

# COFIDE

## Corporate Presentation Q3 2018



November 2018

# Disclaimer

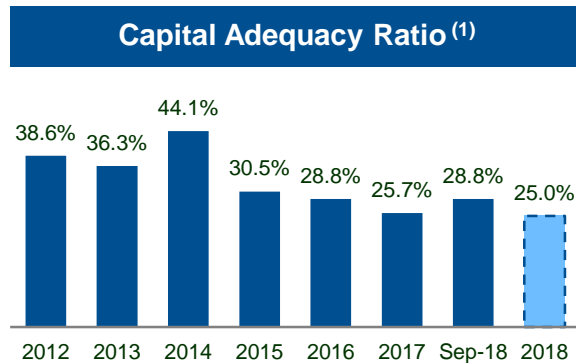
The material that follows is a presentation of general background information about Corporación Financiera de Desarrollo S.A. and its subsidiaries (“COFIDE”), as of the date of the presentation, prepared solely for purposes of meetings with capital markets participants. The material contained herein 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.



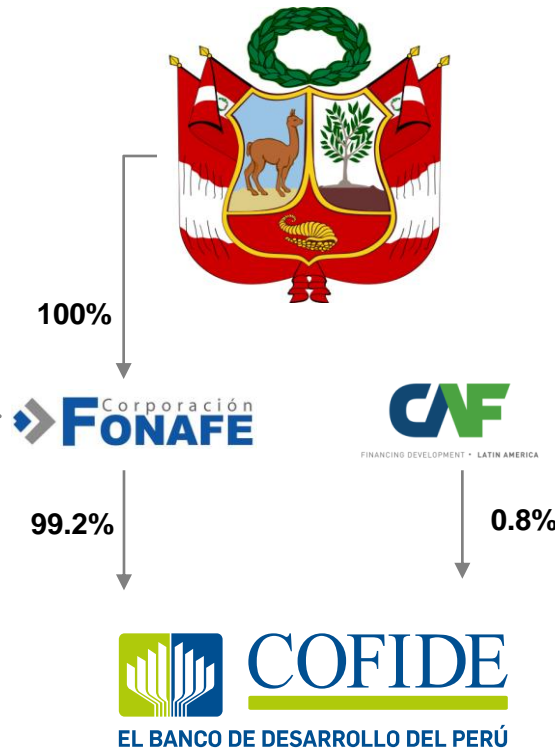
# COFIDE's Overview: Strategic Asset for the Peruvian Government

- Sovereign development bank established in 1971.
- 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 AFP (SBS).



**FONAFE**

- Created in 1999 to oversee the Peruvian Government's corporate activities and equity stakes
- Board of directors appoints management team for the government's majority holdings, including COFIDE



**INTERNATIONAL CREDIT RATINGS**

	Moody's	S&P	Fitch
Republic of Peru	A3 (stable)	BBB+ (stable)	BBB+ (stable)
COFIDE	Baa3 (negative <sup>2</sup> )	BBB (negative <sup>2</sup> )	BBB+ (stable)

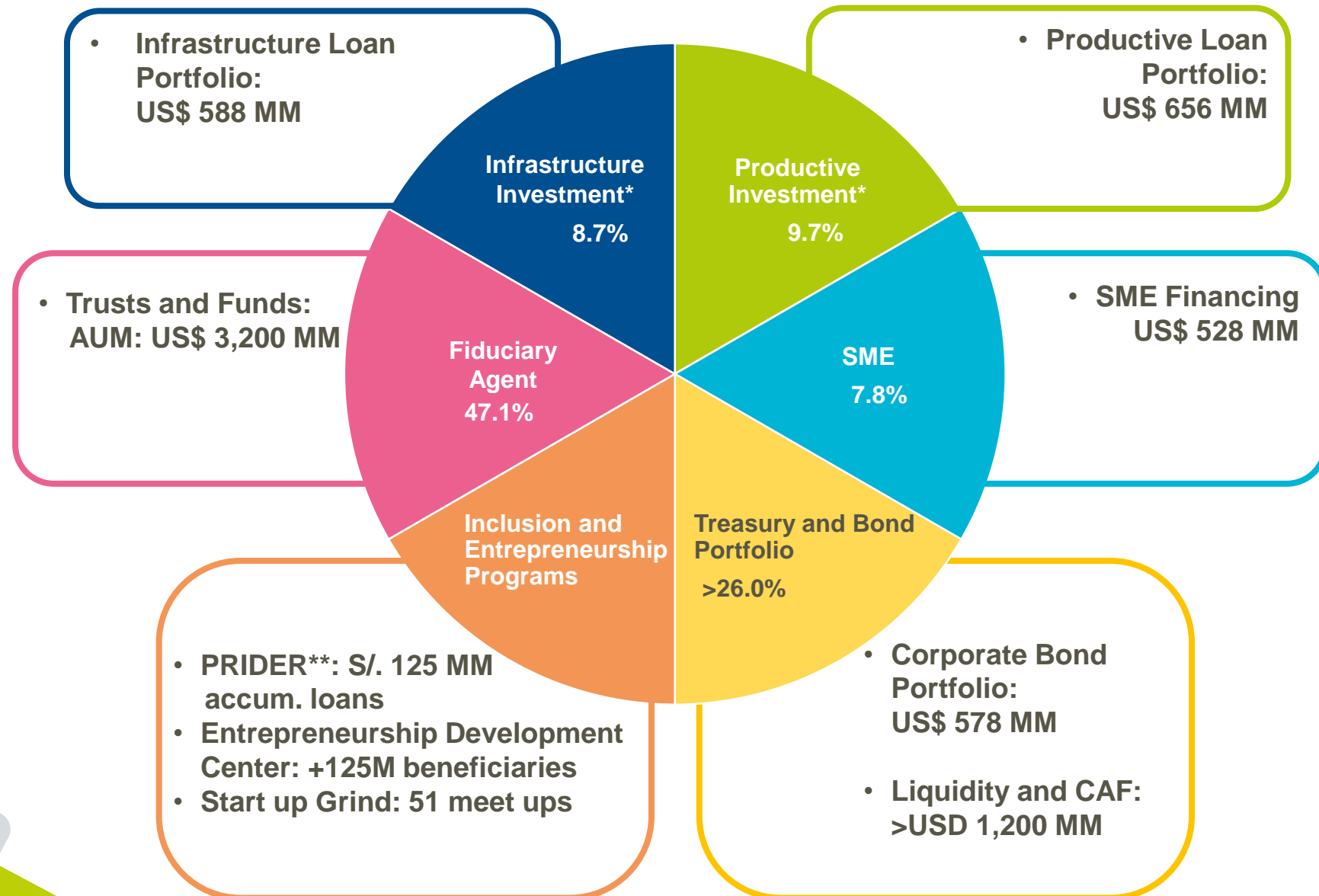
**CAF**

- Regional development bank established in 1970
- Acquired stake in COFIDE in 1997
- US\$37.1bn in assets (US\$23.0bn in loans) as of September 2017
- CAF ratings: Aa3 / AA- / AA-

Notes:

- (1) Capital adequacy ratio calculated as regulatory capital over risk weighted assets  
 (2) Released on September 2017 with information as of June 2017

# COFIDE's Overview: Business Lines USD 6,780 MM Bank



Notes:

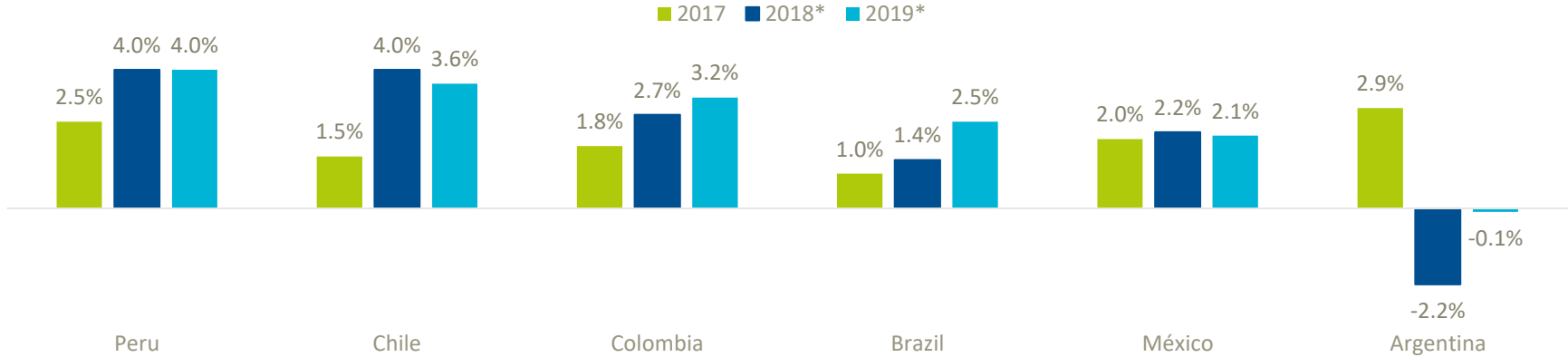
\*Business Lines since 2008. Includes loans and financial guarantees. As of September 2018

\*\*PRIDER: Rural Inclusion Program for Entrepreneurship Development

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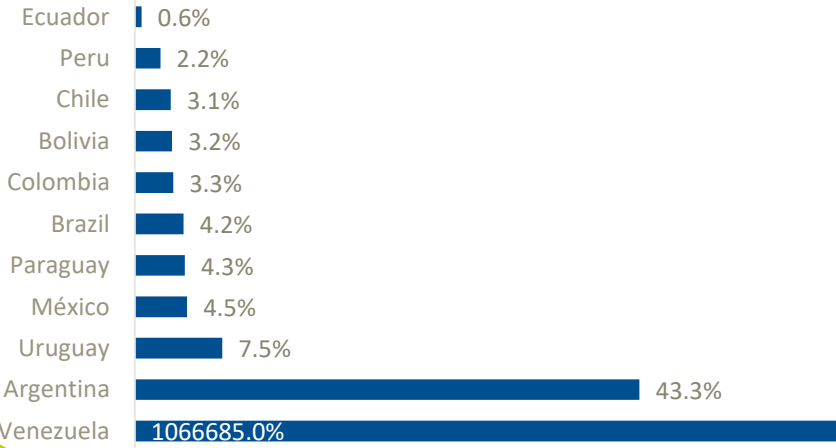
# Peru's Strong Macroeconomic Fundamentals

## GDP Latin America (% annual change)



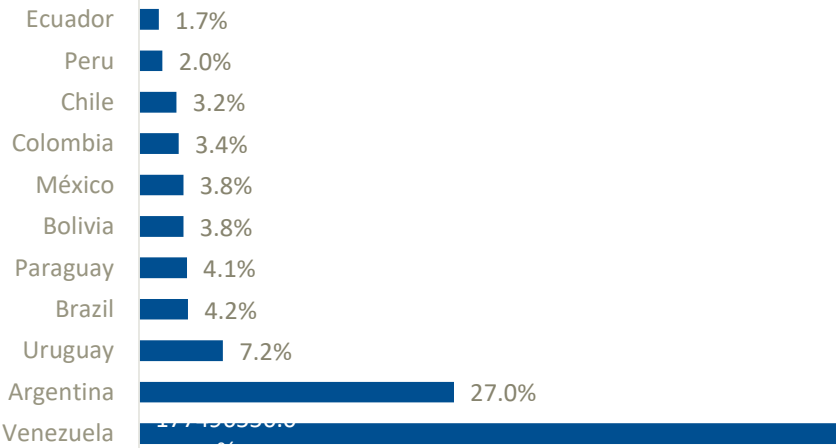
Source: BCRP, September Inflation Report

## Inflation Latin America 2018\* (% annual change)



Sources: BCRP, September Inflation Report

## Inflation Latin America 2019\* (% annual change)

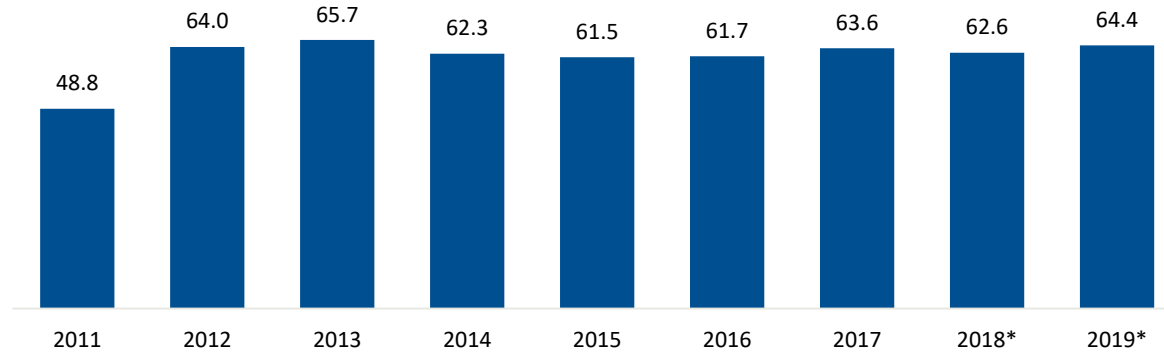


Sources: BCRP, September Inflation Report

\*projection

# Peru's Strong Macroeconomic Fundamentals

### Net International Reserves (in billions of USD)

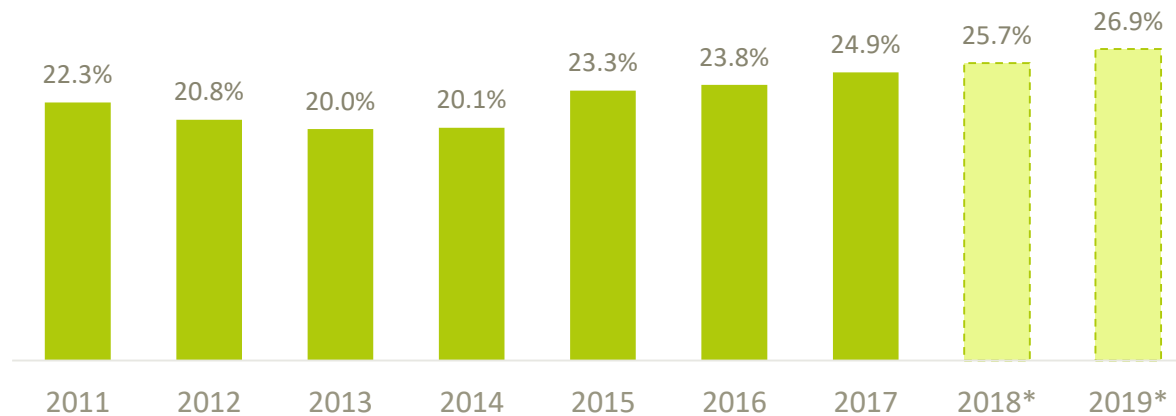


Sources: BCRP, September Inflation Report

### Coverage Net international Reserves 2018\* (% GDP)

PERU	26.9%
BRAZIL	18.5%
COLOMBIA	15.4%
MEXICO	15.1%
CHILE	13.6%
ARGENTINA	9.1%

### Gross Public Debt (% GDP)



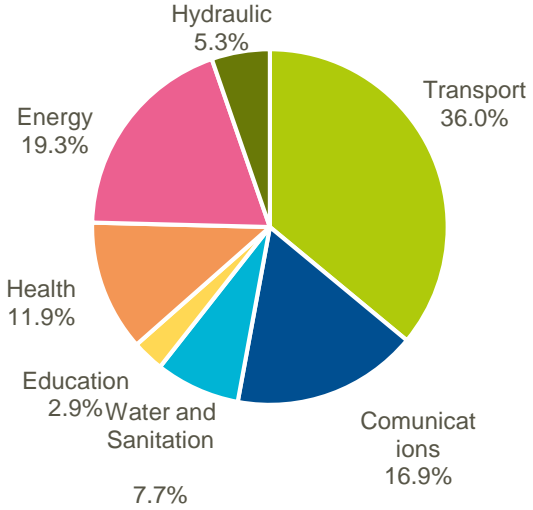
Sources: BCRP, September Inflation Report

### Gross Public Debt 2018\* (% GDP)

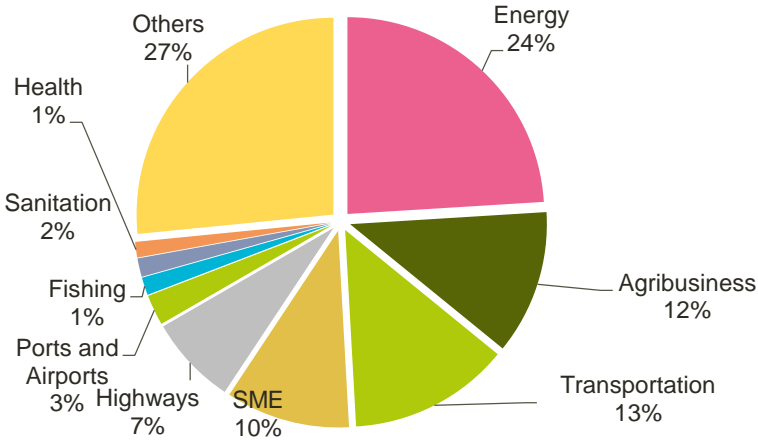
BRAZIL	87.3%	COLOMBIA	49.3%
URUGUAY	66.2%	ECUADOR	48.0%
ARGENTINA	54.1%	PARAGUAY	26.5%
MEXICO	53.5%	PERU	25.7%
BOLIVIA	51.4%	CHILE	23.8%

# Peru's Infrastructure Gap signify Several Development Opportunities

**Peruvian Infrastructure Gap by sector 2016 - 2025**



**COFIDE: Credit and Investment – Sep-18**



**Infrastructure Gap\* 2016 - 2025 (USD MM)**

Sector	Gap Short Horizon 2016 - 2020	Gap Mid Horizon 2021 - 2025	Gap Large Horizon 2016 - 2025
Water and Sanitation	6,970	5,282	12,252
Communications	12,603	14,432	27,036
Transport	21,253	36,246	57,499
Energy	11,388	19,387	30,775
Health	9,472	9,472	18,944
Education	2,592	1,976	4,568
Hydraulic	4,537	3,940	8,477
<b>Total</b>	<b>68,815</b>	<b>90,735</b>	<b>159,551</b>

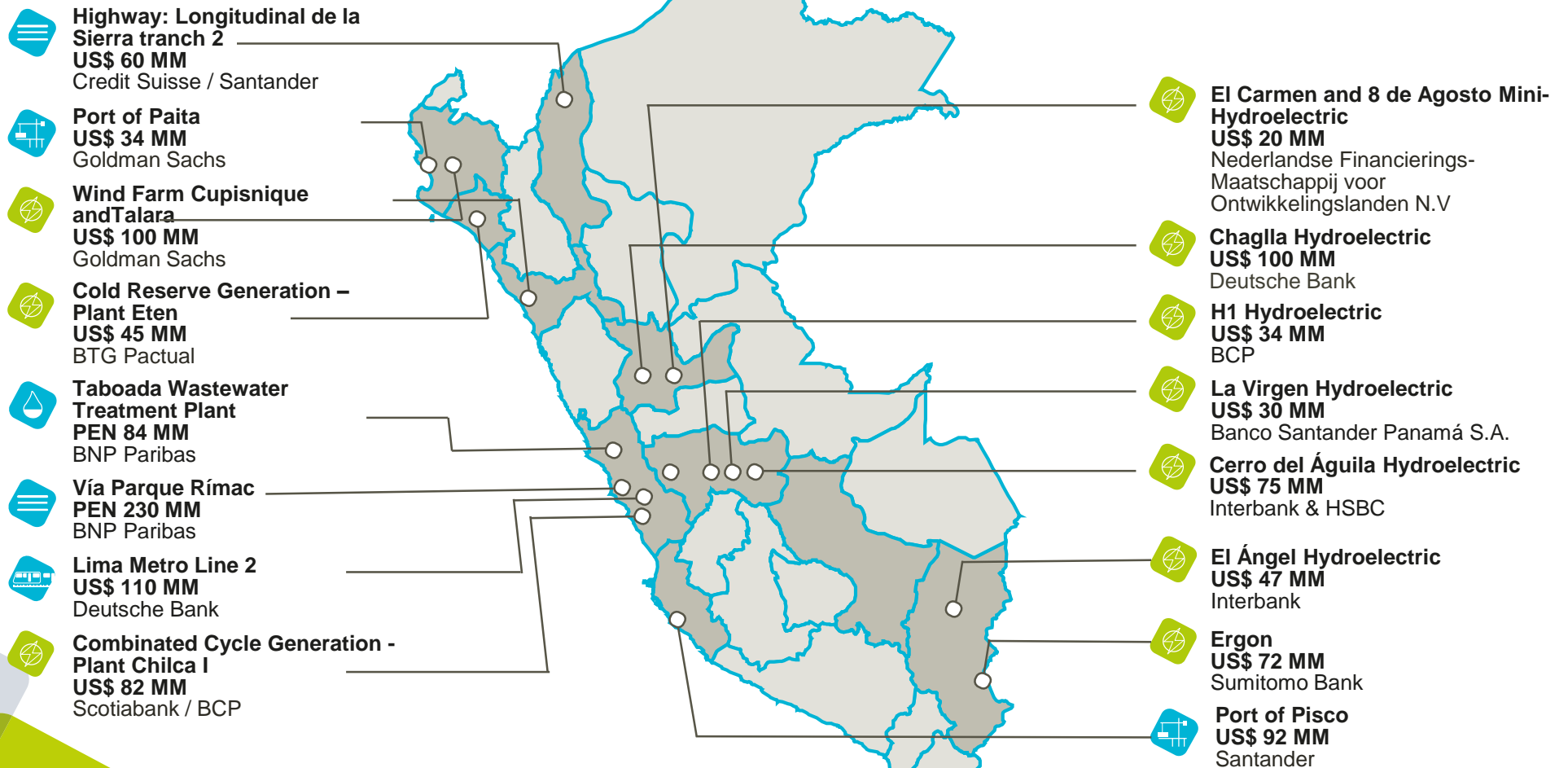
Source: "Un Plan para salir de la pobreza: Plan Nacional de Infraestructura 2016 - 2025" – AFIN (2015)

\* The infrastructure gap estimate takes into account a horizontal gap (as a result of the comparison with the Pacific alliance countries in the medium term, and OECD countries in the long run), and a vertical gap (which depends on the needs Of the country associated with its growth)

# COFIDE's Participation in closing the Infrastructure Gap 2012-2018

## Summary of projects outlined in this map:

- **Total Financing:** US\$ 3,044 MM / **COFIDE's Participation:** US\$ 993 MM
- **We have been the Catalyst for Private Investment in Infrastructure Projects and concessions through APPs prioritized by Proinversión by a ratio of 3 to 1.**





## LONGITUDINAL DE LA SIERRA HIGHWAY II



**Total Investment : US\$ 591 MM**  
**COFIDE : US\$ 50.0 MM**  
**Partners: Sumitomo, Santander, ICO, CAF**  
**Sponsors: Sacyr and Constructora Malaga S.A**

## SOLAR PANELS ERGON PERÚ SAC



**Total Investment : US\$ 179.7 MM**  
**COFIDE : US\$ 71.5 MM**  
**Sponsors: Tozzi Green S.p.A and Gardini 2000 S.R.L.**  
**Partners: Sumitomo**

## PORT OF PISCO



**Total Investment : US\$ 294 MM**  
**COFIDE : US\$ 91.5 MM**  
**Partners: CAF, Santander**  
**Sponsors: Servinoga S.L,**  
**Pattac Empreendimentos e Participações S.A. y**  
**Tucumann Engenharia e Empreendimentos Ltda**

## PETROPERU TALARA REFINERY



**Total Investment : US\$ 5,400 MM**  
**COFIDE : US\$ 10 MM Bonds**

# 3 COFIDE's Infrastructure Prospects 2018-2019 (1)

## POWER PLANT RESERVA FRÍA IQUITOS



**Total Investment : US\$ 120.6 MM**  
**COFIDE : US\$ 26.5 MM**

**Partners: Athene Annuity, Life Company**  
**Sponsors: Grupo FK and Grupo VPower**

## AIRPORTS OF PERU



**Total Investment : US\$ 102 MM**  
**COFIDE : US\$ 60 MM**

**Partners: Interbank, BCI**

**Sponsors: GBH Investment and Talma Serv. Portuarios**

## POWER STATION SANTA LORENZA



**Total Investment : US\$ 67.0 MM**  
**COFIDE: US\$ 12.5 MM**

**Partners: CIFI, Banco Financiero**  
**Sponsors: Familia Camones**

## TENDIDO DE RED DE FIBRA ÓPTICA



**Total Investment : US\$ 441 MM**  
**COFIDE: US\$ 77.5 MM**  
**Sponsors: OROCOM SAC, GMC Conecta**

## ANDEAN AIRPORTS OF PERU



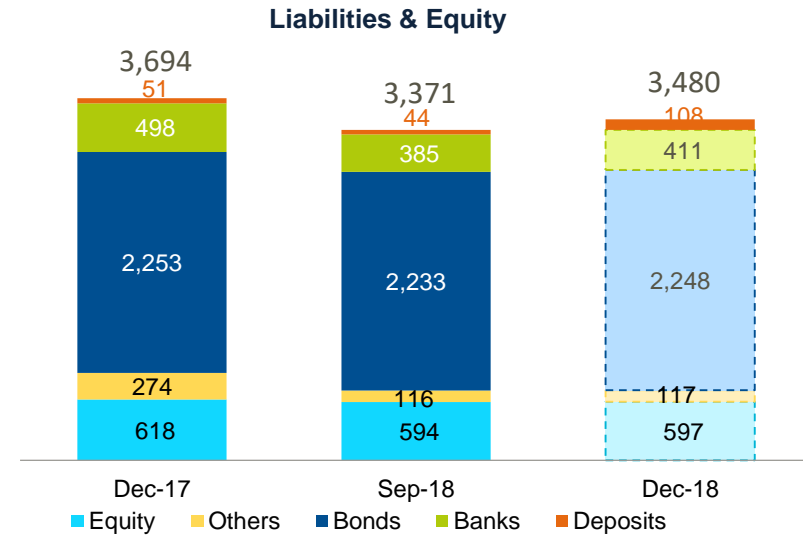
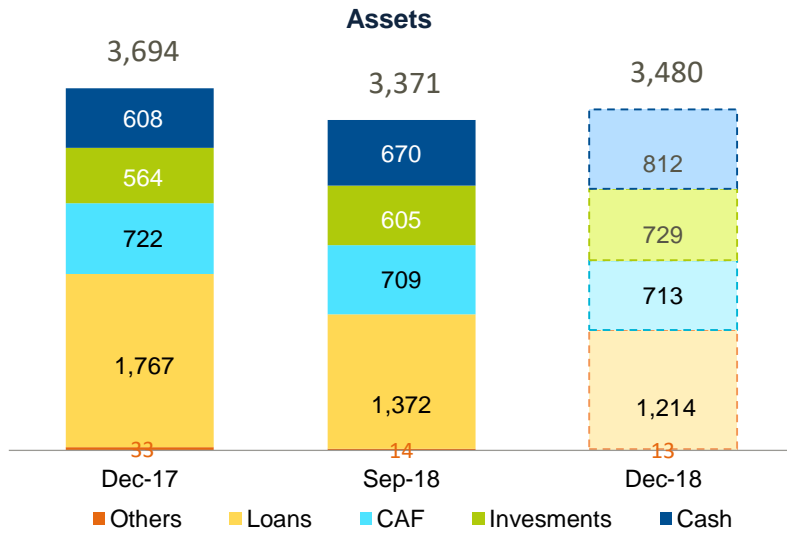
**Total Investment : US\$ 15.9 MM**  
**COFIDE : US\$ 5 MM**  
**Sponsors: Andino Investment Holding**

Notes:

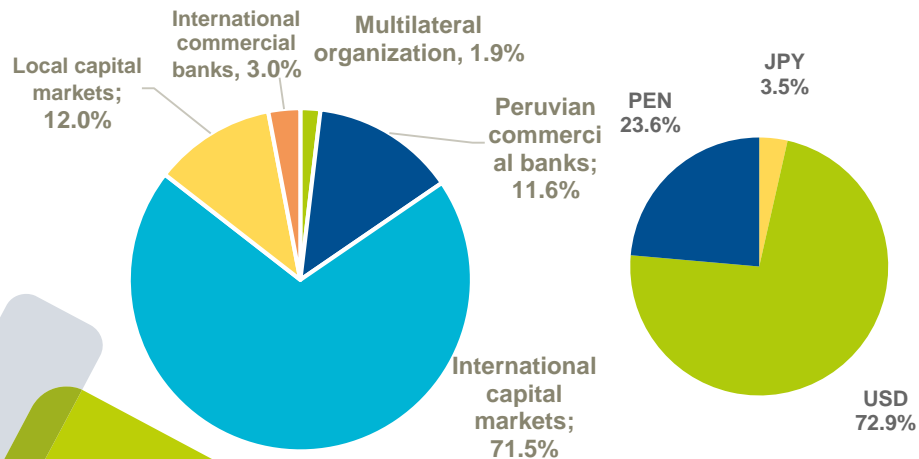
(1) Projects to be granted by Proinversion

# Financial Results: Diversified Assets and Funding Sources

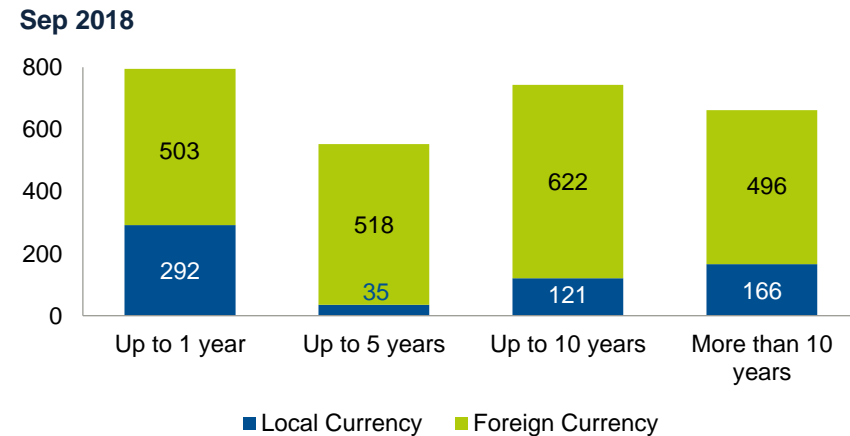
## Balance Sheet Breakdown Evolution (US\$MM)



## Diversified Funding (Sep-18)



## Debt Maturity Profile (US\$MM)

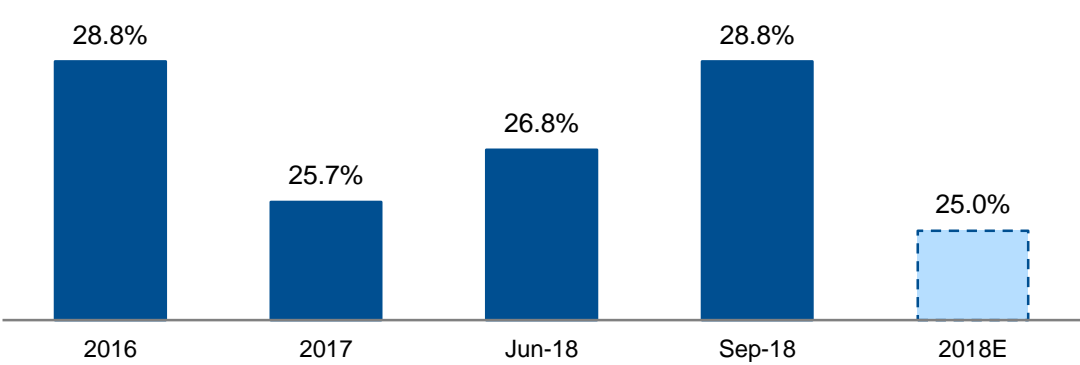


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# Financial Results: Strong Capitalization Metrics

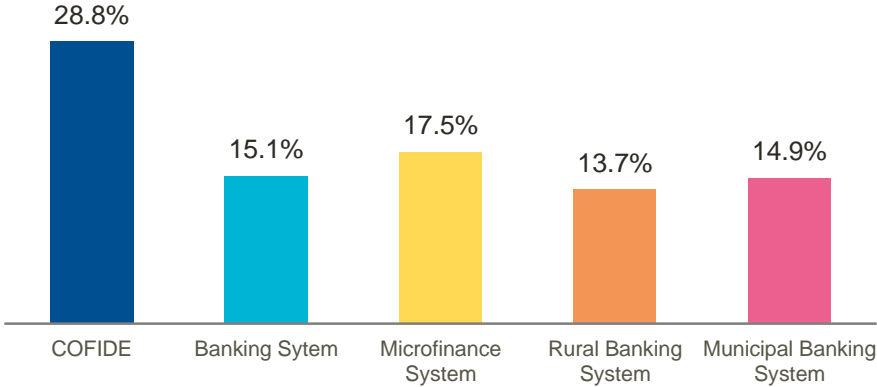
## Sound Capitalization Ratios <sup>(1)</sup>

Performance 2016 – Dec 2018

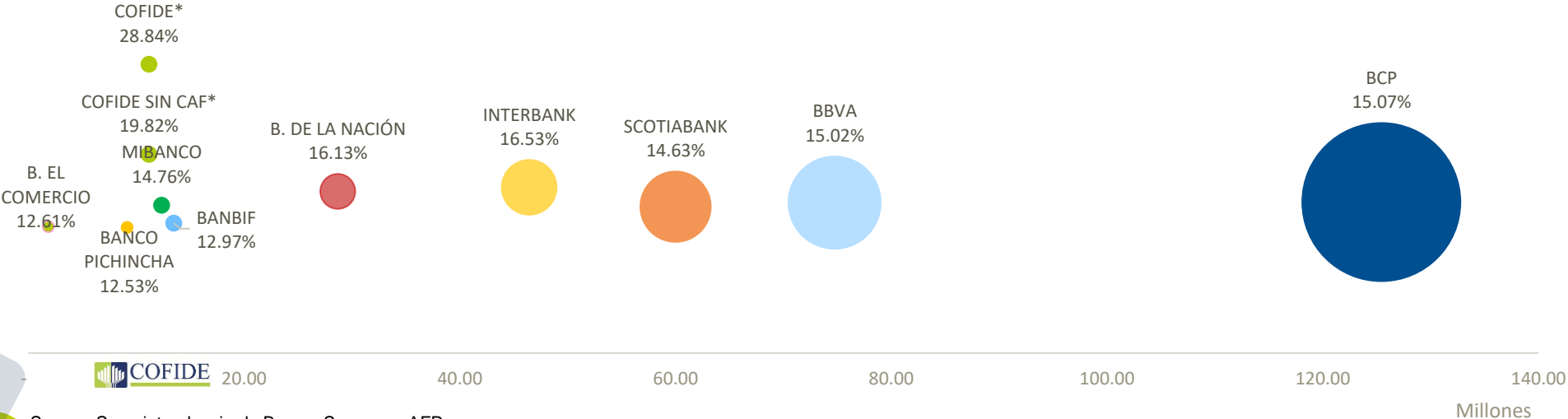


Fuente: Superintendencia de Banca, Seguros y AFP

## Robust Capitalization Metrics When Compared to Local and International Peers <sup>(1)</sup>



## Capital Ratio/ Assets (Aug - 18)



Source: Superintendencia de Banca, Seguros y AFP

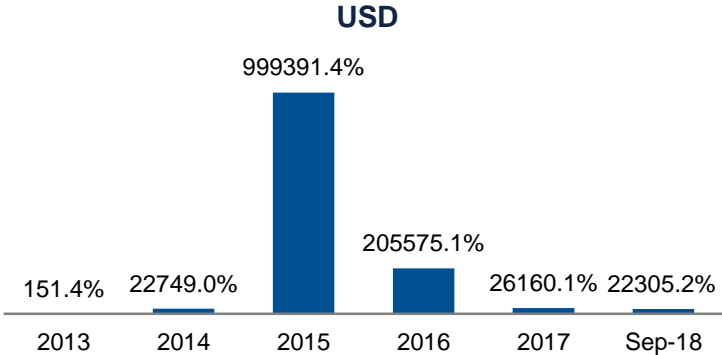
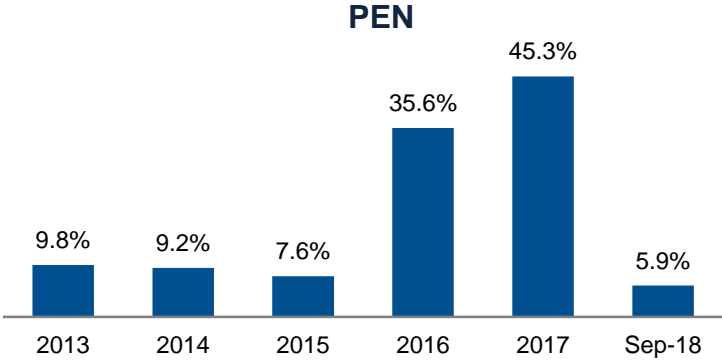
Notes:

- (1) Capital adequacy ratio calculated as regulatory capital over risk weighted assets
- (2) Financial System August 2018

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# Financial Results: Robust Liquidity Position

## Liquidity Ratio <sup>(1)</sup>



## Liquidity GAP Ratio <sup>(2)</sup>

Dec 2017

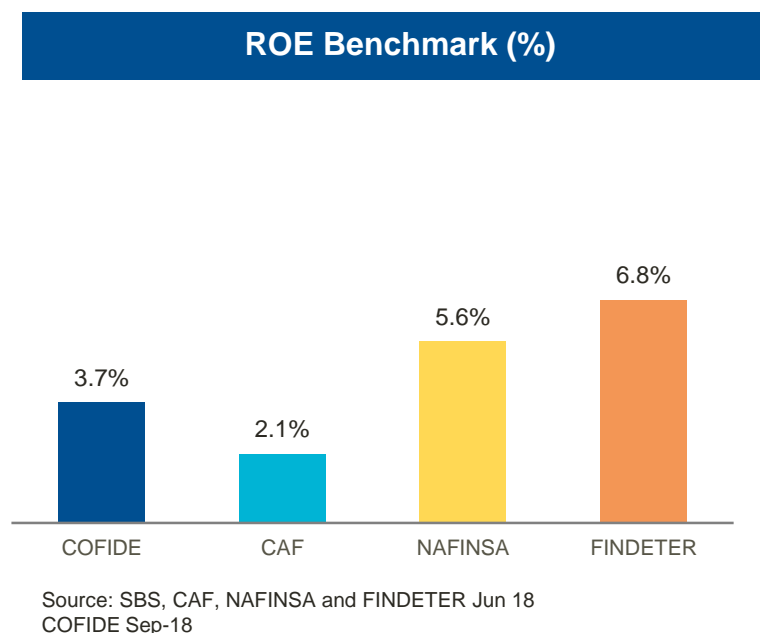
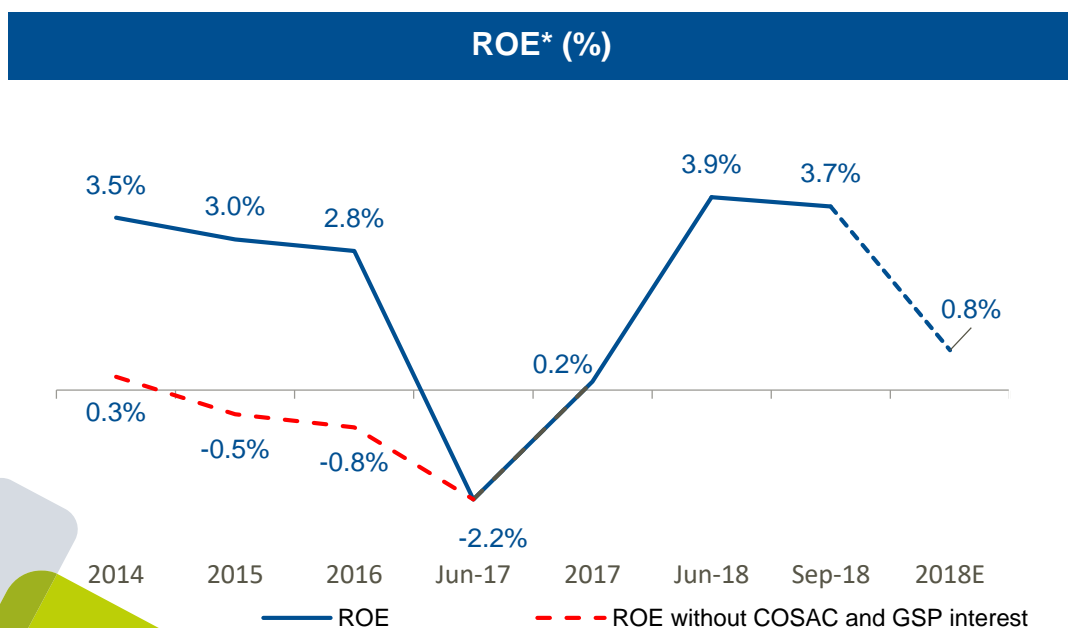
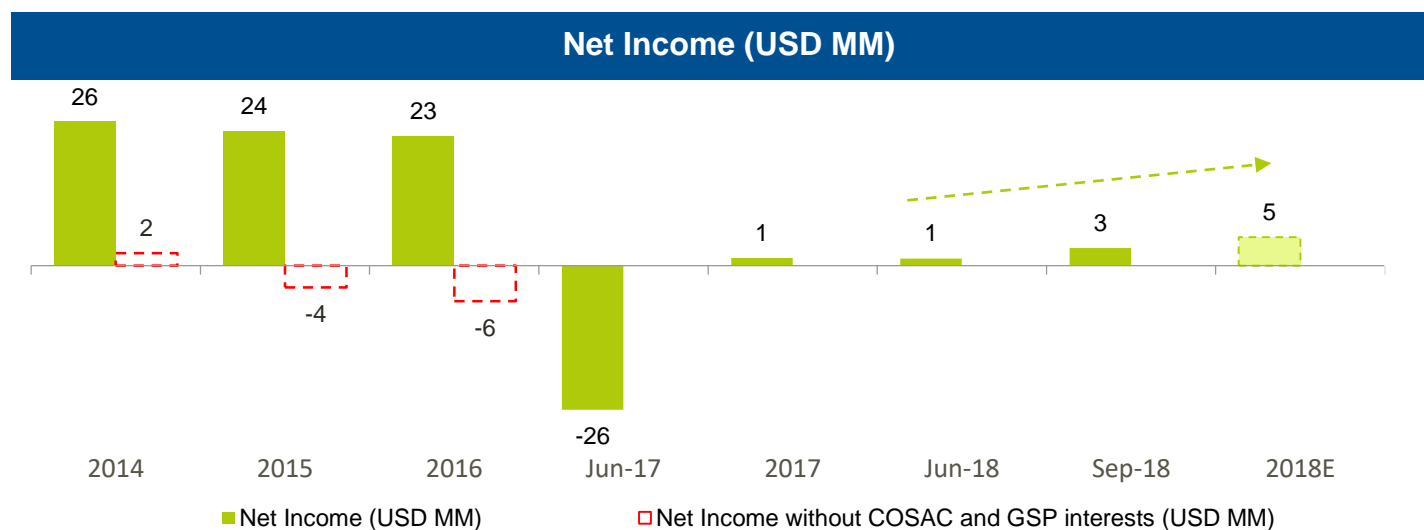
Local Currency	
	Value
30 days	2.7%
90 days	-0.0%
180 days	-3.1%
Foreign Currency	
	Value
30 days	15.7%
90 days	16.7%
180 days	17.7%

Sep 2018

Local Currency	
	Value
30 days	0.4%
90 days	-3.1%
180 days	-6.3%
Foreign Currency	
	Value
30 days	22.0%
90 days	26.7%
180 days	29.0%

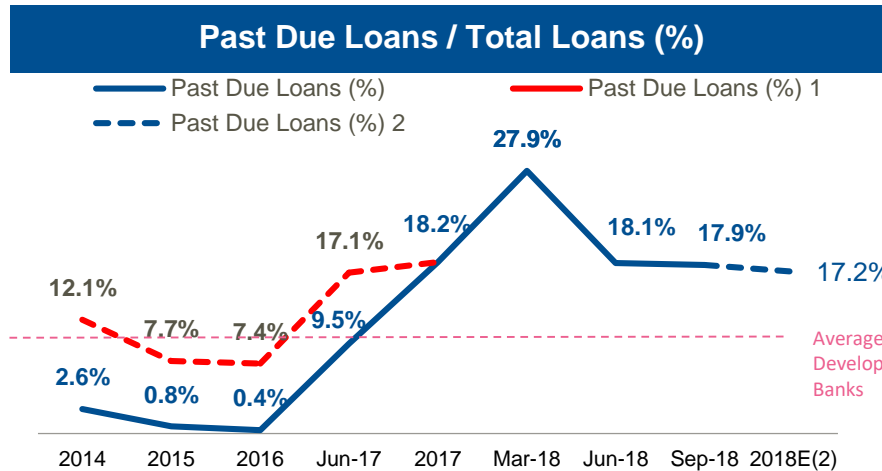
Notes:  
 (1) Liquidity ratio calculated as Cash over Short term liabilities  
 (2) GAP ratio = [Accumulated Assets (i) – Accumulated Liabilities (i)] / Total Assets; where (i) is the time bucket used to compute the ratio.

# Financial Results: NIAT Turnaround and Profitability

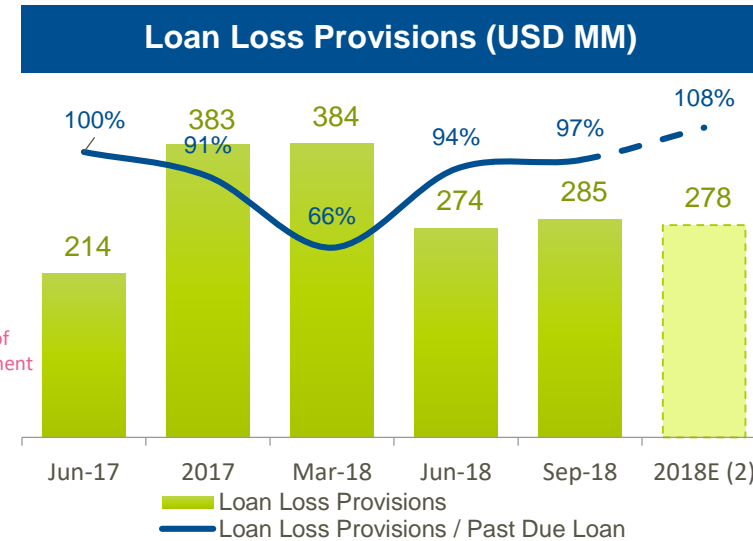


\*Annualized net income (last 12 months) according SBS methodology

# Financial Results: 2018 Loan Portfolio Status



1/ Proforma past due loan ratio considering Cosac as past due since 2014.  
2/ Budget 2018












## Milestones

1. Capitalization: USD 102.5 MM ✓
2. Capital contribution: USD 51.6 MM ✓
3. Capital reduction (Provisions): USD 152.9 MM ✓
4. Profit and Loss (Provisions): USD 9.8 MM ✓
5. Loan write-offs: USD 225.0 MM ✓
6. Clean Energy Refinancing: USD 25.0 MM ⚠
7. Generación Andina: USD 18.2 MM ⚠
  - Loan refinancing : USD 10.9 MM ⚠
  - Loan write-off : USD 7.3 MM ⚠
8. COSAC Refinancing: USD 171.0 MM ⚠

Loan write offs Jun-18	USD MM
IIT Ductos - Odebrecht	125.0
LT – Isolux Corsan	62.5
Molloco – Isolux Corsan	30.0
PEGACO - Buses	7.5
<b>Total</b>	<b>225.0</b>

TC Jun-18 PEN/USD: 3.272

## Financial Results: Key Indicators

Key Indicators	3Q2018	3Q2017	2Q2018	YoY	
Gross Loans (US\$ MM)	1,658	2,188	1,625	-24.2% *	
Bond portfolio (US\$ MM)	578	626	533	-7.7%	
Cash (US\$ MM)	670	414	812	61.8%	
Gross interest income (%)	11.4	11.1	10.2	28 bps	
Non performing loans (%)	17.9	17.6	18.1	35 bps	
Provisions/NPL (%)	96.8	56.3	93.8	4051 bps	
ROAA (%)	0.7	-0.4	0.8	109 bps	
ROAE (%)	3.7	-1.8	3.9	550 bps	
Capital Ratio (%)	28.8	24.2	26.8	459 bps	





\*Decline in gross loans was influenced by pre-payments during 2018, mainly:

- IC Power (US\$ 80.0 MM)
- Iridium Concesiones – Linea 2 Metro (US\$ 30.0 MM)
- Ajeper (US\$ 20.7 MM)
- Loan write-offs (US\$ 225.0 MM)



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## Equity Strengthening Plan and Government Support

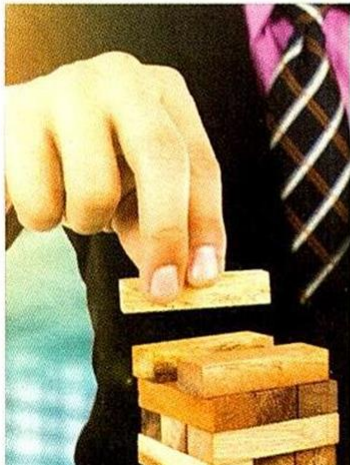
Milestones	Status	Implementation
1. Loan Portfolio clean up and Provisions requirements		February 2017
2. Supreme Decree N° 113-2017-EF and Comfort Letter from the Ministry of Economy and Finance		April - May 2017
3. Cash Capital contribution USD 18.2 MM and New Dividend Policy (Reinvestment of 100% of net income 2017-2018 and possibility of extension 2019-2021)		November 2017
4. Reversals of accrued interest (COSAC and GSP) against equity reserves USD 118.7 MM		December 2017
5. New loan loss provisions against Capital (USD 71.4 MM) & Reserves (USD 96.0 MM)		December 2017
6. Capital contribution USD 102.5 MM		January 2018
7. Cash Capital contribution USD 50.0 MM		May 2018
8. New loan loss provisions against Capital USD 152.9 MM		June 2018

## Objectives of COFIDE's New Approach

### 1st Objective: Ensure sustainability and better standards of Corporate Governance

1. Organizational restructuring and top management positions downsizing.
2. Loan portfolio opinions (EY, BDO, Cano&Henriquez).
3. Loan process integral review and Corporate Governance reinforcement (CAF).
4. New Committees: Eligibility Committee / Loan Portfolio Review Committee.
5. New Compliance Unit and New Risk Management Structure.
6. Reinforced Internal Audit, Business Conduct and Compliance Committee.

## Management



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### REORGANIZACIÓN

## La reestructuración radical de Cofide

Cambios estructurales y de liderazgo han permitido resolver sus principales deficiencias organizacionales

## Management

**DIGITALIZACIÓN** Impacto se dará por partes  
**LIDERAZGO** Tomar decisiones impacta en la cultura empresarial



Cofide cambió todas las gerencias y trajo ejecutivos de la banca comercial

### REORGANIZACIÓN

## La reestructuración radical de Cofide

Los cambios

La reestructuración interna del banco de desarrollo Cofide le ha permitido recuperarse de una crisis

de ochenta, con lo que pasó de una tasa de morosidad de 0.6% a finales del 2016 a 18.5% a finales del 2017. El año pasado la utilidad neta cerró en \$1.4.5 millones, el 5.8% de la del 2016. Ello debido a "la mayor constitución de provisiones y el suspenso de intereses devengados no cobrados correspondientes a la cartera crítica", según un reporte de la clasificadora de riesgo AAL. El ROE cayó de 2.83% a 0.17%. AAI redujo en septiembre del año pasado la clasificación de los instrumentos de

## 2nd Objective: Explicit government support and higher standard risk policies

### Supreme Decree N°: 113-2017/EF (April, 2017)

#### Policy for Financial Intermediation

- Strong diligence is performed to the financial entities, including on-site visits (minimum 1 per year)
- Loans are used as collateral for the financed lending portfolio
  - The collateralized portfolio can only be comprised by loans of the top two SBS's categories (1)
  - If loans fall below these two categories, they should either be replaced with other performing loans or should be repaid to COFIDE.
  - COFIDE finances no more than US\$ 30 MM per loan.

Notes:

(1) Top two categories of SBS as 1 (Normal) and 2 (Loan with Potential Problems)

COFIDE finances up to 25%, with it's Board's approval and exceptionally, with FONAFE Board's approval, up to 50% of the total financing

#### Policy for Infrastructure Financing

- All infrastructure financing projects are subject to the following of four fundamental requirements:
  1. Financing is syndicated with solid local and international financial institutions.
  2. COFIDE finances up to 25% and exceptionally, up to 50% of total amount.
  3. Financing per project cannot exceed US\$ 100 MM for energy & infrastructure and US\$ 50 MM for other sectors.
  4. Buying of own bonds issuances cannot be larger than 20% of total amount placed.

# Objectives of COFIDE's New Approach

## 3rd Objective: Strengthening of Corporate Governance

### Special Committees

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 Eligibility Committee (New Jul-17)	COFIDE's CEO	<ul style="list-style-type: none"> <li>Corporate Business and Distressed Assets, Risk, Finance and Legal Advise &amp; Compliance Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>Alignment/Assessment of business proposals with COFIDE's objectives</li> </ul>
3 Loan Portfolio Review Committee (New Jan-17)	COFIDE's CEO	<ul style="list-style-type: none"> <li>Corporate Business and Distressed Assets, Risk, Finance and Legal Advise &amp; Compliance Chief Officers</li> </ul>	<ul style="list-style-type: none"> <li>Critical loans special review and monitoring</li> </ul>
4 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 risk policies and loans' transactions</li> <li>Recommendations for BoD meetings</li> </ul>
5 Audit, Ethics and Compliance Committee Reinforced Nov-17	Independent Board Member	<ul style="list-style-type: none"> <li>Other Board Members, Internal Audit Head, CEO (invitee)</li> </ul>	<ul style="list-style-type: none"> <li>Supervise proper functioning of Internal Control and Compliance System,</li> </ul>
6 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>

## Objectives of COFIDE's New Approach

### 4th Objective: Reinforced the leadership of the Board of directors and the management team

Name	Position	Assignment date*
Pedro Grados	Chairman of the Board	October 2016
José Olivares	Board Member	August 2018
Gioconda Naranjo	Board Member	September 2016
Milagros Maraví	Board Member	October 2018

Name	Position	Origin	Telephone	E-mail
Alex Zimmermann	CEO	Grupo Scotiabank	+51 1 6154027	<a href="mailto:azimmermann@cofide.com.pe">azimmermann@cofide.com.pe</a>
José Carlos Valer	CFO	Banco Santander	+51 1 6154026	<a href="mailto:jvaler@cofide.com.pe">jvaler@cofide.com.pe</a>
Jose Vergara	Commercial Banking Head	Citi / Scotiabank	+51 1 6154027	<a href="mailto:jvergara@cofide.com.pe">jvergara@cofide.com.pe</a>
Pedro Bordarampé	Distressed Assets Head	BCP	+51 1 6154027	<a href="mailto:pbordarampe@cofide.com.pe">pbordarampe@cofide.com.pe</a>
Hernan Vásquez	Legal Counsel & Compliance Head	Banco Santander	+51 1 6154027	<a href="mailto:hvasquez@cofide.com.pe">hvasquez@cofide.com.pe</a>

### 5th Objective: Ensure Sustainability

1. Loan Portfolio clean up finalized
2. Strong Capital Position and positive Outlook
3. New dividend policy allows capitalization of 100% of NIAT (2017 – 2018)
4. Sound liquidity and funding position
5. NIAT positive evolution in 2nd half 2017 and to 3<sup>rd</sup> quarter of 2018

### 6th Objective: Operational Excellence

1. Efficiency Plan with savings in 2017 of over 12% of operational costs vs 2017 budget, and savings in 2018 of over 9% of operational costs vs 2018 budget to 3<sup>rd</sup> quarter.
2. Sale of non strategic (allocated) Assets (lands and buildings): potential extraordinary gains of USD 5-6MM in 2018-2019
3. Optimization of Processes: end to end review
4. Cultural Transformation consultancy (Campo Base)

## Objectives of COFIDE's New Approach

### 7th Objective: Business growth focused on its role as Development Bank

1. Anticyclic Role
2. Catalyst of long term infrastructure gap reduction
3. Support and promotion of pioneers and sustainable companies: SME and startup's

### New COFIDE with Strategy Towards 2028



## Objectives of COFIDE's New Approach: New Products

### Partial portfolio credit collateral for financial institutions.

- Reducing portfolio credit risk and expanding possibilities to increasing credit facilities in those segments.
- Creating an environment for financial institutions to take risks, improving credit access to SME.



### Development of a multi-bank 'factoring' platform

- Boosting factoring market and opening possibilities for SME by obtaining cash over receivables invoices.



### Eximbank – Financial Platform for small and medium companies

- Improving financial access to pre/post export finance and international factoring.







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[www.cofide.com.pe](http://www.cofide.com.pe)

## Investors Contact

Telephone: +51 1 615-4000 ext. 2725  
Email: [investorinformation@cofide.com.pe](mailto:investorinformation@cofide.com.pe)

## Appendix: Completion of provision requirements

<b>Problem (USD MM)</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Loan loss provision requirements	212.5	183.6	396.1
Reversion of interest and commissions from COSAC	106.3		106.3
Reversion of interest and commissions from GSP	12.4		12.4
<b>Total</b>	<b>331.2</b>	<b>183.6</b>	<b>514.9</b>

*Actual 2018 provision requirements have decreased from USD 184 MM to USD 163 MM due to additional provisions done in 2017 and to FX fluctuations.*

<b>Solution (USD MM)</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Constitution of provisions	76.0		76.0
COSAC and GSP reversion against adjustment to equity	118.7		118.7
Capital contribution	17.9		17.9
Constitution of provisions (equity reserves and capital)	166.8		166.8
Capitalization of debts		102.5	102.5
Capital contribution		51.2	51.2
<b>Total</b>	<b>379.4</b>	<b>153.7</b>	<b>533.1</b>

*100% execution of the proposed solution*