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Research Update:

Corporacion Financiera de Desarrollo S.A. Upgraded To 'BBB+' From 'BBB' Following The Upgrade On The Republic Of Peru

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Table Of Contents

Overview

Rating Action

Rationale

Ratings Score Snapshot

Related Criteria And Research

Ratings List

Research Update:

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Overview

- On Aug. 19, 2013, we raised our long-term foreign currency rating to 'BBB+' from 'BBB' and local currency rating to 'A-' from 'BBB+' on the Republic of Peru.
- Following the sovereign rating action, we are raising the ratings on Corporacion Financiera de Desarrollo S.A.
- The outlook is stable.

Rating Action

On Aug. 20, 2013, Standard & Poor's Ratings Services raised the global scale issuer credit ratings on Corporacion Financiera de Desarrollo S.A. to 'BBB+' from 'BBB'. The short-term rating on the bank remains 'A-2'. The outlook is stable. We also raised the ratings on four other Peru banks: Scotiabank Peru S.A.A., Banco de Credito del Peru, Fondo Mivivienda S.A., and BBVA Banco Continental.

Rationale

The rating action on the bank follows the upgrade of the Republic of Peru (foreign currency: BBB+/Stable/A-2; local currency: A-/Stable/A-2). The issuer credit rating on the bank is now at the same level as its stand-alone credit profile (SACP) of 'bbb+'.

We based the upgrade on the Republic of Peru on our assessment of the reduced vulnerability to external shocks and enhanced capacity for stable long-term GDP growth. Peru's high investment rate (more than 27% of GDP) should keep the sovereign's per capita GDP growth above 4% per year throughout the forecast horizon, which is significantly higher than the average trend growth rate of most other countries that are at a similar stage of development. High real growth has improved the government's debt dynamics but so has deliberate policy action. The government has taken advantage of recent years of favorable commodity prices to undertake structural changes in fiscal policy, boost its Fiscal Stabilization Fund, and improve its debt profile. Such steps improve the sovereign's capacity to undertake countercyclical fiscal and monetary policy, thus boosting the resilience of the economy in the event of a sharp fall in export prices or other external shocks.

Ratings Score Snapshot

Issuer Credit Rating	BBB+/Stable/A-2
SACP	bbb+
Anchor	bbb
Business Position	Adequate (0)
Capital and Earnings	Adequate (0)
Risk Position	Strong 1
Funding and Liquidity	Average and Adequate (0)
Support	(0)
GRE Support	(0)
Additional Factors	(0)

Related Criteria And Research

- Peru Long-Term Foreign Currency Rating Raised to 'BBB+', Long-Term Local Currency Rating Raised To 'A-'; Outlook Stable; Aug. 19, 2013
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

Ratings List

Upgraded	To	From
Corporacion Financiera de Desarrollo S.A.		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
Senior Unsecured	BBB+	BBB

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