

Peru  
Special Report**Peruvian Banks: Under Clear Skies**

## Review and Outlook

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**Related Research**

- *What a Difference a Year Makes: Latin American Banks Review and Outlook 2010, Feb. 8, 2010*
- *EM Banking System Datawatch, April 29, 2010*

**Summary**

After several years of strong growth, Peru's economy grew at a slower but still positive rate during 2009. The sound fundamentals achieved prior to the crisis and rapid government action to shift course as the crisis unfolded, allowed Peru to maintain strong macro variables through the crisis and emerge virtually unscathed, Peru seems poised to resume stronger growth and the government has started to cut back its expansive economic policy, although the bias towards growth should continue during 2010. New banking regulation was enacted to improve capital, bolster reserves, and better cover market and operating risk thus, driving Peru's regulatory framework closer to the region's best practices. Despite high concentration levels, the market remains attractive to new entrants, although the crisis has certainly delayed some expansion plans. Strong competition has been enlarging the pie rather than taking a bigger part of it, a situation that should continue given Peru's low banking penetration.

Banks' assets remained flat during 2009 after sustained growth from 2003–2008. Overall loan growth was tamed by banks and customers alike but retail lending grew moderately. Resilient margins and strong growth of non-interest revenues underpinned operating revenues while relatively lower costs allowed for improved profitability in spite of significantly higher credit costs. Profitability declined from record levels but remained flattering with ROAE of 24% and ROAA of 2.2% — especially in the global context — and together with slower growth and high equity content hybrids helped improve capital ratios to 13.5% at YE09. Banks are complying with the new capital requirements, and capital quality has improved thanks to tighter regulation. Asset quality declined but remains sound: past due loans (PDLs) stood at 1.56% at YE09, a level similar to that of 2006, and reserves covered PDLs an adequate 2.4x. Deposits grew slightly, albeit with a reshuffling between types and currencies while banks bolstered liquidity at the height of the crisis and started to cut it back by YE09; liquidity remains at comfortable levels.

**Outlook**

As the economy shows strong signs of a rebound, banks will resume moderate growth that should be higher than in 2009 but remain well below the record levels of 2007–2008. Margins could see some pressure as interest rates increase from current low levels but the impact should be cushioned by cross-selling efforts. Operating costs should increase as expansion plans pick up in what remains a low penetration market but should not overly affect efficiency; overall results could decline in the short run as the pressure of loan loss provisions continues weighing on the bottom line. A moderate decline in asset quality could still occur before ratios stabilize by YE210. Deposit growth should continue in line with assets while renewed access to global markets should provide affordable long-term financing, thus contributing to fund growth while maintaining adequate liquidity. Slower growth and still solid profitability will moderate pressure on capital ratios that should be underpinned by retained earnings and high equity content hybrids. Within a positive operating environment, Peruvian banks emerged from the crisis with sound balance sheets, good asset quality, and strong earnings generation that along with improved capital and robust reserves create a strong base to continue growing with sound performance and adequate solvency.

## Operating Environment

Up until 2008, economic growth was widespread across all segments. Investment and exports increased in volume and diversity contributing to improved employment and wages that, coupled with the ample availability of credit, fuelled internal demand and consumption. Accordingly, all macro indicators (trade balance, balance of payments, foreign direct investment, debt level, debt service, fiscal surplus, and international reserves) improved significantly to reach record levels at YE08. Hence, unlike the previous economic crises, the global recession of 2008–2009 found Peru on a much better economic footing after several years of sustained expansion and healthy monetary and fiscal policies. As the crisis unfolded, global demand and foreign and local investment declined; growth was much slower in 2009 (GDP grew about 1%) but prompt action from the government, strong balance sheets in the corporate and banking sectors, as well as a resilient internal demand, averted a full-blown recession and softened the external shock.

Using the lessons learned from past crises, the government was better prepared to face the slowdown and quickly reversed the contractive monetary policy — in place during most of 2008 to tame inflation caused by high oil and food prices — driving down reserve requirements, lowering interest rates and launching an important stimulus program that continues to bolster internal demand in 2010, mainly through social and infrastructure investment. The appreciation of the Nuevo Sol (PEN) and the trend to use more local currency in financial transactions were briefly interrupted at the height of the crisis as investors flocked to the dollar for protection. Once the free fall stopped and markets regained some calm, the trend towards lower dollarization resumed; foreign currency denominated assets amounted to 51% of total assets at December 2009, down from over 80% in the early part of the decade. This is a key characteristic of Peru but is mitigated by the fact that funding for these assets comes mainly in the form of on-shore dollar deposits. Moreover, the country holds international reserves that largely cover foreign currency deposits and the country's short-term debt.

As Fitch Ratings expected, Peru weathered the crisis without a major glitch. Even though its debt burden increased marginally and the balance of payments and capital flows declined, the economy has resumed growth since 4Q09 and the positive trend is expected to continue. Peru's GDP is expected to grow about 3% in 2010 and accelerate in 2011, driven mainly by internal demand, infrastructure construction, and foreign investment in mining and energy.

## Regulatory Changes

Important new regulation became effective in 2009 or will do so during 2010, affecting capital, loan loss reserves, and risk management:

- The minimum capital to RWA ratio increased in July 2009 to 9.5% from 9.1% and will increase to 9.8% (July 2010) and 10% (July 2011).
- Capital requirements for market risk were increased; banks must allocate capital for interest rate risk since July 2009.
- New capital requirements for operational risk based on the basic indicator were introduced.
- A new capital framework was approved introducing clear definitions for Tier II and Tier III capital and outlining detailed structure requirements for hybrid instruments to qualify within the three capital categories (coupon deferral, noncumulative, and step-up, among others).

- The weights of foreign currency sovereign debt for RWA calculation were increased.
- Strong external credit ratings can reduce the risk-weighting of some assets to 20%.
- Credit structures can affect risk weights and mitigate capital requirements.
- The credit rating and loan loss reserve requirements criteria are being overhauled, including the introduction of more segment categories.
- A pro-cyclical loan loss provision was introduced in 2008 to bolster reserves when GDP growth reaches certain threshold. Banks set aside more reserves until the GDP growth declined below the threshold in 2009.

Thus Peruvian banks are moving toward the Basel II framework, and Peru's regulation stands among the region's most advanced. Moreover, Peruvian banks complied with the new minimum capital requirements from the outset; however, as regulation for new capital instruments does not apply to previously issued subordinated debt (i.e. accepting them as capital in spite of lacking a coupon deferral feature), Fitch eligible capital ratios will remain somewhat lower than regulatory ratios until the new instruments and earnings retention dilute this plain vanilla subordinated debt.

### Competition

After the financial crisis of the early part of the decade, Peru's banking system became concentrated in very few names, with the top four banks holding over 80% of the system's assets. Banks expanded into consumer lending and, lately, into SME and micro-credit, thus increasing competition across all segments; Peru's top banks are universal but have some level of specialization (BCP, Continental, Scotiabank: corporate; Interbank: consumer) while others act as monoliners (Falabella: credit cards; Deutsche Bank: Treasury products; Santander: Corporate lending). Strong growth, high profitability and a still benign operating environment have attracted new players into a market that continues growing, albeit at a slower pace. During 2008, three new institutions initiated operations and in 2009 one bank (Banco del Trabajo) was acquired and converted into a consumer financing company (CrediScotia) bringing the total number of players in the market to 15. Among the newcomers, Banco Ripley is a specialized credit card bank that builds on the customer base of the large retail company from which it spun off; the bank is a subsidiary of Ripley Corp, a leader in the Chilean retail industry, with significant financial operations in that country. Banco Azteca is a subsidiary of the Mexican Grupo Elektra and develops retail lending in close synergy with Elektra's electric appliance retail business in Peru. Deutsche Bank is a subsidiary of the German Deutsche Bank conglomerate active in derivatives trading (interest rate, exchange rate) and money market transactions. The three banks are expected to continue to grow organically and remain specialized in their current core businesses. Two other global institutions (HSBC, Santander) also have incipient banking operations. HSBC is gradually building a retail franchise while Santander is a niche corporate bank. Judging for how these banks grew in other markets, their future plans could involve an acquisition to supplement organic growth from low bases. Considering the still important growth potential for banks in Peru, other global and regional players are expected to initiate or increase their operations in the coming years. In addition, state owned banks that currently have a small market share are expected to be more active in the future.

### Banks Performance

After growing at record levels for several prior to 2008 (assets grew 36% in 2008, 31% in 2007), Peruvian banks took a breather during 2009 and saw assets decline slightly (down 2.4%), especially during the first half of the year. Nevertheless, bank performance was sound thanks to relatively resilient margins and strong non-interest revenues (up 31%); costs declined slightly in relative terms thus improving overall efficiency and sustaining profitability, which was down from 2008's record levels in spite of increased loan loss

provisions. At the height of the crisis (4Q08–1Q09), banks curbed their credit appetite and bolstered liquidity while corporations reined in their growth and loan demand. Hence, loan volume declined during 1H09. Then, as the impact of the global crisis was better than expected, banks timidly resumed growth; as a result, loan portfolio remained fairly flat during 2009 (up 0.9% in 2009, 38% in 2008) with retail lending slightly edging corporate loans as banks continued the diversification trend of the past few years, targeting higher margin segments. On the other hand, funding costs declined (down 22% in 2009) as interest rates fell due to the expansive monetary policy and deposits grew slightly (with time deposits declining while demand deposits grew); thus mitigating margins' decline.

A wider product offering and improved cross-selling contributed to the sound growth of fees and commissions (up 9% in 2009 versus 21% in 2008) while market volatility resulted in higher currency and securities trading revenues (up about 14% in 2009, 140% in 2008) as banks seized the opportunities created by largely oversold sovereign securities during 4Q08 and 1Q09. Hence, non-interest revenues grew 31% in 2009 (45% in 2008) and played catch up with interest revenues bringing about a welcome diversification to revenues and contributing about 32% of operating revenues in 2009 (up from 25%–27% levels in the previous years). On the expense side, most banks took rapid action after late 2008 to moderate operating expenses (up 3.9% in 2009 versus 29% in 2008), adjusting network and headcount expansion to fit the new economic realities. The decline was evenly distributed among personnel and other administrative expenses and contributed to maintaining the improving trend toward overall efficiency as operating costs declined to about 42% of operating revenues from the 44%–47% in previous years. Finally, loan loss provisions increased about 48% in 2009 (up 56% in 2008) as banks increasingly coped with the credit impact from the downside of the cycle. Remarkably, that was not enough to derail the strong performance of Peruvian banks that maintained very flattering levels of profitability (ROAE ratios stood at about 24% in 2009 while ROAA ratios reached 2.6%) that is somewhat lower than the record levels of 2007–2008 but remains among the best performers in the region, if not the world.

Preliminary data indicates that the economy bottomed out during the second half of 2009 and, as banks take due note and increase their credit appetites, loan growth is expected to resume and be moderate, in the 10%–15% range. Margins should see some pressure from higher funding costs as the expansive monetary policies are rolled back and increased competition on the corporate side as credit makes a comeback worldwide. Fees and commissions should continue growing as banks consolidate their enlarged customer base and improve cross-selling, although investments and foreign exchange trading will have a hard time replicating 2009's results. Operating costs should grow marginally, although some expansion plans will naturally be relaunched given Peru's still large growth potential. Credit cost should continue pressuring results during most of 2010 given the natural lag between economic growth and credit conditions. However, overall results will remain positive but could see some decline from the current levels before performance improves in late 2010 and 2011. Fitch does not expect ROAE to decline below the mid to high teens while ROAA should comfortably remain around 2%; these would be still strong results in the global context. Preliminary figures at 1Q10 confirm these in terms of growth, profitability, asset quality and solvency.

### **Asset Quality**

As the crisis unfolded, asset quality declined, reversing the trend of the past few years, but remained quite resilient, reflecting the moderate impact the global crisis had on the Peruvian economy. PDLs — conservatively measured as 15 days past due for corporate (including principal and interest), 30 days past due for consumer, and including the full credit exposure after day 90 — increased to around 1.6% at December 2009 after years of continuous improvement. This was expected given the economic

slowdown and the expansion into higher margin, higher risk segments and the gradual maturing of these portfolios. The segments showing higher PDLs are SME (5.1% at December 2009 versus 3.22% one year earlier) and consumer (2.89% versus 2.64%). The mortgage (0.87% versus 0.74%) and corporate (0.97% versus 0.80%) segments remained better than the average. Fitch considers that these figures attest the generally sound credit policies of banks and a rather proactive remedial management. Asset quality is also good in terms of credits classified in the three riskiest categories, which remained fairly unchanged at about 3.25% at YE09. Reserve coverage was sustained by the aforementioned provisions and stood at 242% of PDLs at December 2009, in slight decline from 259% at end 2008.

Credit diversification improved in the past few years as banks entered the consumer and SME markets, with the total portfolio for these segments accounting for approximately 38% of loans at December 2008, up from about 30% five years earlier. However, the trend slowed in 2008 and 2009 as the credit crunch created growth opportunities within the corporate segment. On the other hand, diversification by industry has also improved: commerce (14% of total loans versus 15% one year earlier) and manufacturing (18% versus 20%) still take the lion's share of the portfolio but have both declined in absolute and relative terms. They are in turn diversified as they group various subsegments (food processing, textiles, plastic products, among others); no other industry accounted for more than 10% of the gross portfolio at YE09. Financial institutions, utilities, and tourism have grown faster in 2009 but their share of total loans is well below 5%. On the other hand, exposure to construction and mining decreased, reflecting the economic slowdown and subdued credit demand in these segments. Even when the capital region is by far the largest economic center of the country, growth has brought about a better geographical balance (loans in minor cities and rural areas are growing faster than in Lima) and lower exposure to dollar denominated loans. Dollarization decreased to about 50% and its implied credit risk is now better controlled by banks and tightly regulated. Banks must specifically assess the potential impact of a large devaluation on debtors' credit standing and mitigate the risk through hedge, collateral, or additional reserves.

Other earning assets include deposits with banks (about 15% of assets at December 2009, down from about 18% a year earlier) which had increased in 2008 as the banks bolstered liquidity and declined during 2009 when calm returned to the markets. Investments increased during 2009 (14% of assets, up from 12%) as the portfolio recovered from 2008 lows. Investments are mostly available for sale debt securities, including a sizable part of highly liquid short-term central bank notes. Holdings of sovereign debt increased in 4Q08 as global volatility resulted in severe price declines and banks jumped at the opportunity of buying relatively safe bonds at a significant discount. These positions were closed during 1H09 and contributed to bolstering trading revenues, although yields have declined lately. Overall, investments of Peruvian banks are relatively stable and less affected by volatility than those in other dollarized economies.

Peruvian banks have been very proactive in limiting credit cost, working with obligors to adjust debt service to lower cash flows and tightening credit criteria for consumer lending. The effort has paid off well, as asset deterioration has been contained. While banks cautiously ease credit conditions, asset quality is expected to stabilize by YE10 thanks to the improved macroeconomic environment and increasing volumes. Moderate short-term deterioration would not be surprising but in any case, Fitch does not expect the PDL ratio to exceed 2.5% in 2010. Moreover, loan loss reserves remain adequate and cover PDLs at 242%, thus providing a comfortable cushion for losses that should remain high given the banks' strong earnings generation and adequate credit risk policies.

## Liquidity

Facing an unprecedented global credit crunch, banks bolstered liquidity in late 2008 and well into 2009, albeit at a relatively high cost as they had to keep liquidity in cash, safe money market funds, and highly rated investments. Liquidity ratios improved in 2008 but somewhat receded by YE09 as credit thawed and markets regained some confidence. Underlying these ratios were some changes in the structure of liquidity — dollar liquidity increased in 3Q08 to the detriment of local currency liquidity as investors flocked to dollars in search of security. This created an uptick in dollarization but liquidity ratios remained comfortably above the regulatory minimums in both currencies. As markets calmed, the trend towards greater usage of local currency resumed as local exchange rates stabilized and local currency resumed its appreciation. From a structural standpoint, the local money market created in the past few years — based on central bank short-term CDs — worked well, with the largest banks acting as market makers. On the other hand, broader liquidity (cash plus bank placements plus investments) reverted to a more balanced composition from the very conservative (mostly cash and deposits) structure of YE08. Liquidity could still decline as loan growth accelerates but should nevertheless remain adequate in the medium term as banks' policies are much more conservative after the crisis.

## Funding and Capital

### Funding

Deposits are and will remain the main source of funding for Peruvian banks (68% of total assets at YE09 versus 64% one year earlier), followed by short-term institutional funding (8% versus 13%), short-term interbank loans (5% versus 5%) and long-term securities (2.2% versus 2%). Subordinated debt (2.1% versus 1.4%) has become increasingly important as a source of Tier I and Tier II capital and is poised to continue growing as banks are expected to grow rapidly and shareholders seek to optimize their capital structure. In addition, market stability should spur capital markets financing (bonds, mortgage-backed securities, and securitizations) that also help banks better match their balance sheets. Mortgage-backed securities are an incipient product and do not pose an abnormal risk as origination remains within the banks and credit criteria is deemed conservative; furthermore, a substantial part of this funding is sourced in the thriving local securities market.

Deposits are almost evenly split between demand/savings and time deposits, which have seen their share decline gradually over the past few years as banks expanded their customer base and sought to capture low cost deposits. Since 2H08, interest rates in dollars, which had been inching up, declined as depositors privileged this currency. The overall result was a relative increase in time deposits and an uptick in dollarization (from about 49% at June 2008 to about 56% of deposits at December 2009), which is mitigated by the fact that these are on-shore dollar deposits. Further progress may be slow in coming as the crisis seems to have changed depositors' behavior, making them privilege dollars for long-term saving deposits and local currency for transactional deposits (current accounts). Interbank funding has remained relatively stable but at the height of the crisis multilaterals replaced global banks, which have made a comeback since mid-2009.

In general terms, Peruvian banks have had ample access to funding, both from local depositors and from capital markets. The global financial crisis limited banks' access to foreign markets but institutional funding and the buoyant local market have filled the gap. Foreign markets have shown greater appetite for Peruvian risk since mid-2009 and are expected to gradually become a more important source of funding. Future deposit growth should be moderate but steady as the economy resumes the path to growth and depositors renew their confidence in their banks.

### Capital

Capital had been growing thin (equity to assets declined to about 8% by mid-2008) due to the strong asset growth and the fact that local regulation allowed banks to use plain vanilla subordinated debt as regulatory capital. The aforementioned regulatory change has altered this trend, and banks now issue higher equity content hybrids. Capital is little encumbered by fixed assets or goodwill, and regulatory capital ratios to RWA, which has hovered around 12% since 2005, improved to 13.5% at December 2009 from 11.9% one year earlier, thanks to retained earnings and new issues of long-term hybrid capital with high equity content. As Fitch's criteria do not grant any equity credit to plain vanilla subordinated bonds, the adjusted Fitch eligible capital to RWA ratio would be a little over 12%. This level is considered adequate given the prospects of the Peruvian economy and should be considered in the light of the robust loan loss reserves, sound asset quality, and strong earning generation as well as still high growth potential. Future capital growth should see a mix of shares issues, retained earnings, and hybrid equity under the new regulation.

### Ratings Outlook

#### **Banco de Credito del Peru (BCP): 'BBB/F2', Stable Outlook.**

BCP's ratings reflect its dominant franchise, large market share, sound performance, diversified balance sheet and revenue stream, broad low-cost deposit base, good asset quality, reserve coverage, and improved capital. The ratings also reflect BCP's systemic importance as well as its somewhat high obligor concentration and slight asset quality deterioration.

#### **BBVA — Banco Continental (BC): 'BBB/F2', Stable Outlook.**

BC's issuer default ratings (IDRs) reflect the support it would receive from its key stakeholder (BBVA, rated 'AA', Positive Outlook by Fitch) should it be required. The foreign currency IDR is constrained by the country ceiling. BC's individual rating reflects its clear strategy, strong franchise, sound performance, and adequate asset quality; it also considers its slim capital.

#### **Scotiabank del Peru (SBP): 'BBB/F2', Stable Outlook.**

SBP's IDRs reflect the support it would likely receive from its parent, the Bank of Nova Scotia (BNS, rated 'AA' by Fitch), should it be required. The bank's individual ratings consider its strengthened franchise, adequate reserve coverage, improving capital, and sufficient liquidity; they also factor in its tough competitive environment, declining asset quality and somewhat lower profitability. The foreign currency IDR is constrained by Peru's country ceiling.

#### **Banco Internacional del Peru — Interbank (IBK): 'BBB-/F3', Stable Outlook.**

IBK's ratings reflect its sound retail franchise, focused strategy, very good asset quality, adequate reserves, and solid profitability through the global crisis. They also factor in the riskier profile of its portfolio, deposit concentration, and below-average but improved capitalization.

#### **Corporacion Financiera de Desarrollo — COFIDE: 'BBB-/F3', Stable Outlook.**

COFIDE's IDRs reflect the support it would receive from its owner, the Republic of Peru, should it be needed. The ratings consider its sound capital base, good asset quality, adequate reserves, and conservative management, as well as its concentration on both sides of the balance sheet, relatively low non-interest revenues, and modest but steady profitability.

## Financial Highlights

### Peruvian Banks (Nonconsolidated)

(PEN000s)

	12/09	%	6/09	%	12/08	%	6/08		Dec-07	%
<b>Assets</b>										
Cash and Equivalents	25,016,461	17.35	25,935,314	18.62	29,848,572	20.21	23,920,240	18.63	18,851,972	17.40
Interbank Placements	912,160	0.63	725,760	0.52	430,524	0.29	705,334	0.55	446,902	0.41
Net Investments	21,201,347	14.70	17,436,637	12.52	19,337,051	13.09	21,749,373	16.94	18,443,836	17.02
Trading	611,176	0.42	354,989	0.25	244,483	0.17	356,390	0.28	886,177	0.82
AFS	19,076,769	13.23	16,140,288	11.58	19,044,048	12.89	21,543,418	16.78	17,704,431	16.34
HTM	665,787	0.46	486,625	0.35	60,579	0.04	144,021	0.11	163,838	0.15
Net Credit Portfolio	86,699,625	60.12	84,633,370	60.75	87,010,328	58.91	72,520,825	56.49	63,255,143	58.38
Current	89,897,509	62.33	87,529,080	62.82	89,881,830	60.86	74,679,259	58.17	65,047,721	60.04
Credit Cards	8,007,310	5.55	7,708,817	5.53	8,456,976	5.73	7,359,316	5.73	5,920,625	5.46
Loans	39,160,712	27.15	37,820,609	27.15	37,727,720	25.54	29,862,887	23.26	26,449,169	24.41
Leasing	15,645,175	10.85	14,751,686	10.59	13,868,354	9.39	10,604,588	8.26	7,788,938	7.19
Residential Mortgage	12,431,027	8.62	11,672,333	8.38	11,473,538	7.77	8,959,604	6.98	8,092,744	7.47
Refinanced	1,061,641	0.74	900,614	0.65	831,355	0.56	830,862	0.65	939,445	0.87
PDLs	1,438,156	1.00	1,457,214	1.05	1,165,966	0.79	921,605	0.72	842,165	0.78
Loan Loss Reserves	(3,483,160)	(2.42)	(3,239,342)	(2.33)	(3,016,866)	(2.04)	(2,467,730)	(1.92)	(2,344,465)	(2.16)
Foreclosed Assets	112,255	0.08	102,504	0.07	160,994	0.11	178,765	0.14	152,321	0.14
Fixed Assets	2,625,428	1.82	2,562,770	1.84	2,580,302	1.75	2,283,854	1.78	2,195,794	2.03
<b>Total Assets</b>	<b>144,222,831</b>	<b>100.00</b>	<b>139,323,781</b>	<b>100.00</b>	<b>147,694,261</b>	<b>100.00</b>	<b>128,378,062</b>	<b>100.00</b>	<b>108,348,772</b>	<b>100.00</b>
<b>Liabilities</b>										
Deposits	97,523,892	67.62	95,555,996	68.59	95,153,887	64.43	82,806,023	64.50	72,371,623	66.80
Checking	25,699,515	17.82	23,534,748	16.89	23,799,967	16.11	20,905,903	16.28	19,139,397	17.66
Savings	22,201,490	15.39	19,893,242	14.28	19,489,949	13.20	15,987,176	12.45	14,984,265	13.83
Time Deposits	45,846,305	31.79	48,399,208	34.74	47,802,344	32.37	42,139,291	32.82	34,838,210	32.15
Institutional Deposits	6,221,513	4.31	6,760,222	4.85	6,732,673	4.56	5,955,433	4.64	4,826,513	4.45
Interbank Funds	1,152,260	0.80	739,760	0.53	430,524	0.29	738,770	0.58	460,886	0.43
Short term Funding	11,891,283	8.25	11,653,770	8.36	20,293,636	13.74	17,971,704	14.00	12,936,520	11.94
Senior Debt	3,273,474	2.27	2,729,498	1.96	2,893,129	1.96	2,721,301	2.12	1,944,281	1.79
Subordinated Debt	3,097,026	2.15	2,400,233	1.72	2,101,619	1.42	1,795,745	1.40	1,820,861	1.68
<b>Total liabilities</b>	<b>129,505,120</b>	<b>89.80</b>	<b>126,368,029</b>	<b>90.70</b>	<b>135,503,154</b>	<b>91.75</b>	<b>118,133,180</b>	<b>92.02</b>	<b>98,830,356</b>	<b>91.22</b>
Equity	14,717,711	10.20	12,955,752	9.30	12,191,107	8.25	10,244,882	7.98	9,518,416	8.78
Paid-In Capital	7,778,916	5.39	6,885,693	4.94	5,538,454	3.75	5,268,553	4.10	4,404,863	4.07
Retained Earnings	3,979,771	2.76	3,088,134	2.22	3,721,883	2.52	2,260,648	1.76	1,780,165	1.64
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>144,222,831</b>	<b>100.00</b>	<b>139,323,781</b>	<b>100.00</b>	<b>147,694,261</b>	<b>100.00</b>	<b>128,378,062</b>	<b>100.00</b>	<b>108,348,772</b>	<b>100.00</b>
<b>Income Statement</b>										
Total Operating Revenues	12,509,737	100.00	6,218,323	100.00	11,271,571	100.00	5,291,074	100.00	8,463,822	100.00
Net Interest Revenues	8,443,037	67.49	4,065,543	65.38	8,162,488	72.42	3,839,988	72.57	6,313,159	74.59
Non-Interest Revenue	4,066,700	32.51	2,152,780	34.62	3,109,083	27.58	1,451,086	27.43	2,150,663	25.41
Trading and Securities Rev.	523,175	4.18	419,416	6.74	—	0.00	—	0.00	—	0.00
Derivatives and FX Revenues	690,313	5.52	419,370	6.74	1,098,408	9.74	542,229	10.25	459,578	5.43
Fees and Commissions	2,433,505	19.45	1,166,879	18.77	2,228,184	19.77	1,044,074	19.73	1,844,641	21.79
Operating Expenses	(5,194,576)	(41.52)	(2,528,911)	(40.67)	(4,998,621)	(44.35)	(2,269,631)	(42.90)	(3,889,271)	(45.95)
Loan Loss and Other Provisions	(2,890,063)	(23.10)	(1,482,972)	(23.85)	(2,066,973)	(18.34)	(860,443)	(16.26)	(1,492,063)	(17.63)
Loan Loss Provisions	(2,209,546)	(17.66)	(1,146,761)	(18.44)	(1,496,424)	(13.28)	(568,295)	(10.74)	(961,481)	(11.36)
Other Provisions	(680,517)	(5.44)	(336,211)	(5.41)	(570,549)	(5.06)	(292,148)	(5.52)	(530,582)	(6.27)
Other Revenue/(Expense)	331,080	2.65	179,838	2.89	525,662	4.66	258,632	4.89	398,591	4.71
Taxes	(1,509,607)	(12.07)	(744,074)	(11.97)	(1,413,362)	(12.54)	(724,886)	(13.70)	(1,103,796)	(13.04)
<b>Net Income</b>	<b>3,246,571</b>	<b>25.95</b>	<b>1,642,204</b>	<b>26.41</b>	<b>3,318,277</b>	<b>29.44</b>	<b>1,694,746</b>	<b>32.03</b>	<b>2,377,283</b>	<b>28.09</b>
<b>RATIOS (%)</b>										
ROAA	2.22		2.45		2.59		2.86		2.49	
ROAE	24.13		28.31		30.57		34.30		27.34	
Costs/Income	41.52		40.67		44.35		42.90		45.95	
Equity/Assets	10.20		9.30		8.25		7.98		8.78	
Equity + LLR/Assets	12.62		11.62		10.30		9.90		10.95	
Regulatory Capital Ratio	13.47		11.85		11.85		11.71		11.71	
Deposits/Assets	67.62		68.59		64.43		64.50		66.80	
Interbank Financing/Assets	5.11		5.38		4.85		5.21		4.88	
Cash and Bank Deposits/Short Term Obligations	46.53		52.03		57.87		55.22		48.90	
Loans/Deposits	88.90		88.57		91.44		87.58		87.40	
PDL's/Gross Loans	1.56		1.62		1.27		1.21		1.26	
PDLs + Restructured/Gross Loans	2.71		2.62		2.17		2.29		2.67	
Reserves/PDLs	242.20		222.30		258.74		267.76		278.39	
Reserves/PDLs + Restructured	139.34		137.39		151.05		140.81		131.59	
Reserves/Gross Loans	3.77		3.60		3.28		3.23		3.51	

Source: Superintendencia de Banca y Pensiones.

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