

Corporacion Financiera de Desarrollo, S.A.

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Support Rating	2
Support Floor	BBB+

Local Currency

Long-Term IDR	A-
Short-Term IDR	F1

Sovereign Risk

Foreign Currency Long-Term IDR	BBB+
Foreign Currency Short-Term IDR	F2
Local Currency Long-Term IDR	A-
Local Currency Short-Term IDR	F1

Outlooks

Foreign Currency Long-Term IDR	Stable
Local Currency Long-Term IDR	Stable
Sovereign Foreign Currency Long-Term IDR	Stable
Sovereign Local Currency Long-Term IDR	Stable

Financial Data

Corporacion Financiera de Desarrollo		
	6/30/16	12/31/15
Total Assets (USDm)	4,101.0	3,971.77
Total Assets (PENm)	13,533.3	13,545.2
Total Equity (PENm)	2,775.1	2,700.1
Operating Profit (PENm)	26.7	80.5
Comprehensive Income (PENm)	137.5	48.9
Operating ROAA (%)	0.40	0.72
Operating ROAE (%)	1.97	3.09
Internal Capital Generation (%)	3.20	0.76
Tier I Ratio (%)	20.49	20.14
Net Income (PENm)	44.1	82.3

Source: COFIDE

Related Research

[Peru \(April 2016\)](#)

Analysts

Mark Narron
+1 212 612-7898
mark.narron@fitchratings.com

Andres Marquez
+57 1 484-6770
andres.marquez@fitchratings.com

Key Rating Drivers

High Propensity of Support: Corporacion Financiera de Desarrollo, S.A.'s (COFIDE) ratings reflect the strong probability that it would receive support from the Peruvian government, if needed. Although there is no explicit guarantee, Fitch's opinion takes into account the critical participation of the issuer in implementing development policy, the majority state ownership, as well as the operational and financial synergies with the public administration. Peru's ability to offer support is reflected in its sovereign rating ('BBB+'/Stable).

Strategic Importance to the Country: COFIDE is a key element in fulfilling some of the Peruvian government's major goals regarding infrastructure and economic and social development. The entity plays a relevant role in policy execution by serving sectors with limited access to funding or by lending to projects underserved by commercial banks. The issuer's strategic importance is underpinned by the elevated infrastructure deficit in Peru and the still low level of financial inclusion.

Sound Capitalization: COFIDE has comfortable levels of capital to absorb growth and an established track record of profit retention. However, Fitch expects this ratio to continue decreasing, driven by sustained asset growth, while the entity plans to maintain regulatory capitalization at around 25%.

Low Impairments: COFIDE has maintained a low, though volatile, nonperforming loans (NPLs) ratio. Fitch recognizes that the rapid growth of the portfolio, significant concentrations and the long-term nature and profile of project finance facilities may result in sudden changes in those asset quality trends, as seen in December 2014, a development now under control.

Sustained Profitability Metrics: COFIDE has sustained good operating profitability over the years, driven mainly by loan growth that averaged 28.5% from 2012–2015. However, future growth is expected to be around 10% per year. At June 2016, ROAA and ROAE totaled 0.66% and 3.25%, respectively, slightly below the 2012–2015 average of 3.40% and 0.96%. Profitability ratios rely heavily on the adequate management of operating costs, which drives its stable efficiency ratios and the contained credit costs.

Elevated Concentrations: The wholesale role of the entity and the size and limited number of financed projects has resulted in elevated concentrations per borrower, with the top 20 representing 2.1x equity at June 2016.

Political and Reputational Risks: Government influence manifests itself primarily in the appointment of board members and indirectly through the selection of the executive officers by the board. The managerial team experienced some turnover after the national elections and some management roles were rotated to cover the vacancies.

Rating Sensitivities

Changes in Sovereign Ratings: COFIDE's ratings will mirror any potential change in Peru's sovereign ratings, which currently have a Stable Rating Outlook. Downward risk for COFIDE's IDRs is limited given its parent support and Peru's sound economic prospects.

Changes in Strategic Importance: Although not a baseline scenario, the ratings could change if Fitch perceives a decrease in its strategic importance to the government's public policies.

Operating Environment

New Government's Broad Policy Continuity

In September 2016, Fitch affirmed Peru's 'BBB+' long-term IDR rating and Stable Outlook. Peru's creditworthiness is underpinned by its established track record of macro policy credibility, consistency and flexibility, which has delivered macroeconomic and financial stability. Strong fiscal and external balance sheets balance the country's high commodity dependence, low government revenue base, financial dollarization and structural constraints in terms of income per capita, social indicators and institutional quality.

The end of the commodity super cycle and peaking copper production is reducing mining export revenue, economic growth, and fiscal revenues. The new administration of President Pedro Pablo Kuczynski, which took office in July 2016, plans to use fiscal space for a longer deficit convergence period to smooth the economy adjustment to lower mining income. The government plans to sustain infrastructure projects begun by the previous administration as well as to improve basic services in rural communities. Peru has a track record of prudent public financial management and effective expenditure controls, which have reduced government debt, built a 4.2% of GDP fiscal stabilization fund, and supported the credibility of its fiscal framework.

Fitch expects Peru's economic growth to rise to 3.7% in 2016 and 4.2% in 2017, driven by peaking copper production that is counterbalancing the effect of weak prices on mining export revenues and the fiscal stimulus including pick-up in local capital investment execution and delayed mega-projects at the national government level.

Banking Sector

The Peruvian financial system is characterized by strong credit growth, averaging 12.3% annually from July 2013–July 2016, and a high degree of concentration, with the top 5 banks representing approximately 90% of system assets at year-end 2015.

Regulation in Peru is among the strongest in the region and has greatly advanced toward Basel III since 2012. Minimum capital requirements were raised, including buffers for obligor, industry or geographic concentration and interest rate risk in the banking book. A countercyclical reserve buffer rule is in place and has been deactivated since 2014. Banks have been reporting the liquidity coverage ratio (LCR) since 2013 and will have to comply with 100% of the target by 2017. Regulators are working on a net stable funding ratio (NSFR) and new rules to improve the quality of capital and tighten requirements for equity-like subordinated debt, although the latter will require modifications of the banking law.

By lowering cash reserve requirements for deposits in local currency while increasing those for dollar deposits, the Central Bank created strong incentives to reduce credit dollarization. As a result, U.S. dollar loans decreased to 28.5% at July 2016 from 38% at end-2014. Simultaneously, given constitutional guarantees on currency convertibility, the Central Bank has helped the banking system cope with the slower rate of deposit de-dollarization (42.6% at July 2016). At the end of 2014, the Central Bank began making available long-term local currency facilities (local currency repos) pledged by foreign currency deposits. Authorities expect to make these facilities available over the longer term as needed.

Related Criteria

[Global Bank Rating Criteria \(July 2016\)](#)

Company Profile

Peruvian Infrastructure Financing Vehicle

COFIDE was established in 1971 as a state-owned financial institution devoted to promoting sustainable integral, economic and social development in Peru. Until 1991, COFIDE directly

financed Peru's key infrastructure projects; since 1992, the entity has operated as a specialized wholesale bank by lending to its target sectors through intermediary financial institutions (IFIs).

COFIDE has a key role in the economic and social development programs of the government, focusing its activities on supporting micro-enterprises and small and medium-sized enterprises (SMEs) and on financing infrastructure and environmental projects. As a development institution, its key activities are directed to underserved markets, having a good franchise mainly in project financing. According to the World Economic Forum Competitiveness Report, the country still has ample room for improvement in infrastructure, underpinning the role of the entity in the government's strategy.

COFIDE is 99.22% owned by the Republic of Peru through Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado (FONAFE), an agency of the Ministry of Economy and Finance and 0.78% of the shares are held by the Corporacion Andina de Fomento (CAF).

The entity has two business lines:

- Financial intermediation, providing financing to micro-enterprises and SMEs through IFIs regulated by the Superintendencia de Banca y Seguros (SBS, or Peru's Superintendence of Banks), where COFIDE's credit exposure is to the IFI rather than the ultimate borrower.
- Investment financing, focusing on funding infrastructure projects (energy, transportation and environmental, among others). The entity can lend through IFIs, provide guarantees to IFIs to finance specific projects, or invest in SPVs or infrastructure funds.

COFIDE is also involved in managing funds received from the government and IFIs to act as fiduciary of the assets held in trusts. Such assets are not included in COFIDE's balance sheet because they represent a third-party risk.

Management and Strategy

Clear Long-Term Strategic Objectives

The management team has a high degree of depth, stability and experience and counts on the support of the Government. COFIDE has established a strategic plan (2013–2017), based on four main pillars: (i) support productive, infrastructural and environmental investment; (ii) support SMEs; (iii) Financial inclusion support; and (iv) improving results.

In order to further improve its internal processes and efficiency COFIDE created, through fusion of different areas, a new area in charge of business development. This area is divided in three sub-areas in charge of infrastructure, corporate business and intermediation.

Corporate Governance

The board of directors is composed of five well-qualified members nominated by the Ministry of Economy and Finance and appointed by FONAFE for renewable three-year terms. The board includes two independent members. Fitch believes the entity has achieved reasonable economic, financial and administrative autonomy, supported by its managerial team that averages approximately 20 years' banking experience and adequate permanence within the entity. The executive officers are appointed by the board of directors for indefinite terms. As a consequence of the recent changes in the Government and the elections, several positions were changed, which in general is a characteristic of these types of entities.

The entity also has a set of four committees (audit, risk, assets and liabilities, and management) to support board objectives. COFIDE is regulated by SBS; the Superintendencia del Mercado de Valores (Peru's SEC), given its participation in the securities market; and BCRP in certain aspects.

COFIDE's corporate governance practices are considered adequate given the entity's state-owned nature, but they show some weaknesses related to the entity's quasi-governmental status; rotation of the majority of the members is expected in the midterm. This process is similar to some state-run financial institutions in other countries in the region and is supported by the fact that the government is the bank's owner. The lack of continuity in corporate governance could potentially result in changing strategies and thus limit COFIDE's ability to develop a consistent long-term business model, although the entity has a long-term strategy that is not expected to change for management reasons.

Risk Appetite

Volatile Credit Risk Aligned to its Profile

As a financial institution, COFIDE is primarily exposed to credit risk, with net loans representing 47.6% of total assets as of June 2016, down from 55.5% from previous year and mainly explained by the low activity during the election process in Peru, as well as some prepayments in the loans portfolio.

COFIDE engages in credit intermediation by lending to IFIs for specific purposes. Intermediation accounted for 29% of the total portfolio at June 2016. It is important to remark that the bank grants credit only to regulated entities like commercial banks, rural banks and credit unions, among others. The loans can be short term (working capital) or medium to long term (investment, mortgages, technological development and agribusiness, among others) and are usually structured with a specific credit portfolio as collateral.

Loans for infrastructure accounted for about 70% of the outstanding credits at June 2016, increasing from June 2015. Investment-financing transactions tend to have a more complex makeup, with either COFIDE or a global bank structuring the financing to cover the total funding needs of the project and distributing/syndicating to multilaterals (MLAs) and global banks.

The entity manages an available-for-sale portfolio accounting for 13.65% of total assets as of June 2016, focused in corporate bonds (99.9% of the portfolio). The lower amount of the investment portfolio and the concentration in corporate bonds is mainly a consequence of closing mutual funds after a review in the regulatory risk-weight of that type of investments, making not viable in terms of capital efficiency.

COFIDE grants guarantees that expose the entity to additional credit risk. Such transactions are registered off balance sheet, and the entity considers similar policies to evaluate them. If there is some degree of loss related to the guarantee granted, the entity determines a loan loss provision. As of June 2016, the exposure to these indirect loans represented 22.3% of the entity's total equity, or 8.7% of gross loans).

Moderate Market Risk

COFIDE's risk committee sets forth policies to limit and monitor market risk. To monitor interest rate risk, the entity measures the impact of interest rate movements on net financial margin and equity (profit and equity at risk). The bank is also exposed to exchange rate risk from its U.S. dollar-denominated the outstanding dollarized portfolio; the holdings in CAF shares are denominated and accounted in local currency since 2013. Exchange rate exposure is permanently monitored. The bank effectively limits its currency and interest rate risks by using derivatives such as cross-currency swaps and interest rate swaps contracted with various foreign entities, reasonably decreasing its overall market risk. In addition, COFIDE monitors liquidity risk through an internal risk model that includes back testing and stress testing.

Operational Risk

COFIDE has mapped its key processes to identify potential operational risks that are fairly limited within the entity, as the bank does not have a large operational structure. Losses related to operating risk are rare and very small; the bank has maintained a database of events since 2009 and has implemented dedicated software as a monitoring tool. Operational risk coordinators are in charge of performing periodical evaluations of the controls.

Financial Profile

Asset Quality

Asset Quality Ratios

(%)

	6/30/16	2015	2014	2013
Growth of Gross Loans	(10.83)	37.34	10.37	30.53
Impaired Loans /Gross Loans	0.79	0.73	2.51	0.03
Reserves for Impaired Loans/Impaired Loans	1,152.76	1,105.00	409.08	37,443.75
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(21.32)	(21.63)	(19.99)	(27.28)
Loan Impairment Charges/Average Gross Loans	0.36	0.22	(0.44)	(0.03)

Source: COFIDE.

At December 2014, one of COFIDE's main corporate credits, which was included in a syndicated credit, defaulted, explaining the hike in December 2014's NPL ratio to 2.51%. After this, and during March 2015, this project was sold and 70% of the debt was collected, and at the same time the remaining position was provisioned, lowering NPLs to 0.73% as of December 2015, and maintaining this level at June 2016 (0.79%).

The wholesale role of the entity and the significant size and relatively limited number of financed projects have resulted in elevated concentrations per borrower, with the top 20 representing 2.1x equity, or 82% of gross loans, as of June 2016.

COFIDE's project finance activity implies higher concentrations and longer tenors that may result in sudden changes in asset quality if a project fails. However, most of the projects are strategic for the government, the majority of which are structured with strong guarantees. Additionally, loan loss reserves represent 9.1% of total gross loans at June 2016.

Earnings and Profitability

COFIDE's operating profitability has been good and sustained over the years. Profitability has been driven mainly by loan growth (28.5% on average from 2012–2015, although future growth is expected to be around 10% per year). A clear development focus reflected on its narrow interest margins with respect to total earning assets — with NIM as low as 1.48% at June 2016, lower than 2.23% of June 2015 — has resulted in moderate yet consistent performance. Profitability ratios are below those of commercial banks but not that far from those of state-owned development banks.

Key Performance Metrics

(%)

	6/30/16	2015	2014	2013
Net Interest Income/Average Earning Assets	1.48	2.05	2.19	2.52
Non-interest Expense/Gross Revenues	36.04	35.24	39.22	36.27
Loans and Securities Impairment Charges/Pre-impairment Operating Profit	62.39	42.75	(9.56)	(1.23)
Operating Profit/Average Total Assets	0.40	0.72	1.41	1.55
Operating Profit/Risk-Weighted Assets	0.48	0.71	2.03	2.35
Net Income/Average Equity	3.25	3.16	3.49	3.50

Source: COFIDE.

At June 2016, ROAA and ROAE totaled 0.66% and 3.25%, respectively, slightly below the 2012 to 2015 average of 3.40% and 0.96%. Profitability ratios amply rely on the adequate management of operating costs, which drives its stable efficiency ratios and the contained credit costs. The entity's relatively limited earnings generation is somewhat offset by its strong loss absorption capacity from its capital ratios and the good asset quality.

Capitalization and Leverage

Capital Ratios

(%)

	6/30/16	2015	2014	2013
Fitch Core Capital/Weighted Risk	24.54	23.64	37.14	44.80
Tangible Common Equity/Tangible Assets	20.47	19.90	23.15	27.24
Total Regulatory Capital Ratio	30.62	30.51	44.14	36.27
Internal Capital Generation	3.20	0.76	0.34	0.35

Source: COFIDE.

The FCC ratio has declined over the years as its balance sheet grows, but it has been consistently strong. Dividend policy has remained unchanged and in addition a capitalization made during 2015 as sustained higher capital requirements due to increasing financial structurations. Fitch considers that the hefty capital ratios rely on a very illiquid asset, namely CAF shares.

Funding and Liquidity

COFIDE has a wholesale funding profile. As of June 2016, funding came mainly from international and local capital markets (70%), international banks (12%), Peruvian banks (14%) and MLAs (4%). Reliance on capital markets continues to increase given the recent senior and subordinated debt issuances from 2014 and 2015.

Given the average life of the projects, the entity has been widening its debt terms, reducing the maturity gap on the balance sheet. The entity monitors liquidity risk by analyzing scenarios that take into account the available cash, the investment portfolio and other credit facilities and incorporate haircuts.

Support

IDR Based on Sovereign Support

COFIDE's ratings reflect the strong probability that the entity would receive support from the Peruvian government, if needed. Although there is no explicit guarantee, Fitch's opinion takes

into account the issuer's critical participation in implementing development policy and the state's majority ownership, as well as the operational and financial synergies with the public administration.

Debt Ratings

COFIDE's senior unsecured bonds are rated at the same level as the bank's IDR, in accordance with Fitch's criteria.

The subordinated bonds are plain vanilla and in Fitch's opinion, their probability of non-performance is equivalent to that of COFIDE's senior bonds, but they would incur a higher loss in case of default due to their subordinated nature. Hence, they are rated only one notch below the bank's IDR.

Peer Analysis

For the purpose of peer review, COFIDE is grouped with other state-owned entities in Peru. COFIDE's assets represent 26.8% of the total assets managed by the peer group's four rated entities as of June 2016. The issuer's profitability is moderate but consistent, with indicators relatively in line with those of peers with a social and/or economic role. Only Banco de la Nacion (BN) consistently has higher profits.

Domestic development banks in the peer group have solid capital ratios. However, they show a decreasing trend given the growing strategies over the recent years. Fitch expects COFIDE to maintain a reasonable capital ratio for the foreseeable future.

Corporacion Financiera de Desarrollo S.A. (COFIDE)

Income Statement

	6/30/16			12/31/15		6/30/15		12/31/14	
	6 Mos - Int USDm	6 Mos - Int PENm	As % of Earning Assets	Year End PENm Audited - Unqualified	As % of Earning Assets	6 Mos - Int PENm Unaudited	As % of Earning Assets	Year End PENm Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	74.4	245.5	4.64	448.9	3.92	213.6	4.43	372.3	4.10
2. Other Interest Income	21.3	70.4	1.33	110.3	0.96	37.9	0.79	74.4	0.82
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	95.7	315.9	5.97	559.2	4.88	251.5	5.22	446.7	4.92
5. Interest Expense on Customer Deposits	0.1	0.3	0.01	2.7	0.02	1.1	0.02	3.2	0.04
6. Other Interest Expense	71.4	235.6	4.45	355.9	3.11	147.4	3.06	265.4	2.92
7. Total Interest Expense	71.5	235.9	4.45	358.6	3.13	148.5	3.08	268.6	2.96
8. Net Interest Income	24.2	80.0	1.51	200.6	1.75	103.0	2.14	178.1	1.96
9. Net Gains (Losses) on Trading and Derivatives	21.1	69.7	1.32	(24.1)	(0.21)	(19.2)	(0.40)	(66.3)	(0.73)
10. Net Gains (Losses) on Other Securities	0.7	2.2	0.04	2.7	0.02	0.1	0.00	(4.2)	(0.05)
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	5.7	18.7	0.35	33.0	0.29	14.0	0.29	27.8	0.31
14. Other Operating Income	(18.1)	(59.6)	(1.13)	4.9	0.04	9.1	0.19	48.7	0.54
15. Total Non-Interest Operating Income	9.4	31.0	0.59	16.5	0.14	4.0	0.08	6.0	0.07
16. Personnel Expenses	6.7	22.0	0.42	40.2	0.35	20.6	0.43	41.1	0.45
17. Other Operating Expenses	5.5	18.0	0.34	36.3	0.32	16.4	0.34	31.1	0.34
18. Total Non-Interest Expenses	12.1	40.0	0.76	76.5	0.67	37.0	0.77	72.2	0.79
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. Pre-Impairment Operating Profit	21.5	71.0	1.34	140.6	1.23	70.0	1.45	111.9	1.23
21. Loan Impairment Charge	3.9	13.0	0.25	13.9	0.12	23.0	0.48	(23.5)	(0.26)
22. Securities and Other Credit Impairment Charges	9.5	31.3	0.59	46.2	0.40	12.9	0.27	12.8	0.14
23. Operating Profit	8.1	26.7	0.50	80.5	0.70	34.1	0.71	122.6	1.35
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	12.4	40.9	0.77	1.3	0.01	3.4	0.07	(16.5)	(0.18)
29. Pre-tax Profit	20.5	67.6	1.28	81.8	0.71	37.5	0.78	106.1	1.17
30. Tax expense	7.1	23.5	0.44	(0.5)	(0.00)	(2.2)	(0.05)	29.0	0.32
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	13.4	44.1	0.83	82.3	0.72	39.7	0.82	77.1	0.85
33. Change in Value of AFS Investments	27.7	91.4	1.73	(47.1)	(0.41)	(6.0)	(0.12)	20.5	0.23
34. Revaluation of Fixed Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	0.6	2.0	0.04	13.7	0.12	12.6	0.26	(4.4)	(0.05)
37. Fitch Comprehensive Income	41.7	137.5	2.60	48.9	0.43	46.3	0.96	93.2	1.03
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non- controlling Interests	13.4	44.1	0.83	82.3	0.72	39.7	0.82	77.1	0.85
40. Memo: Common Dividends Relating to the Period	0.0	0.0	0.00	61.7	0.54	59.0	1.22	69.4	0.76
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate				USD1 = PEN3.30000	USD1 = PEN3.41050	USD1 = PEN3.17560		USD1 = PEN2.98500	

Corporacion Financiera de Desarrollo S.A. (COFIDE)

Balance Sheet

	6/30/16			12/31/15		6/30/15		12/31/14	
	6 Mos - Int USDm	6 Mos - Int PENm	As % of Assets	Year End PENm	As % of Assets	6 Mos - Int PENm	As % of Assets	Year End PENm	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	3.0	9.9	0.07	10.3	0.08	10.1	0.10	9.6	0.10
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
3. Other Consumer/ Retail Loans	0.6	1.9	0.01	1.6	0.01	1.4	0.01	1.5	0.02
4. Corporate & Commercial Loans	19.7	64.9	0.48	217.0	1.60	221.4	2.19	164.9	1.70
5. Other Loans	2,125.1	7,012.9	51.82	7,722.0	57.01	6,007.7	59.44	5,613.1	57.78
6. Less: Reserves for Impaired Loans	196.0	646.7	4.78	640.9	4.73	632.8	6.26	594.4	6.12
7. Net Loans	1,952.4	6,442.9	47.61	7,310.0	53.97	5,607.8	55.48	5,194.7	53.47
8. Gross Loans	2,148.4	7,089.6	52.39	7,950.9	58.70	6,240.6	61.74	5,789.1	59.59
9. Memo: Impaired Loans included above	17.0	56.1	0.41	58.0	0.43	55.1	0.55	145.3	1.50
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets									
1. Loans and Advances to Banks	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Derivatives	6.4	21.0	0.16	3.7	0.03	0.0	0.00	0.0	0.00
5. Available for Sale Securities	559.6	1,846.7	13.65	1,803.7	13.32	1,771.4	17.53	1,551.0	15.97
6. Held to Maturity Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Equity Investments in Associates	708.8	2,339.2	17.28	2,339.2	17.27	2,339.2	23.14	2,339.2	24.08
8. Other Securities	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
9. Total Securities	1,274.8	4,206.9	31.09	4,146.6	30.61	4,110.6	40.67	3,890.2	40.04
10. Memo: Government Securities included Above	0.0	0.0	0.00	0.0	0.00	19.3	0.19	18.6	0.19
11. Memo: Total Securities Pledged	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	3,227.2	10,649.8	78.69	11,456.6	84.58	9,718.4	96.15	9,084.9	93.52
C. Non-Earning Assets									
1. Cash and Due From Banks	842.4	2,779.9	20.54	1,956.7	14.45	203.1	2.01	523.7	5.39
2. Memo: Mandatory Reserves included above	n.a.	n.a.	-	n.a.	-	62.5	0.62	153.3	1.58
3. Foreclosed Real Estate	3.9	13.0	0.10	13.0	0.10	13.0	0.13	0.1	0.00
4. Fixed Assets	3.5	11.6	0.09	12.6	0.09	13.4	0.13	13.1	0.13
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Intangibles	1.6	5.3	0.04	6.3	0.05	6.6	0.07	7.3	0.08
7. Current Tax Assets	5.5	18.3	0.14	21.1	0.16	22.9	0.23	25.3	0.26
8. Deferred Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	16.8	55.4	0.41	78.9	0.58	130.2	1.29	60.4	0.62
11. Total Assets	4,101.0	13,533.3	100.00	13,545.2	100.00	10,107.6	100.00	9,714.8	100.00
Exchange rate			USD1 = PEN3.30000		USD1 = PEN3.41050		USD1 = PEN3.17560		USD1 = PEN2.98500

Corporacion Financiera de Desarrollo S.A. (COFIDE)

Balance Sheet

	6/30/16			12/31/15		6/30/15		12/31/14	
	6 Mos - Int USDm	6 Mos - Int PENm	As % of Assets	Year End PENm	As % of Assets	6 Mos - Int PENm	As % of Assets	Year End PENm	As % of Assets
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	2.9	9.6	0.07	32.6	0.24	15.9	0.16	47.6	0.49
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	2.9	9.6	0.07	32.6	0.24	15.9	0.16	47.6	0.49
5. Deposits from Banks	103.1	340.3	2.51	224.9	1.66	162.9	1.61	195.5	2.01
6. Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Commercial Paper and Short-term Borrowings	690.4	2,278.4	16.84	2,235.4	16.50	1,105.7	10.94	1,218.8	12.55
8. Total Money Market and Short-term Funding	796.5	2,628.3	19.42	2,492.9	18.40	1,284.5	12.71	1,461.9	15.05
9. Senior Unsecured Debt (original maturity > 1 year)	2,227.7	7,351.4	54.32	7,943.7	58.65	5,632.8	55.73	5,526.9	56.89
10. Subordinated Borrowing	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	2,227.7	7,351.4	54.32	7,943.7	58.65	5,632.8	55.73	5,526.9	56.89
14. Derivatives	29.1	96.0	0.71	149.7	1.11	141.2	1.40	155.7	1.60
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	3,053.2	10,075.7	74.45	10,586.3	78.16	7,058.5	69.83	7,144.5	73.54
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	16.1	53.2	0.39	51.4	0.38	60.7	0.60	55.7	0.57
4. Current Tax Liabilities	0.0	0.0	0.00	n.a.	-	n.a.	-	1.0	0.01
5. Deferred Tax Liabilities	70.0	231.1	1.71	191.1	1.41	227.3	2.25	249.7	2.57
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	120.7	398.2	2.94	15.6	0.12	12.5	0.12	9.5	0.10
10. Total Liabilities	3,260.1	10,758.2	79.49	10,844.4	80.06	7,359.0	72.81	7,460.4	76.79
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity									
1. Common Equity	811.8	2,679.0	19.80	2,698.0	19.92	2,701.7	26.73	2,210.1	22.75
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	23.7	78.1	0.58	(13.3)	(0.10)	27.8	0.28	33.8	0.35
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	5.5	18.0	0.13	16.1	0.12	19.1	0.19	10.5	0.11
6. Total Equity	840.9	2,775.1	20.51	2,700.8	19.94	2,748.6	27.19	2,254.4	23.21
7. Total Liabilities and Equity	4,101.0	13,533.3	100.00	13,545.2	100.00	10,107.6	100.00	9,714.8	100.00
8. Memo: Fitch Core Capital	839.3	2,769.8	20.47	2,694.5	19.89	2,742.0	27.13	2,247.1	23.13
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Exchange rate	USD1 = PEN3.30000			USD1 = PEN3.41050		USD1 = PEN3.17560		USD1 = PEN2.98500	

Corporacion Financiera de Desarrollo S.A. (COFIDE)

Summary Analytics

	6/30/16 6 Mos - Int	12/31/15 Year End	6/30/15 6 Mos - Int	12/31/14 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	6.78	7.02	7.30	6.99
2. Interest Expense on Customer Deposits/ Average Customer Deposits	3.47	5.42	5.48	4.69
3. Interest Income/ Average Earning Assets	5.85	5.71	5.49	5.49
4. Interest Expense/ Average Interest-bearing Liabilities	4.59	4.34	4.29	4.39
5. Net Interest Income/ Average Earning Assets	1.48	2.05	2.25	2.19
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	1.24	1.91	1.75	2.48
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	1.48	2.05	2.25	2.19
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	27.93	7.60	3.74	3.26
2. Non-Interest Expense/ Gross Revenues	36.04	35.24	34.58	39.22
3. Non-Interest Expense/ Average Assets	0.59	0.69	0.76	0.83
4. Pre-impairment Op. Profit/ Average Equity	5.23	5.40	5.51	5.06
5. Pre-impairment Op. Profit/ Average Total Assets	1.06	1.26	1.43	1.29
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	62.39	42.75	51.29	(9.56)
7. Operating Profit/ Average Equity	1.97	3.09	2.68	5.54
8. Operating Profit/ Average Total Assets	0.40	0.72	0.70	1.41
9. Operating Profit / Risk Weighted Assets	0.48	0.71	0.95	2.03
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	3.25	3.16	3.12	3.49
2. Net Income/ Average Total Assets	0.66	0.74	0.81	0.89
3. Fitch Comprehensive Income/ Average Total Equity	10.12	1.88	3.64	4.21
4. Fitch Comprehensive Income/ Average Total Assets	2.04	0.44	0.95	1.07
5. Taxes/ Pre-tax Profit	34.76	(0.61)	(5.87)	27.33
6. Net Income/ Risk Weighted Assets	0.79	0.72	1.11	1.27
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	24.54	23.64	37.97	37.14
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	20.47	19.90	27.15	23.15
3. Tier 1 Regulatory Capital Ratio	20.49	20.14	32.67	n.a.
4. Total Regulatory Capital Ratio	30.62	30.51	47.36	44.14
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Equity/ Total Assets	20.51	19.94	27.19	23.21
7. Cash Dividends Paid & Declared/ Net Income	n.a.	74.97	148.61	90.01
8. Internal Capital Generation	3.20	0.76	(1.42)	0.34
E. Loan Quality				
1. Growth of Total Assets	(0.09)	39.43	4.04	20.72
2. Growth of Gross Loans	(10.83)	37.34	7.80	10.37
3. Impaired Loans/ Gross Loans	0.79	0.73	0.88	2.51
4. Reserves for Impaired Loans/ Gross Loans	9.12	8.06	10.14	10.27
5. Reserves for Impaired Loans/ Impaired Loans	1,152.76	1,105.00	1,148.46	409.08
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	(21.32)	(21.63)	(21.07)	(19.99)
7. Impaired Loans less Reserves for Impaired Loans/ Equity	(21.28)	(21.58)	(21.02)	(19.92)
8. Loan Impairment Charges/ Average Gross Loans	0.36	0.22	0.79	(0.44)
9. Net Charge-offs/ Average Gross Loans	(1.04)	(1.61)	(1.01)	(2.18)
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	0.97	0.89	1.09	2.51
F. Funding and Liquidity				
1. Loans/ Customer Deposits	73,850.00	24,389.26	39,249.06	12,161.97
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	0.10	0.31	0.23	0.68
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.

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