

Rating Action: Moody's upgrades Peruvian banks

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New York, July 03, 2014 -- Moody's Investors Service has today upgraded to Baa1, from Baa2, the long-term local and foreign currency deposit ratings of Banco de Credito del Peru (BCP) and Scotiabank Peru (Scotiabank). Moody's also upgraded the long term local and foreign currency deposit ratings of Banco Internacional del Peru S.A.A. - Interbank (Interbank) to Baa2, from Baa3, and raised its short term local and foreign currency deposit ratings to Prime-2 from Prime-3.

Moody's at the same time upgraded the foreign currency senior unsecured debt ratings of Banco de Credito del Peru to Baa1, from Baa2, with stable outlook, and upgraded the foreign currency senior unsecured debt ratings of Interbank to Baa2, from Baa3.

The outlook on all these ratings is stable.

Moody's also upgraded to Baa2, from Baa3, the long-term local and foreign currency issuer ratings of government-owned Corporacion Financiera de Desarrollo S.A. (COFIDE), also with a stable outlook.

The rating actions follow Moody's upgrade to A3, stable, from Baa2, positive, of Peru's local and foreign currency government bond ratings. For details on this rating action please refer to Moody's press release "Moody's upgrades Peru's rating to A3 from Baa2; outlook stable", dated 2 July 2014.

All other ratings for these entities are unaffected by the changes in the sovereign ratings and therefore remain unchanged.

The following ratings were upgraded:

Banco de Credito del Peru:

Long term local and foreign currency deposit ratings to Baa1, from Baa2, stable outlook

Foreign currency senior unsecured debt rating to Baa1, from Baa2, stable outlook

Banco de Credito del Peru, Panama Branch:

Foreign currency senior unsecured debt rating: to Baa1, from Baa2, stable outlook

Scotiabank Peru:

Long term local and foreign currency deposit ratings to Baa1, from Baa2, stable outlook

Banco Internacional del Peru-Interbank:

Long term local and foreign currency deposit ratings to Baa2, from Baa3, stable outlook

Short term local and foreign currency deposit ratings to Prime-2, from Prime-3

Banco Internacional del Peru -- Interbank, Panama branch:

Foreign currency senior unsecured debt rating to Baa2, from Baa3, stable outlook

Corporación Financiera de Desarrollo (COFIDE):

Local and foreign currency issuer ratings to Baa2, from Baa3, stable outlook

RATINGS RATIONALE

UPGRADE OF BANK DEPOSIT AND SENIOR UNSECURED DEBT RATINGS

The upgrade of BCP's and Scotiabank's long-term local and foreign currency deposit ratings to Baa1, from Baa2, and the upgrade of Interbank's deposit ratings to Baa2, from Baa3, were driven by the upgrade of Peru's government bond rating to A3 from Baa2. The banks' deposit ratings incorporate Moody's assessment of the probability of systemic support for their obligations in case of need, given their important deposit franchises in Peru, and are anchored on the government bond ratings.

The upgrade of BCP's foreign currency senior debt ratings to Baa1, from Baa2, and those of Interbank, to Baa2, from Baa3, are in line with the upgrade of the respective local currency deposit ratings upon which the debt ratings are based.

Moody's said that Banco de Credito del Peru (BCP)'s baa2 standalone baseline credit assessment (BCA) is mapped from a C- bank financial strength rating (BFSR). BCP's standalone ratings reflect the bank's positioning as the largest bank in Peru, its strong financial metrics and balance sheet, as well as its growth potential in Peru's expanding economy.

Scotiabank Peru's standalone BCA of baa3 is mapped from a D+ BFSR and reflects the bank's positioning as the third largest bank in Peru with a strong coverage of large and medium-sized companies, small businesses, and individuals. Scotiabank presents strong profit fundamentals and a well capitalized balance sheet.

Interbank's standalone BCA of baa3 also maps from a D+ standalone bank financial strength rating (BFSR), reflecting its healthy franchise growth and diversification as Peru's fourth largest bank and a leader in consumer banking.

Key risks to the banks' performance is continued high loan growth, particularly in the more vulnerable SME and consumer segments, that may lead to rapid asset quality deterioration if the economy slows dramatically. All three banks have managed this growth well to date, adjusting their underwriting standards and pricing models and balancing risks with higher quality credits. Key risks to the banks' profitability include increasing competition and regulatory pressures to reduce pricing on consumer banking products, said Moody's.

UPGRADE OF COFIDE'S ISSUER RATINGS

In upgrading COFIDE's issuer ratings, Moody's highlighted its assessment of a high probability of support from the Peruvian government in case of need, given its ownership, financial and managerial linkages, as well as its mandate to promote economic growth by funding targeted sectors such as infrastructure finance and SME lending. COFIDE's Baa2 issuer ratings are based on the b1 standalone baseline credit assessment assigned to COFIDE and benefit from five notches of uplift to reflect Moody's support assumptions.

COFIDE's b1 standalone BCA reflects the moderate loss absorption capacity of COFIDE's capital, its large and increasing exposure to project finance risk, increasing leverage, and modest earnings generation.

The principal methodology used in rating BCP, Scotiabank, and Interbank was Global Banks published in May 2013. The principal methodology used in rating COFIDE was Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on www.moody's.com for a copy of these methodologies.

BCP is headquartered in Lima, Peru. As of 31 March 2014, the bank reported PEN 93.4 billion (US\$ 33.3 billion) in assets.

Scotiabank Peru is headquartered in Lima, Peru. As of 31 March 2014, the bank reported PEN 40.7 billion (US\$ 14.5 billion) in assets.

Interbank is headquartered in Lima, Peru. As of 31 March 2014, the bank reported PEN 31.9 billion (US\$ 11.3 billion) in assets.

COFIDE is headquartered in Lima, Peru. As of 31 March 2014, COFIDE reported PEN 8.1 billion (US\$ 2.9 billion) in assets. The company is 98.98% owned by the Republic of Peru via its holding company FONAFE, the National Fund for the Financing of State Entrepreneurial Activities.

The last rating action on BCP was on 5 March 2014 when Moody's upgraded the bank's BFSR to C- from D+ and local and foreign currency subordinated debt ratings to Baa3 from Ba1, and affirmed the long term local and foreign currency deposit and senior debt ratings at Baa2.

The last rating action on Scotiabank Peru was on 29 January 2013 when Moody's downgraded its long-term local

currency deposit rating to Baa2 from Baa1, and foreign currency subordinated debt rating to Baa3 from Baa2.

The last rating action on Interbank was on 11 March 2014 when Moody's assigned a Ba1 foreign currency subordinated debt rating to the bank's US dollar notes due 2029.

The last rating action on COFIDE was on 19 July 2013 when Moody's assigned first time issuer ratings of Baa3.

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