

BALANCE SHEET

As of June 30, 2019

(In thousands of soles)

<u>Assets</u>	<u>TOTAL</u>	<u>Liabilities</u>	<u>TOTAL</u>
Cash and due from banks	2,996,984	Obligations to the public	13,971
Available-for-sale investments	4,338,587	Deposits of financial entities	21,180
Loan portfolio, net	3,980,366	Borrowings and financial obligations	8,766,213
Hedge derivatives	309	Held-for-trading and hedge derivatives	11,289
Accounts receivable, net	34,316	Accounts payable	206,802
Property, furniture, and equipment, net	5,643	Provisions	144,960
Intangible assets, net	510	Deferred tax	186,653
Current tax	21,889	Other liabilities	5,601
Other assets	6,488		
		Total liabilities	9,356,669
		Net equity	
		Capital stock	1,896,287
		Additional capital	84
		Required reserves	2,149
		Adjustments to equity	98,056
		Retained earnings	23,719
		Net profit or loss for the period	8,128
		Total net equity	2,028,423
Total Assets	11,385,092	Total liabilities and net equity	11,385,092

Income Statement
Income Statement

 from January 01 to June 30, 2019
 (In thousands of soles)

	<u>TOTAL</u>
<u>Interest income</u>	<u>234,448</u>
Cash and due from banks	27,422
Available-for-sale investments	63,426
Direct loan portfolio	143,600
<u>Interest expenses</u>	<u>205,425</u>
Obligations to the public	290
Borrowings and obligations of the local financial system	14,744
Borrowings and obligations of the foreign financial system	8,328
Other borrowings and local and foreign obligations	1,054
Fees and other charges on borrowings and financial obligations	3,115
Securities, bonds and obligations outstanding	176,263
Interest on accounts payable	817
Profit or loss from hedging operations	814
Gross finance margin	<u>29,023</u>
<u>Provision for direct loans</u>	<u>(3,268)</u>
Net finance margin	<u>32,291</u>
<u>Income from finance services</u>	<u>14,644</u>
Income from indirect lending	2,280
Income from trust and trust fees	12,300
Various income	64
<u>Expenses from finance services</u>	<u>1,442</u>
Expenses from trust and trust fees	68
Various expenses	1,374
Financial margin net of income and expenses for finance services	<u>45,493</u>
Profit or loss from financial transactions	<u>12,644</u>
Available-for-sale investments	7,761
Held-for-trading derivatives	(11,675)
Profit or loss from hedging operations	666
Exchange difference, net	15,390
Others	502
Operating margin	<u>58,137</u>
<u>Administrative expenses</u>	<u>33,928</u>
Personnel and board of directors' expenses	19,023
Expenses for services received from third parties	12,535
Taxes and contributions	2,370
<u>Depreciation and amortization</u>	<u>1,562</u>
Net operating margin	<u>22,647</u>
<u>Net asset and provision valuation</u>	<u>12,468</u>
Provisions for indirect lending	5,026
Provisions for uncollectibility of accounts receivable	(19)
Impairment of investments	777
Other provisions	6,684
Net operating profit or loss	<u>10,179</u>
<u>Other income and expenses</u>	<u>767</u>
Profit or loss for the period before tax	<u>10,946</u>
Income tax	<u>(2,818)</u>
Net profit or loss for the period	<u>8,128</u>

**CORPORACION FINANCIERA DE DESARROLLO (COFIDE)
ANNOUNCES SECOND QUARTER 2019 RESULTS**

Lima, Peru – August 16, 2019 - Corporación Financiera de Desarrollo S.A. (“the Company” or “COFIDE”), a leading Peruvian development bank, today announced its financial results for the second quarter of 2019 (“2Q19”) period ended June 30, 2019. Financial figures were reported in accordance with International Financial Reporting Standards (“IFRS”) and local regulations. All figures are expressed in U.S. dollars (USD) unless indicated otherwise. COFIDE’s financial results described in this report are unaudited; therefore, these figures are subject to change.

I. MAIN FINANCIAL AND OPERATING HIGHLIGHTS

- The Bond portfolio increased by 5.8% year-over-year, partially offsetting the Loan portfolio decline.
- Net income after taxes increased by 415.3% year-over-year, reaching USD 1.3 million.
- NPL ratio significantly improved versus 2Q18, decreasing from 18.1% to 7.7%.
- Loan Loss Provisions increased from 93.8% to 243.9% year-over-year.
- Capital Ratio increased from 26.8% to 28.5% year-over-year, well above the average of the Peruvian banking sector.
- New USD 25 million - 15 year concessional credit line facility granted by ICO (Spanish state-owned Bank).
- Issuance of First Green Bond: 3 year, PEN 100 MM and YTM 5,125%.
- COFIDE cashed a penalty fee of USD 4.0 million for the prepayment of Odebrecht’s Chaglla Power senior loan, after the sale of the plant to China’s Three Gorges. This operation boosted gross margin to 12.4% during the 2Q19.

Key Indicators	2Q2019	2Q2018	1Q2019	YoY	
Loans net of provisions (USD MM)	1,211	1,351	1,265	-10.4%	●
Bond portfolio (USD MM)	564	533	594	5.8%	●
Cash (USD MM)	912	812	700	12.3%	●
Gross margin (%)	12.4	10.2	7.4	220 bps	●
Operating Cost (USD MM)	4.8	4.3	5.5	10.7%	●
Net income after taxes (USD MM)	1.31	0.26	1.16	415.3%	●
Non-performing loans (%)	7.7	18.1	7.4	-1047 bps	●
Provisions/NPL (%)	243.9	93.8	242.2	15007 bps	●
ROAE (%)*	1.06	3.90	0.86	-284 bps	●
Capital Ratio (%)	28.5	26.8	28.2	169 bps	●

* Includes extraordinary incomes from bonds and loans sales during 4Q17.

II. MACROECONOMIC SITUATION

Peru is currently one of the most dynamic economies in the region, with an expected GDP growth of 3.4% for 2019, as well as expected inflation of 2.1% (Central Bank projections).

The financial strength of the government (COFIDE's main shareholder) results of a track record of responsible management of the country's macroeconomic accounts, particularly stable levels of net international reserves (26.9% of the GDP), the highest in the region, as well a sustainable rate of gross public debt (23.7%), the lowest in the region.

III. STRATEGY AND BUSINESS MODEL

COFIDE has defined its long-term strategic vision in line its social mandate, in order to contribute to Peru's greater overall development. This includes significant infrastructure projects and productive investments, as well as support for SME's¹ and pioneering entrepreneurship.

- The Company seeks to support the financial private sector, by broadening the participation of financial institutions in the local economy and generating added-value as a catalyst of resources. Our participation seeks to close market gaps and correct certain economic unbalances in specific sectors, in line with **public policy** objectives.
- **Contribute to the country's development** in terms of its economic, social and environmental objectives (a "triple outcome") by participating in projects that are in line with social and environmental norms.
- As a second-tier bank, COFIDE participates in the **structuring and financing**² of public and private projects in order to generate infrastructure and productive investment, as well as **SME financing**.
- Additionally, COFIDE aims to secure its **role of promoting pioneer and sustainable companies**: these include SME's and start-ups that seek financial inclusion through business development and innovative products.

¹ Micro and small businesses

² Includes: credits, bond purchases and warrants

COFIDE's strategic vision is defined by six strategic objectives towards 2021:

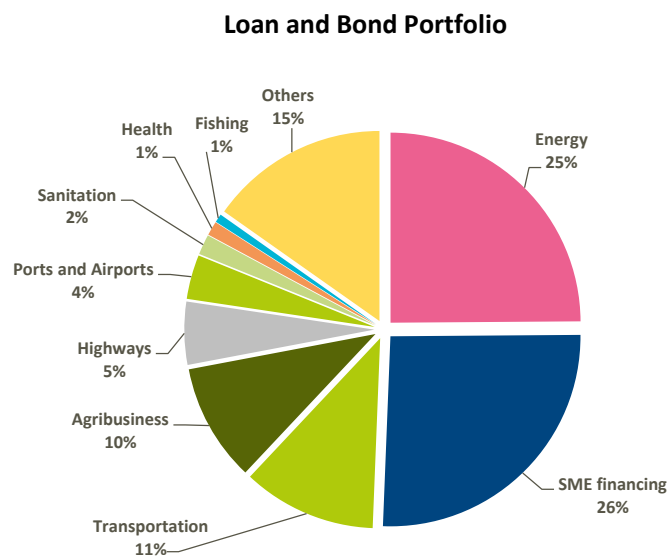


IV. FINANCIAL AND OPERATING HIGHLIGHTS

Loan and Bond Portfolio

In 2Q19, the Company's loan portfolio net of provisions declined by 10.4% compared to 2Q18. This decrease was mainly explained by the pre-payments of loans related to infrastructure and productive investment projects during the last twelve months; even though the loan disbursements to financial institutions reached USD 850 million during the same period.

On the other hand, the Company's bond portfolio increased by 5.8% compared to 2Q18, supported by the acquisition of bonds for USD 90 million.



Profitability

In 2Q19, the gross financial margin rose by 220 basis points year-over-year to 12.4%, related to a reduction in financial expenses. Additionally, due to lower provisioning requirements as a result of a healthier portfolio, net income improved by 415.3% year-over-year, reaching USD 1.31 million.

Solvency and Liquidity

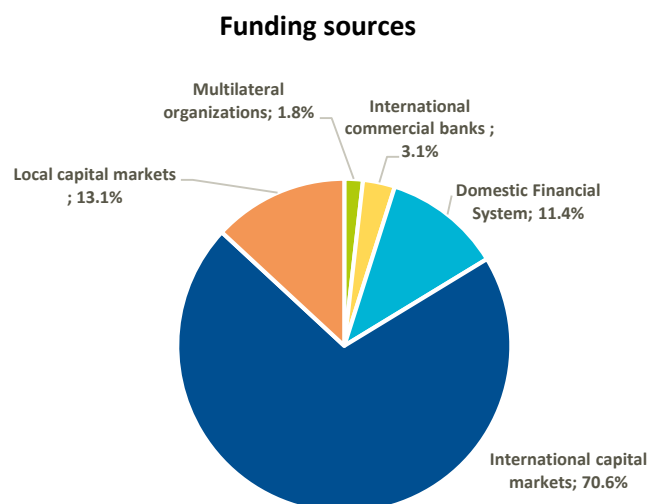
Financial leverage (Liabilities/Equity) for 2Q19 reached approximately 4.6 times. This is a stronger financial position compared with the rest of the Peruvian banking sector, which has an average of 7.2 times. Additionally, in terms of liquid assets and cash, the available amount represents 26.3% of total assets for 2Q19, above the figure reached in 2Q18 (23.5%).

Capitalization

The global capital ratio improved reaching 28.5% in 2Q19, versus 26.8% in 2Q18. The Peruvian government granted COFIDE USD 152.5 million during 2018, as part of its equity-strengthening plan. As part of this plan, COFIDE raised provisions for USD 152.9 million. It is important to mention that COFIDE does not expect to require additional reserves for loan losses for the remainder of 2019³.

V. FUNDING

Total financing was USD 2,689.6 million, of which 70.6% stem from the international capital markets, 13.1% from the local capital markets and 11.4% from the domestic financial system. During 2Q19, COFIDE issue its first green bond for PEN 100 million, and the offering was oversubscribed by 1.41 times.



³ Fitch Ratings Half-Year Update, October 2018

VI. ABOUT THE OBJECTIVES OF COFIDE'S NEW FOCUS AND ITS CORPORATE GOVERNANCE

COFIDE, Peru's Development Bank, has as its principal mandate, to finance infrastructure and productive projects, sustainable in the long term, as well as to finance SME's in line with the policy lines of the Peruvian government: infrastructure, economic and social development.

As part of aligning the Government's objectives with those of our institution, actions oriented to the strengthening of corporate governance were implemented during 2017 and 2018: The strengthening of Corporate Governance Standards, specifically *Risk Committee*; *Assets and Liabilities Committee*, *Audit, Ethics and Compliance Committee*; the creation of two (2) new committees focused on ensuring that new loan proposals are aligned to COFIDE's role as a development bank through an *Eligibility Committee*, and a periodic follow-up and review of the portfolio through a *Follow-up (Monitoring) Committee*.

The aforementioned is within the range of objectives of COFIDE's new focus:

- Institutional sustainability and strengthening corporate governance
- Superior risk policies and explicit support of the government
- Strengthening board and executive leadership
- Financial sustainability
- Operational excellence
- Growth of the business focused on the role of development bank of Peru

VII. RECENT EVENTS

- COFIDE paid the USD 500 million bond that matured in July 2019 (July 15, 2019).
- Issuance of inflation-indexed Bond: 10 year, PEN 100 MM and YTM 3.00% + VAC (July 19, 2019), oversubscribed by 2.02 times.
- Issuance of a commercial paper: 1 year, PEN 50 MM and YTM 4.03125% (July 24, 2019), oversubscribed by 1.3 times.
- "Fondo Crecer" (a new trust for SME that will deploy loans, guarantees, and other financial instruments, through companies in the financial system and the capital markets), started operations on July 25, 2019, reaching 280 SME.
- S&P upgraded COFIDE's outlook from negative to stable (August 13, 2019)