendium of Accounting Standards; however, if that amount is greater than 20% of basic capital, only the amount equivalent to that percentage will be added; goodwill is subtracted and if the sum of the assets corresponding to minority investments in subsidiaries other than banking support companies is greater than 5% of basic capital, the amount that the sum exceeds that percentage will also be subtracted.

(c) The consolidated basic capital ratio is equal to basic capital divided by total assets for capital purposes (includes items outside the Consolidated Statement of Financial Position).

(d) The consolidated solvency ratio is equal to the ratio of regulatory capital to weighted assets.

As of December 31, 2017, the Bank includes the following information within its management objectives, policies and processes:

- In accordance with the SBIF’s authorization of the business combination, it determined that the resulting bank (from April 1, 2016 onward) shall maintain regulatory capital of not less than 10% of its risk-weighted assets.

[Table of Contents](#)

- The shareholder agreement established “Optimum Regulatory Capital” for Itaú Corpbanca (Chilean Bank) or Corpbanca Colombia (Colombian Bank), as appropriate, (a) of the greater of (i) 120% of the minimum regulatory Capital Ratio required by applicable law in the respective country; and (ii) the average minimum regulatory Capital Ratio of the three largest private banks (excluding the Chilean Bank and/or the Colombian Bank (measured in terms of the assets of the Chilean Bank and/or the Colombian Bank (measured in terms of assets) in Chile or Colombia, as appropriate, in each case the last day of the most recent fiscal year multiplied by (b) the risk-weighted assets (which include the risk-weighted assets of the Bank’s subsidiaries that are consolidated for the purpose of calculating the minimum regulatory capital ratio in each country) of the Chilean Bank or the Colombian Bank, as appropriate, as of the date one year after the last day of the most recent fiscal year, presuming that the risk-weighted assets grow during that year at a rate equal to the minimum growth rate.
- The Bank, in consolidated terms (the owners of the Bank), has total equity of MCh\$3,189,876 (MCh\$3,173,516 in 2016).
- In terms of regulatory ratios, the Bank closed the 2017 period with a ratio of core capital to total assets of 10.46% (9.95% in 2016), while the Basel Index (regulatory capital to total risk-weighted assets was 14,67% (14.02% in 2016).

**b.4 Operational Risk****a. Definition**

The Bank and its subsidiaries define operational risk as the possibility of losses resulting from failures, weaknesses or inadequacy of internal processes, staff, and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. Operational risk is recognized as a manageable risk and, therefore, the Bank has designated an area within its corporate structure that is in charge of this task.

**b. Structure**

In line with its business strategy, Banco Itaú Corpbanca has assigned operational risk management to the Operational Risk Division, which acts according to an annual plan based on the strategic plan for the business areas, support areas and the parent company. This plan includes its own activities and others agreed with the parent company to comply with regulatory requirements. Time and available resources are distributed based on the organization’s objectives and size. This division reports to the Corporate Risk Division, which in turn reports to the Bank’s Chief Executive Officer.

In the Bank’s corporate governance structure, managing operational risk is of strategic importance to its business processes. Operational risk management is based on financial industry best practices, international standards (most importantly the Basel standards) and local standards, especially Chapter 1-13 of the SBIF regulations on operational risk management.

Banco Itaú Corpbanca has adopted a model with three lines of defense as the primary means of implementing its operational risk management, internal control and compliance structure, ensuring that corporate guidelines are followed. It establishes that the business and support areas (first line of defense) are responsible for managing risks related to their processes. To accomplish this, they must establish and maintain a risk management program that ensures effective controls. The risk management program calls for all relevant risk matters to be reported to higher levels and to the Operational Risk Committee. According to Bank policy, this operational risk management program is implemented at all personnel levels and for all types of products, activities, processes and systems. Business and support units are responsible for playing an active and primary role in identifying, measuring, controlling and monitoring these risks and for understanding and managing their risks in compliance with policies.

[Table of Contents](#)

Our methodology consists of evaluating the risks and controls of a business from a broad perspective and includes a plan to monitor the effectiveness of those controls and identify potential weaknesses. This perspective considers, among other factors, the volume and complexity of activities and the potential impact of the related operational losses and the control environment. The stages and main activities of our methodology are:

**Identifying risks:**

- Mapping processes
- Identifying risks and controls associated with processes, products, projects
- Identifying internal and external rules and regulations
- Recording operating losses

**Measuring and evaluating each risk identified:**

- Evaluating events
- Evaluating internal and external rules and regulations
- Walk-throughs and tests
- Classifying controls (SOX, as defined below)
- Evaluating business impacts of contingencies using a business impact analysis (“BIA”)
- Corporate and regulatory self-assessment

**Mitigation and control:**

- Defining the risk response (walk-throughs, tests, action plans)
- Mitigating and controlling crisis situations
- Monitoring the internal control environment
- Defining and implementing risk indicators
- Monitoring indicators and controls
- Assisting with implementation of actions plans to mitigate audit comments and risk events

**Reporting:**

- Management reports to the Bank’s senior management and committees
- Coordinating operational risk, IT security, continuity and crisis management committees
- Management reports to parent company

**c. Objectives**

The main objectives of the Bank and its subsidiaries in managing operational risk are to:

- Identify, evaluate, report, manage and monitor operational risk of activities, products and processes carried out or sold by the Bank or its subsidiaries;
- Build a strong culture of operational risk management and internal controls with responsibilities clearly defined and duties properly segregated among business and support functions, whether developed internally or outsourced to third parties;
- Generate effective internal reports on matters related to operational risk management, with scaling; and
- Control the design and application of effective plans for facing contingencies that ensure business continuity and limit loss.

In terms of training and awareness, the Bank continues to reinforce a risk culture through classroom training sessions on operational risk, internal controls and external and internal fraud prevention; to carry out the yearly program “more security” for all associates and to provide orientation programs for new employees.

Lastly, it continues to apply the Sarbanes-Oxley (“SOX”) methodologies for its main products and processes.

[Table of Contents](#)**NOTE 35 MATURITY OF ASSETS AND LIABILITIES**

## a) Maturity of financial assets

Below are the main financial assets grouped according to their remaining terms, including interest accrued as of December 31, 2017, 2016 and 2015:

	Notes	As of December 31, 2017						Total MCh\$
		Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Trading portfolio financial assets	6	18,941	298	170,098	189,735	9,365	26,624	415,061
Investments under agreements to resell	7	27,923	601	—	—	—	—	28,524
Derivative financial instruments	8	112,249	102,009	199,966	260,818	284,247	289,486	1,248,775
Loans and receivables from banks (*)	9	43,096	—	16,621	10,568	—	—	70,285
Loans and receivables from customers (**)	10	1,531,883	1,649,448	2,689,484	4,174,173	2,952,407	7,385,210	20,382,605
Commercial loans		1,226,214	1,494,950	2,513,004	2,410,168	1,917,111	4,155,099	13,716,546
Mortgages loans		35,428	66,596	98,292	649,867	446,737	2,855,833	4,152,753
Consumer loans		270,241	87,902	78,188	1,114,138	588,559	374,278	2,513,306
Financial investments available-for-sale	11	86,201	155,376	408,093	790,503	805,892	417,413	2,663,478
Financial investments held to maturity	11	55,554	6,171	113,445	23,466	430	2,964	202,030

(\*) Loans and advances to banks are presented gross. The amount of provisions corresponds to MCh\$208.

(\*\*) Loans are presented gross. Provisions by loan type are detailed as follows: Commercial MCh\$383,950, Mortgage MCh\$45,312 and Consumer MCh\$189,265.

	Notes	As of December 31, 2016						Total MCh\$
		Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Trading portfolio financial assets	6	7,475	14,708	279,372	244,335	60,968	25,699	632,557
Investments under agreements to resell	7	170,242	—	—	—	—	—	170,242
Derivative financial instruments	8	44,359	323,631	300,755	122,920	217,371	93,733	1,102,769
Loans and receivables from banks (*)	9	72,750	47,651	7,822	22,557	—	—	150,780
Loans and receivables from customers (**)	10	1,403,606	1,822,973	3,223,347	4,002,409	2,795,830	7,755,787	21,003,952
Commercial loans		1,154,891	1,683,001	3,031,056	2,318,045	1,846,661	4,600,817	14,634,471
Mortgages loans		29,808	50,810	76,685	566,873	402,947	2,761,394	3,888,517
Consumer loans		218,907	89,162	115,606	1,117,491	546,222	393,576	2,480,964
Financial investments available-for-sale	11	209,064	338,326	159,525	521,123	688,655	157,384	2,074,077
Financial investments held to maturity	11	95,697	13,405	114,514	—	—	2,817	226,433

(\*) Loans and advances to banks are presented gross. The amount of provisions corresponds to MCh\$212.

(\*\*) Loans are presented gross. Provisions by loan type are detailed as follows: Commercial MCh\$418,928, Mortgage MCh\$23,472 and Consumer MCh\$116,904.

	Notes	As of December 31, 2015						Total MCh\$
		Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	
Trading portfolio financial assets	6	16,182	264	1,319	—	—	—	17,765
Investments under agreements to resell	7	10,293	—	—	—	—	—	10,293
Derivative financial instruments	8	6,513	18,799	27,499	58,540	116,633	—	227,984
Loans and receivables from banks (*)	9	49,842	30,141	16,687	2,798	—	—	99,468
Loans and receivables from customers (**)	10	651,320	862,768	2,374,316	660,737	1,616,802	635,128	6,801,071
Commercial loans		628,378	831,527	1,905,819	344,187	610,304	246,251	4,566,466
Mortgages loans		10,410	11,868	54,397	145,379	922,917	388,877	1,533,848
Consumer loans		12,532	19,373	414,100	171,171	83,581	—	700,757
Financial investments available-for-sale	11	169,786	272,490	68,325	1,909	—	2,475	514,985

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Financial investments held to maturity	<b>11</b>	—	—	—	—	—	—	—
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(\*) Loans and advances to banks are presented gross. The amount of provisions corresponds to MCh\$70.

(\*\*) Loans are presented gross. Provisions by loan type are detailed as follows: Commercial MCh\$61,995, Mortgage MCh\$6,251 and Consumer MCh\$27,333.

[Table of Contents](#)

## b) Maturity of financial liabilities

Below are the main financial liabilities grouped according to their remaining terms, including interest accrued to as of December 31, 2017, 2016 and 2015:

		As of December 31, 2017						
	Notes	Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	Total
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Obligations under repurchase agreements	7	420,320	600	—	—	—	—	420,920
Time deposits and saving accounts (*)	16	2,957,278	1,858,394	3,936,827	793,684	118,388	372,262	10,036,833
Derivative financial instruments	8	144,639	90,445	172,606	250,792	241,810	194,862	1,095,154
Borrowings from financial institutions	17	163,031	238,151	1,074,406	529,171	104,443	86,928	2,196,130
Debt issued	18	3,064	46,514	625,287	1,209,242	812,979	3,252,952	5,950,038

(\*) Exclude term savings accounts totaling MCh\$28,410 during 2017.

		As of December 31, 2016						
	Notes	Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	Total
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Obligations under repurchase agreements	7	373,879	—	—	—	—	—	373,879
Time deposits and saving accounts (*)	16	3,379,325	2,462,804	2,262,166	2,708,973	96,621	639,396	11,549,285
Derivative financial instruments	8	67,702	235,972	235,374	112,317	206,924	49,045	907,334
Borrowings from financial institutions	17	279,217	274,361	652,998	735,710	168,635	68,949	2,179,870
Debt issued	18	3,682	1,617	495,789	1,324,415	1,366,694	2,268,056	5,460,253

(\*) Exclude term savings accounts totaling MCh\$32,425 during 2016.

		As of December 31, 2015						
	Notes	Up to 1 month	From 1 month to 3 months	From 3 month to 1 year	From 1 year to 3 years	From 3 years to 6 years	Over 6 years	Total
		MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$	MCh\$
Obligations under repurchase agreements	7	—	43,727	—	—	—	—	43,727
Time deposits and saving accounts (*)	16	835,462	851,337	1,618,887	323,057	323,830	—	3,952,573
Derivative financial instruments	8	27,958	17,001	30,649	56,509	121,066	—	253,183
Borrowings from financial institutions	17	24,554	312,027	301,221	20,798	—	—	658,600
Debt issued	18	11,172	2,208	116,525	217,945	1,156,485	—	1,504,335

(\*) Excluding term savings accounts for 2015.

[Table of Contents](#)**NOTE 36 FOREIGN CURRENCY POSITION**

Assets and liabilities denominated in foreign currencies or indexed to changes in exchange rates are summarized below:

	Payable in Foreign Currency			Payable in Chilean Peso <sup>(*)</sup>			Total		
	As of December 31,			As of December 31,			As of December 31,		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
<b>ASSETS</b>									
Cash and deposits in banks	1,209,141	1,692,086	250,652	—	—	23,756	1,209,141	1,692,086	274,408
Cash in the process of collection	53,058	66,208	33,088	—	—	—	53,058	66,208	33,088
Trading portfolio financial assets	633,721	847,778	—	—	—	—	633,721	847,778	—
Investments under agreements to resell	43,045	203,673	—	—	—	—	43,045	203,673	—
Derivative financial instruments	343,005	319,512	86,049	—	—	—	343,005	319,512	86,049
Surrendered by bank	58,829	224,797	139,643	—	—	—	58,829	224,797	139,643
Loans and receivables from customers and banks	10,433,739	10,754,875	1,768,791	10,835	12,165	23,756	10,444,574	10,767,040	1,792,547
Financial investments available-for-sale	1,196,914	700,517	—	15,721	15,561	—	1,212,635	716,078	—
Held to maturity investments	328,782	338,039	—	—	—	—	328,782	338,039	—
Investment in other companies	6,739	9,909	—	—	—	—	6,739	9,909	—
Intangible assets	309,932	315,148	—	—	—	—	309,932	315,148	—
Property, plant and equipment, net	79,487	59,939	—	—	—	—	79,487	59,939	—
Current income taxes	59,170	36,896	—	—	—	—	59,170	36,896	—
Deferred income taxes	40,498	117,271	—	—	—	—	40,498	117,271	—
Other assets	286,131	390,596	105,377	—	3	—	286,131	390,599	105,377
<b>TOTAL ASSETS</b>	<b>15,082,191</b>	<b>16,077,244</b>	<b>2,383,600</b>	<b>26,556</b>	<b>27,729</b>	<b>47,512</b>	<b>15,108,747</b>	<b>16,104,973</b>	<b>2,431,112</b>
<b>LIABILITIES</b>									
Current accounts and demand deposits	3,549,162	3,791,293	227,541	—	—	—	3,549,162	3,791,293	227,541
Transaction in the course of payment	86,410	44,614	11,579	—	—	—	86,410	44,614	11,579
Obligations under repurchase agreements	612,967	550,020	—	—	—	—	612,967	550,020	—
Time deposits and saving accounts	5,234,239	6,182,859	805,971	2	7	—	5,234,241	6,182,866	805,971
Derivative financial instruments	230,050	204,062	67,829	—	—	—	230,050	204,062	67,829
Borrowings from financial institutions	3,540,276	3,254,744	927,501	—	—	—	3,540,276	3,254,744	927,501
Debt issued	2,260,764	2,387,535	—	—	—	—	2,260,764	2,387,535	—
Other financial obligations	1,320	3,382	—	—	—	—	1,320	3,382	—
Current income tax provision	—	—	—	—	—	—	—	—	—
Deferred income taxes	18,523	140,900	—	—	—	—	18,523	140,900	—
Provisions	148,737	119,361	—	—	—	—	148,737	119,361	—
Other liabilities	242,861	185,618	1,500	1,053	—	—	243,914	185,618	1,500
<b>TOTAL LIABILITIES</b>	<b>15,925,309</b>	<b>16,864,388</b>	<b>2,041,921</b>	<b>1,055</b>	<b>7</b>	<b>—</b>	<b>15,926,364</b>	<b>16,864,395</b>	<b>2,041,921</b>

(\*) Includes transactions denominated in foreign currencies but that are settled in pesos.

[Table of Contents](#)

**NOTE 37 SUBSEQUENT EVENTS**

**ITAÚ CORPBANCA**

In the Annual Ordinary Shareholders' Meeting held on March 27, 2018, the Bank's shareholders agreed to distribute a dividend equal to 40% of 2017's net income, which represents an aggregate amount equal to Ch\$22,978,721,573, payable to the holders of the Bank's 512,406,760,091 total outstanding shares in a proportion of Ch\$0.044844469 per share.

Between January 1, 2018, and April 6, 2018 the date of issuance of these Consolidated Financial Statements, there have been no other events after the reporting period that could affect the presentation and/or results of the Financial Statements.

Jonathan Covarrubias  
Chief Accounting Officer

Milton Maluhy  
Chief Executive Officer

DOC 2 Header

**LIST OF SUBSIDIARIES**

All of the following subsidiaries have their jurisdiction of incorporation in the Republic of Chile:

1. Itau CorpBanca Corredores de Bolsa S.A.
2. Itau Administradora General de Fondos S.A.<sup>(1)</sup>
3. Itau Asesorías Financieras S.A.
4. Itau Corredores de Seguros S.A.<sup>(2)</sup>
5. Itau Chile Corredora de Seguros Limitada<sup>(3)</sup>
6. CorpLegal S.A.
7. Itau Corpbanca Recaudaciones y Cobranzas S.A., Instacob<sup>(4)</sup>

All of the following subsidiaries have their jurisdiction of incorporation in the Republic of Colombia and other countries:

1. Itau Corpbanca Colombia S.A.<sup>(5)</sup>
2. Itau Corredor de Seguros Colombia S.A.<sup>(6)</sup>
3. Itau Securities Services Colombia S.A Sociedad Fiduciaria<sup>(7)</sup>
4. Itau Asset Management Colombia S.A Sociedad Fiduciaria<sup>(8)</sup>
5. Itau Comisionista de Bolsa Colombia S.A.<sup>(9)</sup>
6. Itau (Panamá) S.A.<sup>(10)</sup>
7. Itau Casa de Valores S.A.<sup>(11)</sup>

All of the following subsidiaries have their jurisdiction of incorporation in the United States:

1. Itau Corpbanca New York Branch

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(1) Resulting entity from the merger between Itau Chile Administradora General de Fondos S.A. and CorpBanca Administradora General de Fondos S.A. on December 29, 2017.

(2) Previously known as Corpbanca Corredores de Seguros S.A.

(3) Itau Chile Corredora de Seguros Limitada merged into Corpbanca Corredores de Seguros S.A. on April 1, 2018.

(4) Previously known as Recaudaciones y Cobranzas S.A., Instacob.

(5) Previously known as Banco CorpBanca Colombia S.A.

(6) Previously known as Helm Corredor de Seguros S.A.

(7) Previously known as CorpBanca Investment Trust Colombia S.A. Sociedad Fiduciaria.

(8) Previously known as Helm Fiduciaria S.A.

(9) Previously known as Helm Comisionista de Bolsa S.A.

(10) Previously known as Helm Bank (Panamá) S.A.

(11) Previously known as Helm Casa de Valores (Panamá) S.A.

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DOC 3 Header

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Milton Maluhy Filho, certify that:

1. I have reviewed this Annual Report on Form 20-F of Itau Corpbanca;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Milton Maluhy Filho

Name: Milton Maluhy Filho  
Title: Chief Executive Officer  
Date: April 10, 2018

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DOC 4 Header

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Gabriel Amado de Moura, certify that:

1. I have reviewed this Annual Report on Form 20-F of Itaú Corpbanca;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluations; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Gabriel Amado de Moura

Name: Gabriel Amado de Moura

Title: Chief Financial Officer

Date: April 10, 2018

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DOC 5 Header

**CERTIFICATION**

**(pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report on Form 20-F for the fiscal year ended December 31, 2017 of Itaú Corpbanca, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), and for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Milton Maluhy Filho, Chief Executive Officer of Itaú Corpbanca, certify, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Itaú Corpbanca.

Date: April 10, 2018

By: /s/ Milton Maluhy Filho

Name: Milton Maluhy Filho

Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Itaú Corpbanca and will be retained by Itaú Corpbanca and furnished to the Commission or its staff upon request.

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DOC 6 Header

**CERTIFICATION**

**(pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the Annual Report on Form 20-F for the fiscal year ended December 31, 2017 of Itaú Corpbanca, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), and for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Gabriel Amado de Moura, Chief Financial Officer of Itaú Corpbanca, certify, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Itaú Corpbanca.

Date: April 10, 2018

By: /s/ Gabriel Amado de Moura

Name: Gabriel Amado de Moura

Title: Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Itaú Corpbanca and will be retained by Itaú Corpbanca and furnished to the Commission or its staff upon request.

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