



## **Corporate Presentation**

**September 2014**

# Disclaimer

The material that follows is a presentation of general background information about Corporación Financiera de Desarrollo S.A. and its subsidiaries ("COFIDE"), as of the date of the presentation, prepared solely for purposes of meetings with potential. The material contained herein is in summary form and does not purport to be complete.

This presentation contains statements that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements are not guarantees of future performance. We caution you that any such forward-looking statements are and will be, as the case may be, subject to many risks, uncertainties and factors relating to the operations and business environments of COFIDE that may cause actual results to be materially different from any future results expressed or implied in such forward-looking statements. Although COFIDE believes that the expectations and assumptions reflected in the forward-looking statements are reasonable based on information currently available to COFIDE's management, COFIDE cannot guarantee future results or events. COFIDE expressly disclaims any duty to update any of the forward-looking statements, or any other information contained herein.

# Key Investment Highlights

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1

■ Key Government Policy Tool for Economic Development

2

■ Peruvian Economy Provides Opportunity-Rich Environment

3

■ Central Element of Government Infrastructure Promotion Policy

4

■ Leader in Providing Financing to Small and Medium Enterprises (SME)

5

■ Effective Risk Management Culture and Policies Reflected in Strong Portfolio

6

■ Solid Capital Structure and Financial Performance

# COFIDE at a Glance

<b>Who We Are</b>	<ul style="list-style-type: none"> <li>■ State-owned development bank established in 1971</li> <li>■ Principal government entity involved in development programs on behalf of Peru</li> <li>■ Plays an active role in stabilizing the Peruvian financial system</li> </ul>
<b>Who Owns Us</b>	<ul style="list-style-type: none"> <li>■ The Republic of Peru (through FONAFE) owns 99%</li> <li>■ CAF owns the remaining 1%</li> </ul>
<b>What We Do</b>	<ul style="list-style-type: none"> <li>■ Provide financing for infrastructure and environmental projects to close Peru's infrastructure gap</li> <li>■ We spearhead infrastructure projects by providing early financing</li> <li>■ Provide financing for underserved market segments, particularly in SME lending sector</li> </ul>
<b>How We Do It</b>	<ul style="list-style-type: none"> <li>■ Investment Financing: assume project exposure at key junctures</li> <li>■ Intermediation Financing: financing through regulated financial institutions</li> <li>■ Investment Management Services: manage funds on behalf of the Peruvian government, agencies and financial institutions</li> <li>■ We lend under standard market conditions</li> </ul>
<b>Our Contribution to Peru's Infrastructure</b>	<ul style="list-style-type: none"> <li>■ Expected to participate in projects totalling ~20% of Peru's infrastructure pipeline for the next 2 years</li> <li>■ Should disburse up to US\$1.5Bn in the next 2 years</li> </ul>
<b>Our Regulator</b>	<ul style="list-style-type: none"> <li>■ The Superintendencia de Banca, Seguros y Administradoras de Fondos de Pension ("SBS")</li> <li>■ Operate under same regulatory environment that the rest of the financial institutions in Peru</li> </ul>
<b>Our Ratings</b>	<ul style="list-style-type: none"> <li>■ Moody's: Baa3 (Peru: Baa2)</li> <li>■ S&amp;P: BBB+ (Peru: BBB+)</li> <li>■ Fitch: BBB+ (Peru: BBB+)</li> </ul>
<b>Our Asset Quality</b>	<ul style="list-style-type: none"> <li>■ Our Past-due Loans are 0.03% as of March 31, 2014</li> </ul>

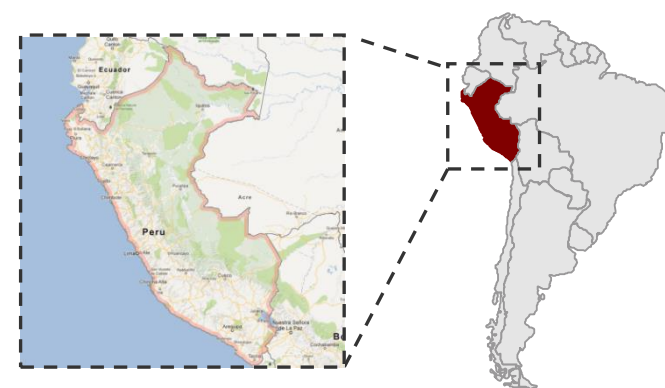
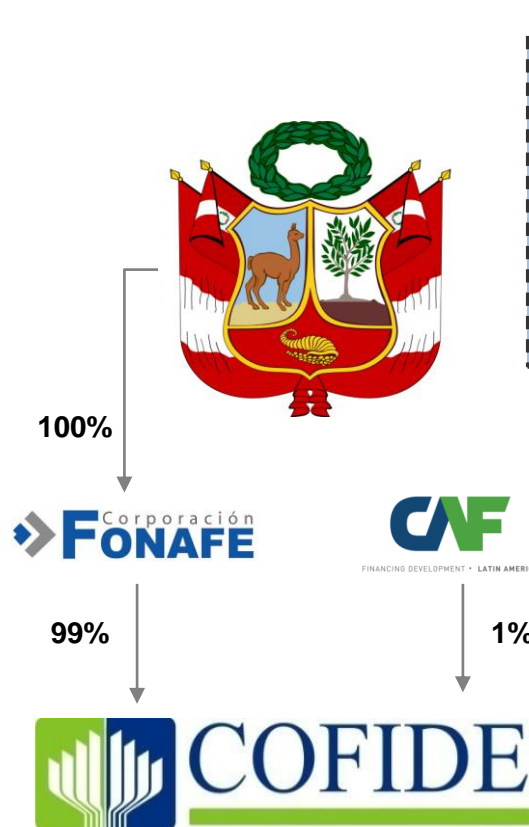
# Ownership Assures Government Support

- Sovereign-owned development bank established in 1971 (Government capital contribution of US\$12.1mm in 2014)
- Autonomous board of directors manages day-to-day operations independently of the Peruvian Government
- Part of the National Financial System and regulated by the Superintendencia de Banca Seguros y AFPs (SBS)

International Credit Ratings			
	Moody's	S&P	Fitch
Republic of Peru	A3 (stable)	BBB+ (stable)	BBB+ (stable)
COFIDE	Baa2 (stable)	BBB+ (stable)	BBB+ (stable)

### FONAFE

- FONAFE was created in 1999 to oversee the Peruvian Government's corporate activities and equity stakes
- Board of directors of 6 Ministers appoints management team for the Peruvian Government's majority holdings, including COFIDE

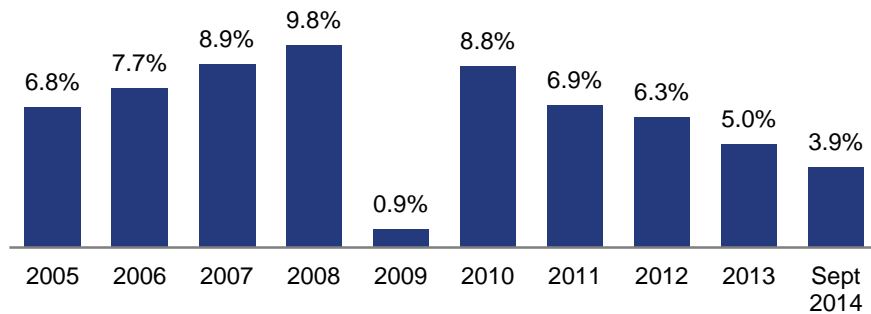


### CAF

- CAF, a regional development bank established in 1970, acquired its stake in COFIDE in 1997
- US\$27.4Bn in assets (US\$18.2Bn in loans) as of December 2013
- CAF ratings: Aa3 / AA- / AA-

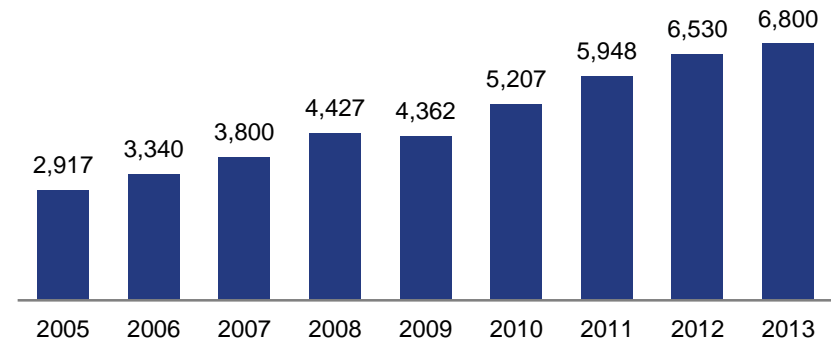
# Peruvian Economy Remains Strong

## Continued Strong GDP Growth (%)



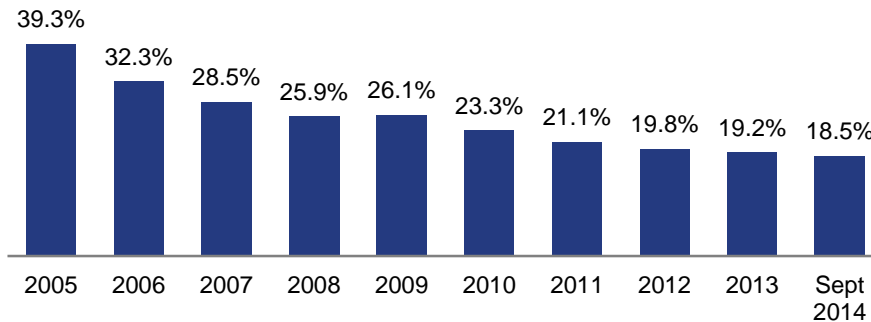
Source: Central Reserve Bank of Peru

## Rising GDP per Capita (US\$)



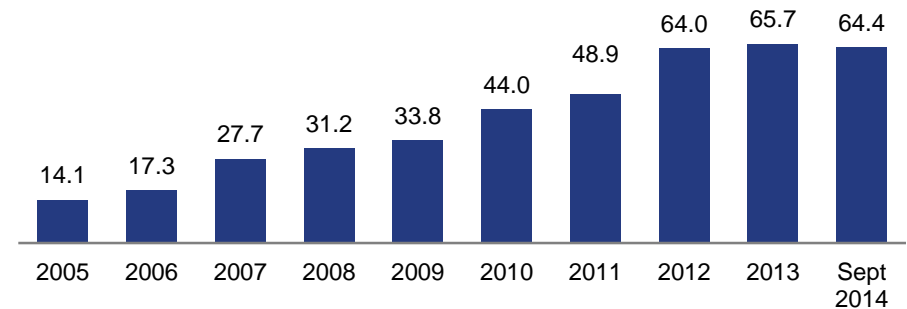
Source: Central Reserve Bank of Peru

## Declining Debt / GDP (%)



Source: Central Reserve Bank of Peru

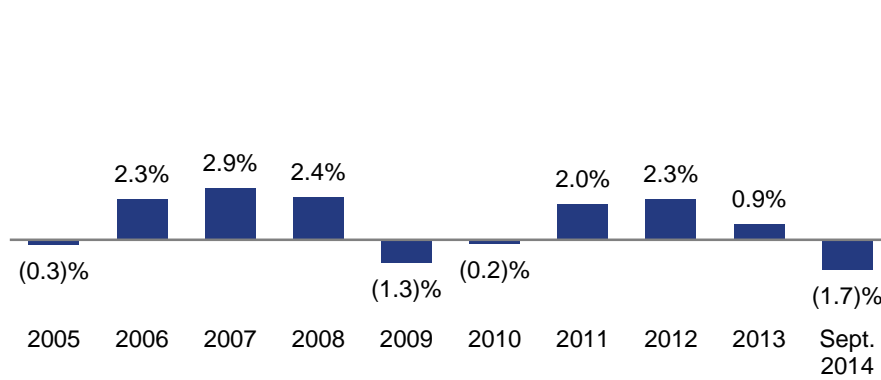
## Record International Reserves (US\$Bn)



Source: Central Reserve Bank of Peru

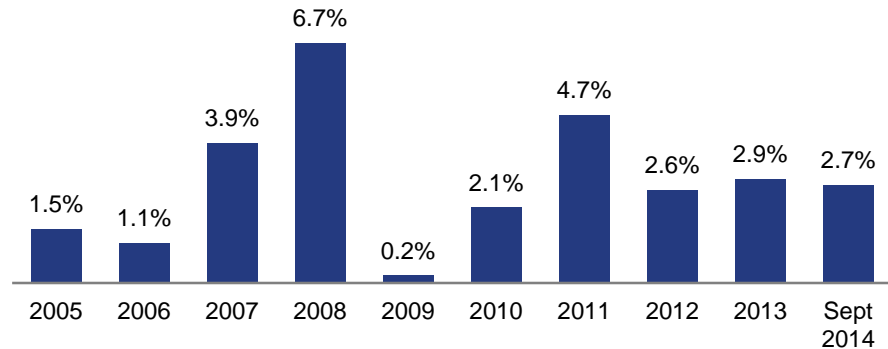
# Peruvian Economy Remains Strong (cont'd)

## Sustained Fiscal Surplus – Fiscal Balance /GDP (%)



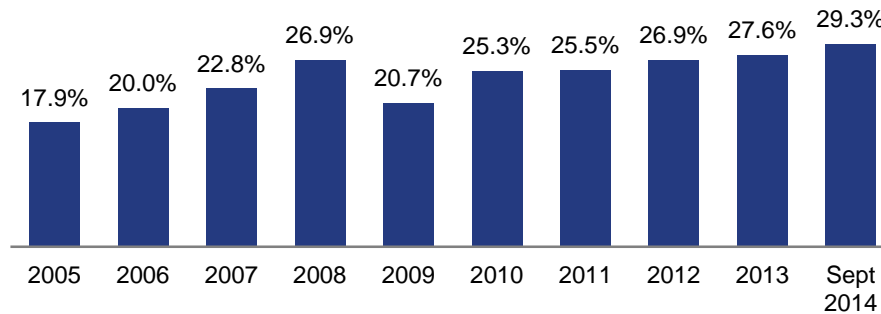
Source: Central Reserve Bank of Peru

## Stable Inflation (CPI, % change)



Source: Central Reserve Bank of Peru

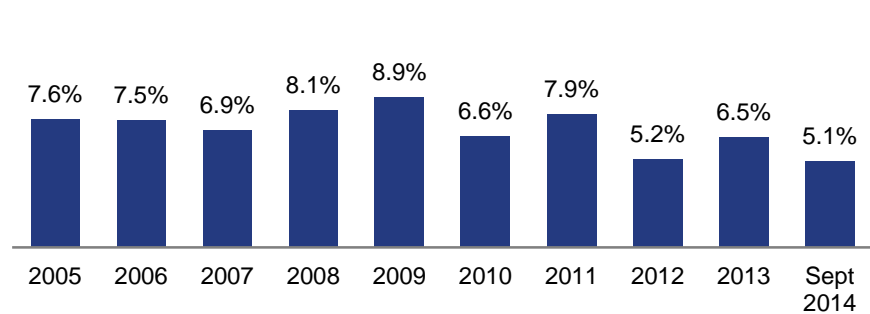
## Increasing Investment / GDP (%)



Source: Central Reserve Bank of Peru

## Declining Unemployment (%)

% of unemployed population / formal labor force

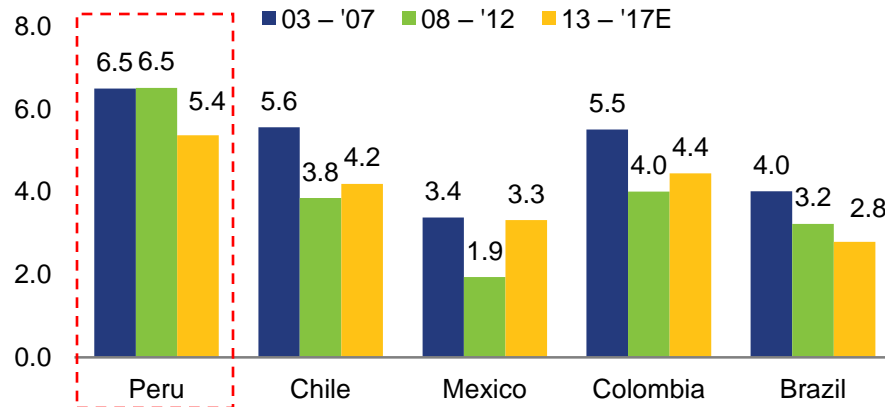


Source: National institute of statistics and informatics of Peru

# Strong Macro Fundamentals Versus Regional Peers

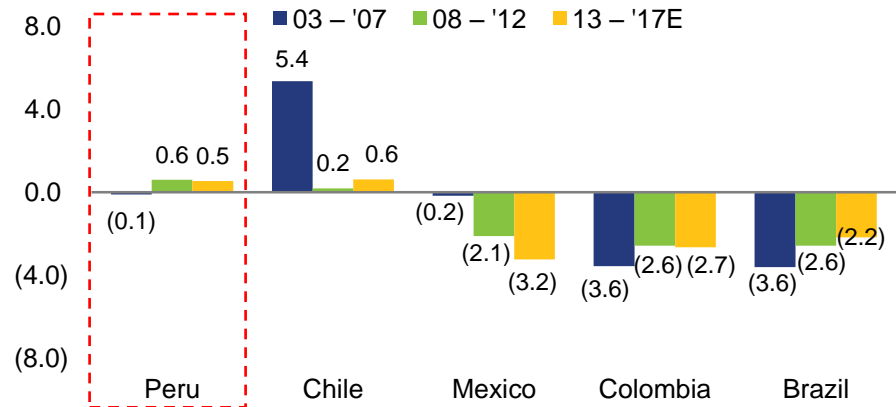
## Higher GDP Growth

5-Year Average Real GDP Growth (%)



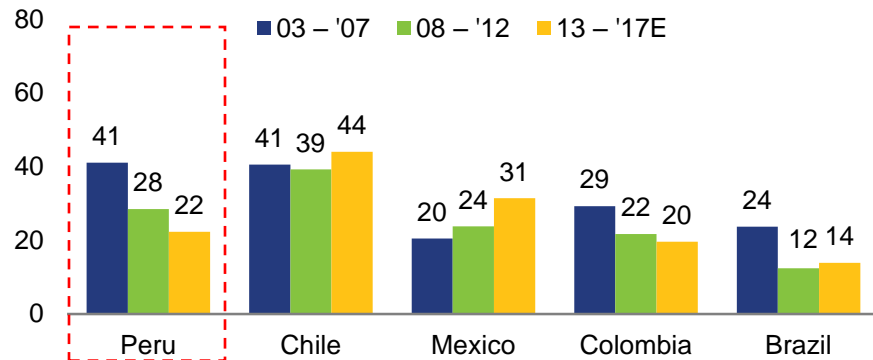
## Controlled Fiscal Balance

5-Year Average Fiscal Balance/GDP (%)



## Decreasing Indebtness

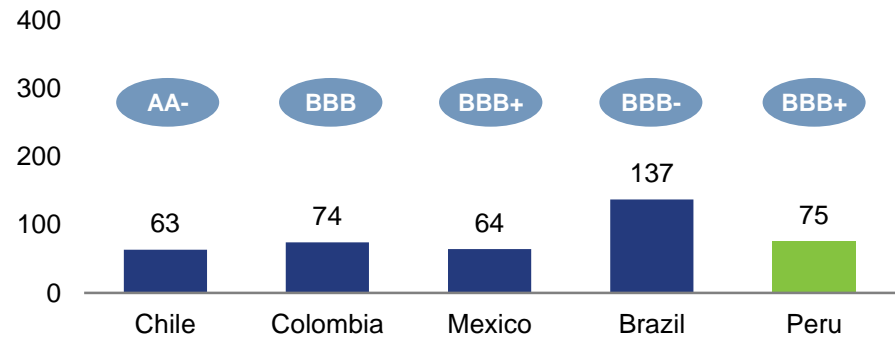
5-Year Average External Debt/GDP (%)



Source: IHS

## Low Country Risk Perception

5-Yr CDS (12 Month Average bps)



Source: Bloomberg, S&P



# Overview of Main Lines of Business

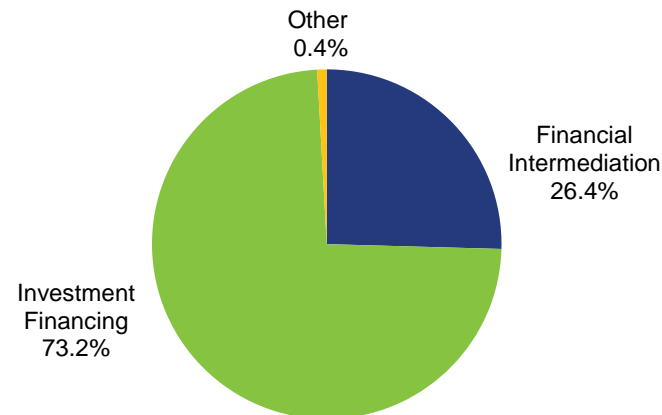
## Investment Financing

- **Focused primarily on the financing of infrastructure projects** undertaken by private or sovereign-owned companies. Mainly energy and transportation projects, as well as key environmental initiatives.
- **Funding infrastructure projects through Peruvian or foreign IFIs**, and also by investing directly in debt instruments used to finance projects
- **COFIDE's credit exposure is to the investment project financed by the ultimate borrower** in the event of default

## Financial Intermediation

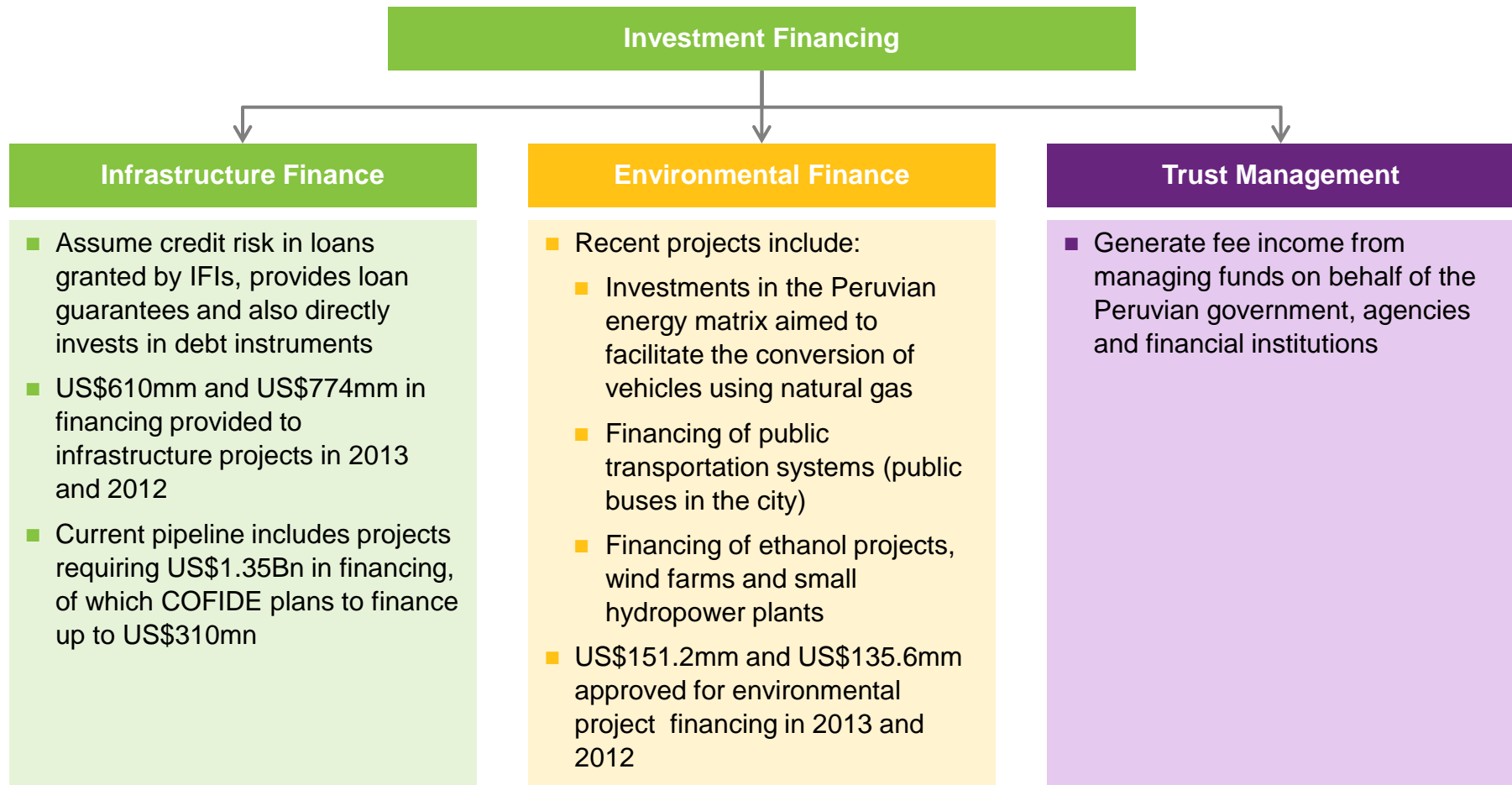
- **Finances primarily the SME sector**, complementing the private financial sector by providing medium and long-term financing
- **Lending takes place only through Peruvian Intermediary Financial Institutions (IFI)**, including commercial banks, municipal and rural banks, credit unions and entities specializing in SME financings
- **COFIDE's credit exposure is to the IFI**, rather than the ultimate borrower

## Financial Income Breakdown by Line of Business



**Financial Income: US\$114mn as of September 2014**  
*Other includes Interest Earning over available cash*

# Investment Financing: Spearheading Infrastructure in Peru



*Peru has an infrastructure gap of more than US\$87Bn*

# Prior COFIDE Infrastructure Investments

## COFIDE'S PARTICIPATION IN MAIN INVESTMENT PROJECTS (2008 – 2014)

### Energy

- **Hydro Energy:** Cerro del Águila (US\$75mm, Interbank & HSBC); Chaglla (US\$100mm, Deutsche Bank)
- **Eten Cold Reserve Power Plant:** (US\$45mm, BTG Pactual)
- **Fenix Thermoelectric Power Plant :** (US\$100 million, BTG Pactual)

### Mining, Fishing and Agriculture

- **Milpo:** (US\$20mm, Credit Suisse).
- **Hayduk:** (US\$25mm, Interbank).
- **Camposol:** (US\$20mm, Credit Suisse)
- **Minera Ares:** (US\$50.2mm, Hochschild)

### Toll Roads and Transportation

- **The Buenos Aires-Canchaque:** (US\$35mm, Deutsche Bank)
- **IIRSA Sur 1:** (US\$50mm, Deutsche Bank)
- **IIRSA Sur 5:** (US\$85mm, BNP Paribas)
- **Road Network 6 Pucusana-Ica:** (US\$15mm, BCP)
- **COSAC I Buses:** (S/.548mm, Interbank & Deutsche Bank)
- **Vía Parque Rímac:** (S/.230mm, BNP Paribas)

### Water & Sanitation

- **Taboada Plant:** (S/.83mm, BNP Paribas)

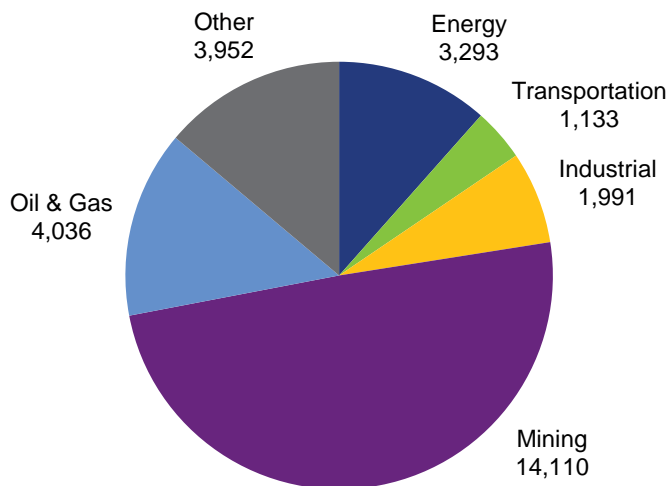
### Ports

- **Terminales Portuarios Euroandinos:** (US\$34mm, Goldman Sachs)

# Significant Infrastructure Pipeline in Peru

Central Reserve Bank of Peru states that there are announcements for more than 50 projects intended to be carried out along with private enterprises for the period 2014 - 2015. Among those 50 projects, the most important projects involve investment in Mining, Oil & Gas, Energy, Industrial and Transportation.

## Infrastructure Projects Pipeline (US\$mm) 2014 - 2015



Estimated Total Amount: US\$28.5Bn

- **Mining:** Toromocho (US\$4,800mm), Las Bambas (US\$5,200mm), Constancia (US\$1,800mm) and Cerro Verde (US\$4,400mm)
- **Energy:** Thermal Power Plants Kallpa and Enersur (US\$900mm)
- **Transportation:** Vía Parque Rímac and Nuevas vías de Lima (US\$250mm)
- **Industrial:** Phosphates project Bayovar II (US\$430mm), Hochschild & Mitsubishi Phosphates project (US\$250mm)
- **Oil & Gas:** Perenco Lote 67 (US\$1,800mm)
- **Other:** Olmos irrigation project (US\$250mm)

# A Conservative Credit Culture Has Resulted in Strong Portfolio Performance

194 People Committed to Managing Risk

Credit Approval Process			
Committees	Leader	Other Attendees	Key Topics
1 Assets and Liabilities	COFIDE's CEO	<ul style="list-style-type: none"> <li>Corporate Business, Risk, Finance and Intermediation Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>Treasury, derivatives and liquidity gaps</li> <li>Initial assessment of financing opportunities</li> </ul>
2 Risk Committee	BoD Chairman	<ul style="list-style-type: none"> <li>Corporate Business, Risk, Finance and Intermediation Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>First approval of all infrastructure financing</li> <li>Recommendations for BoD meetings</li> </ul>
3 Directors Approval	BoD Chairman	<ul style="list-style-type: none"> <li>COFIDE's CEO</li> <li>Minimum of 3 BoD members</li> </ul>	<ul style="list-style-type: none"> <li>Final approval of financing opportunities</li> </ul>

### Policy for Financial Intermediation

- Strong diligence is performed to the financing entities, including on-site visits (minimum 1 per year)
- Loans are collateralized by the lending portfolio being financed
  - The collateralized portfolio can only be comprised by loans of the top two SBS's categories <sup>(1)</sup>
  - If loans fall below these two categories, they should either be replaced with other performing loans or should be repaid to COFIDE

### Policy for Infrastructure Financing

- All infrastructure financing projects are subject to the following four fundamental requirements:
  - Financing is done in partnership with other well known local and international financial institutions
  - COFIDE finances no more than 50% of the financing each infrastructure project <sup>(2)</sup>
  - Financing per project cannot be greater than US\$100mm
  - Tickets on bonds cannot be larger than 20% of the total financing

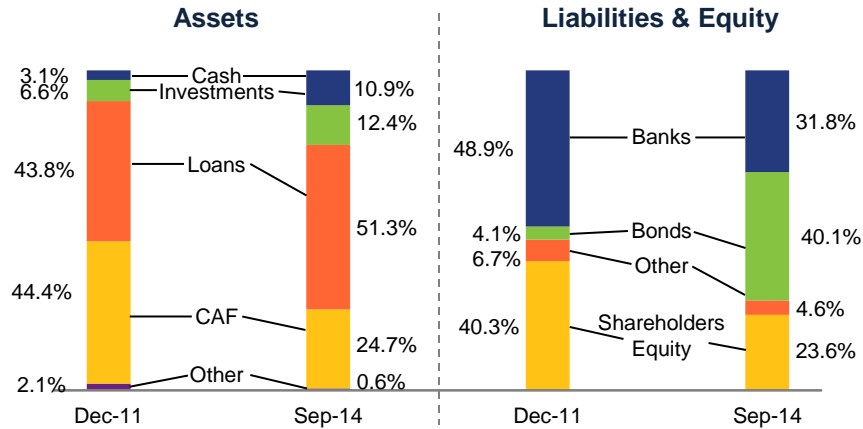
Notes:

(1) Top two categories of SBS as 1 (Normal) and 2 (Cred. Con Problema Potencial)

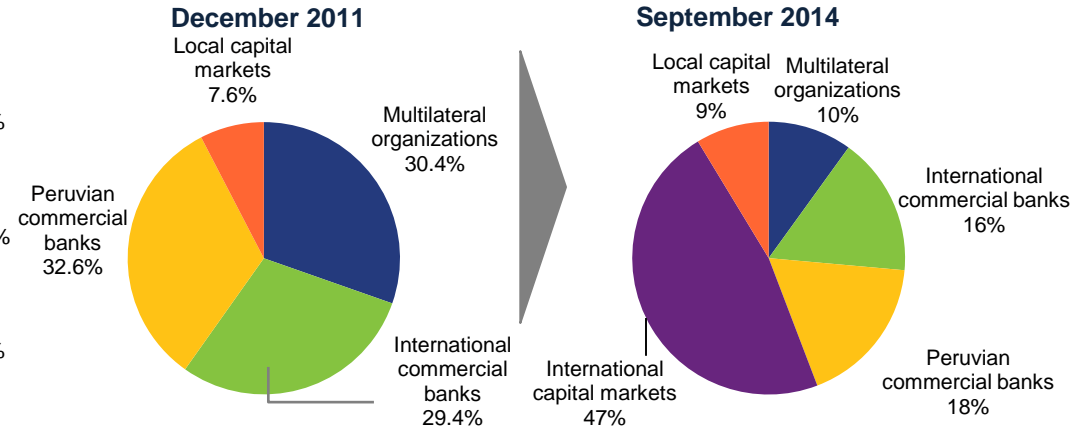
(2) Board of Directors can approve larger financings

# COFIDE's Strong Balance Sheet

## Balance Sheet Breakdown Evolution (%)



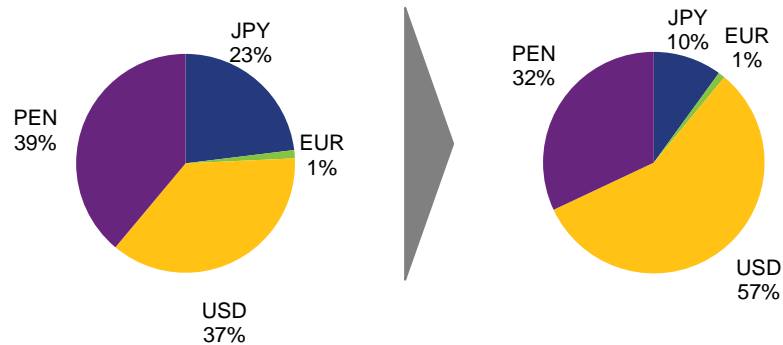
## Funding Breakdown



## Diversified Funding by Currency

December 2011

September 2014

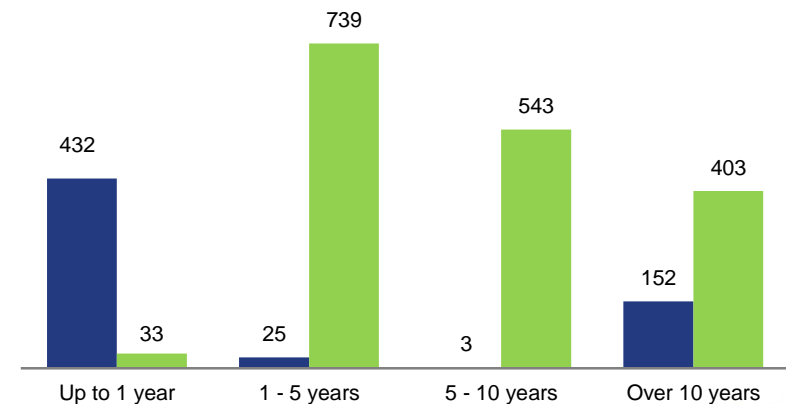


## Debt Maturity Profile (US\$m)

September 2014

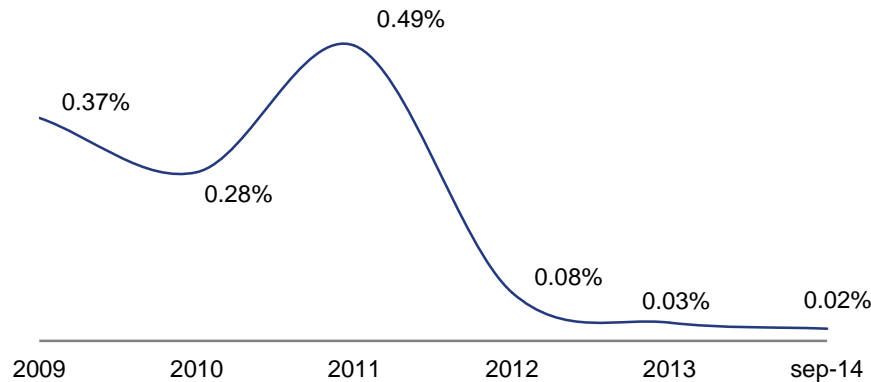
Local Borrowings

Foreign Borrowings



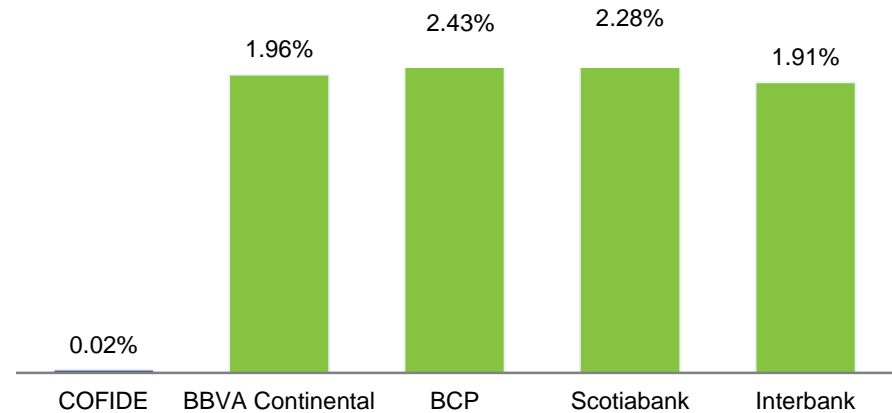
# Portfolio Reflects Strong Credit Culture

Past Due Loans / Total Loans (%)



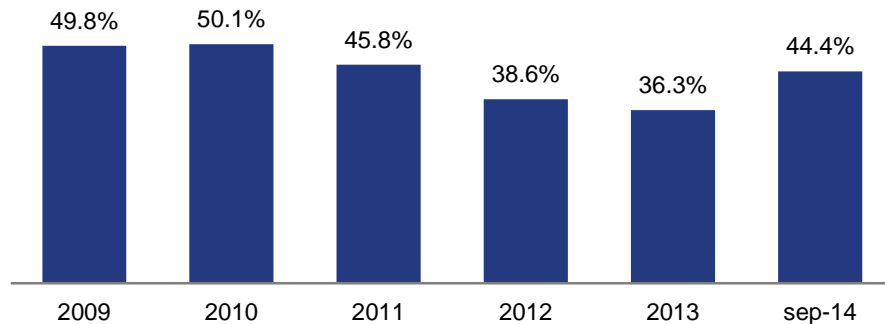
Past Due Loans / Total Loans – Financial System (%)

September 2014



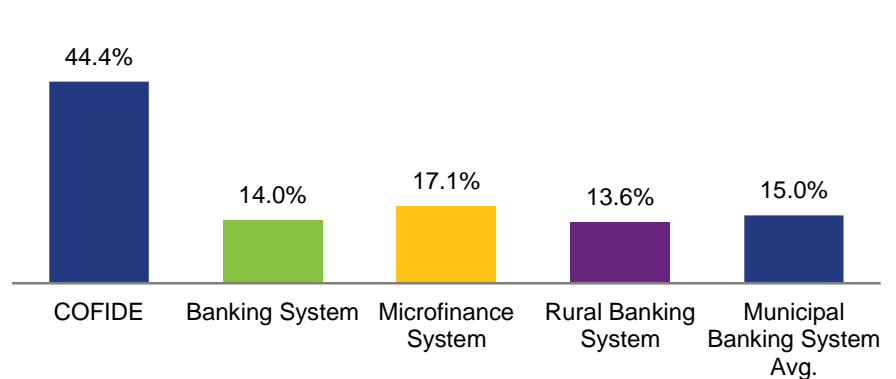
Capital Adequacy Ratio <sup>(1)</sup>

Evolution 2009 – 3Q14



Superb Capital Adequacy Ratio <sup>(2)</sup>

September 2014



Source: Superintendencia de Banca, Seguros y AFP

Notes:

(1) Capital adequacy ratio calculated as regulatory capital over risk weighted assets

(2) Capital adequacy ratio calculated as regulatory capital over risk weighted assets

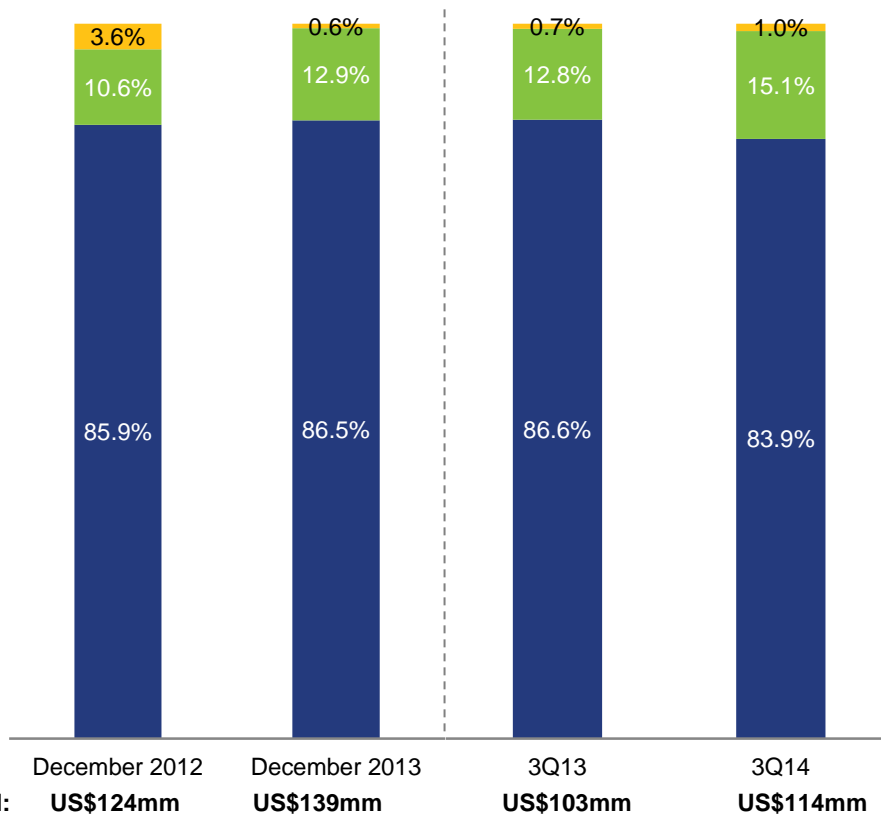
Source: Superintendencia de Banca, Seguros y AFP

# Superior Operational Efficiency

## Income Breakdown (%)

Recurrent income breakdown <sup>(1)</sup>

- Interest from cash and due from banks
- Interest on securities
- Interest on loans

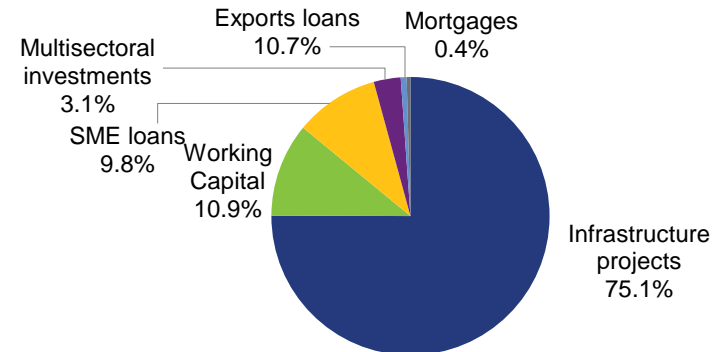


Notes:

(1) Does not take into consideration recovery from exchange rate differences and other financial income.

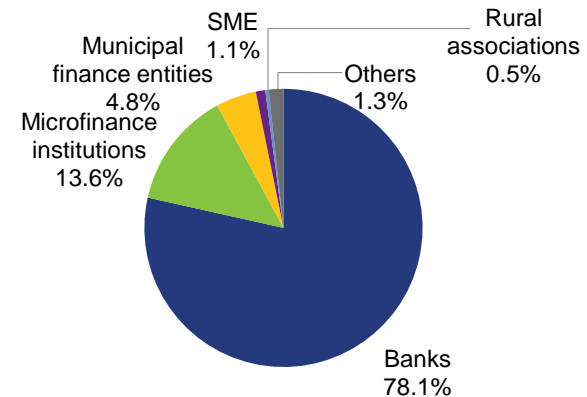
## Loan Portfolio Breakdown (%)

By type of loan – September 2014



## Loan Portfolio Breakdown (%)

By type of borrower – September 2014





# Key Investment Highlights

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1

■ **Key Government Policy Tool for Economic Development**

2

■ **Peruvian Economy Provides Opportunity-Rich Environment**

3

■ **Effective Risk Management Culture and Policies**

4

■ **Strong Portfolio Metrics and Financial Performance**

5

■ **Central Element of Government Infrastructure Promotion Policy**

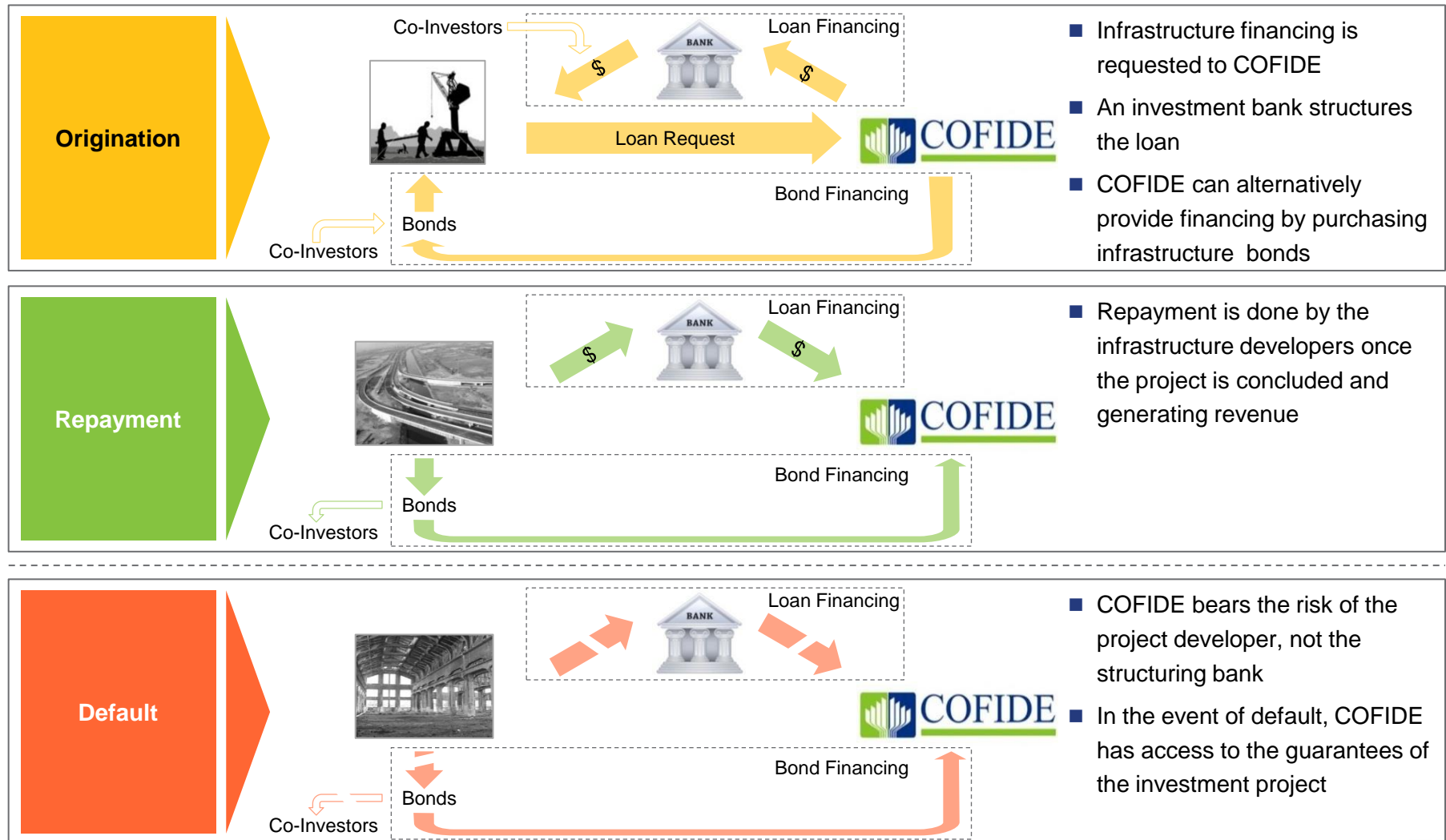
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■ **Leader in Financing Provided to Small and Medium Enterprises (SME)**

# Appendix

# Investment Financing – Credit Process

## Origination and Repayment Process

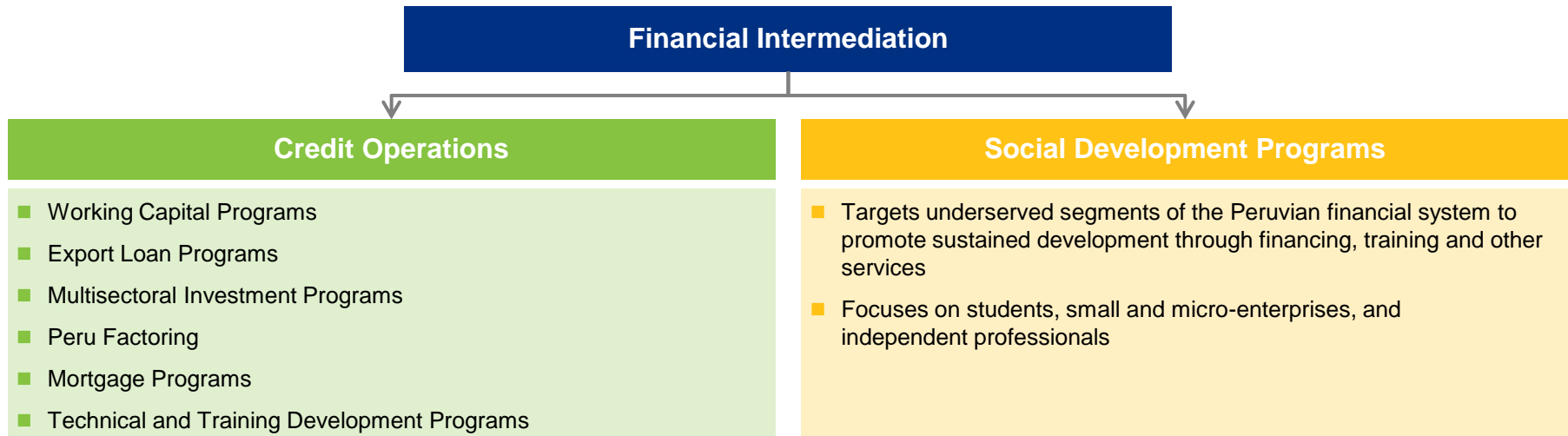


- Infrastructure financing is requested to COFIDE
- An investment bank structures the loan
- COFIDE can alternatively provide financing by purchasing infrastructure bonds

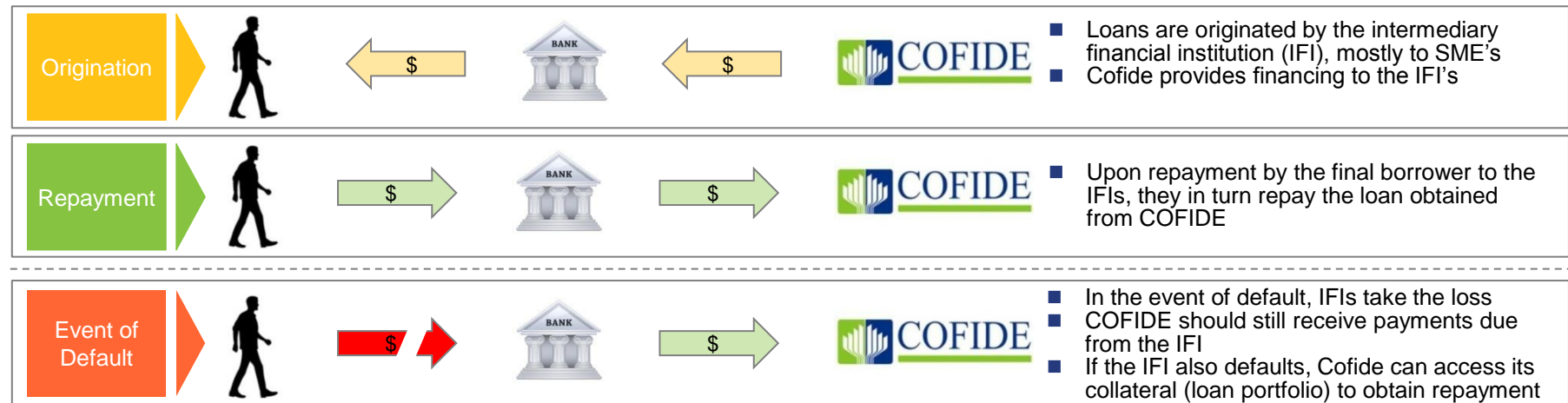
- Repayment is done by the infrastructure developers once the project is concluded and generating revenue

- COFIDE bears the risk of the project developer, not the structuring bank
- In the event of default, COFIDE has access to the guarantees of the investment project

# Leader in SME Financing



## Origination and Repayment Process



**Thank you!**