

The image features a large, stylized, light gray watermark of the Peruvian coat of arms on the left side. The coat of arms includes a shield with a llama on the left and a tree on the right, topped with a wreath and flanked by two flags. Below the shield is a cornucopia overflowing with agricultural products. The background is a gradient of gray with a subtle pattern, and a thick red curved band runs along the bottom and left edges.

Investor Presentation Peru

February 2016

Key Highlights on the Peruvian Economy



1 Background information

2 The current equilibrium

3 Economic Outlook

4 Risks and buffers



1

Background information

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

2

Strong macroeconomic fundamentals

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

3

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

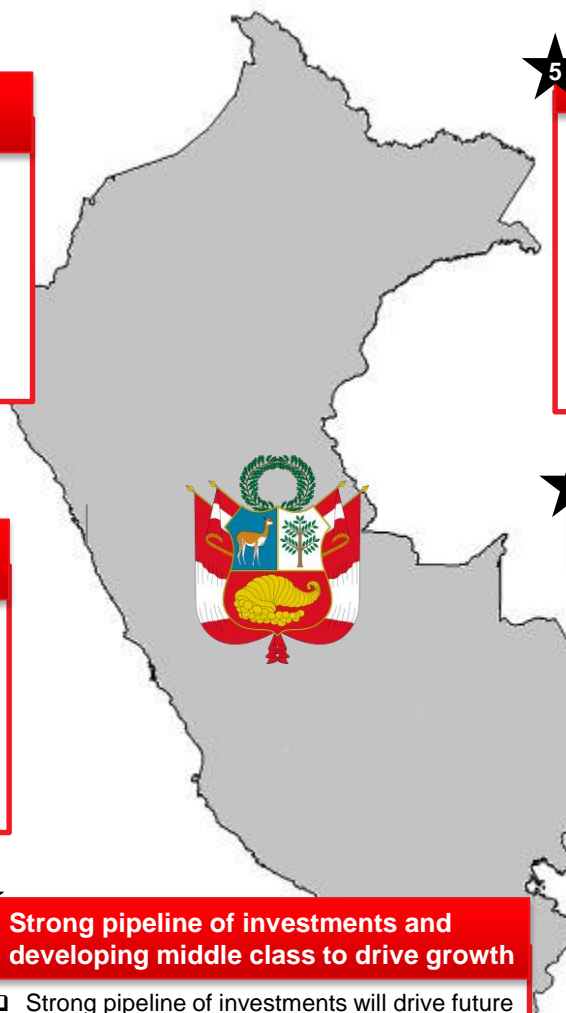
Efficient debt management

- ❑ 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

4

Healthiest balance sheet in its peer group

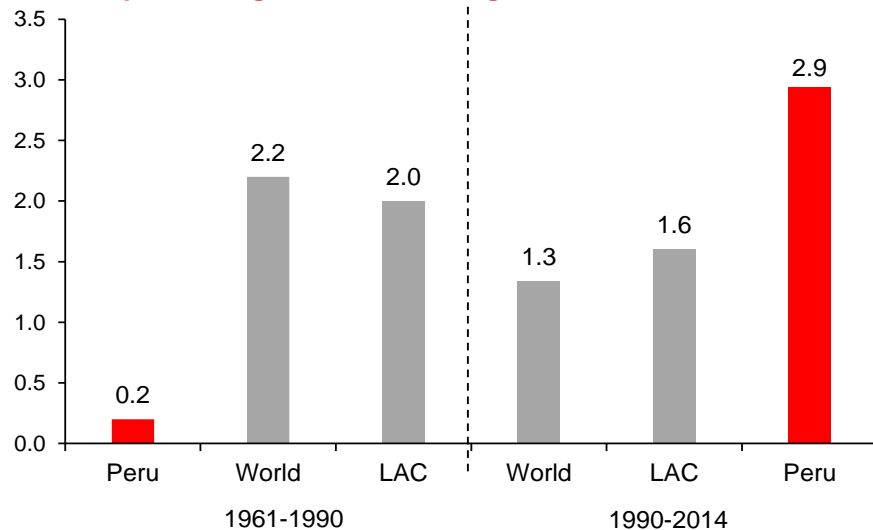
- ❑ Peru's public sector balance sheet is the strongest in its peer group
 - Low levels of government debt (gross or net)
 - Liquid assets available for treasury management
 - Ample access to capital markets
 - Low debt service
 - Moderate government deficits



1 Peru led the region economic growth over the past decade

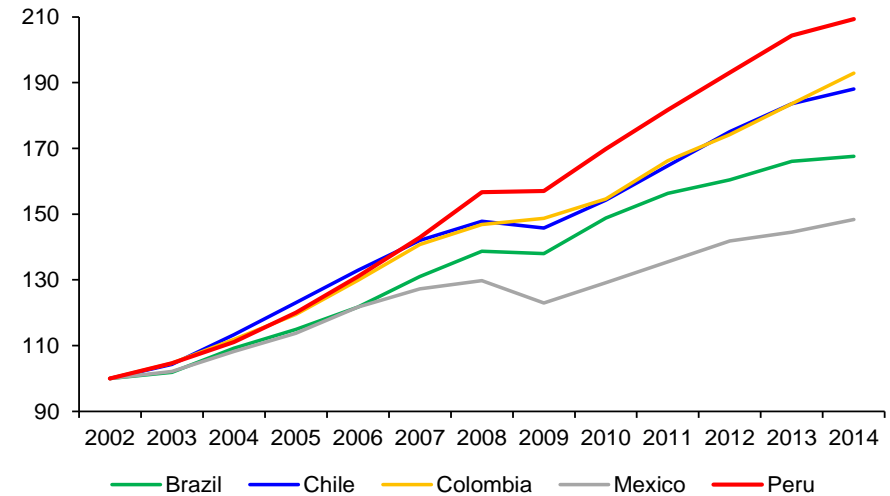
Structural changes supported the outstanding performance of the peruvian economy

GDP Per Capita Average Annual % Change



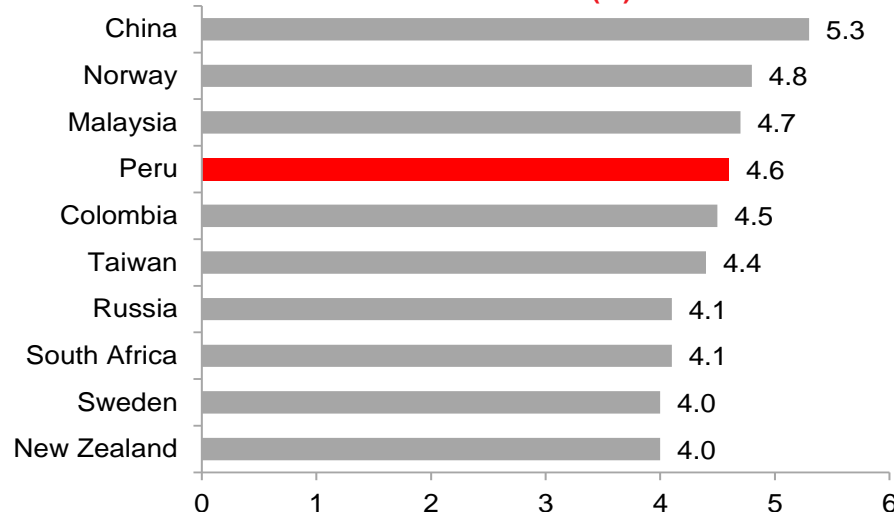
GDP Per Capita increased more than the regional peers

LA5: GDP Per Capita 2002-2014 (Index 2002=100)



....and is among the top ten countries in terms of wealth⁽¹⁾ increase

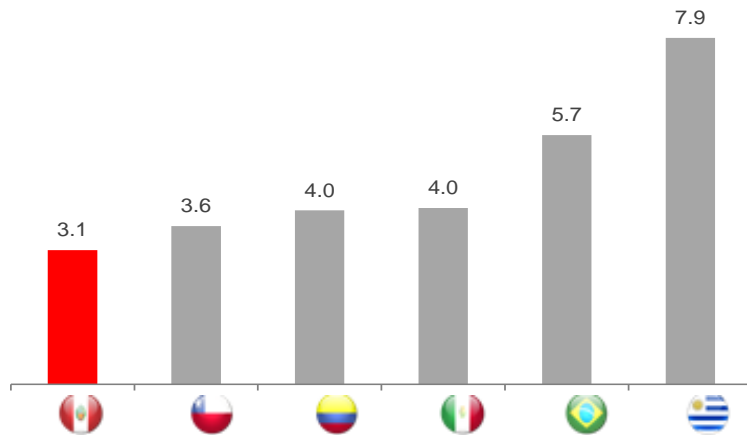
Real Annual Wealth Growth Rates 2000 – 2015 (%)



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

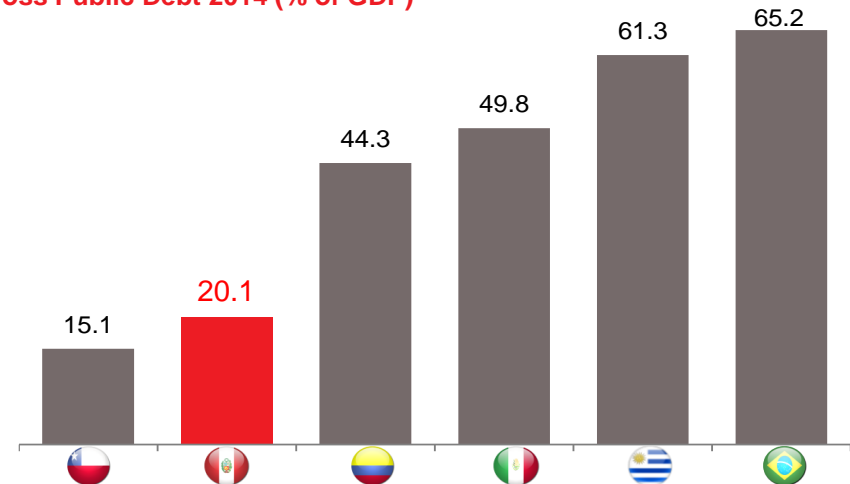
Low inflation rates...

2006 – 2015 Inflation Average



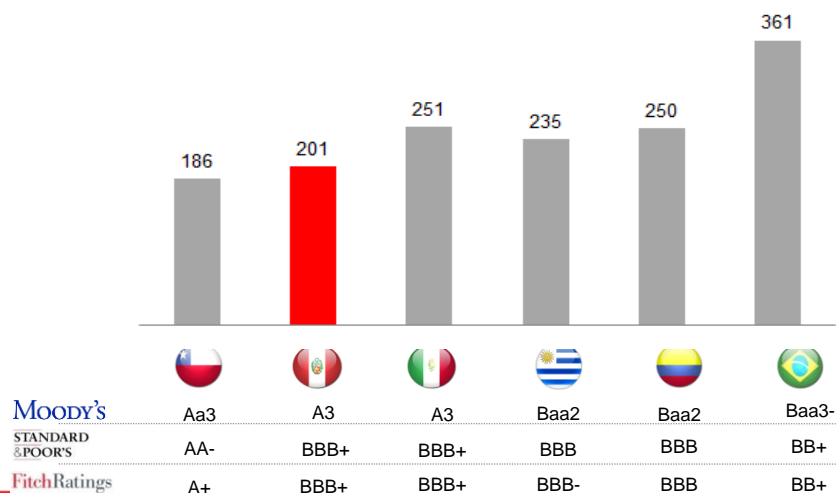
...and a prudent fiscal policy...

Gross Public Debt 2014 (% of GDP)



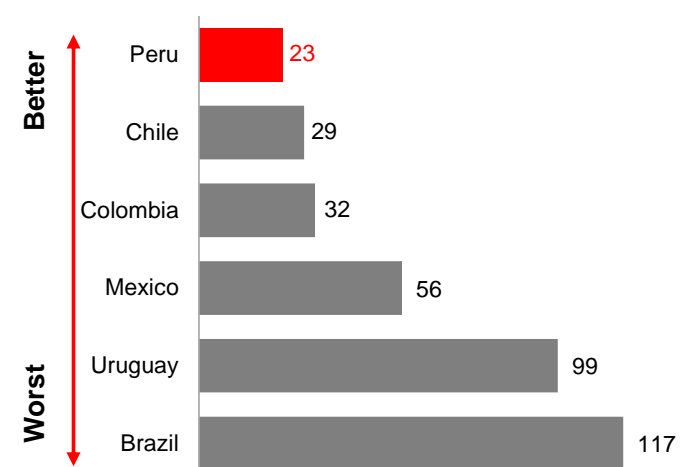
...generates an attractive risk profile

Country Risk (bps), EMBI+ Average. Jan 1– Dec 31, 2015

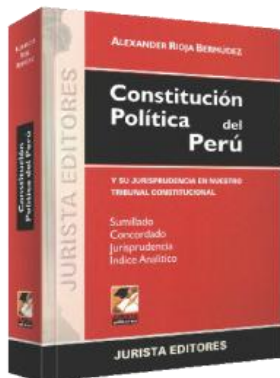


within a solid macroeconomic environment 2015

Macroeconomic Environment Ranking by WEF



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 amongst other instruments are available to the Central Bank.
- Peruvian legislation gives the same treatment to local and foreign investors.
- No restriction on profit remittances and dividends.

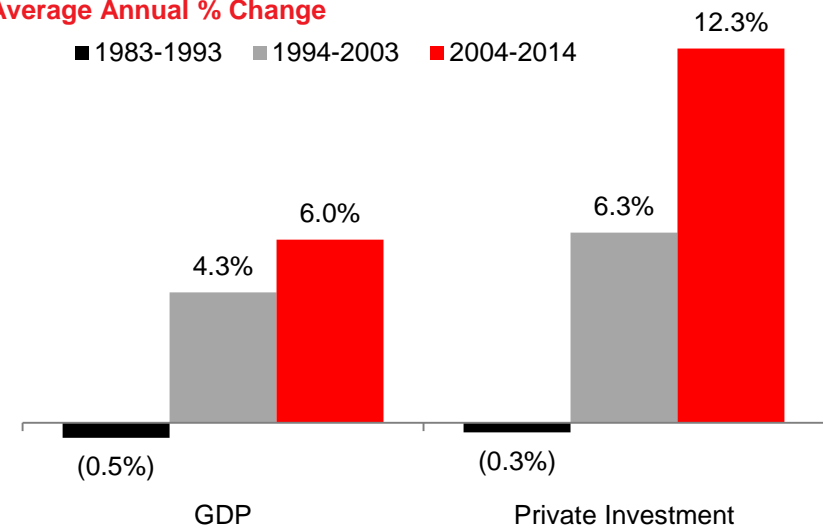
1 Sustainable economic growth has been driven by a prolonged capital accumulation process

- Private investment has been the 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

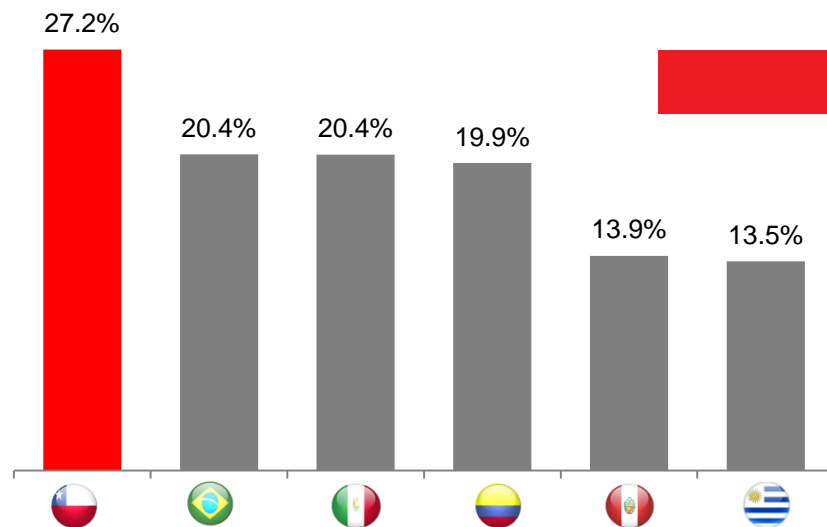
Average Annual % Change

■ 1983-1993 ■ 1994-2003 ■ 2004-2014



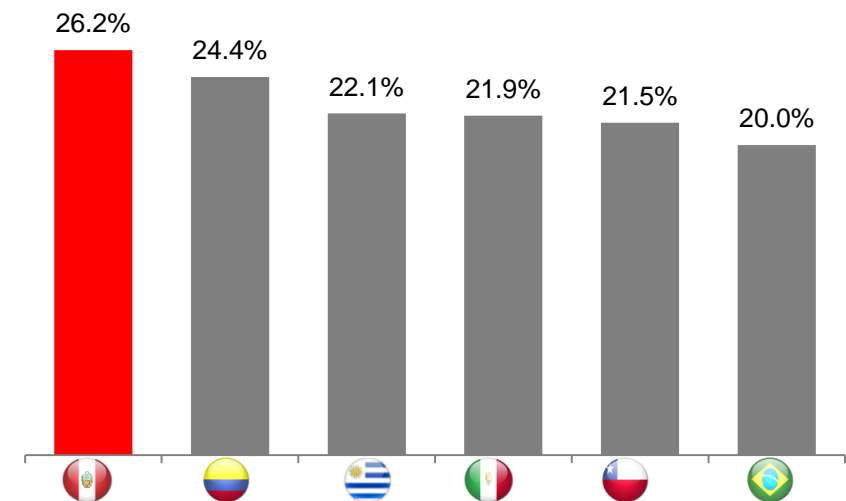
Investment in Peru rose from record lows in 1990...

Total Investment as % of GDP - 1990



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

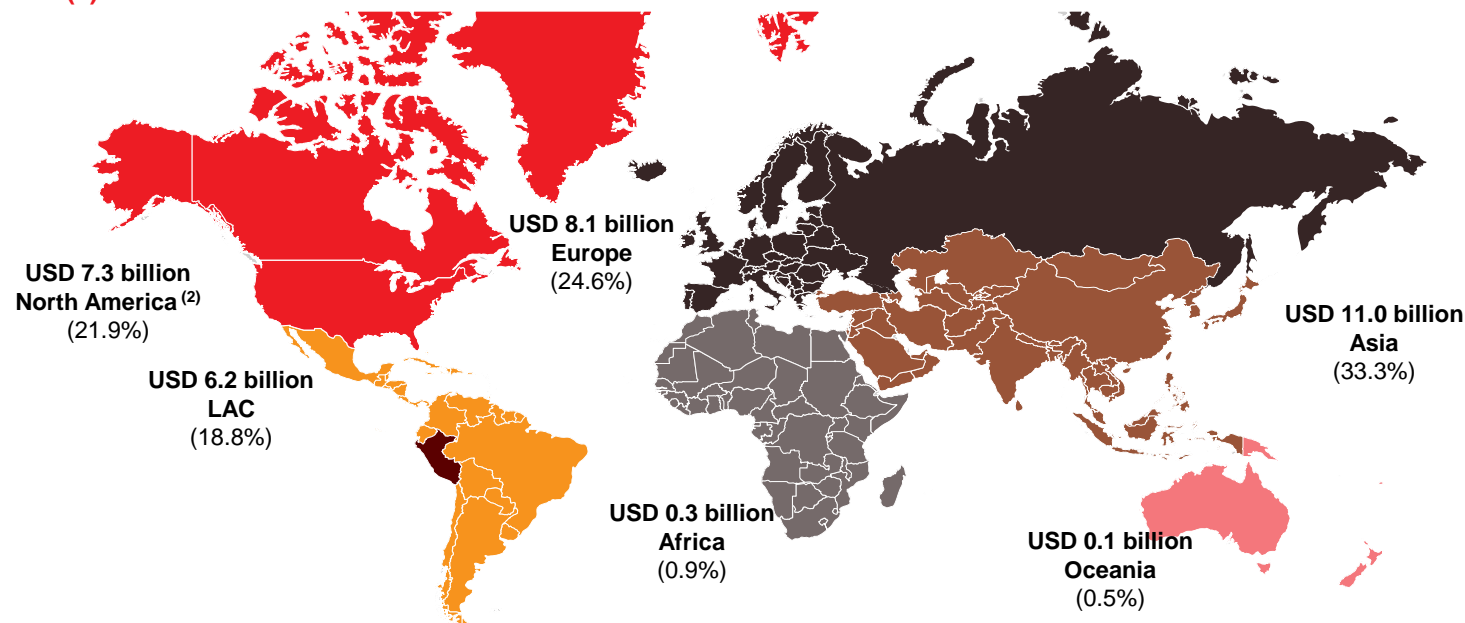
Total Investment as % of GDP - 2014



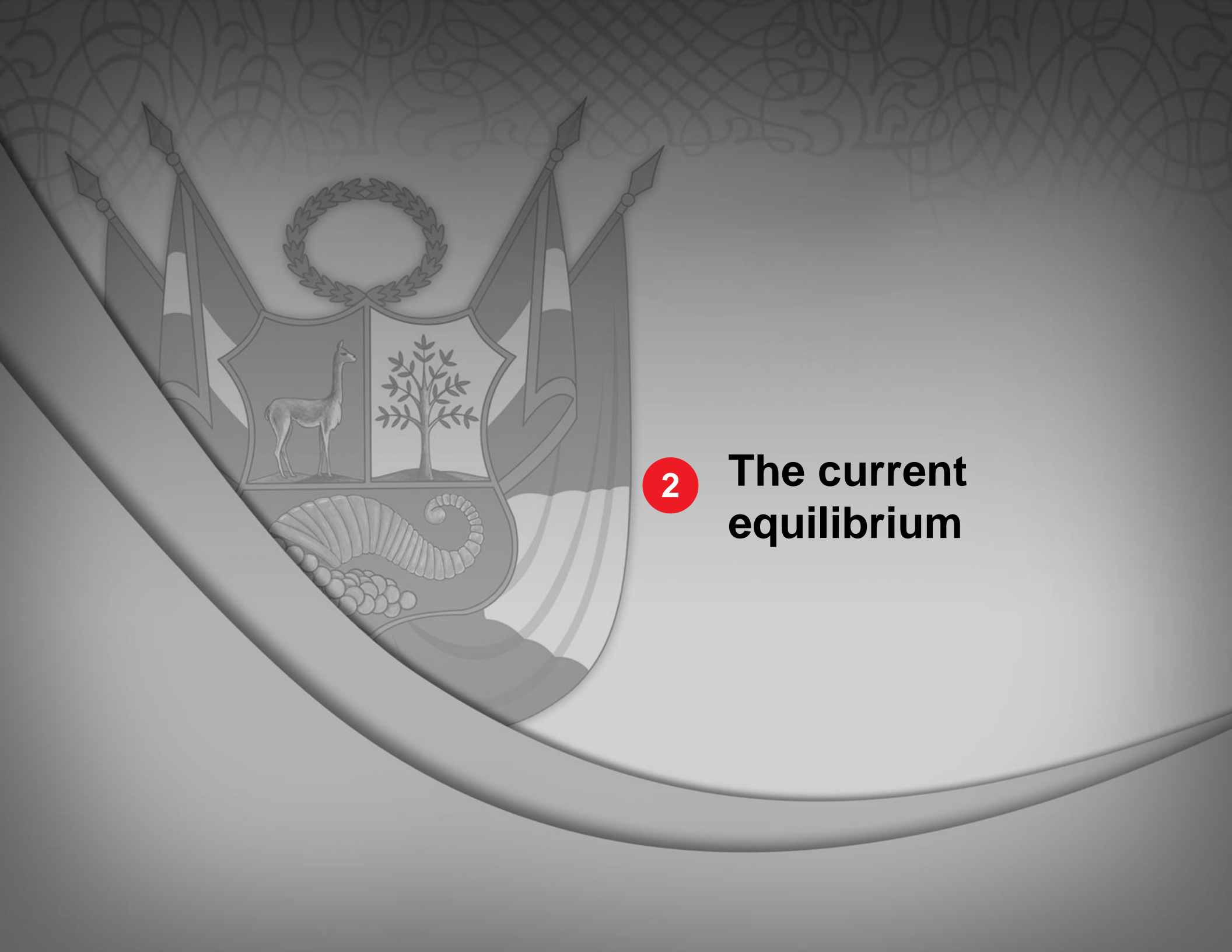
1 Global integration fosters trade and investment

Peru: Total Exports⁽¹⁾

% of Total Exports (1)



- 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).
- The Pacific Alliance, which includes Chile, Colombia, and Mexico, is an optimal platform to promote jointly infrastructure investment, integrate financial and capital markets and strengthen fiscal transparency.
- Accession process to the OECD will support continuity of important structural reforms on institutionality, informality, innovation, among others.

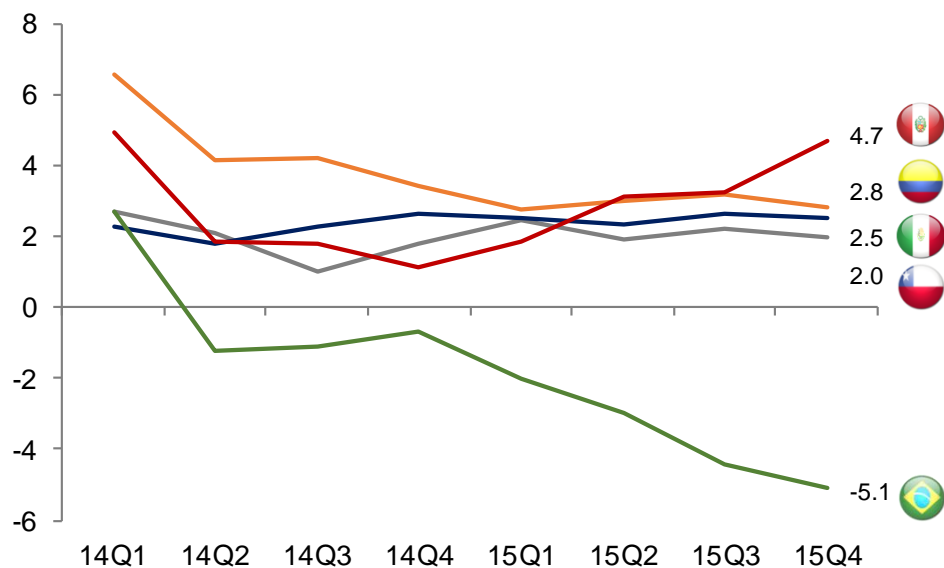


2

The current equilibrium

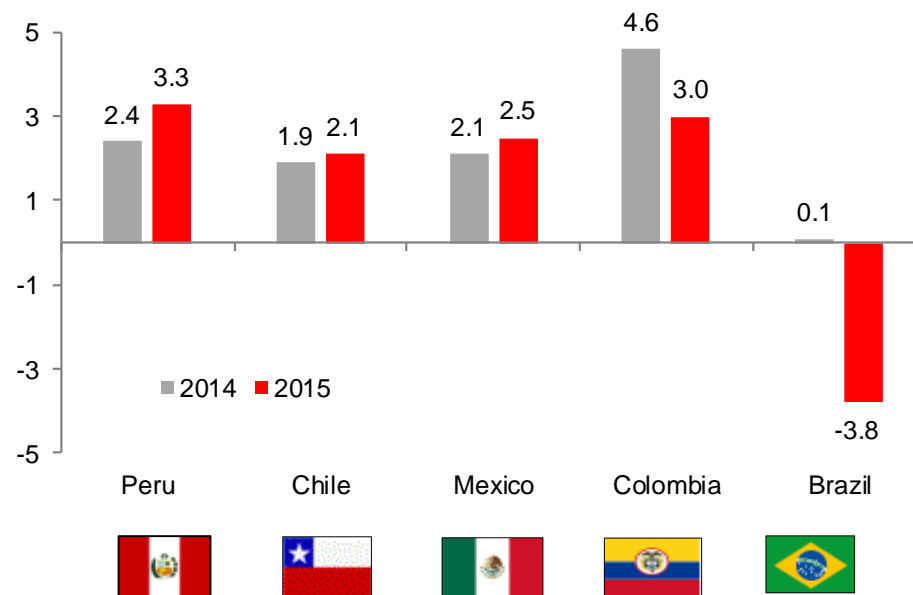
Regional economic growth 1/

GDP (YoY% Change)



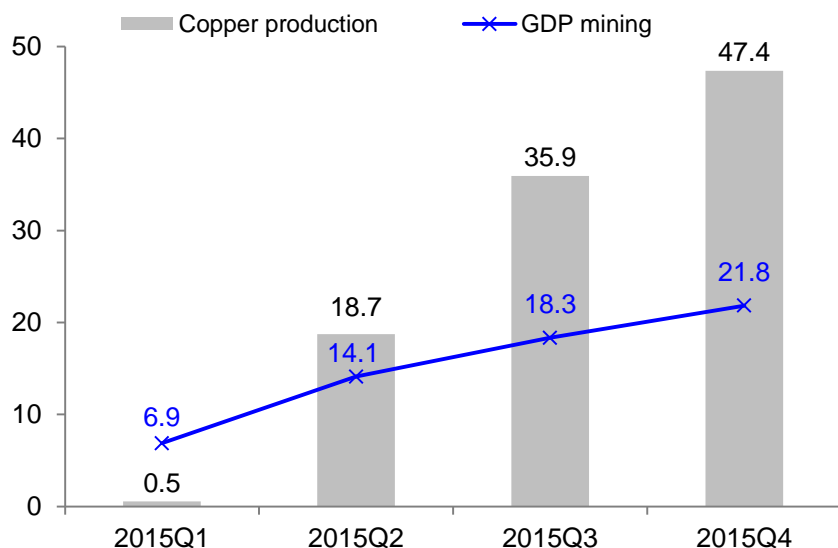
GDP 2014-2015

(YoY% Change)



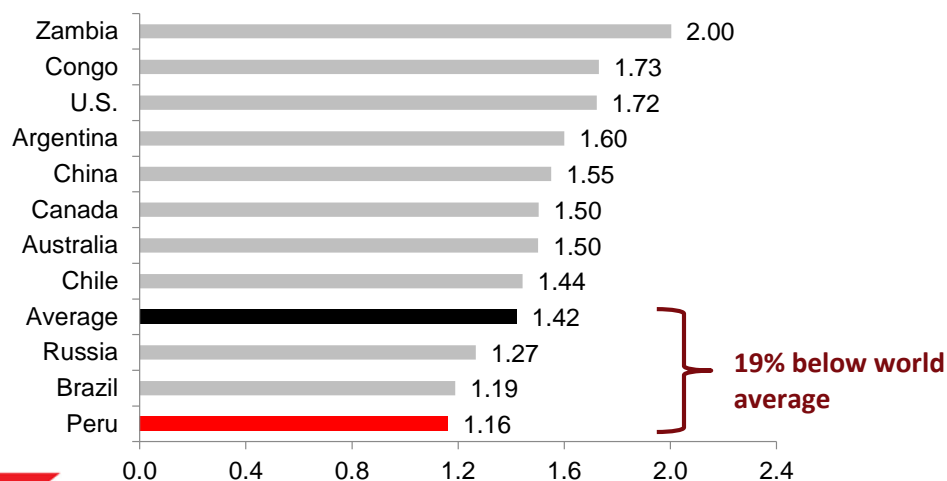
Copper Production and GDP Mining

(YoY % Change)



Copper: Cash Cost 2015

(USD/lb)



Source: INEI, MEF estimates, MINEM, Bloomberg, Cochilco, Wood Mackenzie.

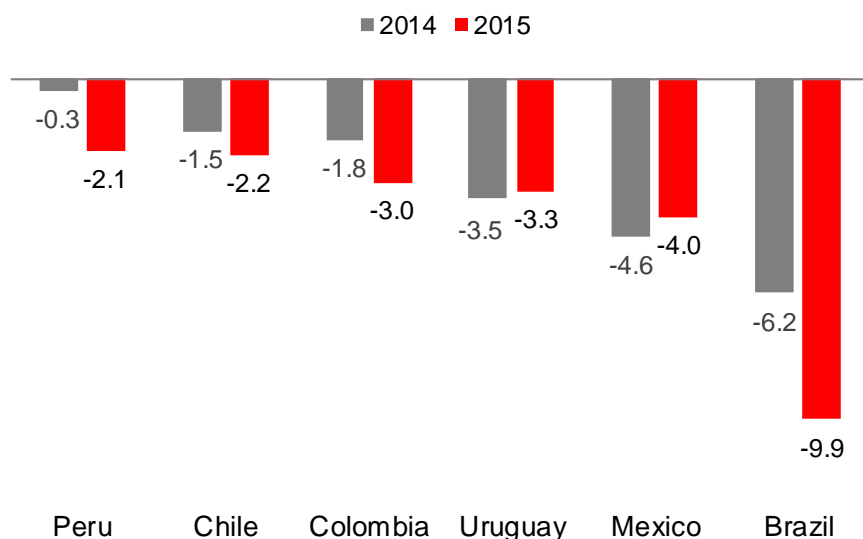
2015: Announced reduction in copper production in other economies

(Thousands of MT)

Country	Mine	Owner	
Zambia	Katanga	Glencore	80
	Mopani		
	Baluba	China Nonferrous Mining	4
U.S.A.	Ray	Grupo Mexico	10
	Tyrone	Freeport	45
	Miami	Freeport	
Indonesia	Grasberg	Freeport	
Chile	El Abra	Freeport	40
	Collahuasi	Anglo American and Glencore	
Total annual production			179
Percentage of world production			1%

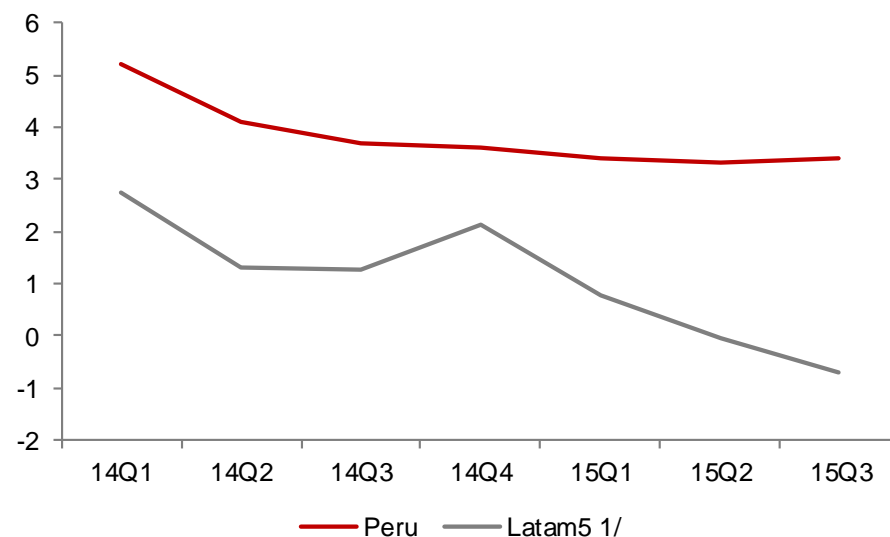
Overall Balance in Latam

General Government overall balance (% GDP)



Peru's private consumption keeps sustained and robust unlike the region

Private consumption (Annual % Change)



- Reduction of tax income for workers increased disposable income in 0.2% of GDP.

	2014	2015
Consumer credit (% change) 2/	12.0	13.7
Metropolitan Lima Employment (% change)	1.1	1.1
Metropolitan Lima Income (% change) 3/	6.8	4.8

Source: Bloomberg, Central Banks, Instituto Nacional de Estadísticas e Informática- Encuesta Permanente de Empleo (INEI-EPE), SUNAT.

1/ Latam 5 corresponds to Colombia, Mexico, Brazil Chile and Uruguay.

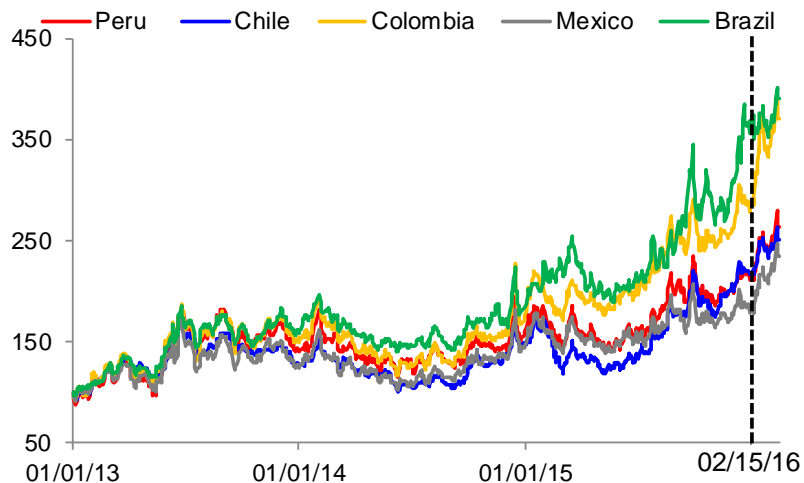
2/ For 2015 data available until November 2015.

3/ For 2014 is the average of monthly change.

2 An investment grade country with positive market perception

EMBI Index

Index (1st January, 2013 = 100)



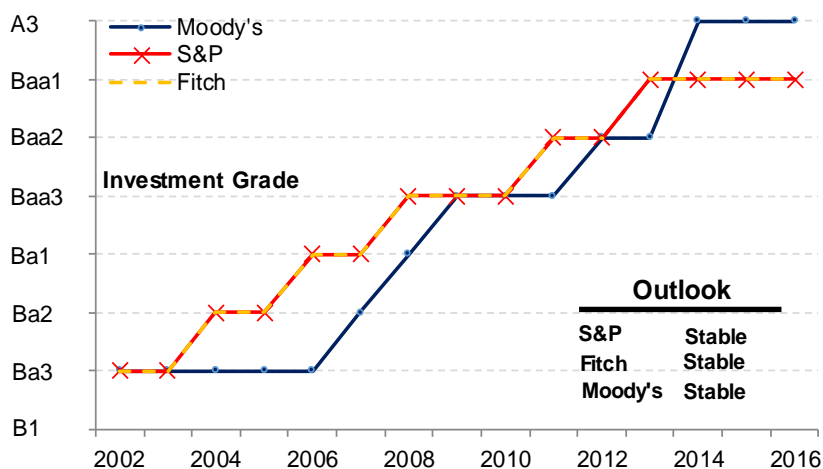
- According to the IMF 1/ :

“In Chile, Colombia and Peru (...) the foundations for growth remain in place, including sound policy frameworks, credible institutions, healthy financial markets, and favorable foreign borrowing costs”.

- Sound fiscal management and solid fiscal accounts has allowed the country recognition in international markets which materialized in successful issuances of sovereign bonds with demand more than four times the amounts offered and reaching historical lowest coupon rates.

Sovereign Rating Evolution

Long Term Debt in Foreign Currency



- This includes pre-financing and liability management operations carried out in October 2014, March 2015, August 2015 and October 2015 which allowed the country to improve the public debt profile and composition in terms of currency, maturity and interest rates.

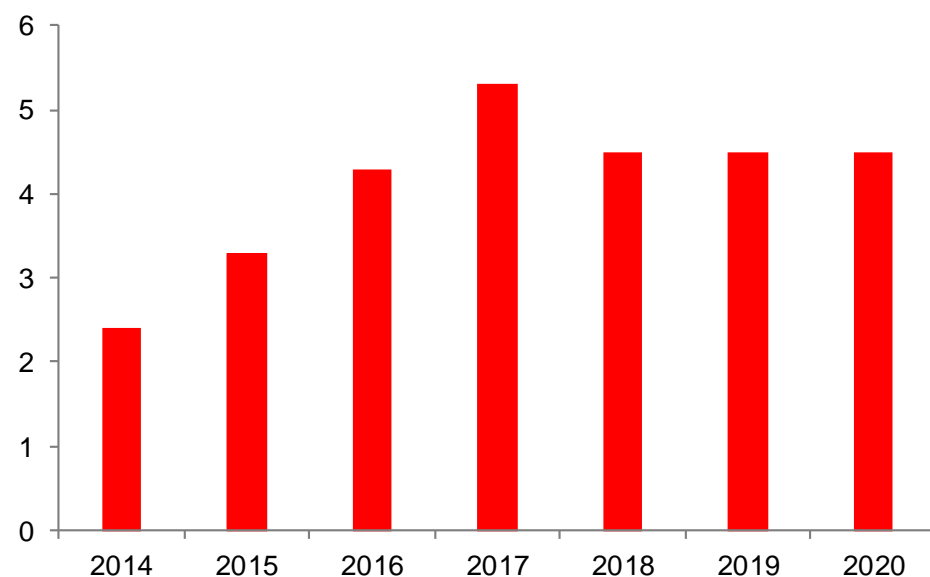
Source: Bloomberg, FMI



3 Economic Outlook

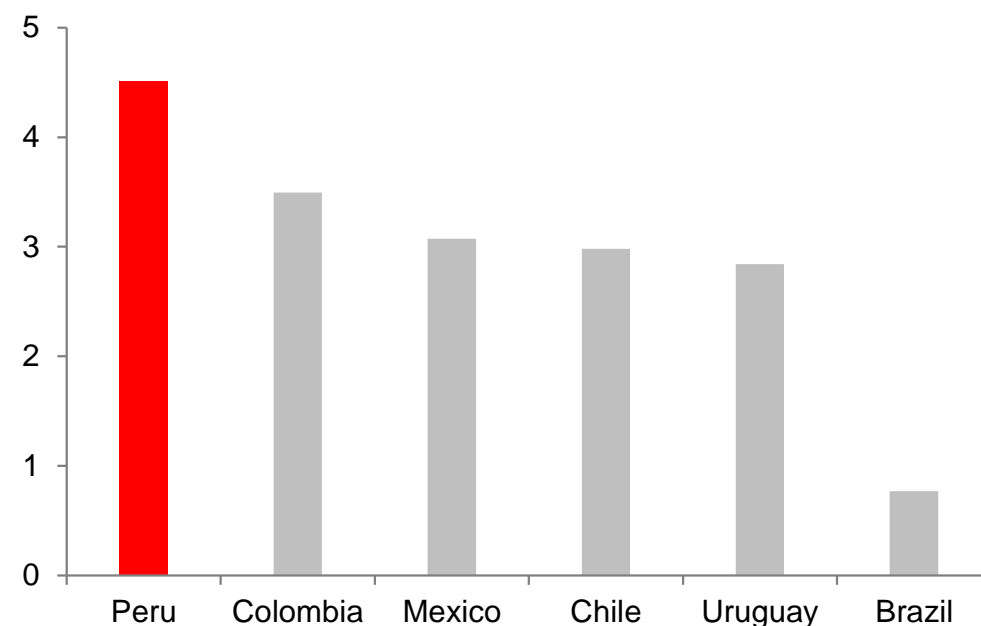
Peru's GDP

Annual % Change



GDP Forecasts 2016-2020

Average Annual % Change

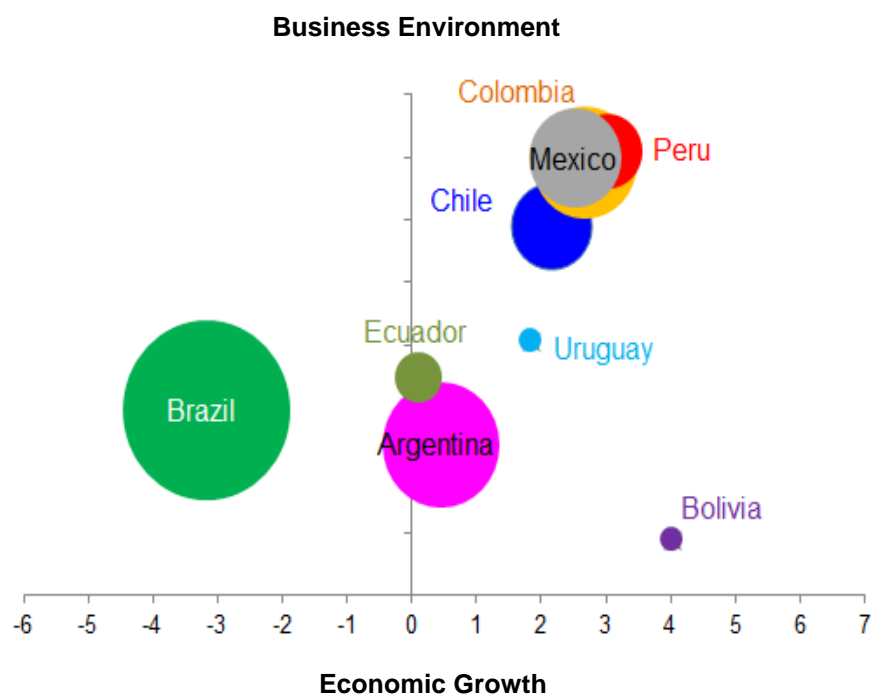


	2008 (Before international crisis)	2015 (New international environment)
Inflation (%)	6.7	4.4
International Reserves (% of GDP)	26	32
Credit Dollarization (% of total credit)	51	30
Public Debt (% of GDP)	26.9	23.6
Public External Debt (% of GDP)	16.8	11.2
Fiscal Stabilization Fund (% of GDP)	1.6	4.1

3 Peru is in a better position than its peers to weather shocks

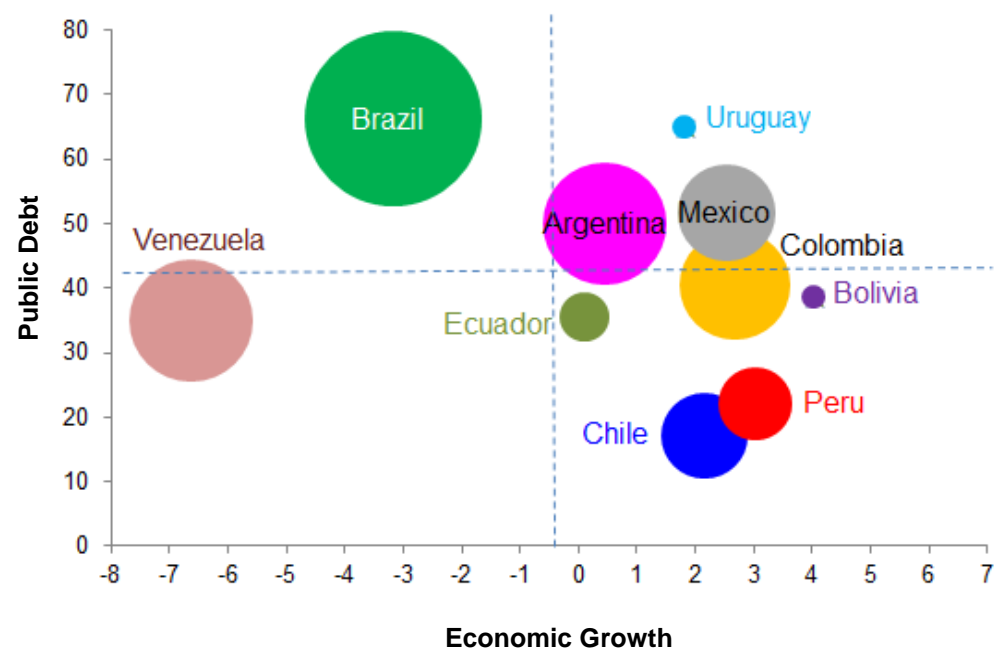
Peru is in the group of good business environment and solid growth countries in the region

Business Environment vs Growth 2015-2016 ⁽¹⁾ (Score, Annual % Change)



... and low financing needs

Public Debt vs Growth 2015-2016 (as % of GDP, Annual % Change)



3 Peruvian economy will be boosted by 4 drivers



1. **Mining**: copper production will reach historical high levels.



2. **Infrastructure projects**: in construction phase.



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

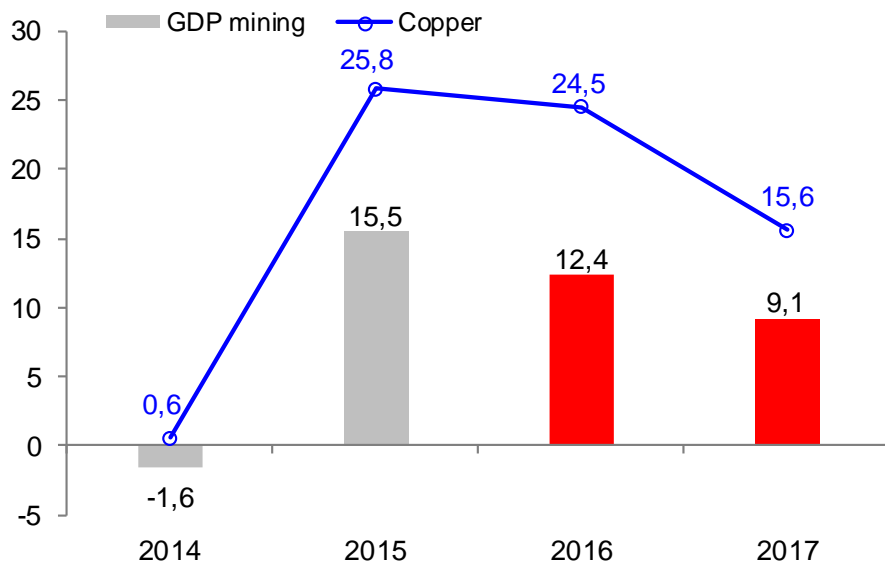


4. **Macroeconomic policies**: will be oriented to strengthen “buffers” for coping future external shocks and ensuring market’s credibility.

3 Mining: Production will reach all-time highs

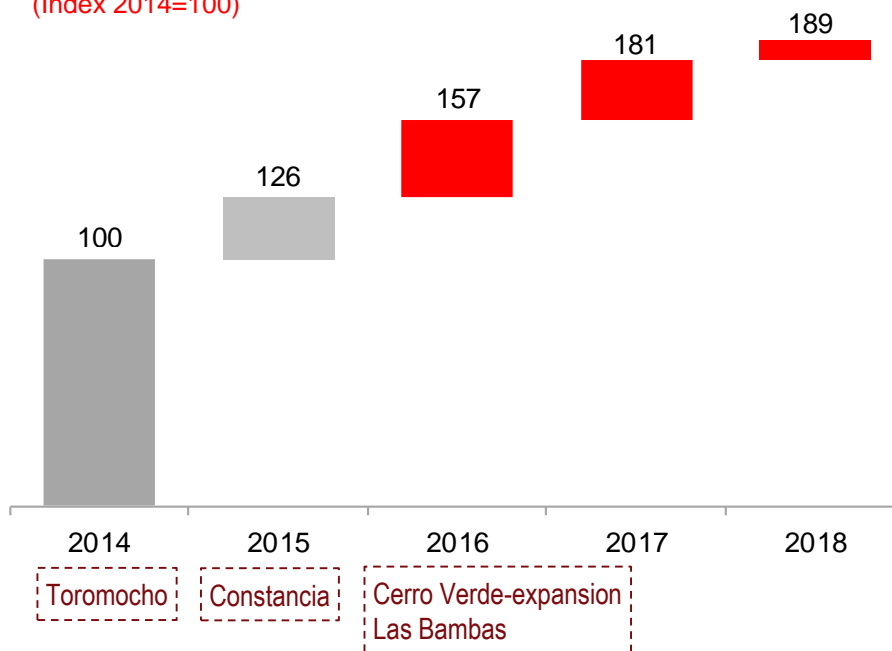
GDP Mining and Copper Production

(Annual % Change)



Copper Production

(Index 2014=100)



Main Copper Projects with Ongoing Production

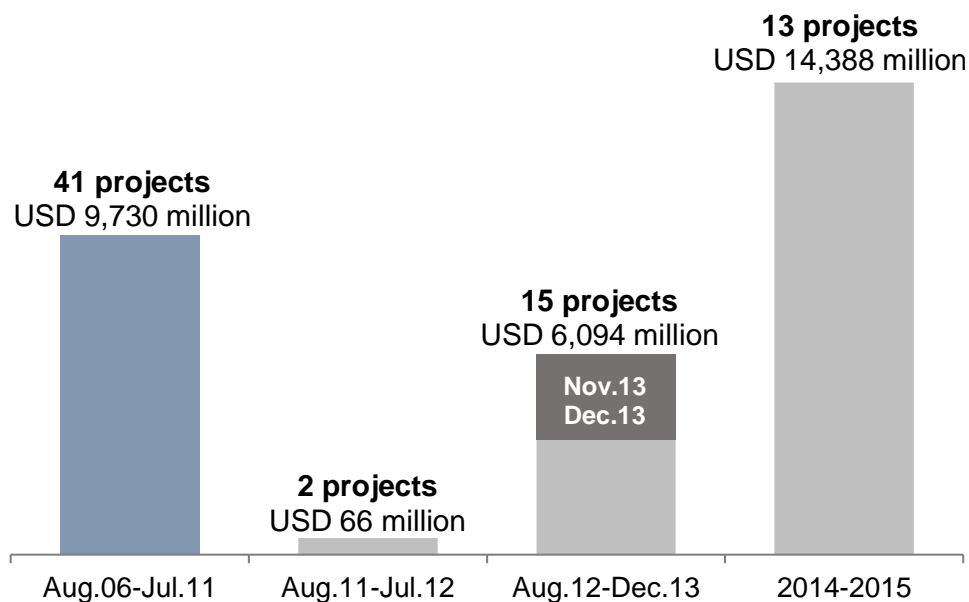
Projects	Start Date	Maximum Production Capacity	2016 Expected Production
		(Thousands of MT, Copper)	
Toromocho	January 2014	275	225
Constancia	December 2014	120 ^a	115
Cerro Verde-expansion	September 2015	272	100
Las Bambas	December 2015	275 ^a	200

a/ Company forecasts for 2016.

3 Infrastructure: Surge of Infrastructure Investments through PPPs scheme

PPP Awarded by ProInversion⁽¹⁾

(USD Millions, VAT included)



2014

Southern Gas Pipeline USD 5,794 million ⁽²⁾	Line 2 of the Metro of Lima and Callao USD 6,783 million
Chinchero International Airport - Cusco USD 775 million	Moyobamba - Iquitos Power Transmission Line USD 589 million

2013

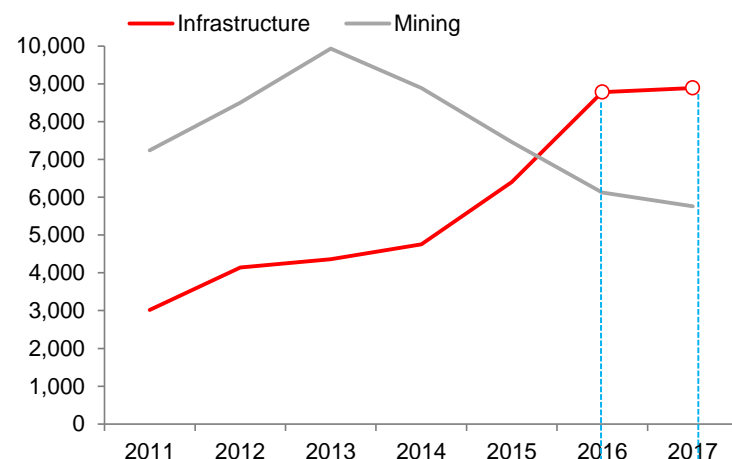
4G Band Nationwide USD 1,202 million	Southern Energy Node USD 826 million
"Longitudinal de la Sierra" Highway -Section 2 USD 651 million	

In the current administration, **30 PPP projects** have been awarded, they add up to more than **USD 20 billion**.

3 Infrastructure: Awarded projects will boost public and private investment

Investment in Infrastructure Projects⁽¹⁾

(USD millions)



- Peruvian South Gas-Pipeline ⁽²⁾
- Lima Metro Line 2 ⁽²⁾
- Modernization Talara Refinery ⁽²⁾
- Moyobamba-Iquitos Transmission line
- Planicie-Industriales Transmission line
- Friaspata-Mollepata Transmission line
- Majes Sigwas Irrigation Project - Stage II
- Chinchero International Airport – Cusco
- General San Martin Port Terminal
- Dv. Quilca-La Concordia Section
- Expansion of Jorge Chavez Airport
- Broadband Installation (4 regions)

- Carapongo Substation
- Azangaro-Puno Transmission line

Main Infrastructure Projects started in 2015

Project	Total Investment (USD Millions)
Peruvian South Gas-Pipeline	5 229
Lima Metro Line 2	5 346
Modernization Talara refinery	3 801
Chavimochic - Stage III	715
Mantaro-Montalvo transmission line	527
Red Dorsal Nacional -Optic Fiber	261
Longitudinal de la Sierra – Section 2	174
Carhuaquero-Moyobamba transmission line	180
Machupicchu-Tintaya transmission line	160

- Portfolio is consistent with medium-term fiscal envelope.

(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 is a project of national interest.

(2) Projects initiated in 2015, with main disbursements in the coming years.

Source: ProInversión, Osinergmin, Ositrán, APOYO Consultoria, companies, MEF forecast.

3 Infrastructure: The Ministry of Transportation has announced 29 large projects¹ which add up to more than S/ 6 billion in the coming years

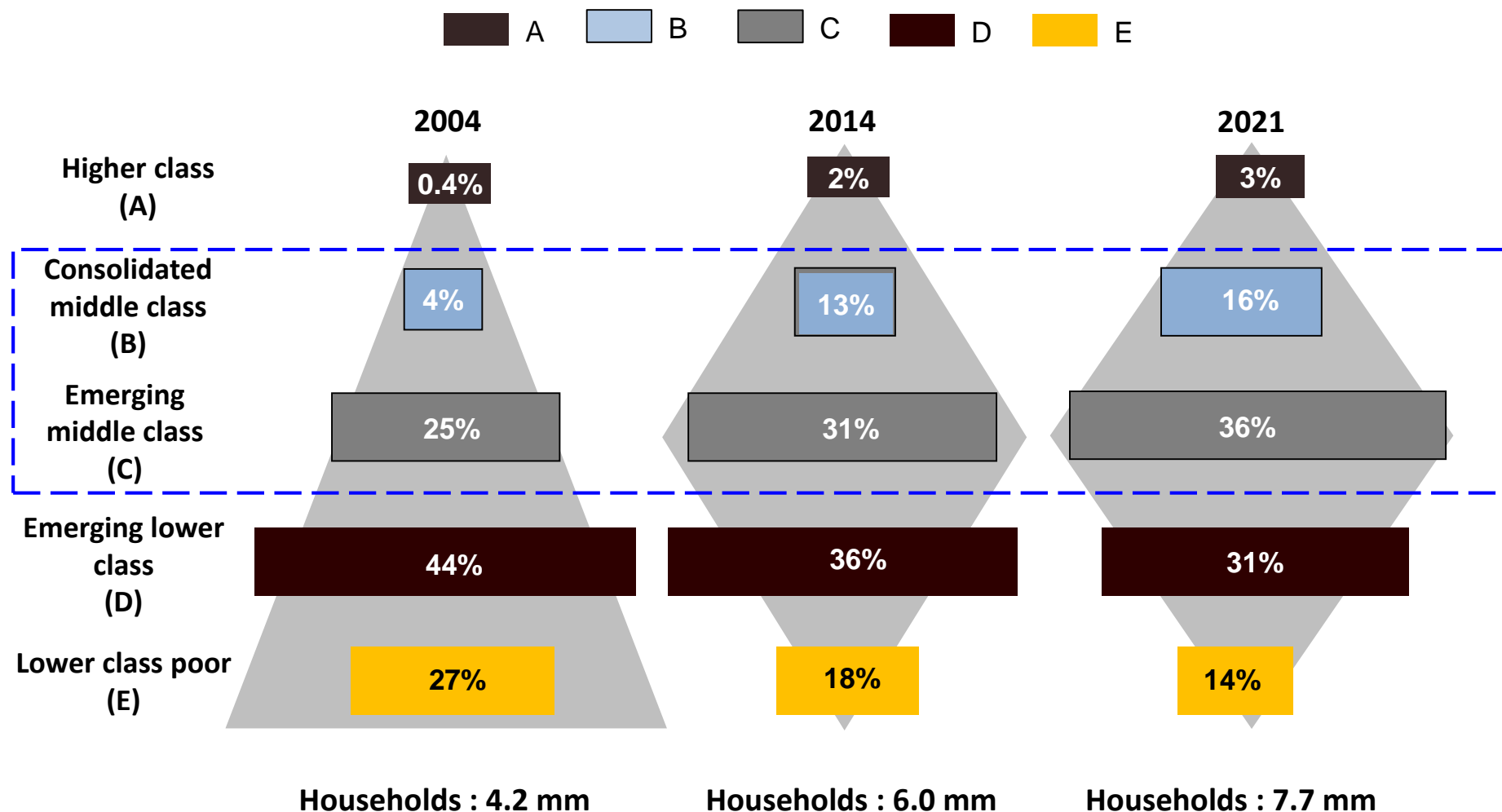
Ministry of Transportation and Communication: Projects for more than S/ 70 million investment announced in 2015 (Millions of S/)

Project	Investment	Announcement	Award date	
Construction Section 1: Bellavista - Santo Tomas	625	12/31/2015	03/11/2016	●
Improvement of the Puerto Bermudez - San Alejandro road	356	01/30/2015	10/26/2015	●
Improvement of the Road Axis N°01 Piura-Guayaquil	239	08/25/2015	03/11/2016	●
Road Integration Tacna - La Paz Section 1	230	10/30/2015	02/26/2016	●
Bridge Construction in the Center-South Zone	221	08/24/2015	02/18/2016	●
Bridge Construction in Cajamarca	194	09/09/2015	03/11/2016	●
Bridge Construction in Ancash and Junín	191	12/31/2015	03/04/2016	●
Bridge Construction in the North Zone	171	08/25/2015	03/07/2016	●
Bridge Construction in Puno	163	09/11/2015	03/07/2016	●
Bridge Construction in Cusco	128	08/25/2015	02/19/2016	●

● Announced ● Awarded





Urban Peru: Socioeconomic structure

% of Households



3

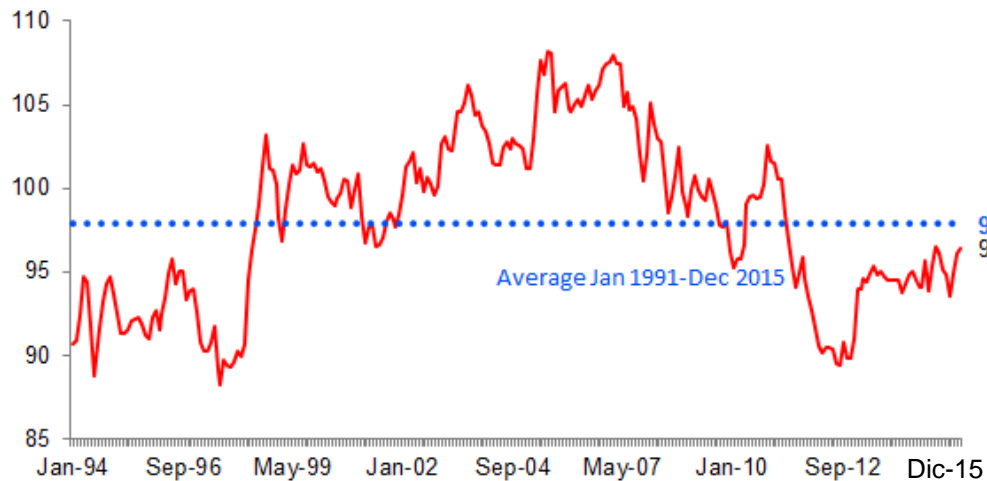
Household consumption: Middle class will boost the demand for goods and services as it happened in other countries in the region

	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)
	202	3	17	53
	56	5	23	84
	34	4	7	45
	20	2	6	37
Number of times Peruvian demand may increase	x10	x2	x4	x2

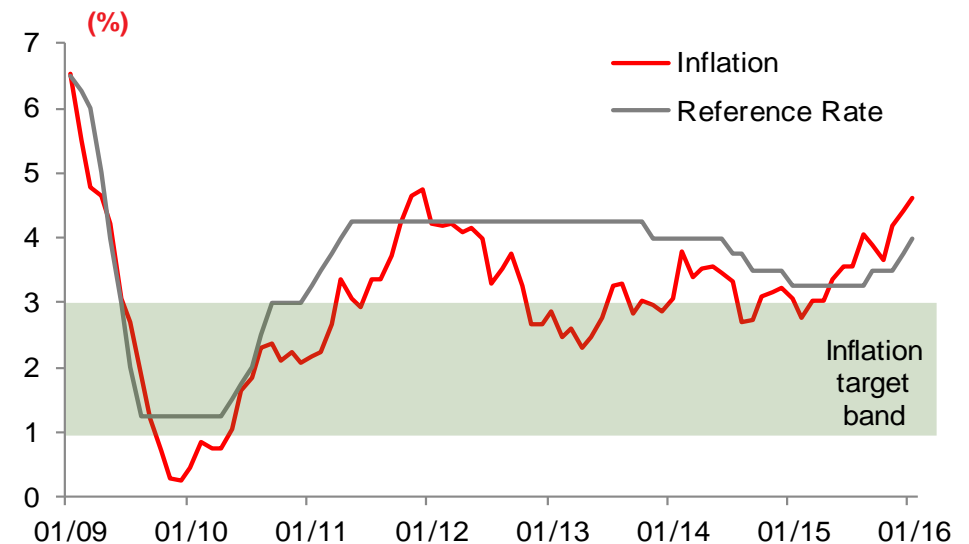
3 Macroeconomic policies consistent with the “new normal”

Peru: Multilateral Real Exchange Rate Index

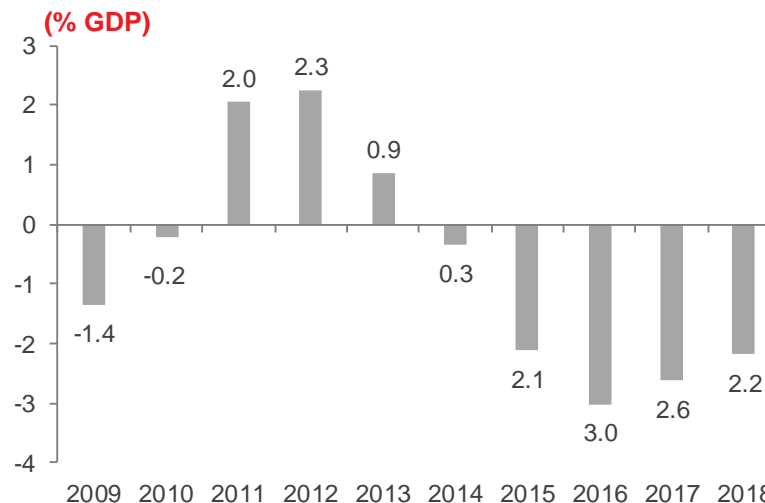
(Index 2009=100)



Inflation rate and reference rate



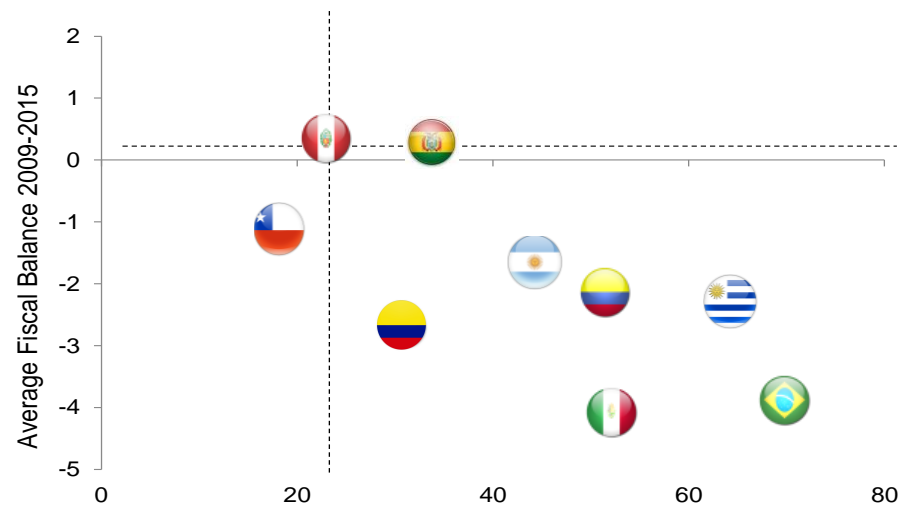
Overall Balance



- Strong stock-position (i.e low net public debt and highest NIR to GDP ratio in the region) allow macroeconomic policies to adjust gradually to the “new normal” without hurting economic growth.

Average Fiscal Balance 2009-2015 and Gross Public Debt 2015

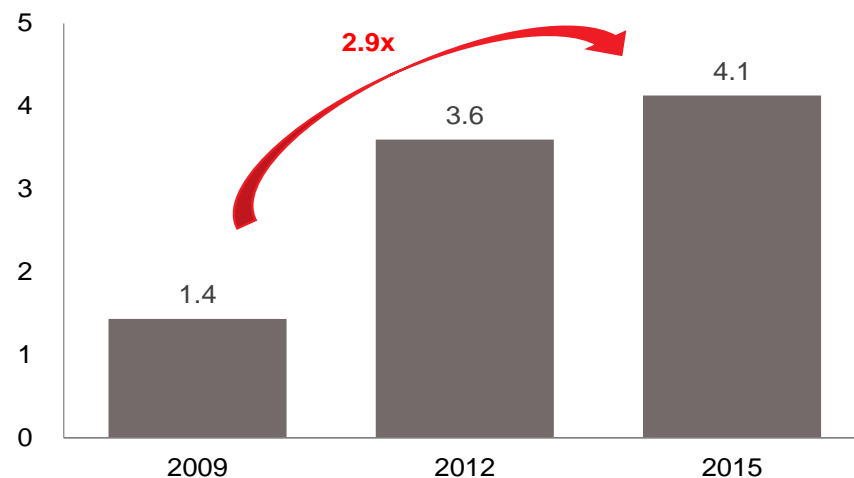
% of GDP



Gross Public Debt 2015

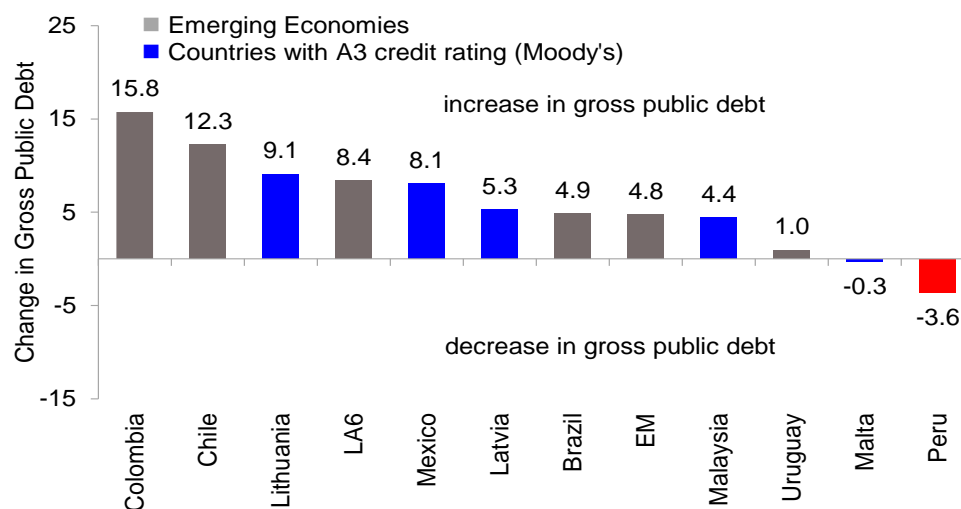
Fiscal Stabilization Fund

% of GDP



Change in Gross Public Debt 2015 vs 2009

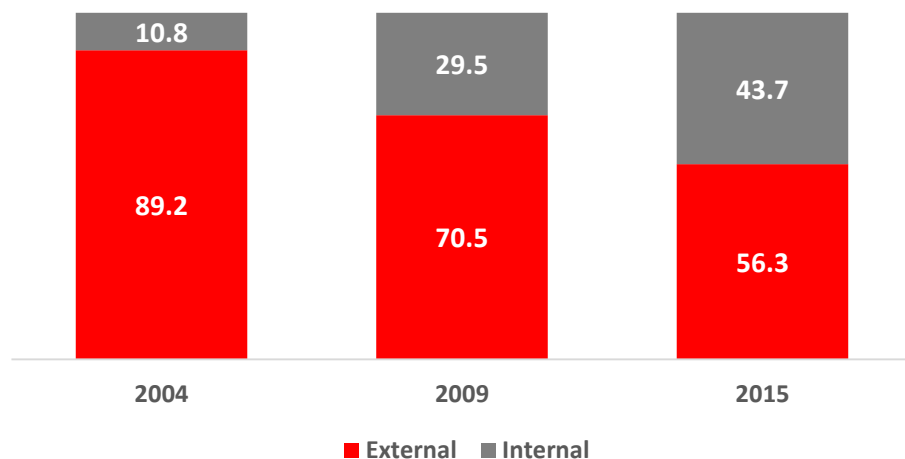
% of GDP



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

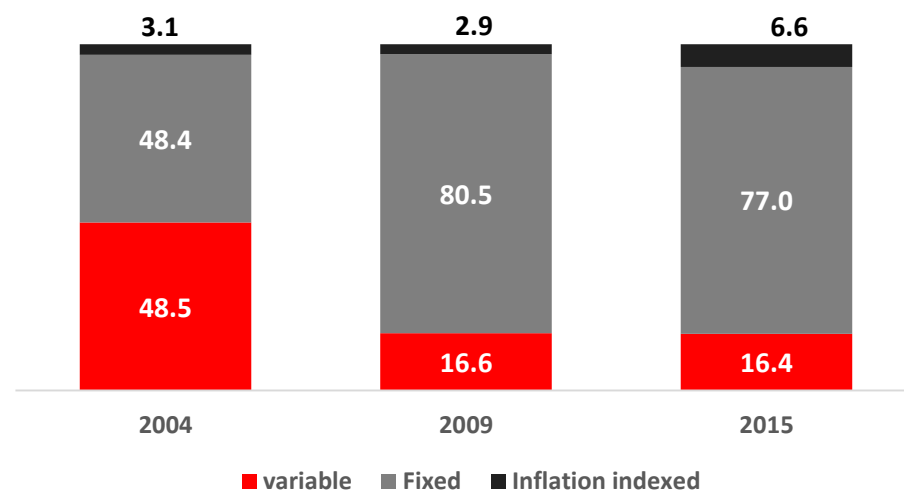
Public Debt Composition by Type of Debt

% of Total Debt



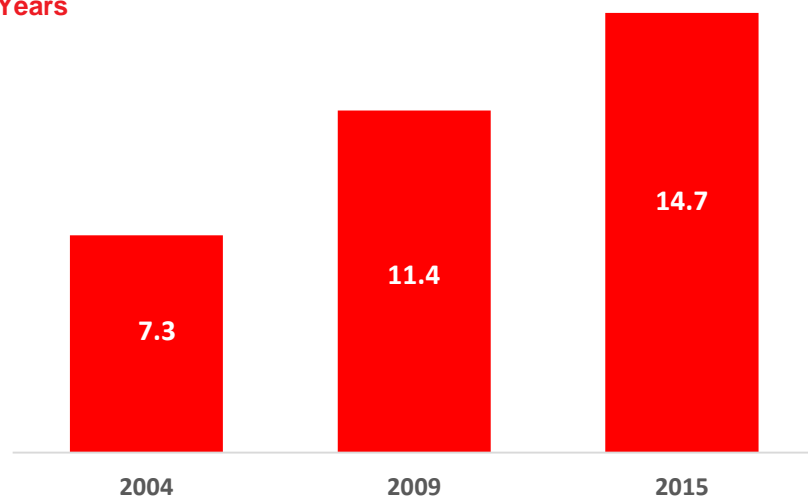
Public Debt⁽¹⁾ Composition by Interest Rate

% of Total Debt



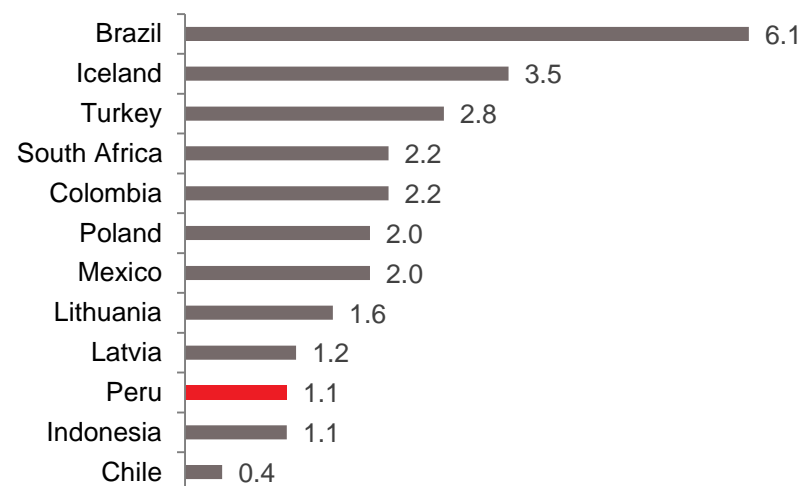
Public Debt⁽¹⁾: Average Term to Maturity

Years



Gross interest payments

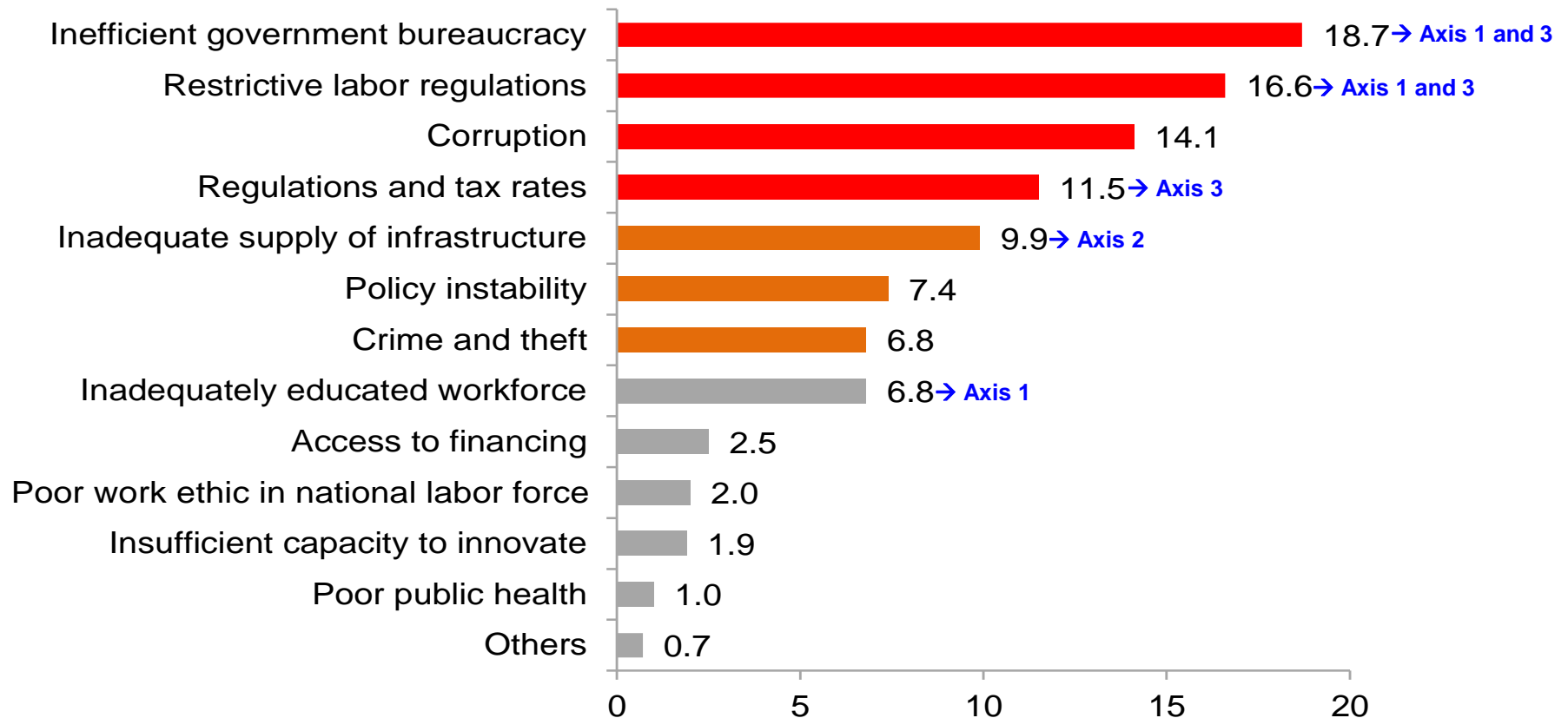
% GDP



3 Structural reforms and policy measures aimed at boosting potential growth

WEF 2015: Barriers to Doing 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)**



4 Risks and buffers

Consideration	Potential concern	Risk	Mitigant
China slowdown	4	<ul style="list-style-type: none"> ❑ Lower commodity prices ❑ Lower demand for Peruvian exports ❑ Increase in risk perception 	<ul style="list-style-type: none"> ❑ Comparatives advantages in mining ❑ Strong pipeline in mining projects (production phase) ❑ Investment through PPPs will support growth prospects ❑ Low fiscal revenues from mining (1.1% of GDP in 2014) ❑ Ongoing Productive Diversification Plan
Further (and non-expected) downgrades to the Brazilian Economy	3	<p>“Contagion effect” in Latam region:</p> <ul style="list-style-type: none"> ❑ Increase in premium risk ❑ Higher financing cost ❑ Additional FX depreciation pressures and capital outflows 	<ul style="list-style-type: none"> ❑ Stronger macroeconomic fundamentals ❑ Low risk perception (EMBI, CDS) ❑ Small size of financial markets (banking, fixed income) ❑ Highest NIR to GDP ratio in The Pacific Alliance (31% of GDP)
Deterioration in macro external accounts	2	<ul style="list-style-type: none"> ❑ Widening of current account and trade balance deficits 	<ul style="list-style-type: none"> ❑ Increasing tradable production in the following years (mining) ❑ Headroom for policy intervention ❑ Strong stock position (Liabilities position of bonds and total external debt 32% of GDP in 2014)
FX volatility	1	<ul style="list-style-type: none"> ❑ Concerns about intervention and continued “overvaluation” ❑ Potential for drastic correction if outlook worsens 	<ul style="list-style-type: none"> ❑ Peru’s RER is in line with fundamentals ❑ Dollarization of banks’ loan portfolio is at historically low levels ❑ External position better than peers ❑ Peru’s Central Bank has buffers to confront this scenario.
Fiscal deficit	1	<ul style="list-style-type: none"> ❑ Fiscal impulse shows expansionary stance ❑ Partially financed with capital markets operations 	<ul style="list-style-type: none"> ❑ Fiscal space generated in previous years ❑ Low net debt allow a more efficient assets & liabilities management ❑ Strong commitment with rules based macro-fiscal framework ❑ Ample space to increase fiscal revenues (20% of GDP)

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Investor Presentation

Peru

February 2016