



# Investor Presentation

## Peru

October 2015

## Alonso Segura Vasi

- Alonso Segura Vasi is the Minister of Economy and Finance for the Republic of Peru.
- Previously, he was Chief of Staff at the Ministry of Economy and Finance of Peru.
- He has been Chief Economist and Head of Strategy at Banco de Crédito del Perú (BCP), Peru's largest bank; Chief Economist at Banco Wiese Sudameris (now Scotiabank Peru); Advisor to Executive Director for the Southern Cone and Economist at the Financial Affairs Department at the International Monetary Fund; among other positions.
- He holds a Masters degree in Economics from the University of Pennsylvania, where he also pursued doctoral studies (PhD (ABD)). He is an Economist from the Pontificia Universidad Católica del Perú (PUCP). And he holds international certificates in investments (Chartered Financial Analyst-CFA) and risk management (Financial Risk Manager-FRM).
- He has held teaching positions at the University of Pennsylvania, the Pontificia Universidad Católica del Perú and Universidad del Pacífico in Peru. He is a Fulbright Scholar.

# Key Highlights on the Peruvian Economy



1

Peru: A Decade of Economic Success

2

Peru: Strengths for a smoothed adjustment to a “new normal”

3

Risks and buffers



1

## **Peru: A Decade of Economic Success**

# 1 Peru is a country with a strong macroeconomic framework

1

## Sound macroeconomic management and strong policy framework

- ❑ Peru built significant buffers during the boom years
- ❑ Buffers have remained strong even after the 2009 financial crisis, subsequent Chinese slowdown and decline in commodity prices
- ❑ As a result, Peru remains better prepared than regional peers to cope with external and domestic shocks

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## Strong macroeconomic fundamentals

- ❑ Fast growing economy with low inflation rate versus international peers
- ❑ Modern economy with diversified industries and less commodity dependent
- ❑ Driven by private investment
- ❑ Open to international investors and trade

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## Strong pipeline of investments and developing middle class to drive growth

- ❑ Strong pipeline of investments will drive future growth and competitiveness
- ❑ Strategic Public Agendas (Competitiveness, Diversification) aimed at lowering dependency on commodity exports and increase resilience to external shocks
- ❑ Growing middle class and working population create revenue stability

5

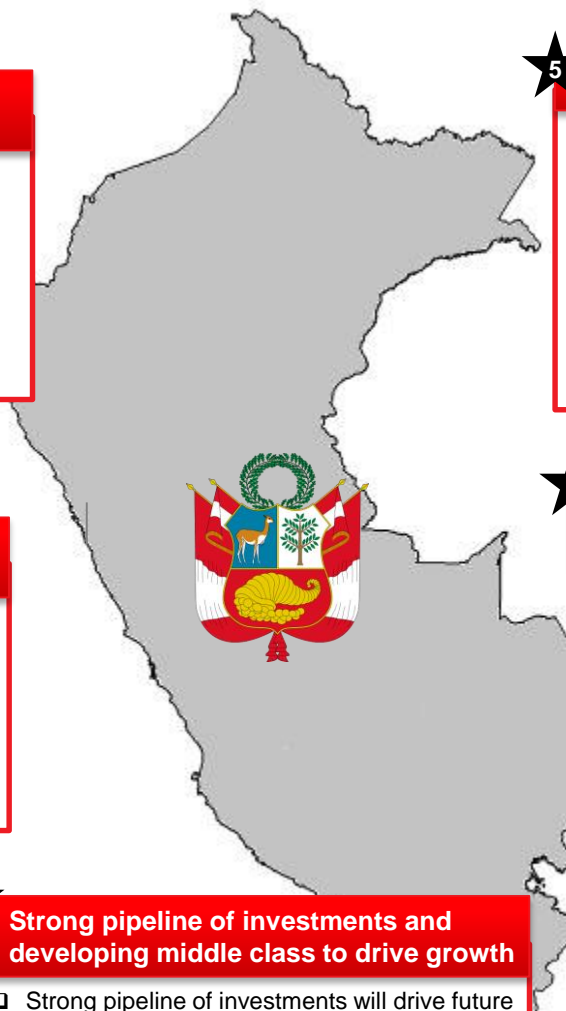
## Efficient debt management

- ❑ Peru has delivered solid returns to investors
  - Regional outperformer
  - Improving credit profile
  - Healthy debt maturity profile
  - Efficient and liquid curves at tenors longer than 30 years

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## Healthiest balance sheet in its peer group

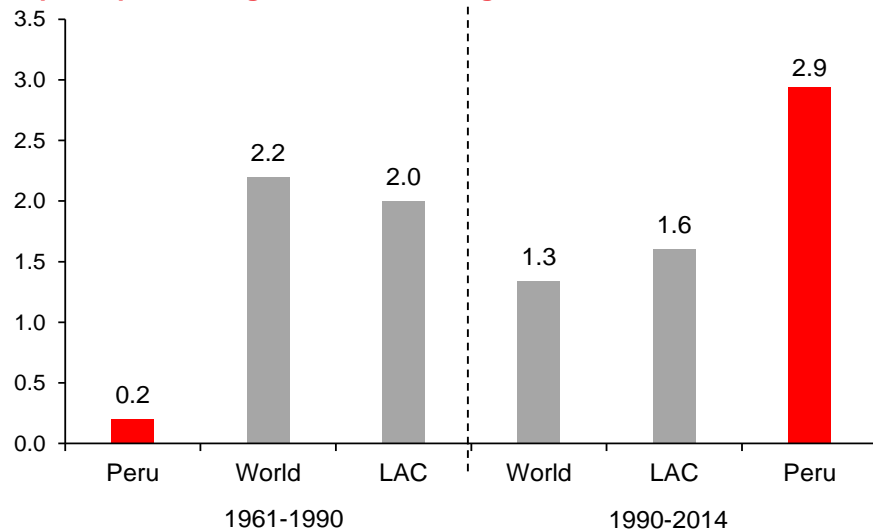
- ❑ Peru's public sector balance sheet is the strongest in its peer group
  - Low levels of government debt (gross or net)
  - Liquid assets available for treasury management
  - Ample access to capital markets
  - Low debt service
  - Moderate government deficits



# 1 Peru led the region in economic growth over the past decade

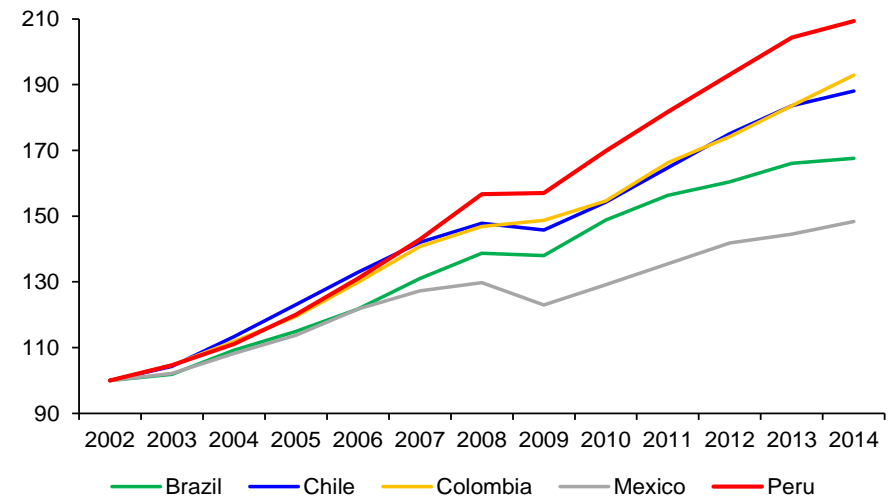
## Structural changes allowed the outstanding performance of the peruvian economy

GDP per capita Average Annual % Change



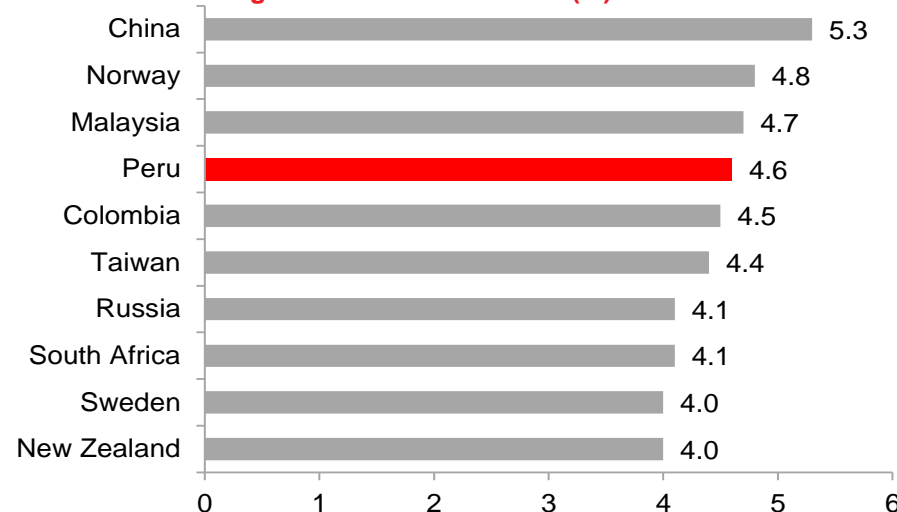
## GDP Per capita increased more than the regional peers

LA5: GDP per capita 2002-2014 (Index 2002=100)



## ....and is among the top ten countries in terms of wealth<sup>(1)</sup> increase

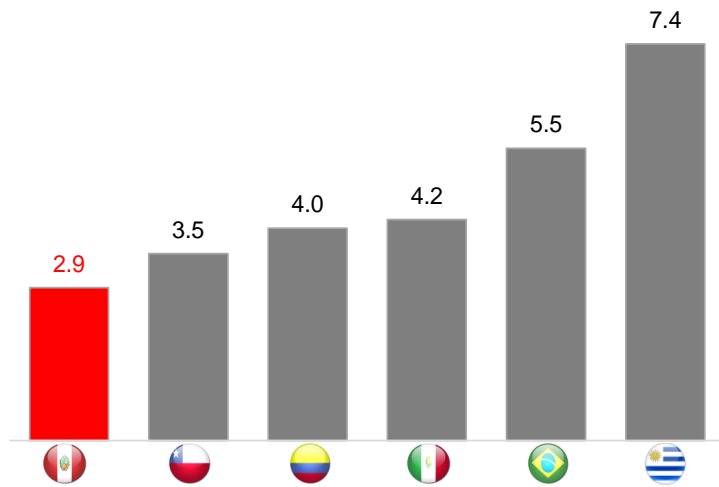
Real annual wealth growth rates 2000 – 2015 (%)



# 1 The outstanding performance was based on strong macroeconomic fundamentals and policy continuity over 25 years

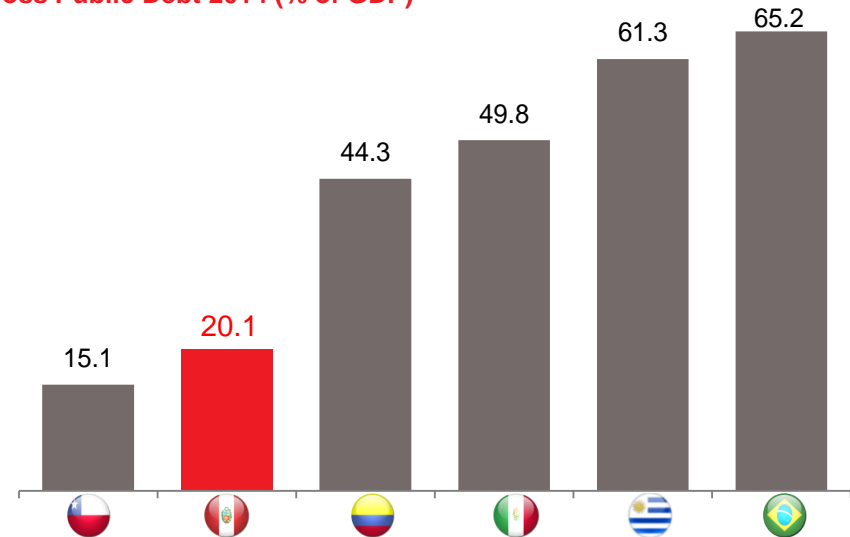
## Low inflation rates...

2005 – 2014 average



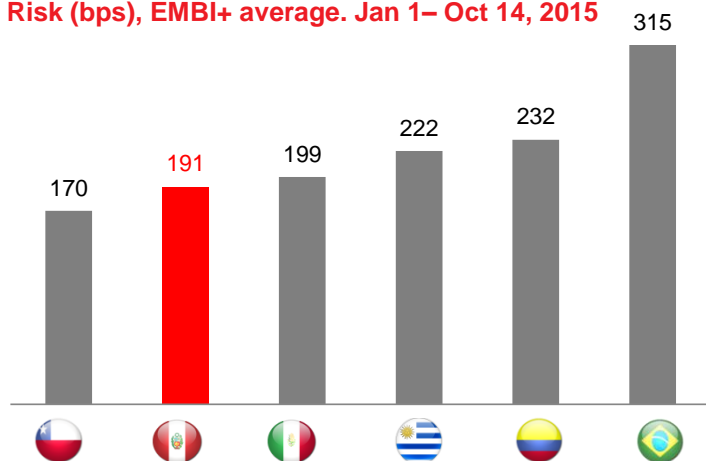
## ...and a prudent fiscal policy...

Gross Public Debt 2014 (% of GDP)



## ...generates an attractive risk profile

Country Risk (bps), EMBI+ average. Jan 1– Oct 14, 2015



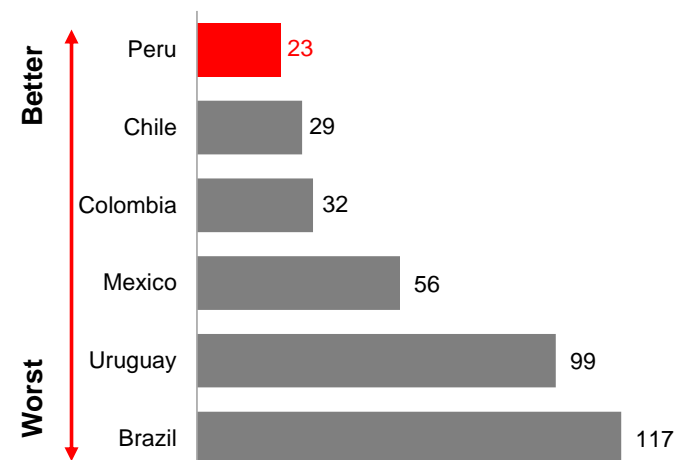
Moody's  
STANDARD  
& POOR'S

FitchRatings

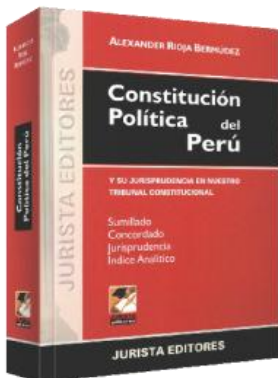
Aa3	A3	A3	Baa2	Baa2	Baa3
AA-	BBB+	BBB+	BBB	BBB-	BB+
A+	BBB+	BBB+	BBB-	BBB	BBB

## Within a solid macroeconomic environment 2015

Ranking



# 1 The institutional framework is a key ingredient for Peru's performance



- Fiscal Responsibility and Transparency Law of 1999 was the base for the new macro-fiscal framework, strengthened in 2013.
- The new macro-fiscal framework is based on cyclically-adjusted public finances, following best practices in resource-rich countries.
- Recently, the first Independent Fiscal Council was created, strengthening the transparency and the institutional framework of fiscal management.
- Central Bank is an autonomous and independent entity.
- Monetary policy is conducted under an Inflation Targeting scheme with FX flexibility.
- Legal reserve requirements and exchange rate swaps are amongst other instruments available to the Central Bank.
- Peruvian legislation gives the same treatment to local and foreign investors.
- No restriction on profit remittances and dividends.



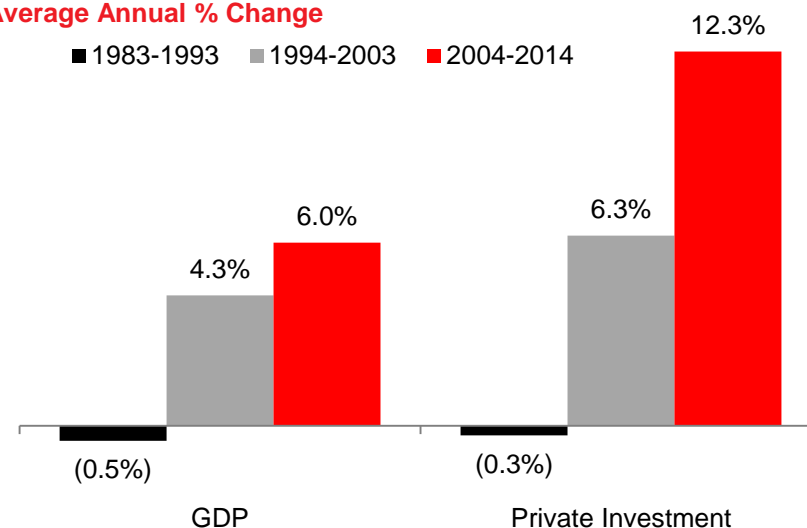
# 1 Sustainable economic growth has been driven by consistent capital accumulation

- Private investment has shown to be a key driver of GDP growth
- Peru is currently a regional leader in terms of capital accumulation: as a % of GDP up from having one of the lowest levels in the 90's
- This trend should continue with investment in large-scale infrastructure and mining projects

## Private investment has driven GDP growth

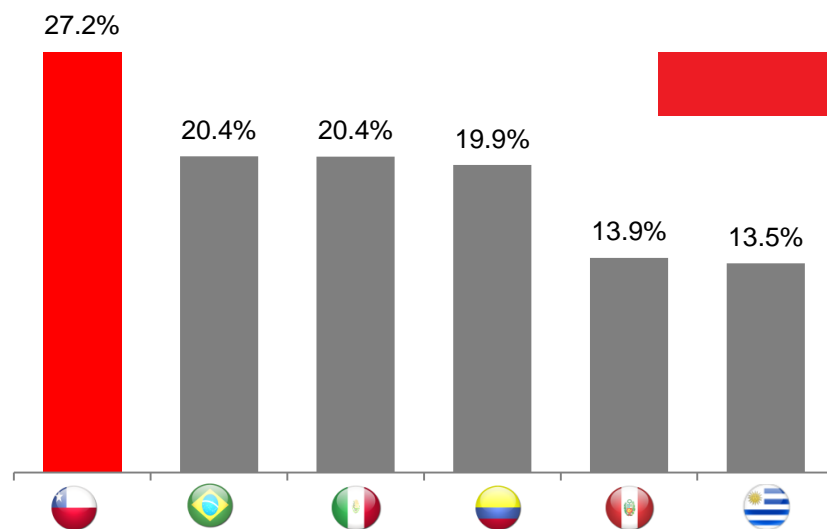
### Average Annual % Change

■ 1983-1993 ■ 1994-2003 ■ 2004-2014



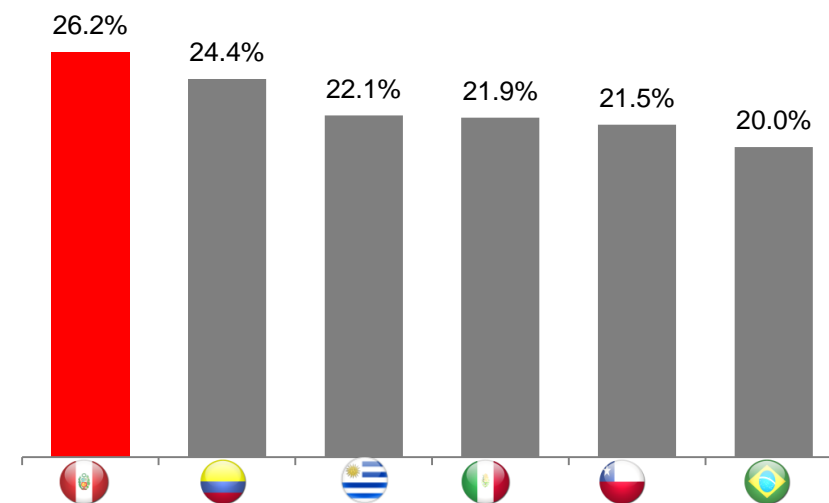
## Investment in Peru rose from record lows in 1990...

### Total investment as % of GDP - 1990



## ...to lead the region in terms of capital accumulation

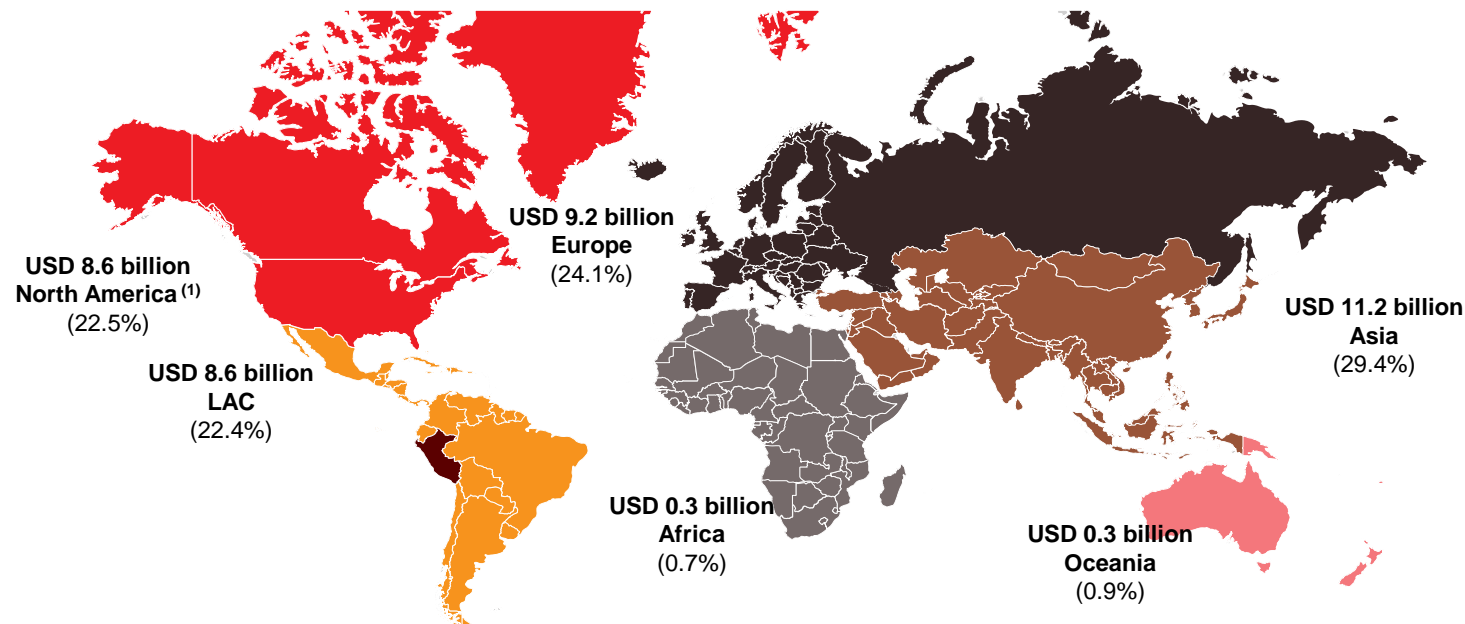
### Total investment as % of GDP - 2014



# 1 Global integration fosters trade and investment

## Peru: Total Exports 2014

% of Total Exports 2014



- Peru has implemented Free Trade Agreements (FTA) with the United States, the European Union, People's Republic of China, Republic of Korea, Mexico, Canada, Chile, Singapore, Japan, Thailand, Costa Rica, Panama, among others
- There are currently ongoing negotiations with Honduras, El Salvador and Turkey
- Peru already has some form of preferential access to countries that represent 73% of the world GDP (92% of world trade).
- Recently, Peru subscribed the Trans-Pacific Partnership (still to be ratified by the Congress of each of the 12 partners).

<sup>10</sup> (1) Not including Mexico.  
Source: BCRP, MEF, MINCETUR.

# 1 Peru has reduced its risk profile and is an investment grade country

## Recently, Moody's, S&P and Fitch confirmed Peru's investment grade rating

- September 30, 2015: Fitch confirms BBB+ rating for Peru with stable outlook
- August 28, 2015: S&P confirms BBB+ rating for Peru with stable outlook
- August 25, 2015: Moody's confirms A3 rating for Peru with stable outlook

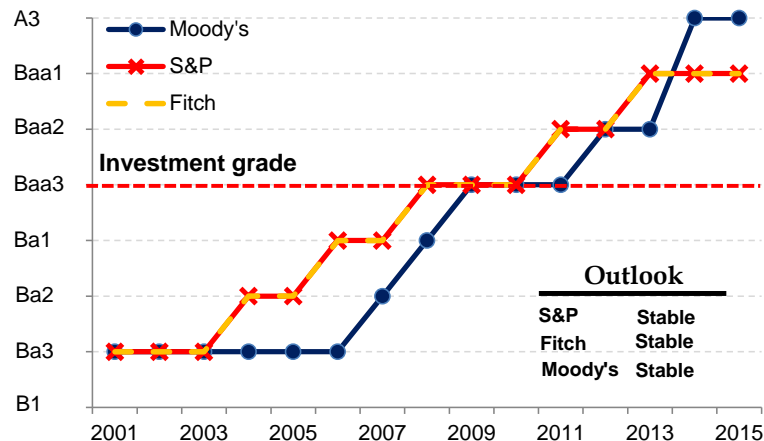
## LatAm: Sovereigns Rating <sup>(1)</sup>

### Long Term Debt in Foreign Currency

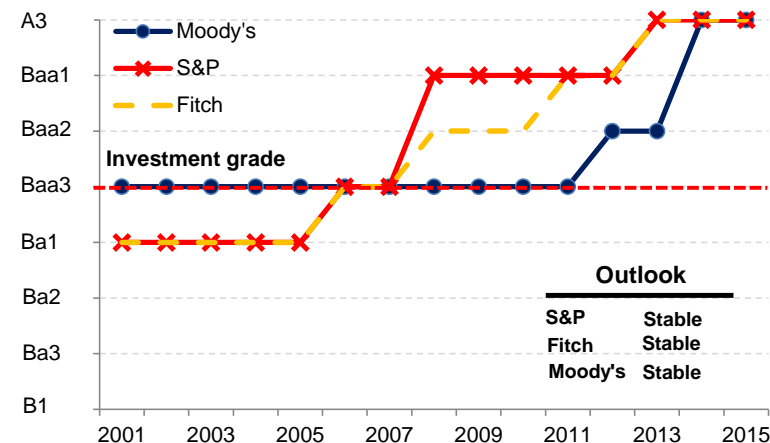
Country	Moody's	S&P	Fitch
Chile	Aa3	AA-	A+
Peru	A3	BBB+	BBB+
Mexico	A3	BBB+	BBB+
Colombia	Baa2	BBB	BBB
Panama	Baa2	BBB	BBB
Uruguay	Baa2	BBB	BBB-
Brazil	Baa3	BB+	BBB
Paraguay	Ba1	BB	BB
Bolivia	Ba3	BB	BB
Ecuador	B3	B	B
Venezuela	Caa3	CCC	CCC

## Sovereign Rating Evolution

### Long Term Debt in Foreign Currency



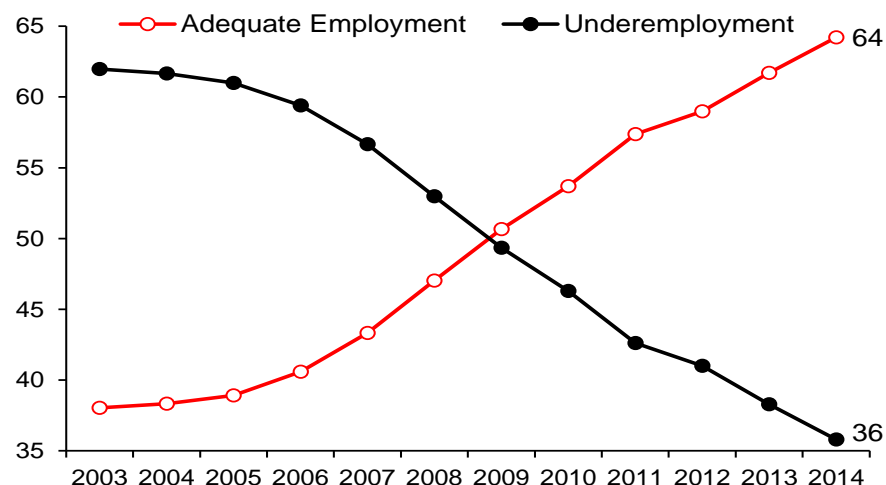
### Long Term Debt in Local Currency



# 1 Economic growth has resulted in increases in adequate employment, reduced poverty rates and a growing middle class

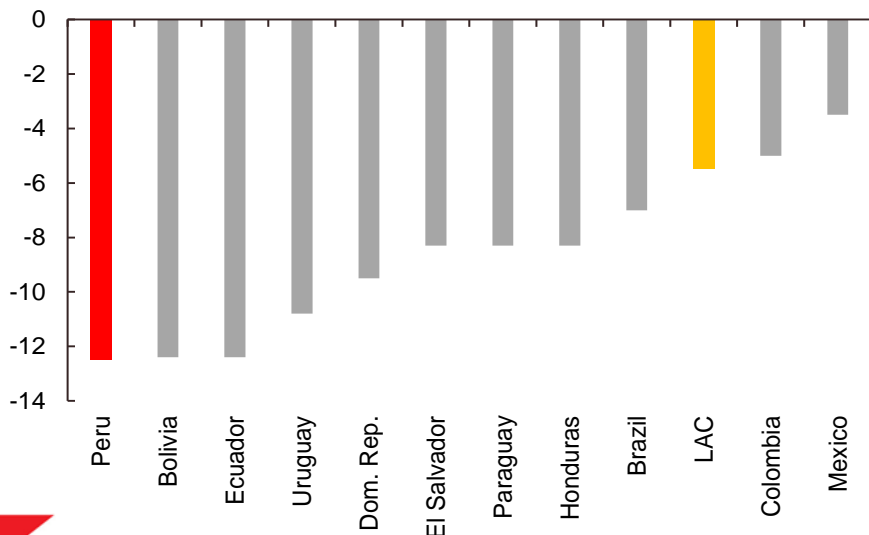
## Creation of Adequate Employment

% of working population in Lima



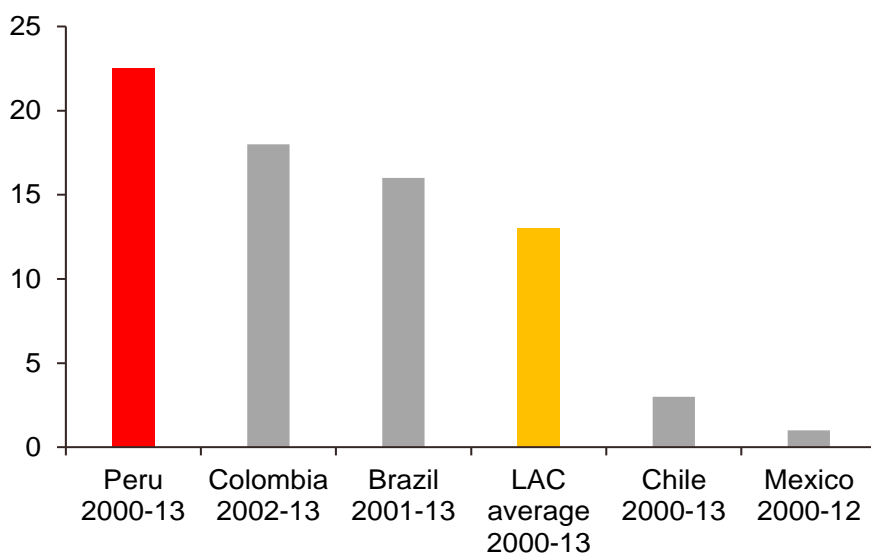
## Peru was among the fastest inequality-reducers in the region

% change in Gini coefficient, 2004-13



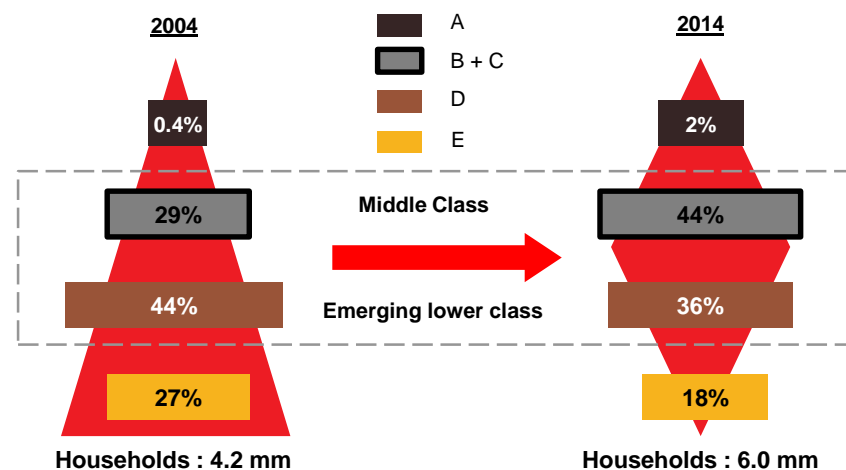
## Poverty reduction was greater than in other LAC's inflation-targeting countries

% of population lifted out of poverty



## Middle class has expanded

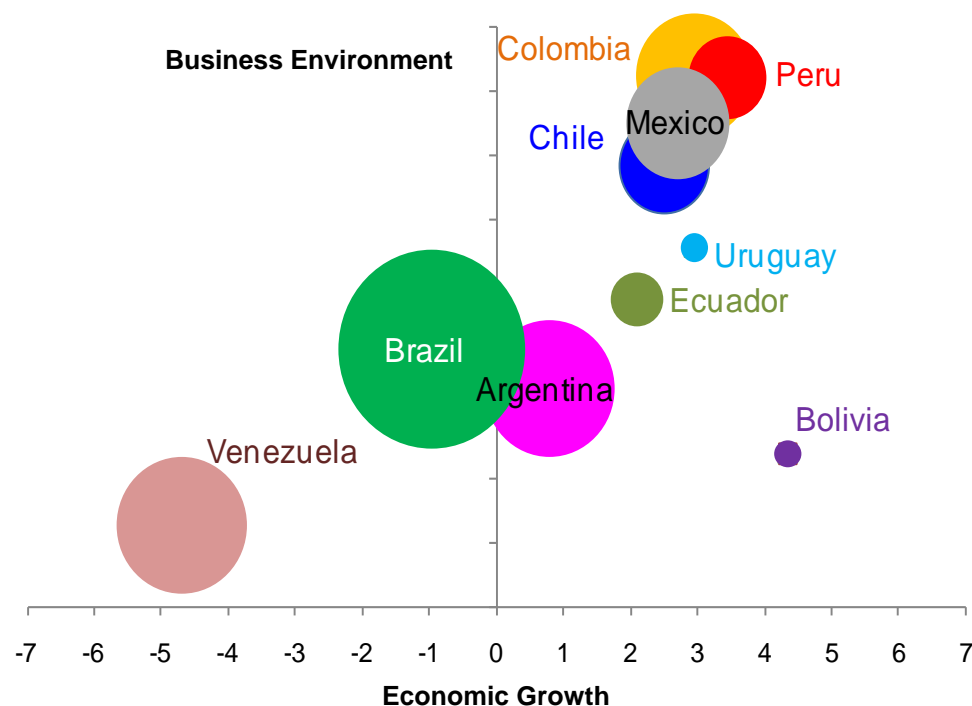
% of Total Households (Urban Peru)



# 1 Peru is in stronger footing than peers to weather shocks

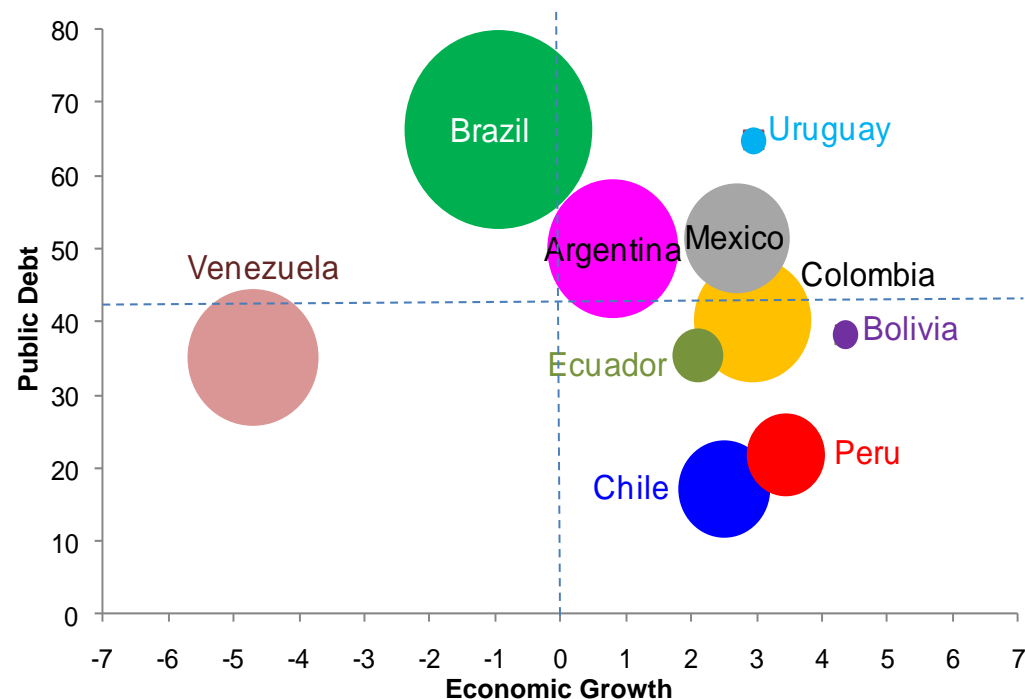
In the cluster of good business environment and solid growth in the region

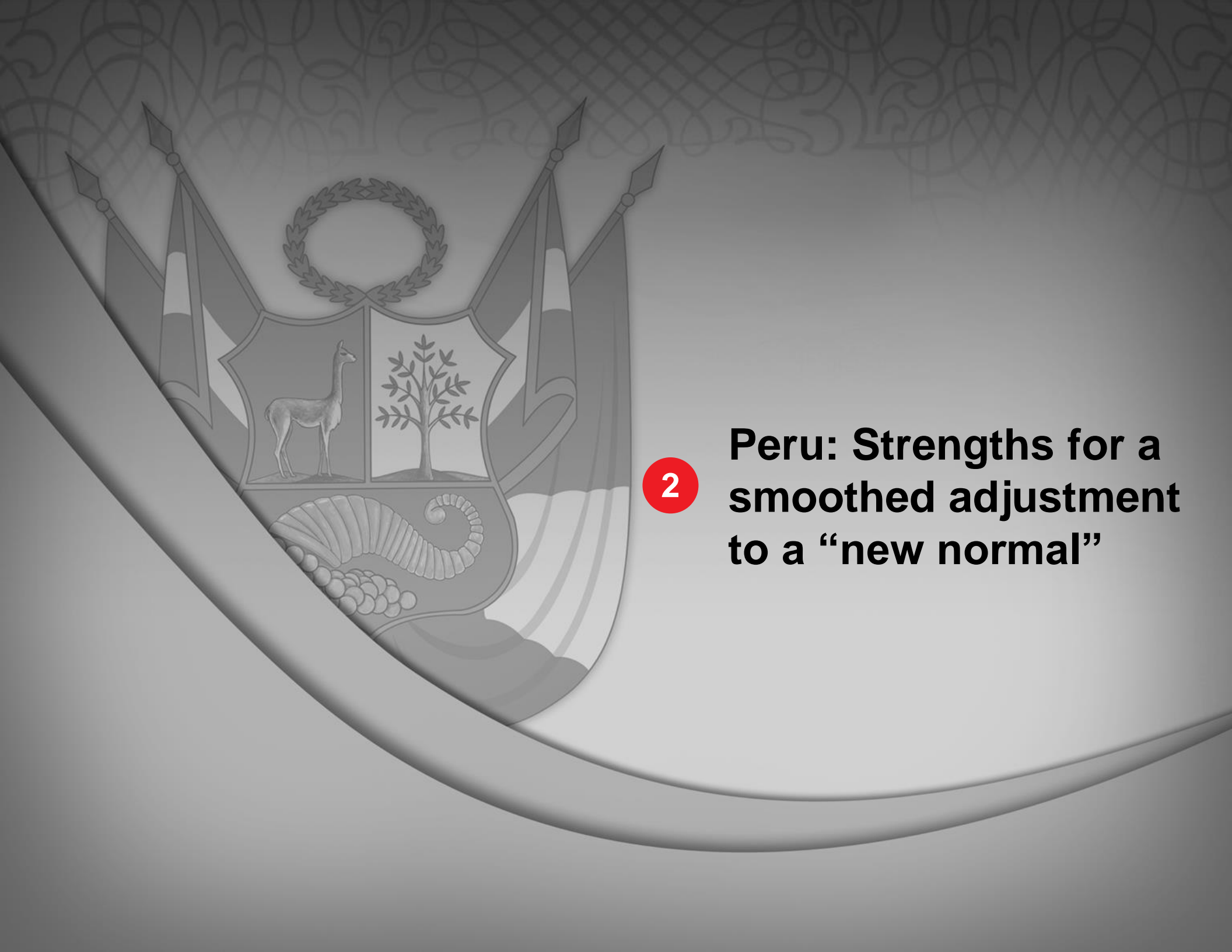
Business Environment vs growth 2015-2016 <sup>(1)</sup> (Score, Annual % change)



... and low financial needs

Public debt vs growth 2015-2016 (% of GDP, Annual % change)





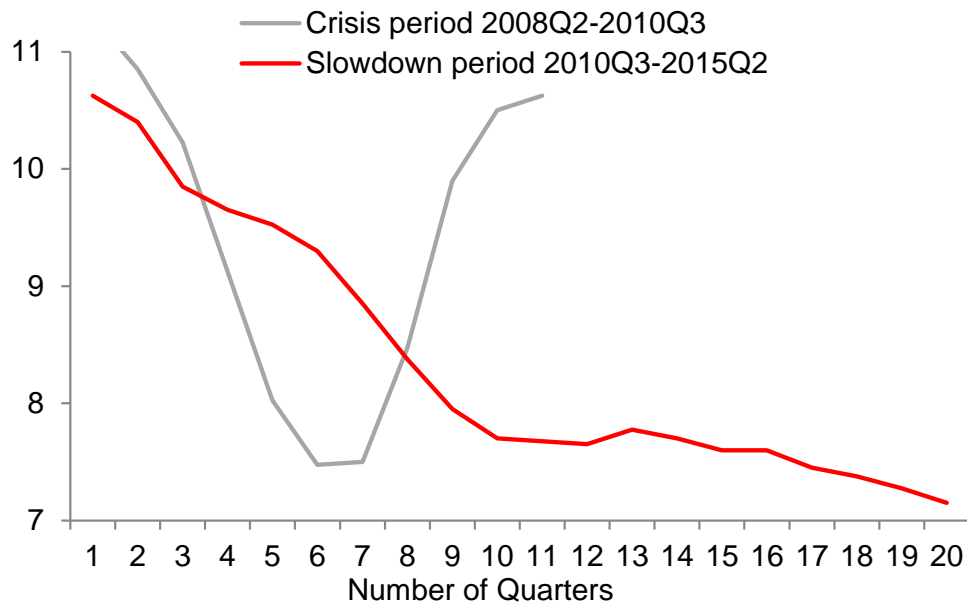
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**Peru: Strengths for a smoothed adjustment to a “new normal”**

## 2 Global conditions: a strong and persistent shock

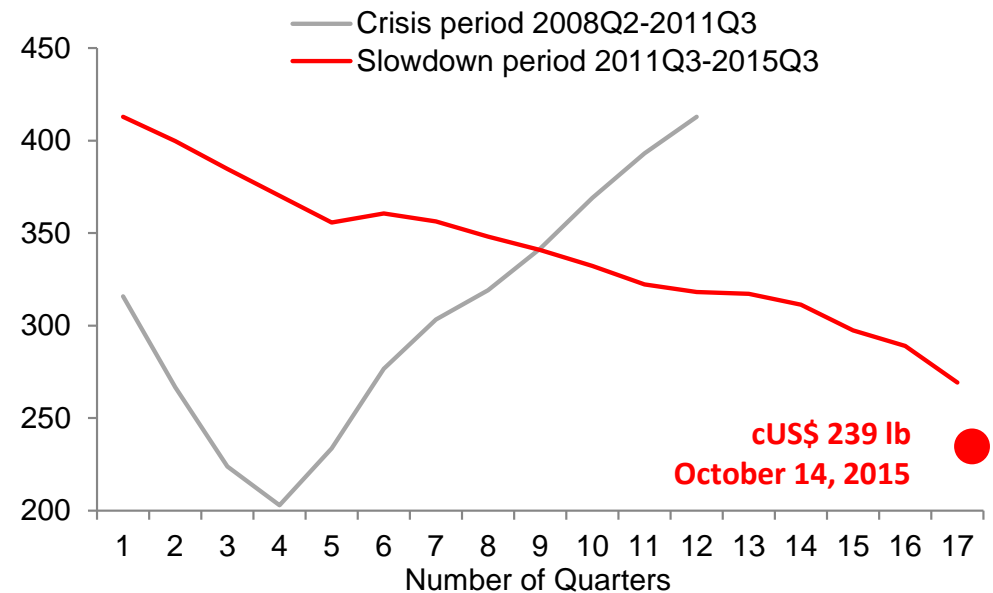
### China: GDP

Annual % change, 4 quarters moving average



### Copper Prices

4 quarters moving average of cUS\$/lb



## 2 Latin America faces a complex economic scenario

	2009 - 2013	2014 – forward
Real interest rates	Negative	Positive
Liquidity	High	In line with lower demand
Asset prices	Assets appreciation	Driven by weaker fundamentals
Commodities prices	Extraordinarily high	Lower and volatile
Chinese growth	Very high, driven by investment	Lower, driven by consumption (in transition)



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However, Peru will keep an average growth rate at around 4.7% in the 2016-2018 period, leading the region

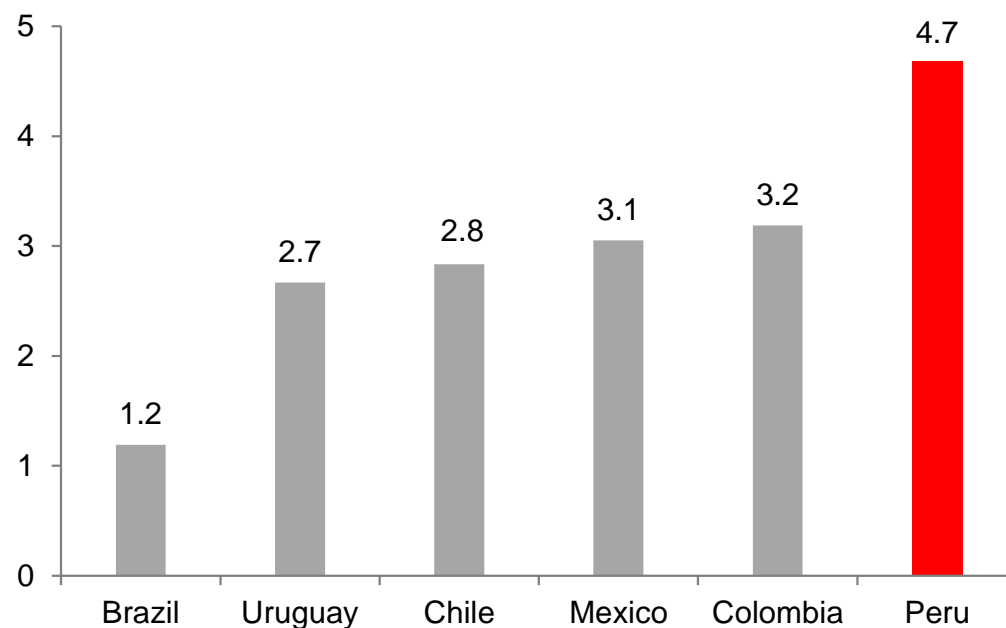
## Peru's economic performance

GDP (Annual % change)



## Peru will lead economic growth in the region

GDP 2016-2018 (Average annual % change)



## 2 Peruvian economy will be boosted by 4 drivers in the near-term



1. **Mining**: Copper production will reach historically high levels



2. **Infrastructure projects**: will soon begin construction phase



3. **Household consumption**: a fast growing middle class will sustain a growing demand for goods and services

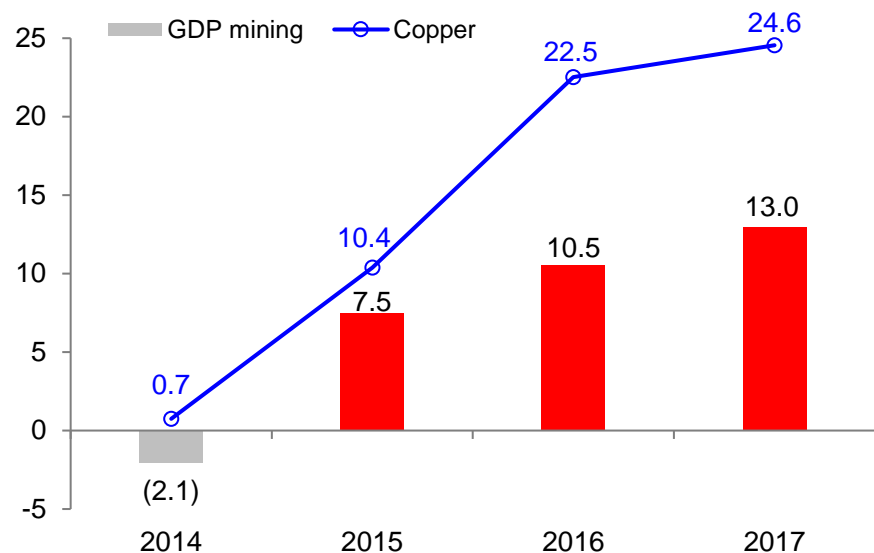


4. **Strong macroeconomic policies**: fiscal and monetary policies will smooth the adjustment process to a “new normal”

## 2 Mining: Production will reach all-time highs

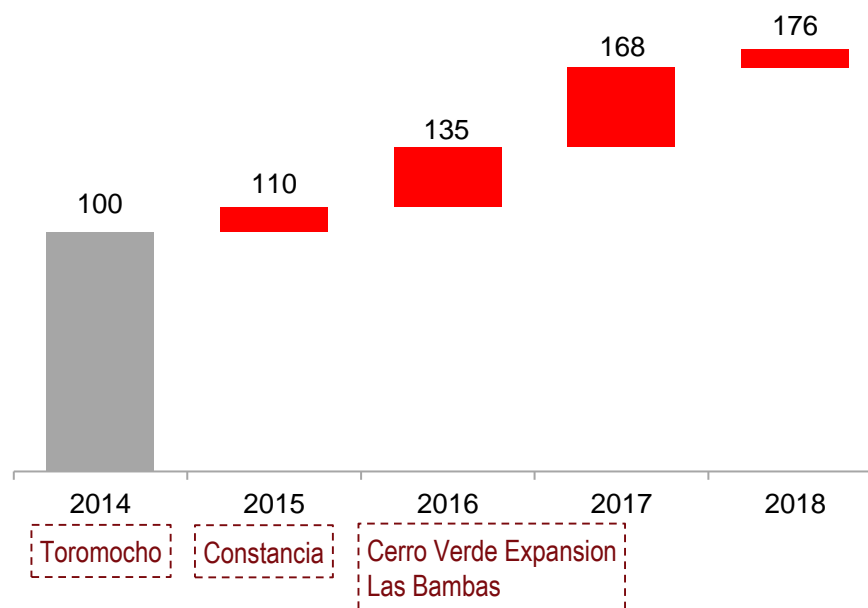
### GDP mining and copper production

(Annual % Change)



### Copper production

(Index 2014=100)

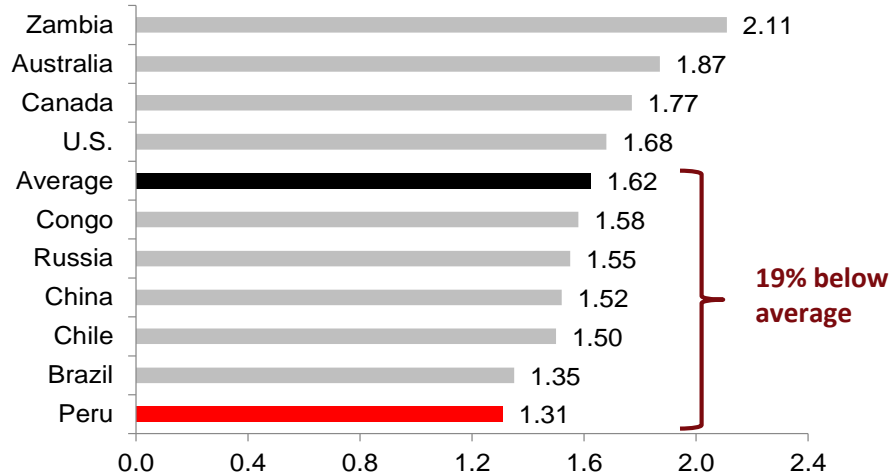


- Metallic mining production will continue growing due to increases in copper production.
- Higher copper production will be driven by increases in Toromocho and Constancia projects, and the entering of production from projects like Cerro Verde and Las Bambas.
- By 2018, these projects will represent 46% of the total copper production.

## 2 Mining: Competitive advantage

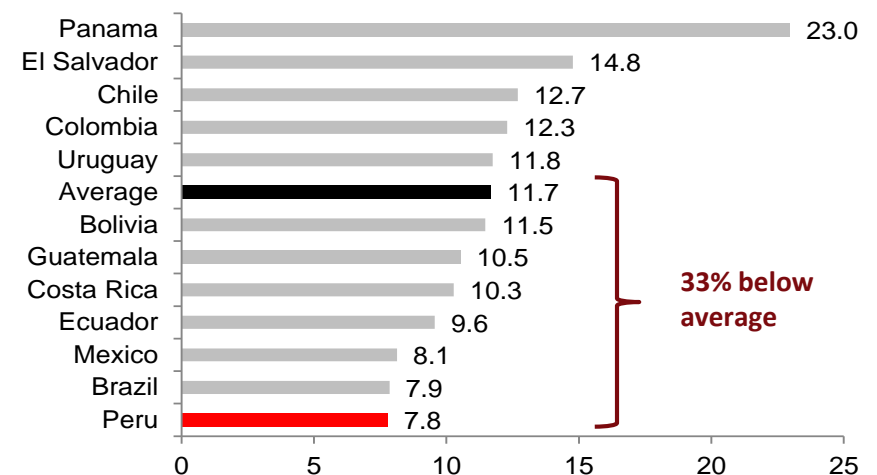
### Copper: cash cost<sup>(1)</sup> 2014

(US\$/lb)



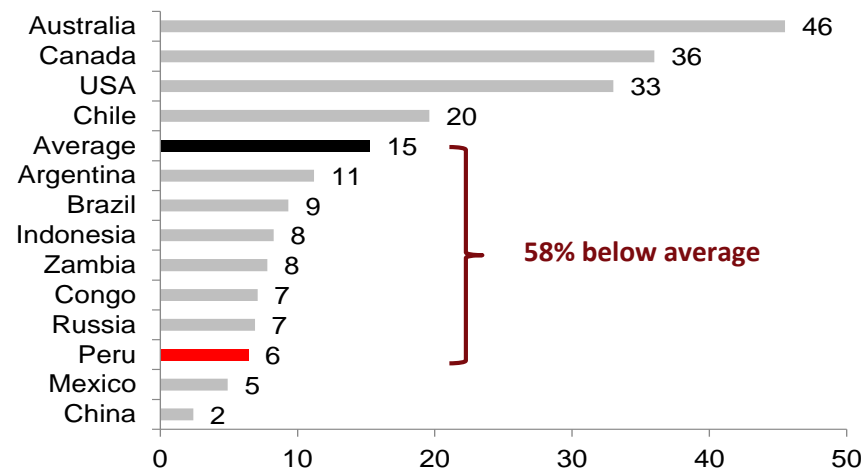
### Electricity Rates to industrial customers 2015<sup>(2)</sup>

(cUS\$/kWh)



### Copper: Labor costs<sup>(3)</sup> 2014

(US\$/Man hours)



(1) Includes costs of mining, crushing, concentration, overhead and freight.

(2) Considers industrial customers, it means customers which bought more than 500 thousands kW per hour. To 2Q2015.

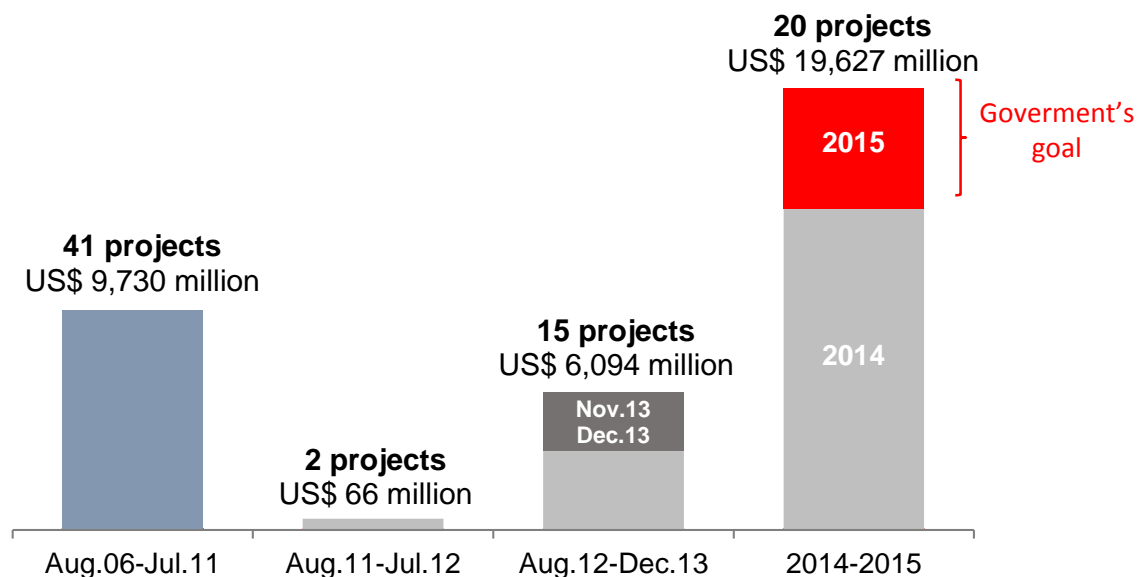
(3) Considers labor relations, hiring and firing practices, pay and productivity country's ability to retain and attract talent, the effect of taxation on the incentive to work, and others.

Source: Cochilco, Osinergmin, BTG Pactual "Peru mining tour: for projects, survival of fittest" (2015).

## 2 Infrastructure: Surge of infrastructure investments through PPPs

### PPP awarded by ProInversion<sup>(1)</sup>

(US\$ Millions, VAT included)



#### 2014

Southern Gas Pipeline US\$ 5,794 million <sup>(2)</sup>	Line 2 of the Metro of Lima and Callao US\$ 6,783 million
Chinchero International Airport - Cusco US\$ 775 million	Moyobamba - Iquitos Power Transmission Line US\$ 589 million

#### 2013

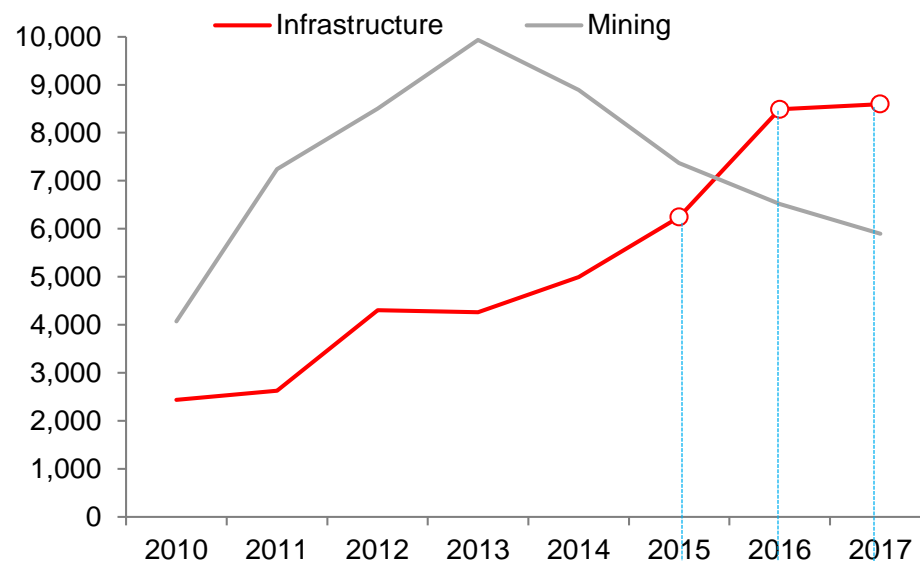
4G Band Nationwide US\$ 1,202 million	Southern Energy Node US\$ 826 million
"Longitudinal de la Sierra" Highway -Section 2 US\$ 651 million	

In the current administration, **29 PPP projects** have been awarded, they add up to more than **US\$ 20 billion**

## 2 Infrastructure: Projects awarded will boost public and private investment

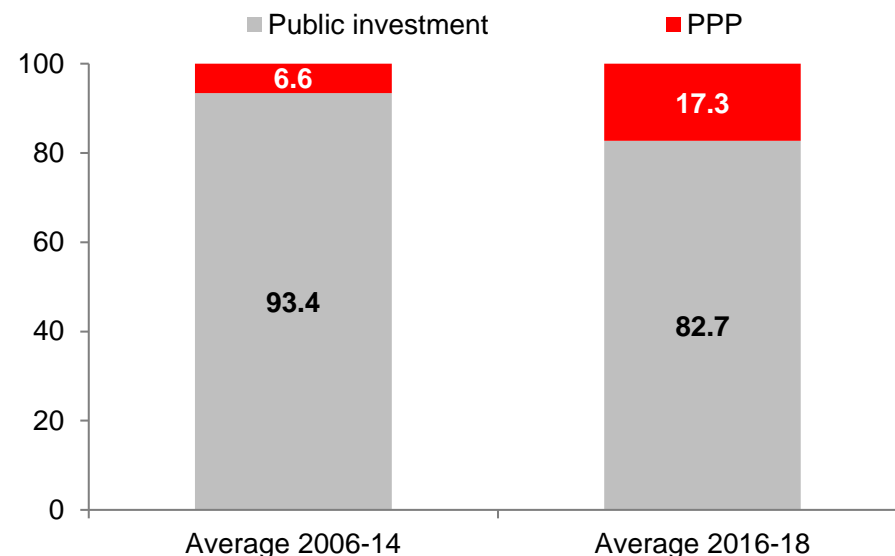
### Investment in Infrastructure Projects<sup>(1)</sup>

(US\$ millions)



### Gross Capital Formation of the General Government

(% participation)



- Line 2 of the Metro of Lima and Callao
- Southern Gas Pipeline
- Talara Refinery Modernization
- Chavimochic Irrigation Project - Stage III
- Majes Siguas Irrigation Project - Stage II
- Mantaro-Montalvo transmission line
- South Energy Node of Peru (Puerto Bravo Thermal Power Plant)
- Carhuaquero-Moyobamba transmission line
- Longitudinal of the Sierra Highway – Section 2
- Broadband Installation (4 regions)

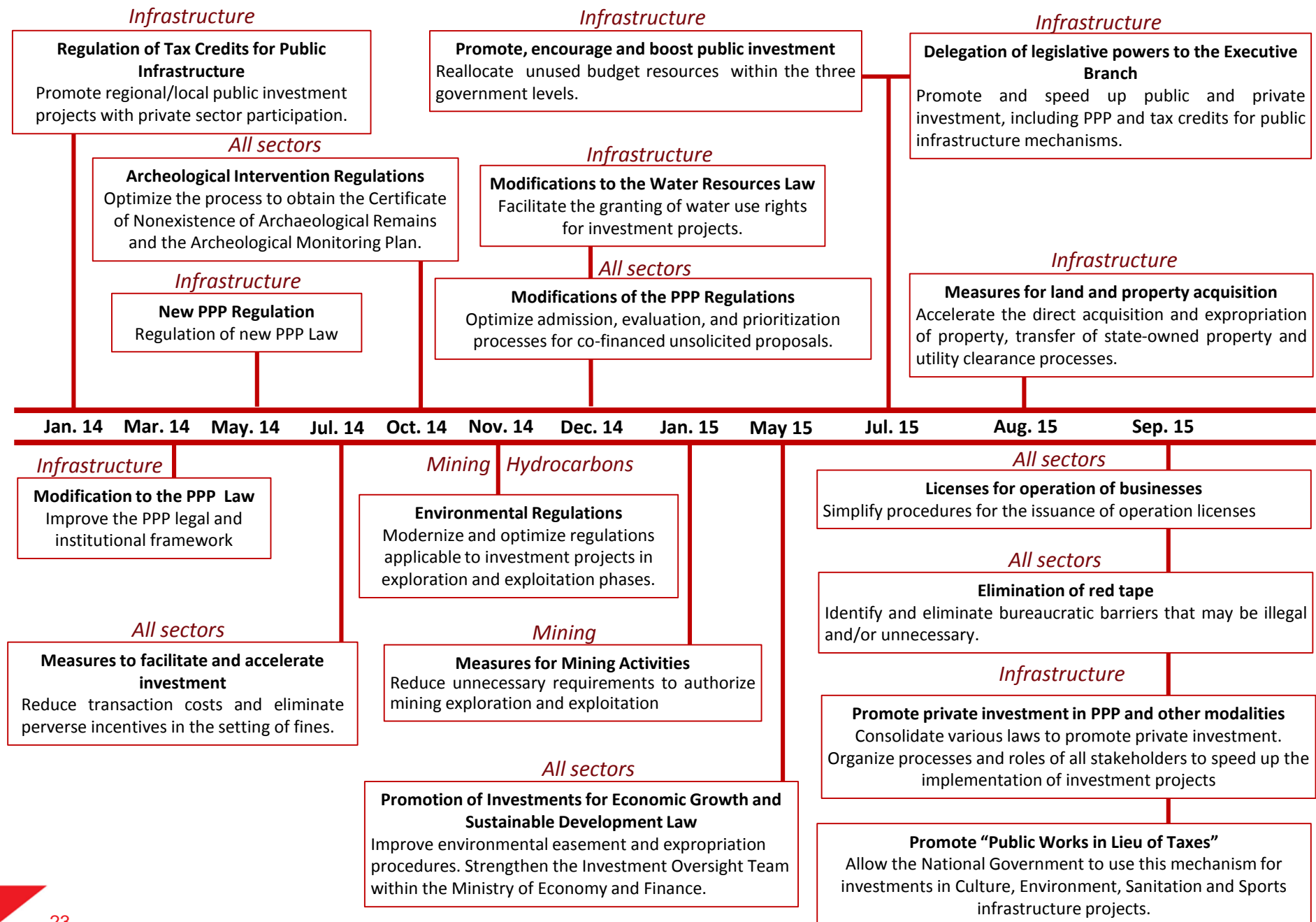
- Carapongo substation
- Azangaro-Puno transmission line

- Chinchero International Airport - Cusco
- South energy node (Ilo Thermal Power Plant)
- Moyobamba-Iquitos transmission line
- Machupicchu-Tintaya transmission line
- Planicie-Industriales transmission line
- General San Martin Port Terminal
- Dv. Quilca-La Concordia Section
- Expansion of Jorge Chavez Airport

- Portfolio is consistent with medium-term fiscal envelope.

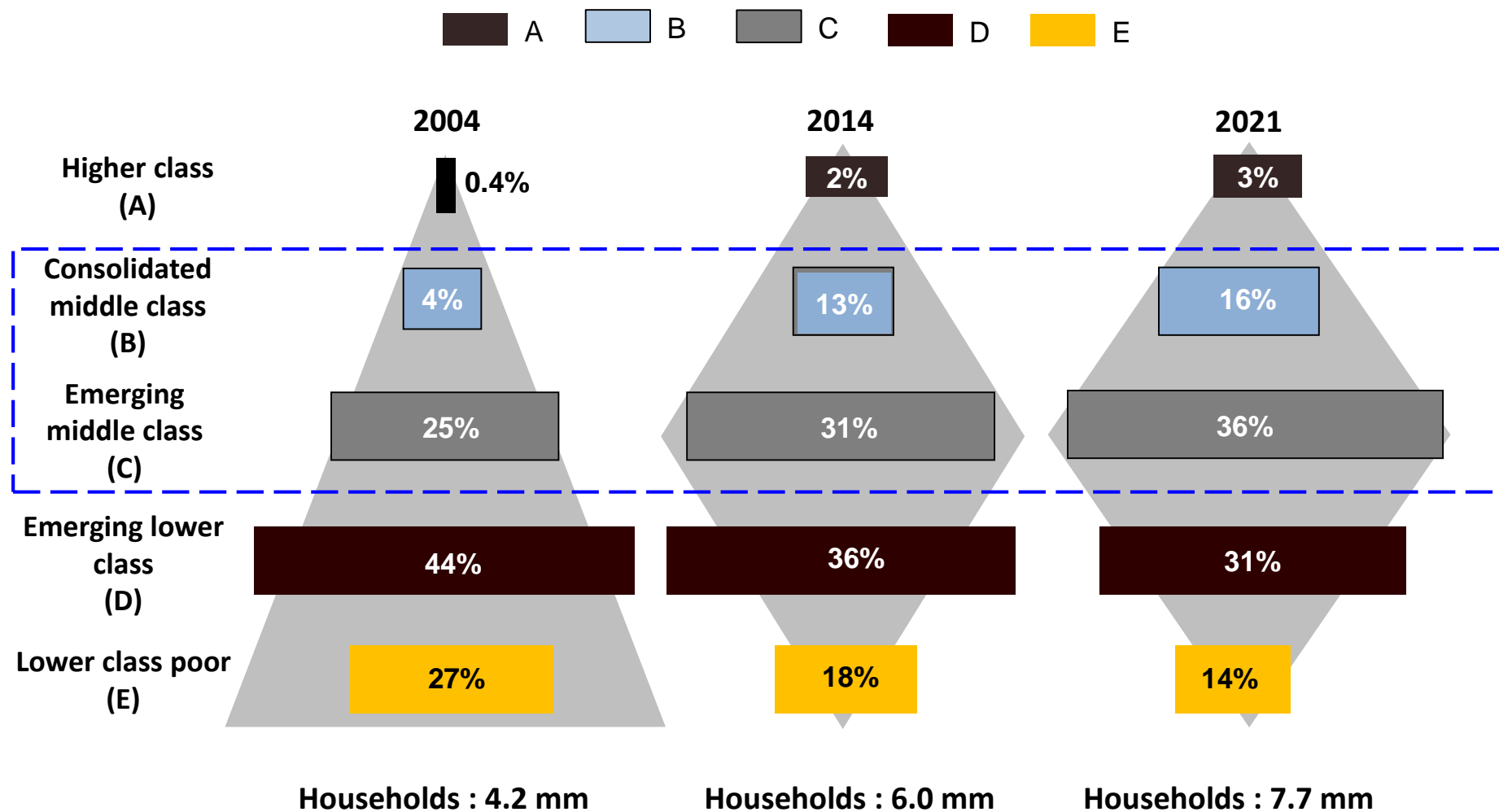
22 (1) Includes public and private investment of infrastructure projects in many sectors (transportation, irrigation, electricity, telecommunication, hydrocarbon transport and sanitation). Talara Refinery Modernization is considered because it's a project of national interest.  
Source: ProInversión, Osinergmin, Ositrán, APOYO Consultoría, companies, MEF forecast and MMMR 2016-2018.

## Infrastructure: The Peruvian Government has taken measures to reduce “red tape”, delays and overruns as well as perfect existing legal framework







## Urban Peru: Socioeconomic structure

% of Households



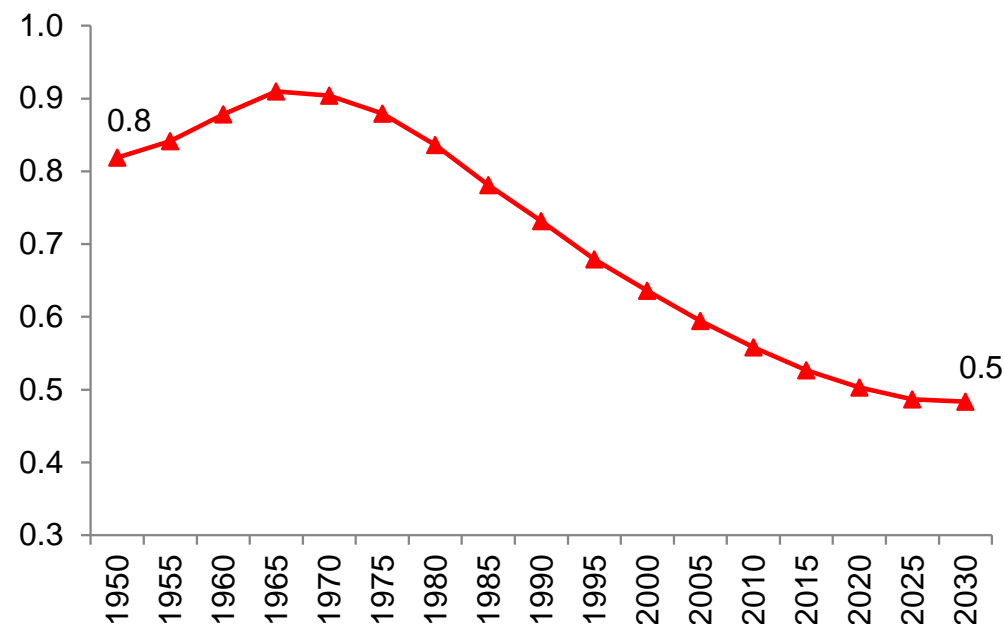


## Household consumption: Middle class will boost the demand of goods and services as it happened in other countries in the region

	Average Consumption of Mobile Data per User (Thousands of terabytes)	Shopping Centers (per million inhabitants)	Vehicle Sales (per thousand inhabitants)	Banking System Credits (% of GDP)
	134	3	17	50
	34	5	23	79
	22	4	7	37
	11	2	6	32
Number of times Peruvian demand may increase	x12	x2	x4	x2

## Young adult people are going to sustain the labor market

Rate of child and elderly dependency %



### Labor characteristics (% of total young adults)

2009

2014

Dependent employment

54

61

Permanent employment

57

74

### Academic characteristics: Post Secondary Education (% of total)

2014

Young adults

47

Head of household

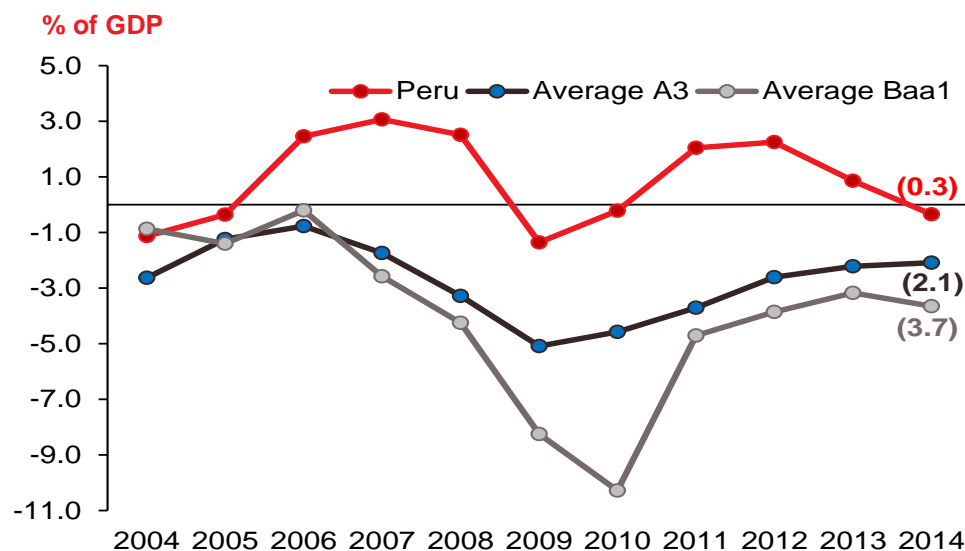
37

	2008 (Before international crisis)	2015 (New international environment)
Inflation (%)	6.7	3.7
International Reserves (% of GDP)	26	31
Credit Dollarization (% of total credit)	51	32
Public Debt (% of GDP)	26.9	22.9 <sup>(1)</sup>
Public External Debt (% of GDP)	16.8	11.1
Fiscal Stabilization Fund (% of GDP)	1.6	4.7

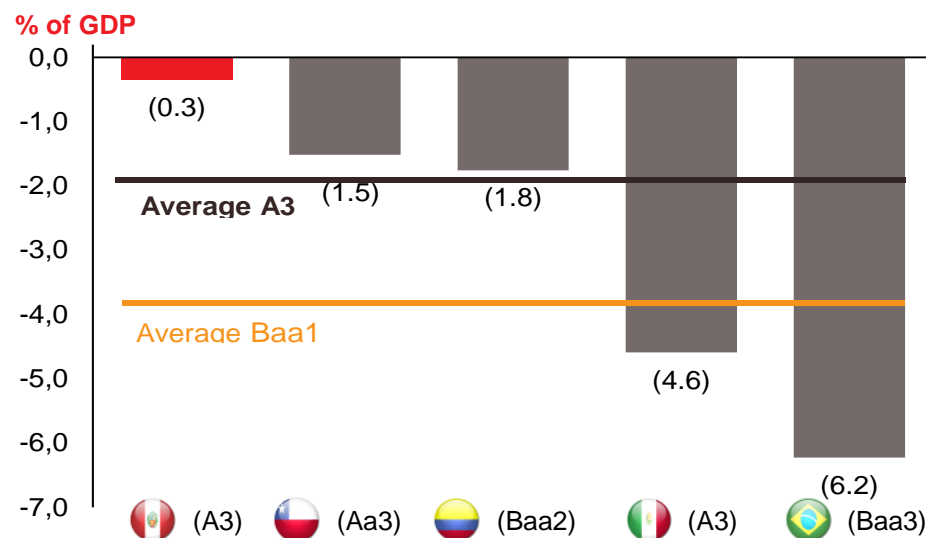
27 (1) Including partial pre-financing of 2016.  
Source: IMF WEO October 2015, MEF, BCRP, Consensus Forecasts (September 2015).

# Fiscal Policy: Peru has built a sound fiscal position in comparison to its peers to bridge a transition to a new normal

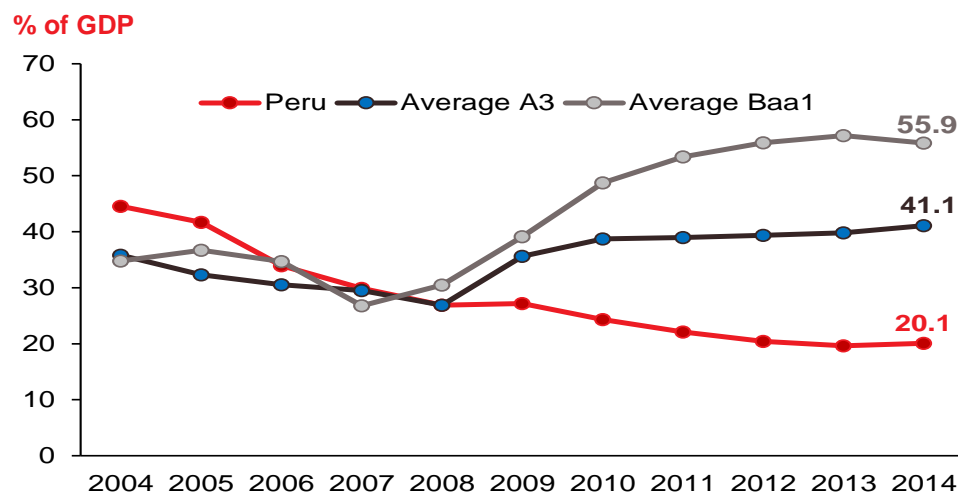
## Fiscal Balance 2004-2014



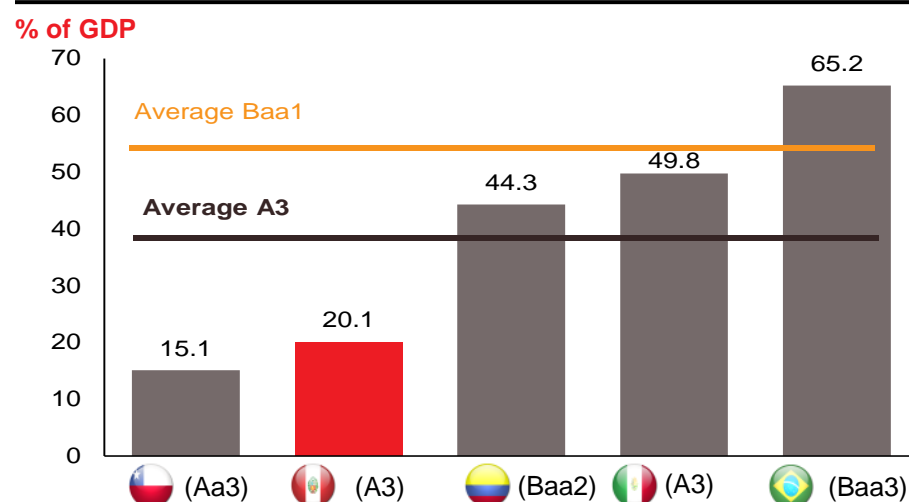
## Fiscal Balance 2014 vs. LatAm Peers



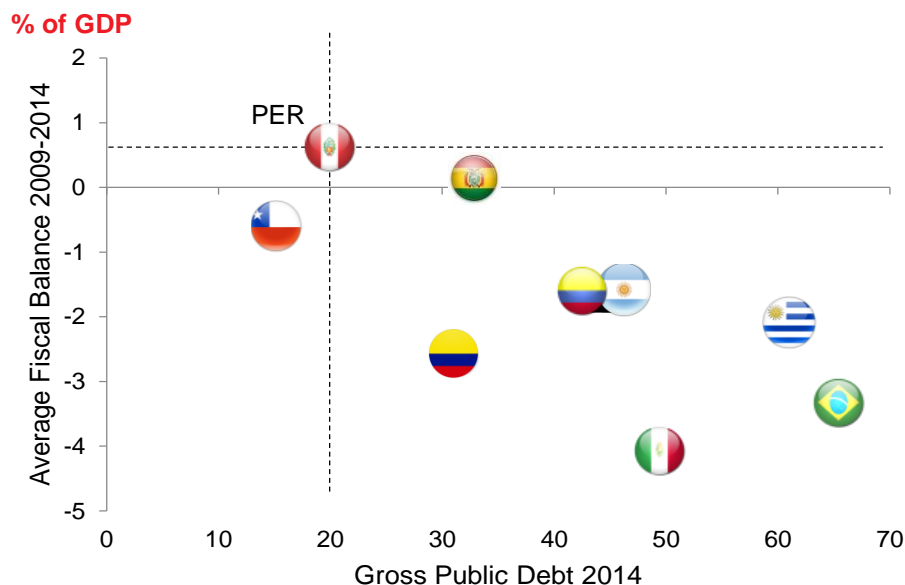
## Public General Government Debt 2004-2014



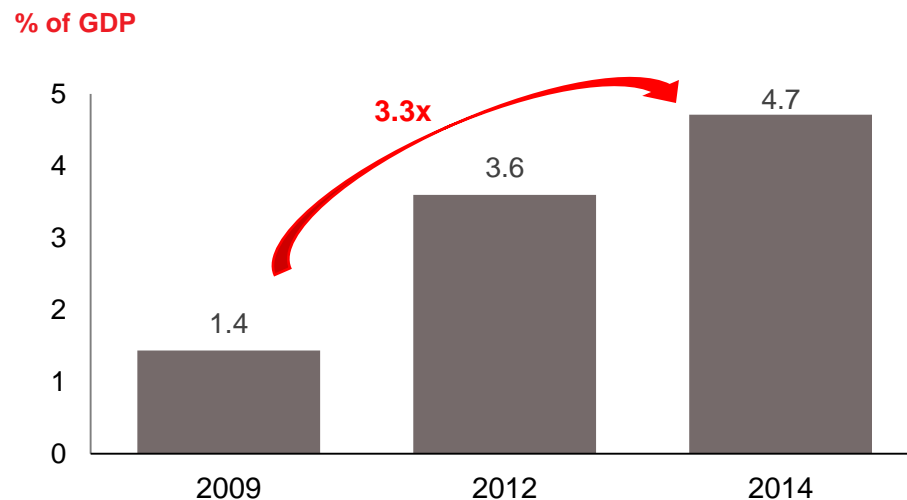
## Public General Government Debt 2014 vs. Peers



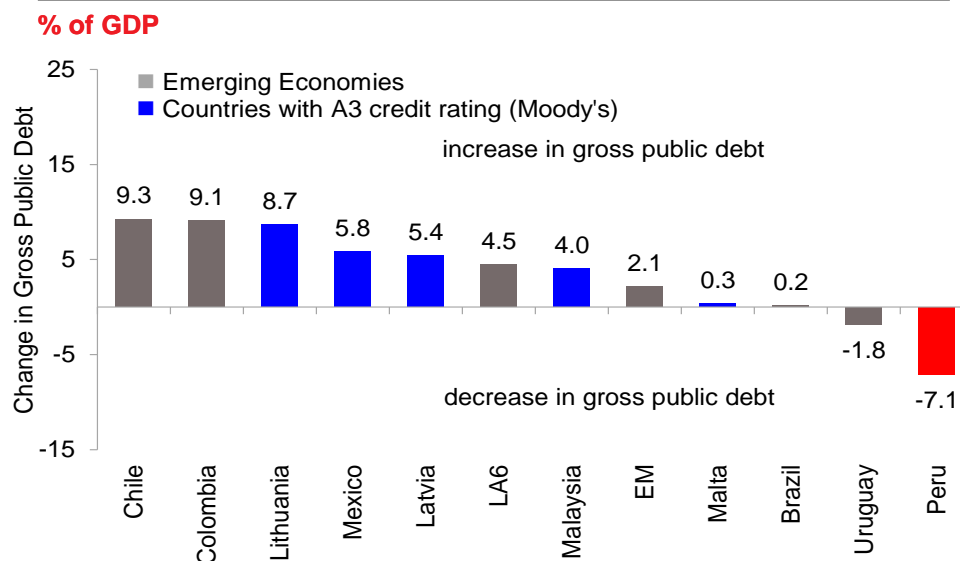
## Average Fiscal Balance 2009-2014 and Gross Public Debt 2014



## Fiscal Stabilization Fund



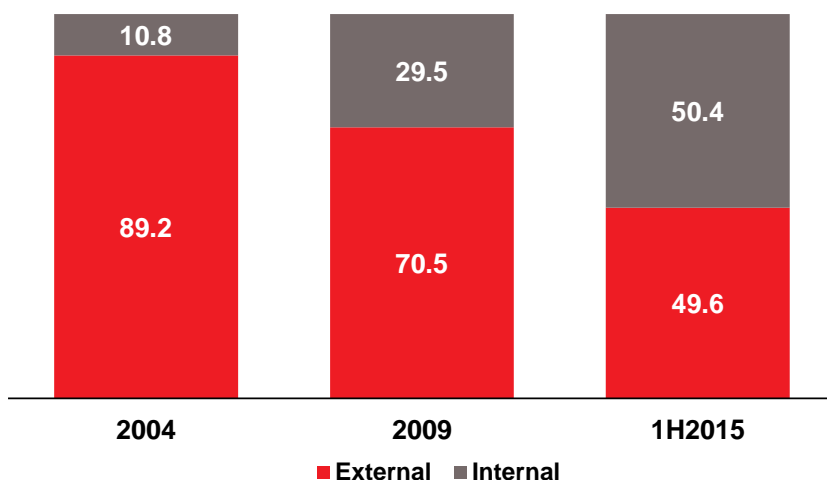
## Change in Gross Public Debt 2014 vs 2009



## 2 Fiscal Policy: Public debt management has brought down external and financial risk exposure

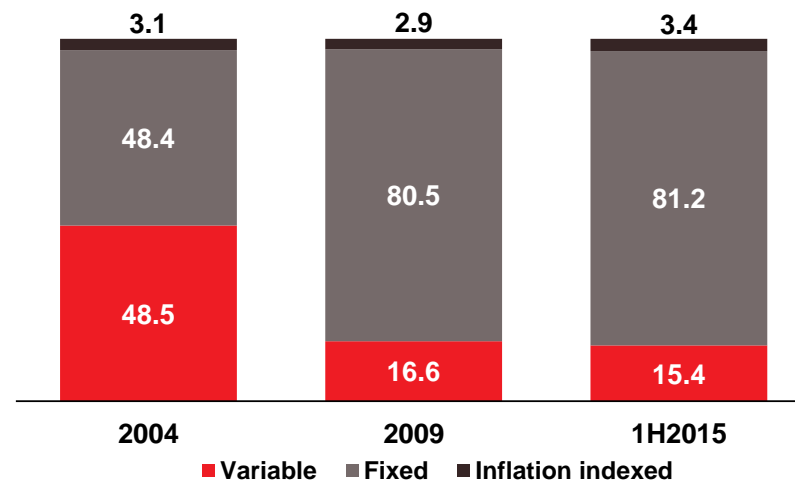
### Public Debt Composition by Type of Debt

% total of debt



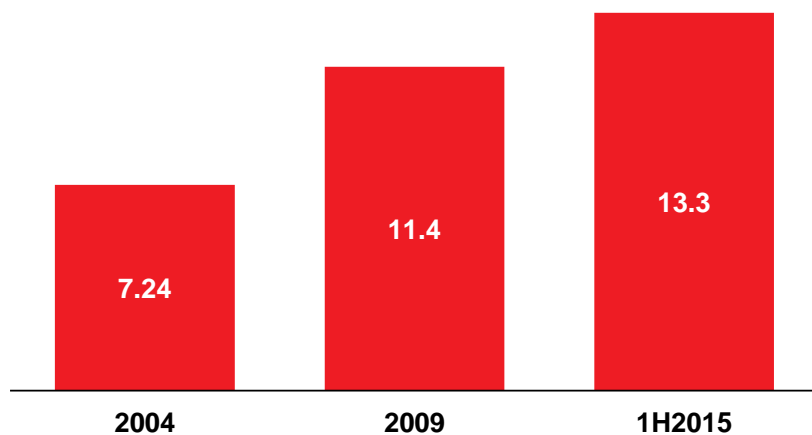
### Public Debt<sup>(1)</sup> Composition by Interest Rate

% total of debt



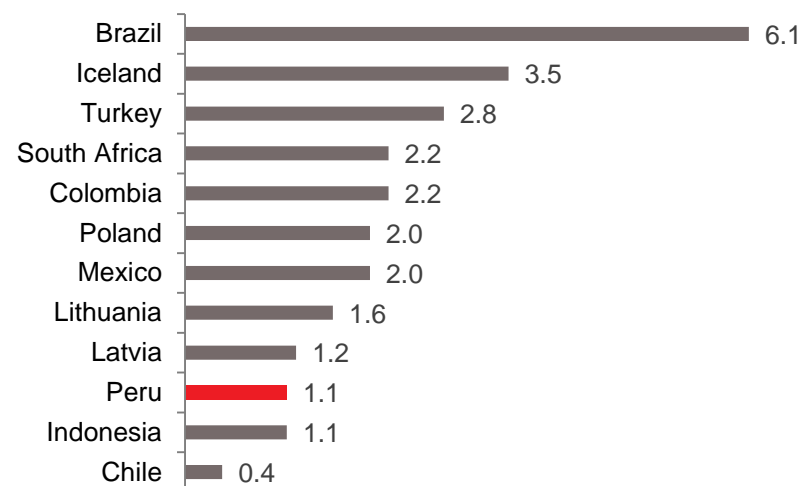
### Public Debt<sup>(1)</sup>: Average Term to Maturity

Years



### Gross interest payments

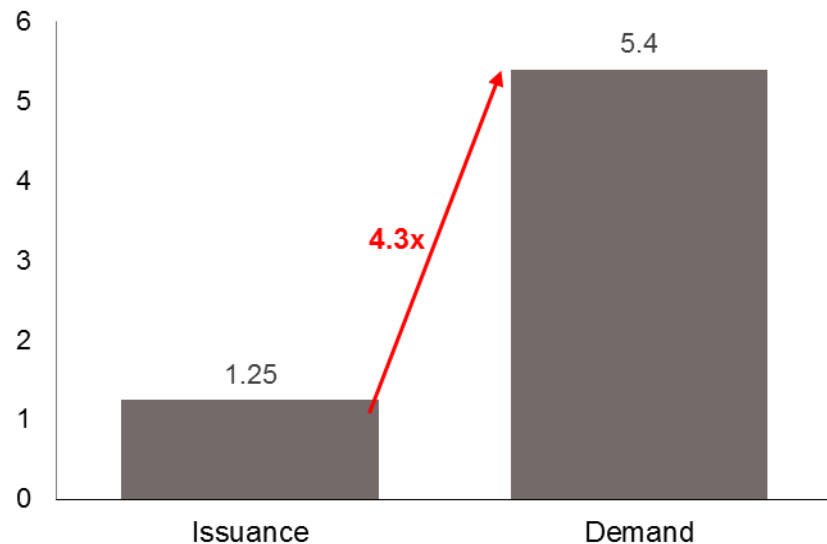
% GDP



## 2 Fiscal Policy: Confidence in strong fundamentals was reflected in a recently successful issuance of global bonds

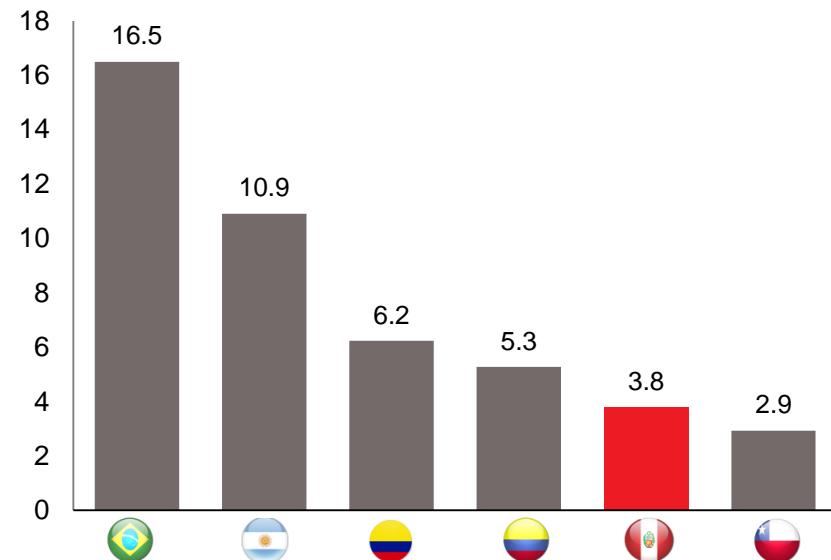
### Issuance and demand for global bonds (August 18, 2015 placement)

USD Billion



### LatAm: 2016 financing needs

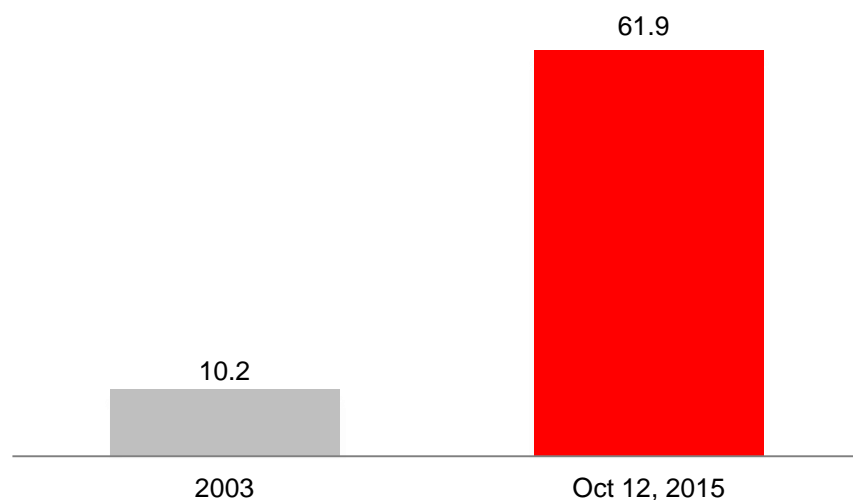
% of GDP



- Investor confidence was reflected in the successful placement of global bonds in August 18, 2015 with bonds oversubscribed more than four (4) times.
- Strong demand was reflected in the achievement of the lowest coupon rate in the history of the Republic, despite a relatively volatile scenario in the financial markets (midst of Chinese devaluations).

## Net International Reserves have increased by more than 6 times

USD billion



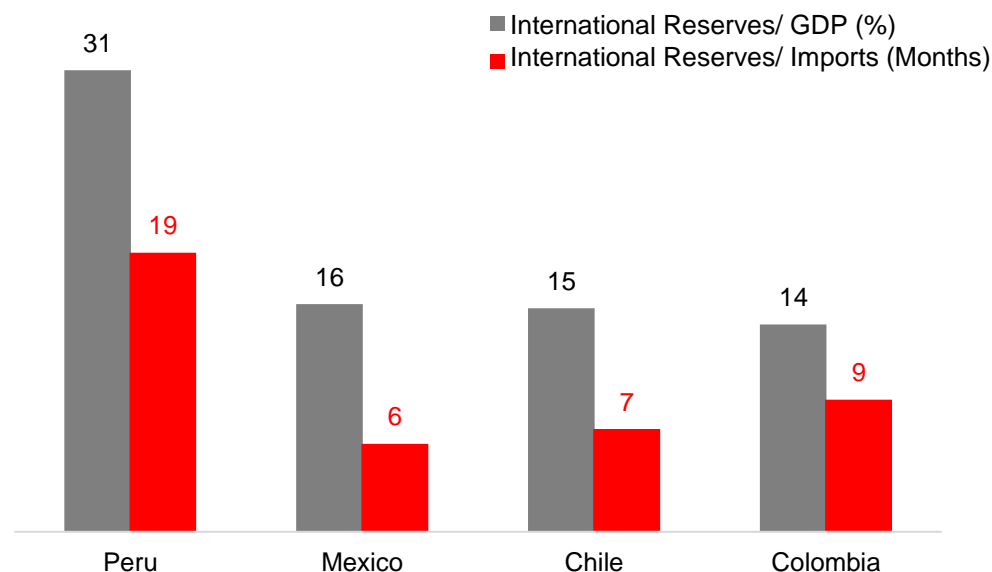
## Net purchases in the FX market

USD millions

2010	8,963
2011	3,537
2012	13,179
2013	5
2014	-4,208
2015 1/	-6,943

## Peru has the highest international reserves in the region with respect to GDP and imports

International Reserves September 2015



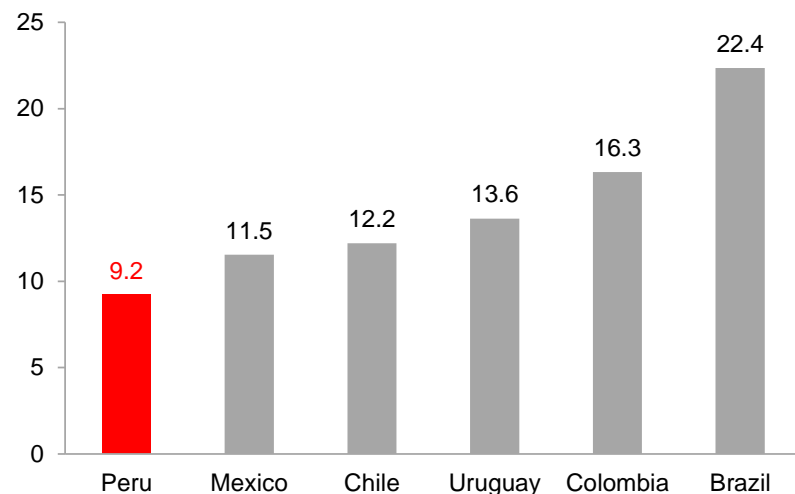
In addition, the Central Bank has instruments to stabilize the monetary and financial sector:

- Direct currency market intervention to reduce exchange rate volatility.
- Certificates of deposits and refundable certificates of deposits to provide liquidity in national currency.
- FX currency Swap to affect the interest rates market expectations.
- It has high levels of reserve requirement, which could be reduced to provide market liquidity.



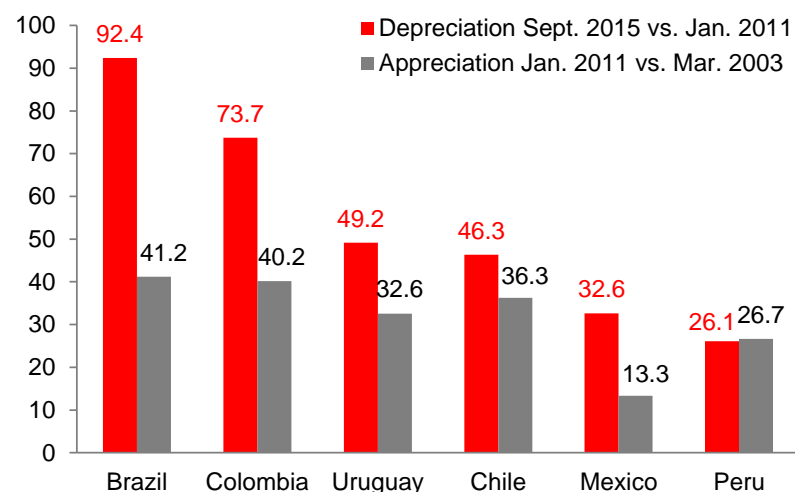
## Exchange Rate Volatility

(Standard deviations above average, %)



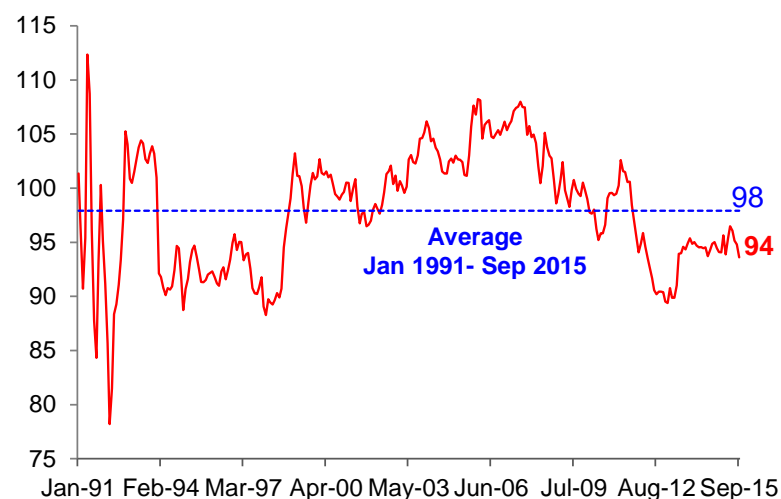
## Change in Exchange Rate<sup>(1)</sup>

(%)



## Peru: Multilateral Real Exchange Rate Index

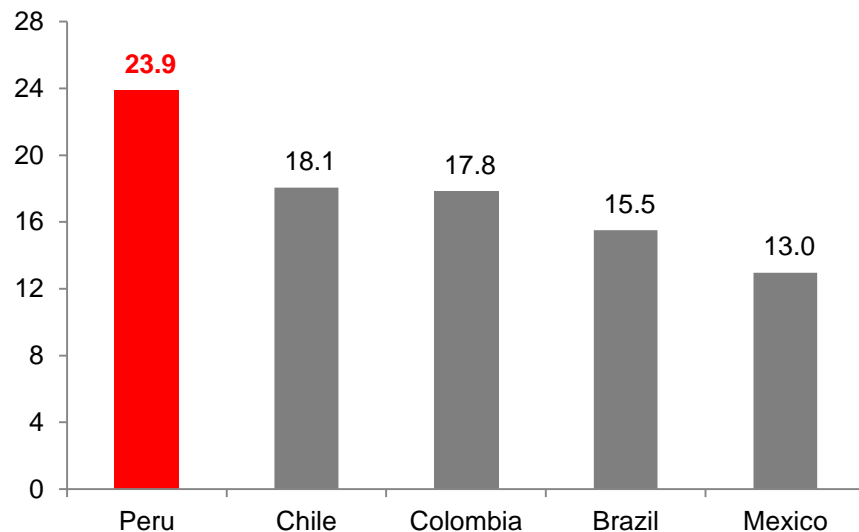
(Base 2009=100)



## 2 Solvent and liquid Banking Sector resilient to shocks

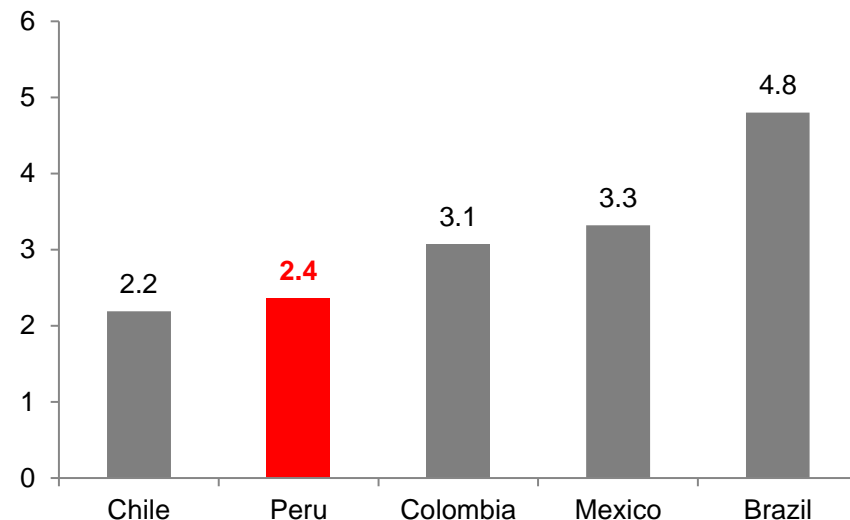
### The banking system remains strong

Banking System: Return On Equity – ROE March 2015 (%)



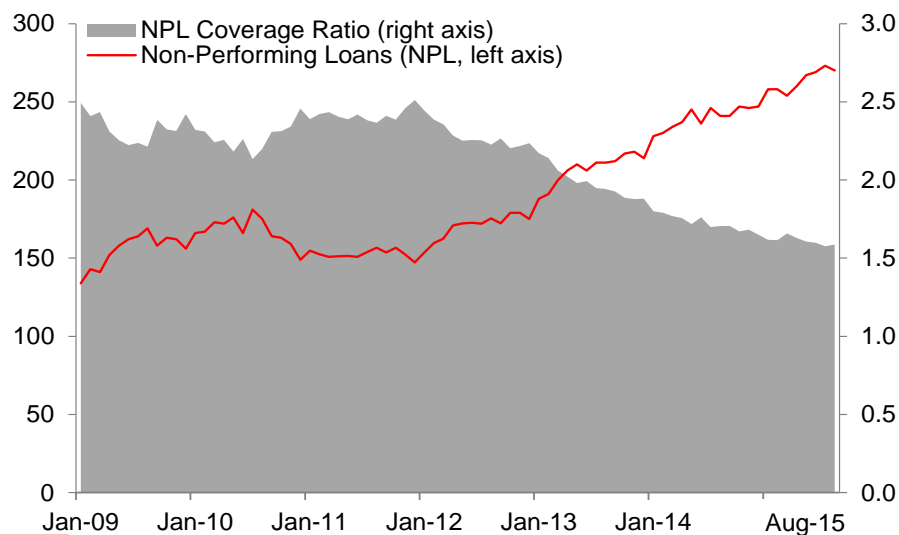
### ..and with low risk among countries in the region

Banking System: Non- Performing Loan Ratio June 2015 (%)



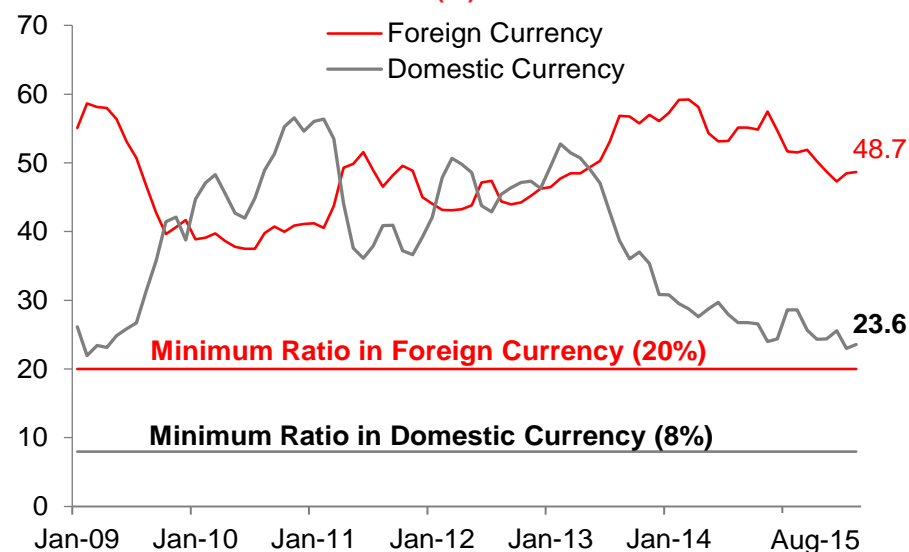
### The coverage ratio is high in Peru

Non- Performing Loans and Coverage ratio (%)



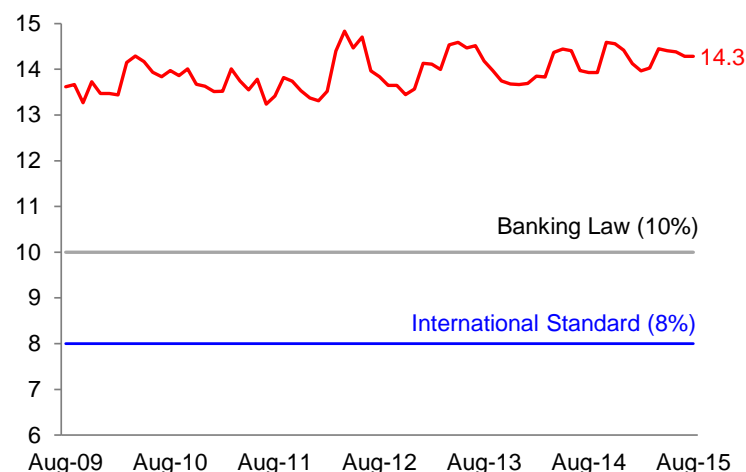
### ... and Banks liquidity remain above regulatory requirements

Liquid assets to Short-Term Liabilities (%)



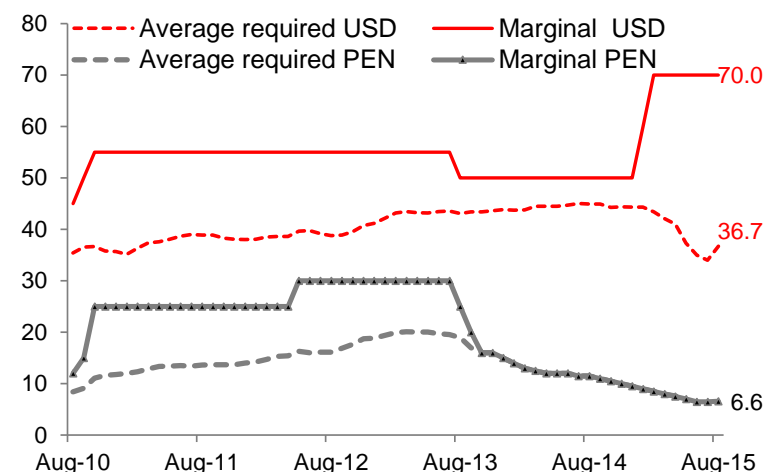
### Bank Solvency above International Standards

Total Capital Ratio (%) as Defined by Basel



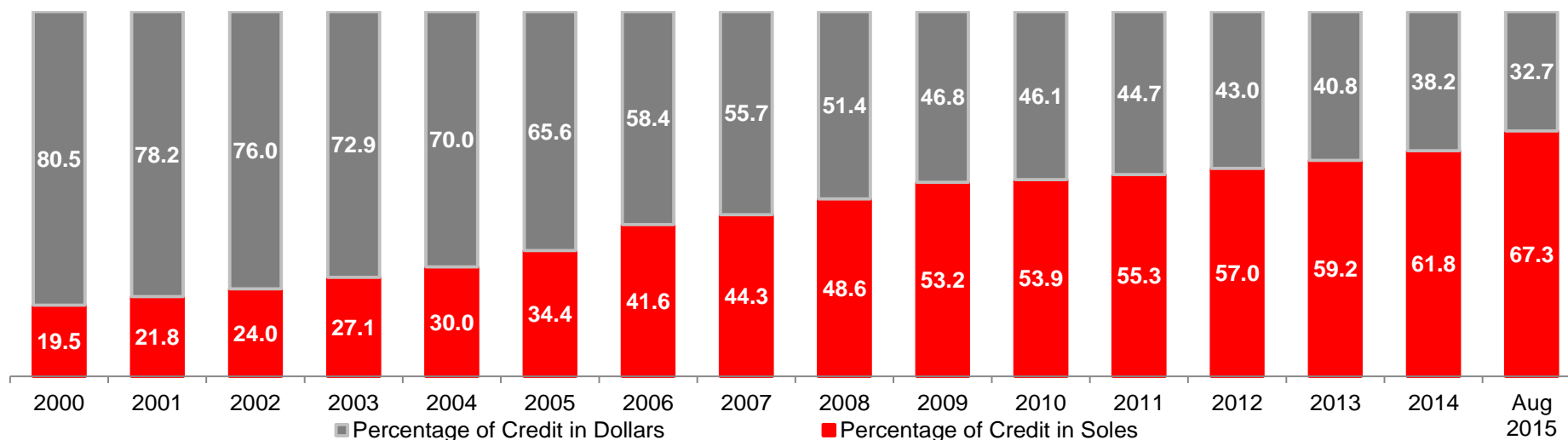
### Reserve Requirement Ratio in Soles and Dollars

As % of total obligations subject to legal requirements



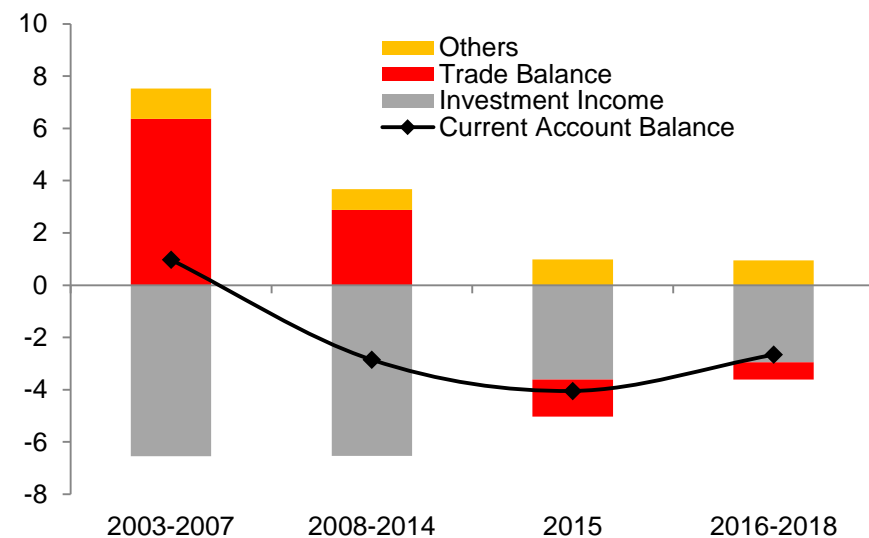
### Increasing Levels of Credit in Peruvian Nuevos Soles (PEN) vs. US Dollars (USD)

Credit Breakdown (%)<sup>(1)</sup>: PEN vs. USD



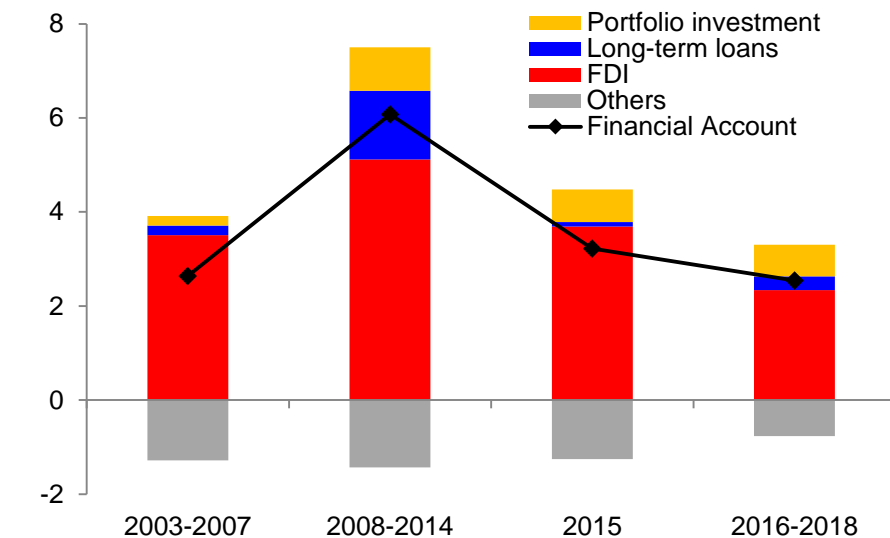
## Current Account Balance (International standard)

% of GDP



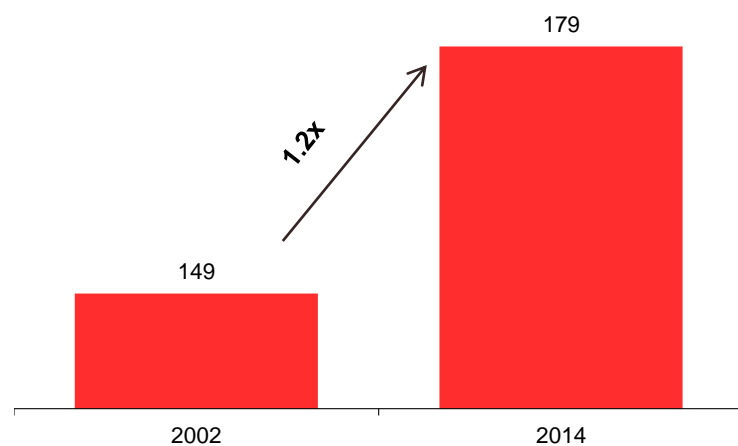
## Financial Account

% of GDP

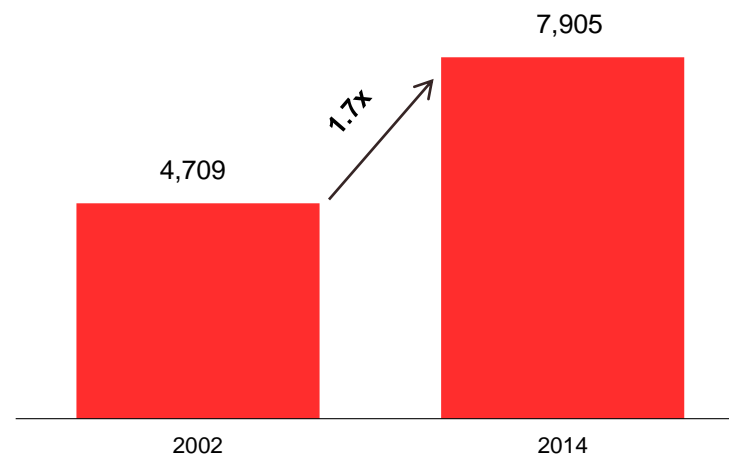


## Non Traditional Exports

Market destination– number of countries



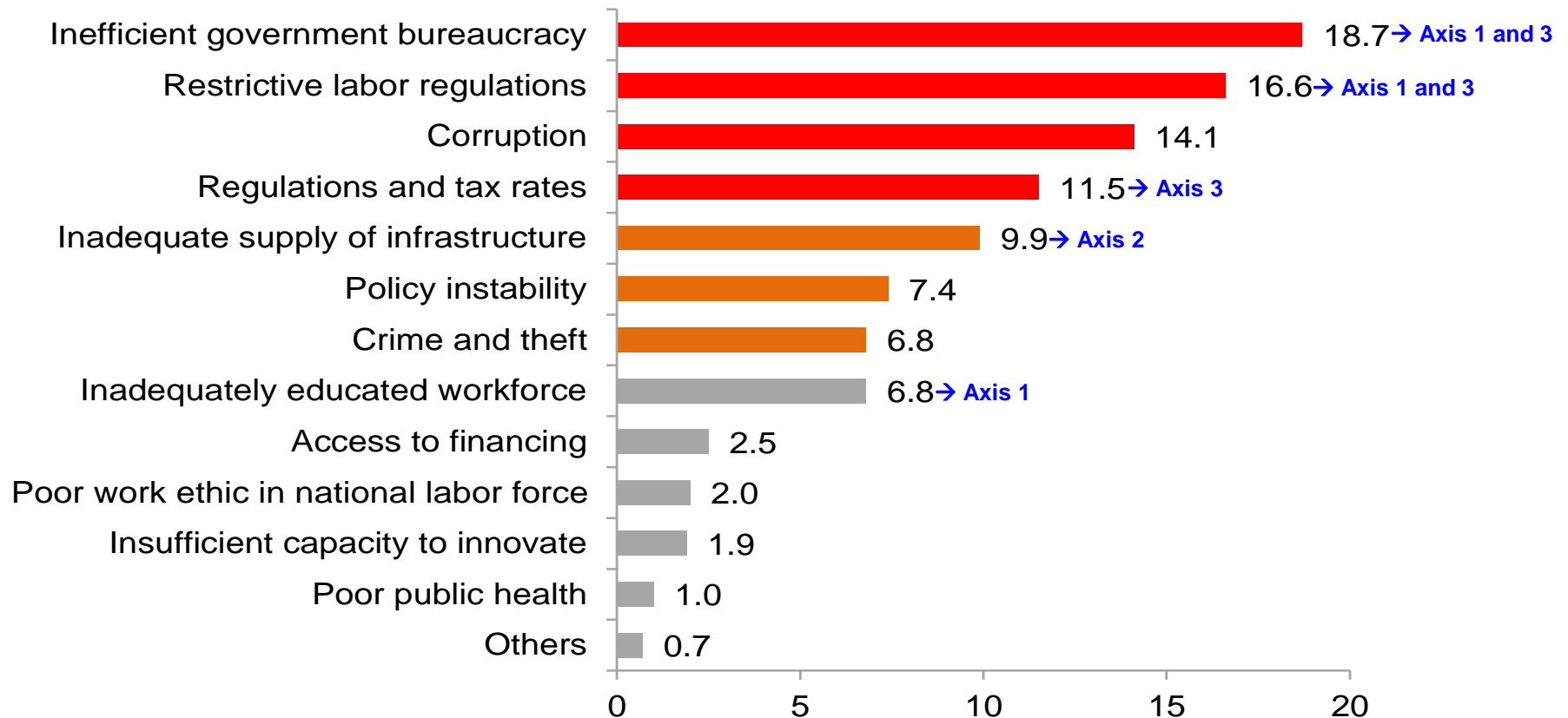
Business exporters – number of businesses



## 2 Structural reforms and policy measures aimed at boosting potential growth

### WEF 2015: Barriers to conduct business in Peru

(As Percentage of Total Answers)



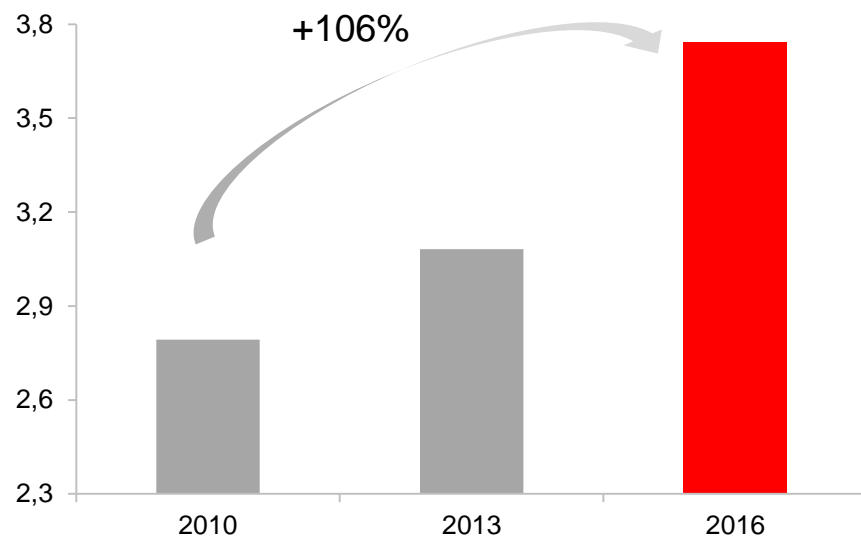
- **Axis 1: Human Capital**
  - **Axis 2: Infrastructure**
  - **Axis 3: National Productive Diversification Plan, Agenda of Competitiveness, “red tape”**
- + Social Inclusion (more equitable growth / social cohesion)**

## 2 Structural reforms and policy measures to boost potential output

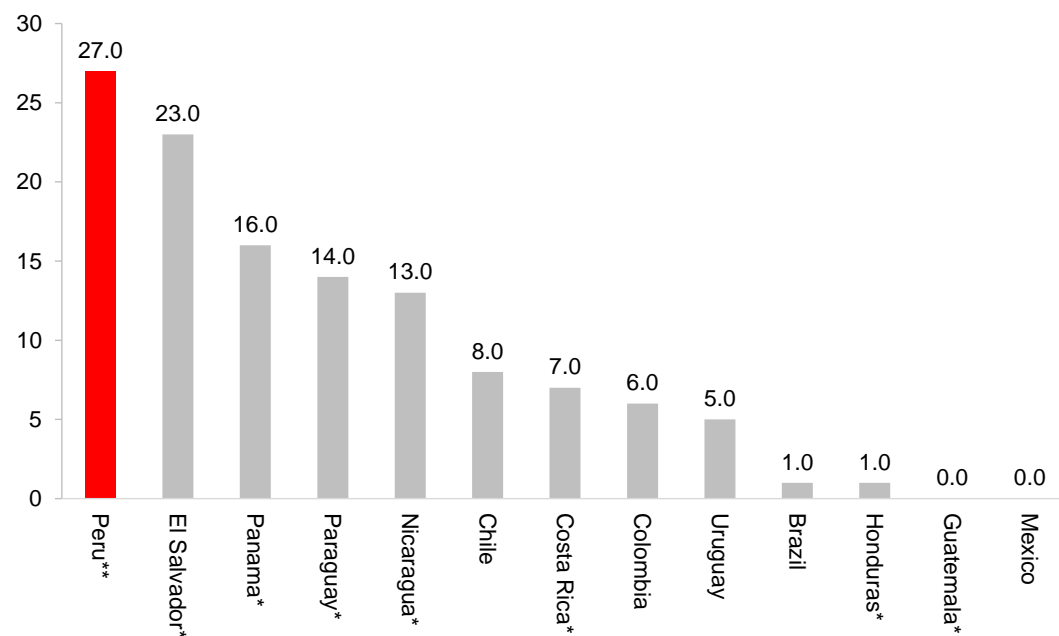
### • Axis 1: Human capital

- ✓ *Civil Service (SERVIR Law).*
- ✓ *Magisterial Reform Law.*
- ✓ *Reduction in transaction costs associated with labor inspections.*
- ✓ *Higher resource allocation in Education and Health.*

**Public Budget in Education**  
(% of GDP)



**Civil Service Development Index**  
(Change in Civil Service Development Index between 2004-2013)



### **Main policy measures in Education:**

- ✓ *Implementation of Magisterial Reform Law*
- ✓ *Improving Educational Infrastructure*
- ✓ *National Scholarship Program and student loans–PRONABEC.*

## 2 Key actions towards an improvement in productive diversification

- Promotion of new growth engines for the economy
- Reinforcement of Technology Innovations Centers (CITEs) and strengthening the Production Institute of Technology (ITP)
- Implementation of a National Quality Policy
- Implementation of a National Innovation Policy
- Development and promotion of modern industrial parks
- MSMEs financing cost reduction

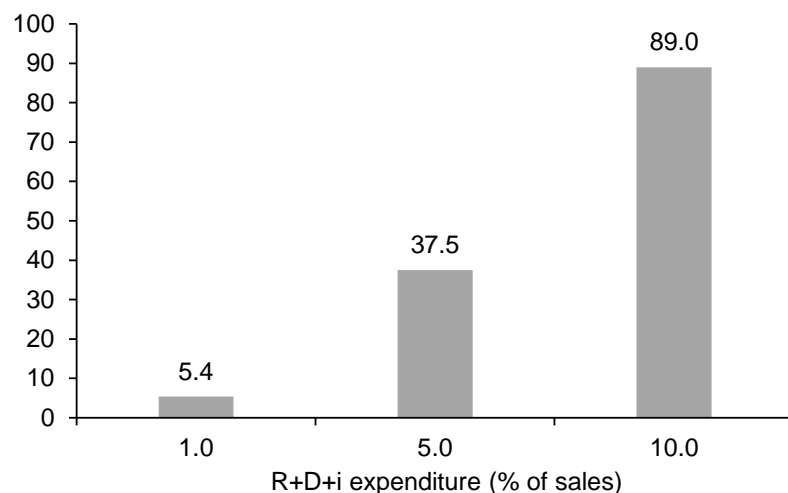
## 2 Measures in order to increase productivity and diversification

### R+D+i: Deduction Factor on taxable base<sup>1/</sup>

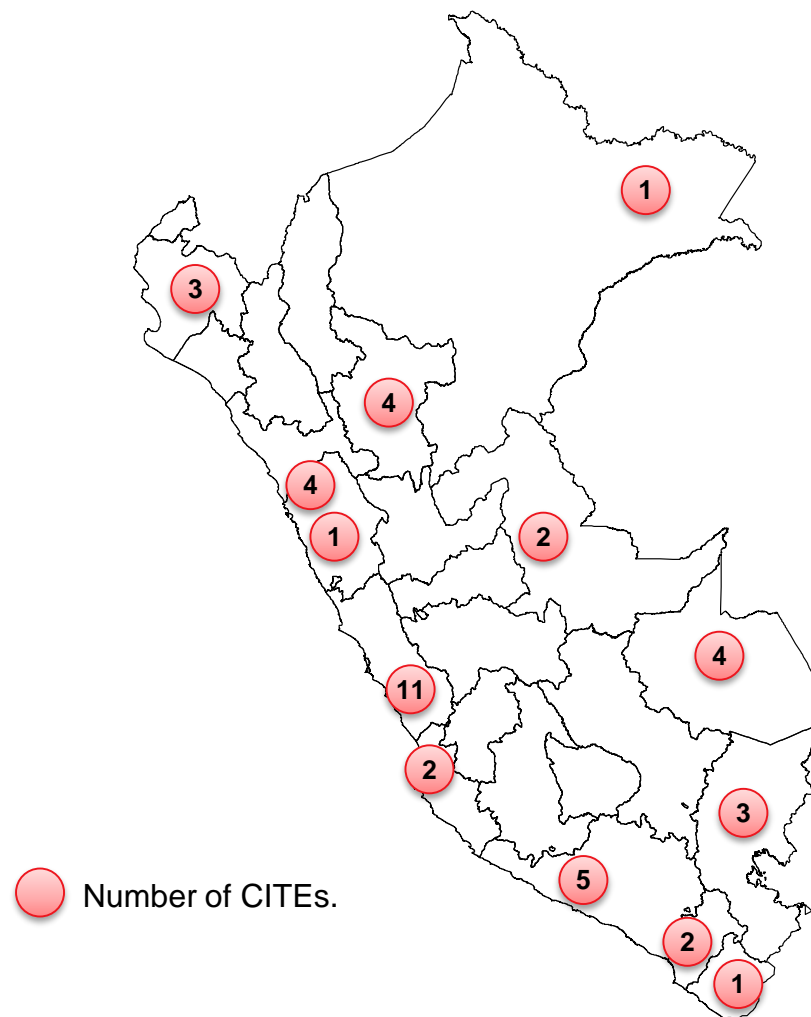
Who makes the project?	Deduction (%)
Company	175
National Research Center	175
Foreign Research Center	150

### Saving for a large company according to R+D+i

(% of income tax)



### Technology Innovations Centers (CITE)



□ There are 12 CITEs at the moment; 2016 goal: 47

□ The improvement is both: qualitative and quantitative.



### **A - Administrative simplification**

- Single window procedure: Facilitates the integration of public sector procedures and services
- Technical inspections: Simplifies procedures/permits on technical inspections on buildings
- Unique procedure system: Creation of a software as a new tool to facilitate procedures
- “Red tape”: Strengthening authority powers for identification and elimination of barriers

### **B - Investment promotion**

- PPP: New Public Private Partnership framework
- “Tax Credits for Public Infrastructure” (OxI): Precisions and enhancing of OxI scheme in all gov. levels
- Expropriations: New framework for acquisition, expropriations and interferences
- Sanitation: Improves efficiency on groundwater management
- Urban habilitation and buildings (LD 1225): Facilitation of permits for housing access
- Energy access: Improvement in electric energy access
- Electric coverage: New investment mechanisms to improve electric coverage and quality
- Cultural heritage: Promote the private sector participation in the cultural heritage management

### **C – Productive Diversification**

- Factoring: Financing through factoring operations for small and medium enterprises
- Technological innovation centers-CITE: Strengthening the CITE to consolidate achievements
- Aquaculture: Legal framework and promotion for sustainable development of aquaculture
- Industrial parks: Develop modern and international competitive industrial parks
- MIPYME fund: Boost innovation, technology transfer and quality of micro, small and medium companies.

### **D – Trade Facilitation and market efficiency**

- Customs: Introduction of best international practices in customs management
- Anti-competitive practices: Strengthening the powers of authorities

### **E - Financial deepening**

- Real state investment funds-FIRBI: Tax incentives to promote real state investment funds
- Real state capitalization scheme: Promotion for a new scheme that facilitates access to housing
- Rental housing: New rental housing schemes with buy option and leasing



### New opportunities based on Trans-Pacific Partnership

- 12 members of TPP account around 40% of the world's GDP.
- Five new FTAs and improved conditions with others.
- Mechanisms to foster integration to global value chains.
- Simplified access procedures.



### The Pacific Alliance

- Joint promotions of infrastructure investment (scale).
- Comprehensive financial and capital markets integration.
- Disaster management risk -policy mechanisms.
- Fiscal transparency.

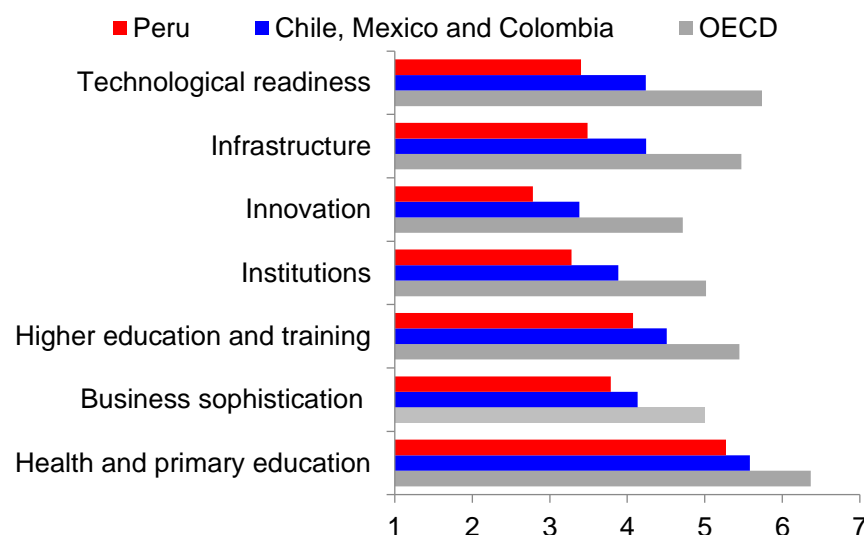


### Peru's accession to OECD will serve as a trigger for structural reforms

- Improve on public governance issues.
- Bolster "microeconomic" reforms: institutionality, informality, innovation, among others.
- Country Program with the OECD will help us to close those gaps.

### Competitiveness Indicators – Gaps against other countries

Values between 1 (worst) and 7 (best)





### **3 Risks and buffers**

### 3 Peru has important buffers to deal with a challenging international environment

Consideration	Potential concern	Risk	Mitigant
China slowdown	4	<ul style="list-style-type: none"> <li>❑ Lower commodity prices</li> <li>❑ Lower demand for Peruvian exports</li> <li>❑ Increase in risk perception</li> </ul>	<ul style="list-style-type: none"> <li>❑ Comparatives advantages in mining</li> <li>❑ Strong pipeline in mining projects (production phase)</li> <li>❑ Investment through PPPs will support growth prospects</li> <li>❑ Low fiscal revenues from mining (1.1% of GDP in 2014)</li> <li>❑ Ongoing Productive Diversification Plan</li> </ul>
Deterioration in macro external accounts	3	<ul style="list-style-type: none"> <li>❑ Widening of current account and trade balance deficits</li> </ul>	<ul style="list-style-type: none"> <li>❑ Increasing tradable production in the following years (mining)</li> <li>❑ Headroom for policy intervention</li> <li>❑ Strong stock position (Liabilities position of bonds and total external debt 32% of GDP in 2014)</li> </ul>
Upcoming rate hike	2	<ul style="list-style-type: none"> <li>❑ Rising funding yields due to rate hike</li> <li>❑ Potential loss of access to capital markets</li> </ul>	<ul style="list-style-type: none"> <li>❑ Rate hike anticipated for a long time, reaction should be mild</li> <li>❑ Investment grade rating: healthy debt profile, strongest balance sheet</li> <li>❑ Strength of financial/banking system</li> <li>❑ Financial sector is low (Loans equiv. to 37% of GDP in 2014)</li> </ul>
FX volatility	1	<ul style="list-style-type: none"> <li>❑ Concerns about intervention and continued “overvaluation”</li> <li>❑ Potential for drastic correction if outlook worsens</li> </ul>	<ul style="list-style-type: none"> <li>❑ Peru's RER is in line with fundamentals</li> <li>❑ Dollarization of banks' loan portfolio is at historically low levels</li> <li>❑ External position better than peers</li> <li>❑ Peru's Central Bank has buffers to confront this scenario.</li> </ul>
Fiscal deficit	1	<ul style="list-style-type: none"> <li>❑ Fiscal impulse shows expansionary stance</li> <li>❑ Partially financed with capital markets operations</li> </ul>	<ul style="list-style-type: none"> <li>❑ Fiscal space generated in previous years</li> <li>❑ Low net debt allow a more efficient assets &amp; liabilities management</li> <li>❑ Strong commitment with rules based macro-fiscal framework</li> <li>❑ Ample space to increase fiscal revenues (20% of GDP)</li> </ul>



# Investor Presentation

## Peru

October 2015