Banco Agropecuario

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Support Rating	2
Support Rating Floor	BBB+

Local Currency

Long-Term IDR	A–
Short-Term IDR	F1

Sovereign Risk

Foreign-Currency Long-Term IDR	BBB+
Local-Currency Long-Term IDR	A–

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Banco Agropecuario

	6/30/16	12/31/15
Total Assets (USDm)	746.2	684.6
Total Assets (PENm)	2,462.4	2,334.7
Total Equity (PENm)	456.6	450.7
Operating Profit (PENm)	5.3	25.3
Published Net Income (PENm)	5.0	17.3
Comprehensive Income (PENm)	5.0	17.3
Operating ROAA (%)	0.45	1.21
Operating ROAE (%)	2.37	5.71
Internal Capital Generation (%)	2.22	3.84
Fitch Core Capital/ Adjusted Weighted Risks (%)	20.81	21.37
Total Regulatory Capital Ratio (%)	22.26	22.13
Net income (PENm)	5.0	17.3

Related Research

Peru (April 2016)

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Key Rating Drivers

State Support: Banco Agropecuario's (Agrobanco) issuer default ratings (IDRs) are aligned with the sovereign, reflecting Fitch's view on a high likelihood of support from the Republic of Peru, should it be required. Despite its small market share, Agrobanco is the country's largest source of financing for the agricultural sector. Its 100% government ownership, as well as the representation of the Ministry of Agriculture and Ministry of Economy and Finance on its board, evidences its importance to the government's economic development and agricultural policies.

Elevated Risk Appetite: The bank has an elevated risk appetite, in keeping with its business model and target market. Since receiving authorization to leverage its capital in 2011, its loan growth has been rapid, averaging 59.4% annually. This growth has been accompanied by a strategic transformation from wholesale lending to providing direct working capital, equipment financing, and long-term lines of credit.

Loan Quality Deterioration: While the bank's non-performing loans (2.4% at June 2016) compare well with the banking sector, its restructured loan portfolio (4.1%) is higher than the banking system average. In Fitch's view, Agrobanco's ability to closely monitor portfolio quality is challenged by infrequent amortization payments on a large portion of its credits. Credit risk is mitigated by a track record of support from Fondo Agroperu, a government facility to backstop distressed agricultural debtors, such as producers affected by coffee rust.

Rollover Risk: Agrobanco's funding profile remains a weakness. Without authorization to mobilize deposits, its funding is concentrated and short term. At June 2016, 40.9% of funding was sourced from one lender and 69.4% of funding matured within 12 months. Rollover risk is partly mitigated by the bank's adequate level of liquidity (25% of its balance sheet) as well as a track record of support from the government and access to lines of credit from state and local banks.

Pressured Profitability: The bank's profitability has been pressured by a combination of factors, including an increase in non-earning assets since 2014, growth in non-accruing loans (approximately 5% of gross loans) and significant loan impairment charges (50% of pre-impairment operating profit in 2015).

Adequate Capital: Agrobanco's capital metrics remain robust, benefitting from the reinvestment of 100% of retained earnings as well as government recapitalizations in recent years. Despite a rapid process of leveraging since 2011, Agrobanco's Fitch Core Capital was 20.8% at June 2016.

Rating Sensitivities

Sovereign Considerations: As a state-owned development bank, Agrobanco's creditworthiness and ratings are directly linked to those of the Republic of Peru; hence, Agrobanco's ratings are sensitive to changes in Peru's sovereign ratings or a change in Fitch's view of Agrobanco's strategic importance to government policy.

Operating Environment

New Government's Broad Policy Continuity

In September 2016, Fitch affirmed Peru's ratings and outlooks. Peru's creditworthiness is underpinned by its established track record of macro policy credibility, consistency and flexibility, which has delivered macroeconomic and financial stability. Strong fiscal and external balance sheets offset the country's high commodity dependence, low government revenue base, financial dollarization and structural constraints in terms of income per capita, social indicators and institutional quality.

The end of the commodity super cycle and peaking copper production is reducing mining export revenue, economic growth, and fiscal revenues. The new administration of President Pedro Pablo Kuczynski, which took office in July 2016, plans to use fiscal space for a longer deficit convergence period to smooth the economy adjustment to lower mining income. The government plans to sustain infrastructure projects begun by the previous administration as well as to improve basic services in rural communities. Peru has a track record of prudent public financial management and effective expenditure controls, which have reduced government debt, built a 4.2% of GDP fiscal stabilization fund, and supported the credibility of its fiscal framework.

Fitch expects Peru's economic growth to rise to 3.7% in 2016 and 4.2% in 2017, driven by peaking copper production that is counterbalancing the effect of weak prices on mining export revenues and the fiscal stimulus including pick-up in local capital investment execution and delayed mega-projects at the national government level.

Banking Sector

Growth in the Peruvian financial system has moderated compared to prior years. Loan growth in real terms averaged 8.4% annually July 2014–July 2016 compared to 14.7% during the previous 12 months, reflecting the decline in dollar credit and the economic slowdown. The sector continues to be characterized by a high degree of concentration, with the top 5 banks representing approximately 90% of system assets at year-end 2015.

Regulation in Peru is among the strongest in the region and has greatly advanced toward Basel III since 2012. Minimum capital requirements were raised, including buffers for obligor, industry or geographic concentration and interest rate risk in the banking book. A countercyclical reserve buffer rule is in place and has been deactivated since 2014. Banks have been reporting the liquidity coverage ratio (LCR) since 2013 and will have to comply with 100% of the target by 2017. Regulators are working on a net stable funding ratio (NSFR) and new rules to improve the quality of capital and tighten requirements for equity-like subordinated debt, although the latter will require modifications of the banking law.

By lowering cash reserve requirements for deposits in local currency while increasing those for dollar deposits, the Central Bank created strong incentives to reduce credit dollarization. As a result, U.S. dollar loans decreased to 28.5% at July 2016 from 38% at YE14. Simultaneously, given constitutional guarantees on currency convertibility, the Central Bank has helped the banking system cope with the slower rate of deposit de-dollarization (42.6% at July 2016). At the end of 2014, the Central Bank began making available long-term local currency facilities (local currency repos) pledged by foreign currency deposits. Authorities expect to make these facilities available over the longer term as needed.

Related Criteria

Global Bank Rating Criteria (July 2016)

Company Profile

Unique Business Model

Agrobanco was established in 2002 as the Peruvian government's principal instrument for providing financial support to the agricultural sector. It is wholly owned by the Peruvian government through its specialized agency, Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado (FONAFE), which forms part of the Ministry of Economy and Finance. Agrobanco's initial capital of PEN100m was increased in 2012 and 2013. Moreover, in 2011, the bank was authorized to leverage its capital to better meet the agricultural sector's funding needs.

At its inception, the bank primarily acted as a wholesale lender through financial institutions. However, since 2004, Agrobanco's principal activity is direct retail lending to small and medium-sized agricultural producers, primarily located in remote rural areas. The transition to a direct lending platform has been accompanied by the development of a number of products, primarily working capital loans, but also long-term lines of credit, equipment financing and farm land financing. Principal industries Agrobanco supports include coffee production, livestock, cacao, banana, cotton, potato, corn, rice, quinoa and forestry products. It also offers technical assistance and specialized training to small producers.

With an average loan size of approximately PEN25,100 (USD7,600), Agrobanco manages approximately 73,200 retail credits through 80 offices across 22 of the country's departments. However, despite a small market share of 0.6% by assets at June 2016, it is the country's leading agricultural lender (18.3% of agricultural loan disbursements).

Management

Agrobanco's management team demonstrates an adequate level of stability and experience. During 2016, the bank's General Manager left and was replaced by the bank's former chief credit officer on an interim basis. A former regional manager with extensive commercial lending experience was in turn elevated to the chief credit officer role.

Agrobanco's board of directors has five members appointed for five-year terms. Two directors are appointed by the Ministry of Economy and Finance and three are appointed by the Ministry of Agriculture, including the board chair. During 2014, the Ministry of Agriculture replaced the board's chair in a non-electoral year. However, directors are usually replaced with each presidential election, thus aligning the board's view and policies with those of the government. As with other Peruvian state banks, Agrobanco expects new board members to be named subsequent to the change of government in July 2016. The board does not currently include independent members.

The bank is supervised by several control and regulating agencies, including FONAFE, BCRP, the Superintendence of Banks and the Comptroller of the Republic, among others. Agrobanco's annual (and multiyear) strategic plan and budget is coordinated with and approved by FONAFE and is included in the central government's budget process. Agrobanco counts on a number of specialized committees to oversee the bank's operations. These include executive, audit, risk, and assets and liabilities committees, which held 14 sessions during 2014. In addition, the risk unit has built up a team of specialized personnel to monitor nonfinancial risks that relate specifically to the bank's target sector, such as climate risks, national and international agricultural policies and commodity prices.

Risk Appetite

Elevated Risk Appetite

The bank's risk appetite is intrinsically high, as it involves long-term retail credit products for a historically underserved market without a high capacity to pledge tangible collateral (44% of the loan portfolio is unsecured). Borrowers have relatively unpredictable cash flows and have high exposure to climate and pricing risk. In addition, in order to accommodate borrowers' agricultural production cycles, approximately 30% of Agrobanco's outstanding credits have tenors of more than 12 months, and a significant proportion of loans are structured with bullet amortizations of principal.

The bank's underwriting is standardized by product, but generally limited to partial financing of existing agricultural production activities. As origination is primarily undertaken by contractors, the bank has continually made progress in standardizing its underwriting, employing GPS data and digital photos of client production processes to better locate and value plots. In addition, the bank increasingly disburses credits through prepaid debit cards, eligible for use at authorized vendors, to better control the use of funds.

Volatile Growth

After receiving authorization to leverage its capital in 2011, Agrobanco underwent a period of rapid growth. Asset growth averaged 68.9% annually from 2012-2015. This growth was principally tied to a nearly 200% increase in funding liabilities in 2014, primarily from one funding source. Growth has tapered significantly in 2016, as the bank focuses on disbursing existing liquidity. Agrobanco expects to grow its portfolio by approximately 12% in 2016, a significant reduction from previous years.

Interest Rate Risk

The bank does not maintain an investment portfolio of securities, as liquidity is held primarily in Central Bank and commercial bank deposits. Agrobanco's interest rate risk derives primarily from the repricing of its loan portfolio relative to its funding liabilities. At June 2016, approximately 69% of Agrobanco's funding will mature within the next 12 months, compared to 48% of earning assets.

The bank also incurs currency risk, having significantly expanded its USD-denominated funding in 2014. The bank employs a natural hedging strategy, resulting in a net short USD position equivalent to 4.6% of capital at June 2016.

Financial Profile

Asset Quality

Limited Visibility on Portfolio Quality

Loan Quality Indicators

(%)

	6/30/16	2015	2014	2013
Growth of Gross Loans	3.66	22.66	60.57	107.73
Impaired Loans /Gross Loans	2.37	1.94	1.98	1.55
Reserves for Impaired Loans/Impaired Loans	184.59	190.91	175.07	199.80
Impaired Loans Less Reserves for Impaired Loans/Fitch Core Capital	(8.35)	(7.15)	(5.10)	(3.35)
Loan Impairment Charges/Average Gross Loans	2.88	1.39	2.17	1.50

Source: Audited and unaudited financial statements.

Agrobanco's loan portfolio indicators registered deterioration in 2015 and 2016, reflecting seasoning of its rapidly expanded retail products in recent years. Although Agrobanco's proportion of loans past due more than 30 days (2.4% at June 2016) continues to compare favorably with the banking system average (2.9%), the bank reports higher levels of restructured and classified loans. At June 2016, 15.8% of Agrobanco's portfolio had a risk classification other than "normal," compared to 6.6% for the private banking system as a whole. In addition, restructured loans represented 4.1% of gross loans, compared to a system average of 1.1%. Net charge-offs also increased significantly in 2016, from 0.4% of gross loans during 2015 to 1.7% at June 2016.

The bank's ability to closely monitor its portfolio quality is challenged by the relatively infrequent principal amortizations of a large portion of its credits, combined with the operational challenge of a remote, rural client base. It should be noted that in addition to its restructured loan portfolio, a further 10.6% of gross loans have undergone minor amortization schedule modifications without maturity extension. In Fitch's opinion, the extensive use of such modifications may reflect higher credit risk. However, this risk is partly mitigated by a track record of support from the government's Fondo Agroperu guarantee fund. The bank is currently processing a sale of a portion of restructured loans to Agroperu at face value.

By covenant with its lenders, Agrobanco is required to maintain loans past due more than 30 days below 8.0% and a reserve coverage ratio of at least 175%. At June 2016, reserve coverage was 184.6%, a rate that does not fully cover classified exposures, but can be considered adequate in light of the bank's capital cushion.

Earnings and Profitability

Profitability Indicators

(%)

	6/30/16	2015	2014	2013
Net Interest Income/Average Earning Assets	8.29	7.81	8.55	13.16
Non-Interest Expense/Gross Revenues	57.04	60.92	64.76	53.57
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	83.48	49.69	65.94	25.15
Operating Profit/Average Total Assets	0.45	1.21	0.89	4.45
Operating Profit/Risk-Weighted assets	0.51	1.24	0.83	3.02
Net Income/Average Equity	2.23	3.91	2.34	5.66

Source: Audited and unaudited financial statements.

Agrobanco's profitability indicators have been in decline since 2014, affected by a number of factors, including high levels of USD liquidity (19% of total assets at year-end 2015) used to partially hedge USD obligations. The negative carry on a USD200m credit facility raised in 2014 accompanied a decline in net interest income, to 8.2% in 2014-2015 from an average of 13.5% from 2010-2013.

In addition, the bank's profitability has been negatively affected by growth in non-accruing loans (approximately 5% of gross loans). Interest income on loans declined to 13.8% in 2015 from 15.3% in 2014. In addition to classified loans, the bank placed PEN13m of additional loans in non-accrual status in 2015, according to the regulator's guidance on performing credits with periods between amortization payments of more than one year,

Loan impairment charges have also continued to increase as a percentage of pre-impairment operating profit to 83.5% for the six months ending June 2016 from an average of 34% from 2010-2013. Given that operating expenses as a share of assets have been well managed and on a declining trend, Agrobanco's future earnings depend on portfolio quality and improved asset liability management.

Capitalization and Leverage

Capitalization Indicators

(%)

	6/30/16	2015	2014	2013
Fitch Core Capital/Weighted Risk	20.81	21.37	25.53	40.49
Tangible Common Equity/Tangible Assets	18.06	18.85	22.39	44.44
Core Tier 1 Regulatory Capital Ratio	21.21	21.17	25.60	39.08
Internal Capital Generation	2.22	3.84	2.33	5.38

Source: Audited and unaudited financial statements.

Agrobanco's capital metrics benefit from the full reinvestment of retained earnings since the bank's inception as well as government recapitalizations in 2012 and 2013. Agrobanco's capital is entirely Tier 1 and is not encumbered by goodwill or fixed assts. Subsequent to its rapid leveraging since 2011, the bank's regulatory capital ratio has declined from 91.2% to 22.3% at June 2016. Despite a regulatory capital minimum of 10%, the bank has covenanted a 20% minimum with creditors, limiting the bank's ability to maintain asset growth at the rate of recent years.

Funding and Liquidity Indicators

(%)

	6/30/16	2015	2014	2013
Total Liabilities / Tangible Capital (x)	4.5	4.3	3.5	1.3
EBITDA / Interest Expense (x)	1.8	1.9	1.9	5.9
EBITDA / Gross Revenues	72.7	81.7	74.0	90.0

Source: Audited and unaudited financial statements.

Funding and Liquidity

Significant Funding Matures in 2017

As Agrobanco is not authorized to mobilize deposits, its funding is significantly concentrated. 69.4% of the bank's funding at June 2016 matures within 12 months, including a USD200m facility. The bank is currently in discussions with multiple lenders to roll over this funding. Refinancing risk is also mitigated by high levels of liquidity, equivalent to USD187m at June 2016. Agrobanco has a track record of support from the government through the Agroperu Fund as well as access to lines of credit from state and local banks. However, in Fitch's opinion, Agrobanco's funding profile remains a key weakness.

In terms of liquidity, Agrobanco continues to report liquidity ratios, in compliance with regulatory and internal limits in both foreign and local currencies. Current assets represented 28.4% of current liabilities in local currency and 22.8% in foreign currency at June 2016, compared to regulatory minimums of 8% and 20%, respectively. However, given the bank's rollover risk and elevated levels of classified loans, Fitch would view as prudent the establishment of higher internal liquidity targets.

Peer Analysis

For the purposes of comparison, Fitch groups Agrobanco with other Peruvian state banks. However, Agrobanco's business model differs materially in that it is limited to sourcing wholesale funding but provides retail credits to small and medium sized enterprises. Agrobanco's loan quality indicators are the weakest of its peer group. In addition, despite reporting the widest net interest margin, Agrobanco's net earnings are the lowest among its peers relative to assets and equity, primarily due to higher impairment charges. In addition, its capital position has declined below the peer median due to its rapid leveraging in recent years.

Peer Analysis

(%)

	Agrobanco		Banco de la Nacion		COFIDE		Fondo Mivivienda	
	6/30/16	6/30/16	6/30/16	12/31/15	6/30/16	12/31/15	6/30/16	12/31/15
Total Assets (PEN million)	2,462.4	2,462.4	26,692.6	29,514.6	13,533.3	13,545.2	7,899.0	8,059.4
Net Loans (PEN million)	1,758.2	1,758.2	10,045.1	10,198.0	6,442.9	7,310.0	6,029.6	5,831.2
Deposits (PEN million)	0.00	0.00	23,719.3	23,763.9	9.6	32.6	0.2	0.2
Net Interest Income / Average Earning Assets	8.29	8.29	8.08	7.57	1.48	2.05	2.82	2.56
Non-Interest Expense/ Gross Revenues	57.04	57.04	46.65	55.89	36.04	35.24	38.89	30.88
Pre-impairment Op. Profit/ Average Total Assets	2.73	2.73	3.84	2.90	1.06	1.26	0.80	1.48
Loans and securities impairment charges/ Pre-impairment Op. Profit	83.48	83.48	5.62	15.45	62.39	42.75	18.18	2.49
FCC/FCC-Adjusted Risk Weighted Assets	20.81	20.81	17.94	15.13	24.54	23.64	113.00	91.11
Tangible Common Equity/ Tangible Assets	18.06	18.06	6.86	5.44	20.47	19.90	42.44	41.45
Past due Loans + 30 Days/ Gross Loans	2.37	2.37	0.63	0.55	0.79	0.73	2.97	2.49
Reserves for Impaired Loans/ Past due loans > 30 days	184.59	184.59	426.19	456.06	1,152.76	1,105.00	38.85	43.53

Senior Unsecured Debt Ratings

The rating of 'A–(emr)' on a long-term senior unsecured loan contracted by Agrobanco through Citibank, N.A. in the PEN-equivalent amount of USD45m reflects how support from the government should be forthcoming, if needed, to Agrobanco and any of its senior unsecured debt.

The subscript 'emr' was added to the rating of the local currency loan to reflect the embedded market risk of the exchange rate fluctuation between the PEN and the USD given that the loan is denominated in PEN while the settlement is in USD.

Banco Agropecuario (Agrobanco)

Income Statement

	6/30/16			12/31/15		12/31/14		12/31/13	
	6 Mos - Int USDm Unaudited	6 Mos - Int PENth Unaudited	As % of Earning Assets	Year End PENth Audited - Unqualified	As % of Earning Assets	Year End PENth Audited - Unqualified	As % of Earning Assets	Year End PENth Audited - Unqualified	As % of Earning Assets
1. Interest Income on Loans	38.7	127,633	12.83	218,778	11.70	181,990	12.34	103,157	11.46
2. Other Interest Income	0.5	1,489	0.15	2,017	0.11	2,789	0.19	788	0.09
3. Dividend Income	0.0	0	0.00	0	0.00	0	0.00	n.a.	-
4. Gross Interest and Dividend Income	39.1	129,122	12.98	220,795	11.81	184,779	12.53	103,945	11.55
5. Interest Expense on Customer Deposits	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Other Interest Expense	16.3	53,954	5.42	94,524	5.06	72,425	4.91	17,686	1.96
7. Total Interest Expense	16.3	53,954	5.42	94,524	5.06	72,425	4.91	17,686	1.96
8. Net Interest Income	22.8	75,168	7.56	126,271	6.75	112,354	7.62	86,259	9.58
9. Net Gains (Losses) on Trading and Derivatives	(0.5)	(1,632)	(0.16)	(190)	(0.01)	197	0.01	632	0.07
10. Net Gains (Losses) on Other Securities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
11. Net Gains (Losses) on Assets at FV through Income Statement	0.0	0	0.00	0	0.00	0	0.00	0	0.00
12. Net Insurance Income	0.0	0	0.00	0	0.00	0	0.00	0	0.00
13. Net Fees and Commissions	0.5	1,699	0.17	2,545	0.14	2,003	0.14	2,295	0.25
14. Other Operating Income	0.0	0	0.00	0	0.00	0	0.00	0	0.00
15. Total Non-Interest Operating Income	0.0	67	0.01	2,355	0.13	2,200	0.15	2,927	0.33
16. Personnel Expenses	6.6	21,879	2.20	42,722	2.28	38,143	2.59	28,139	3.13
17. Other Operating Expenses	6.4	21,036	2.12	35,632	1.91	36,044	2.44	19,639	2.18
18. Total Non-Interest Expenses	13.0	42,915	4.31	78,354	4.19	74,187	5.03	47,778	5.31
19. Equity-accounted Profit/ Loss - Operating	0.0	0	0.00	0	0.00	0	0.00	0	0.00
20. Pre-Impairment Operating Profit	9.8	32,320	3.25	50,272	2.69	40,367	2.74	41,408	4.60
21. Loan Impairment Charge	7.6	25,243	2.54	22,076	1.18	25,743	1.75	10,009	1.11
22. Securities and Other Credit Impairment Charges	0.5	1,737	0.17	2,905	0.16	873	0.06	405	0.04
23. Operating Profit	1.6	5,340	0.54	25,291	1.35	13,751	0.93	30,994	3.44
24. Equity-accounted Profit/ Loss - Non-operating	0.0	0	0.00	0	0.00	0	0.00	0	0.00
25. Non-recurring Income	0.0	0	0.00	0	0.00	2,395	0.16	9,051	1.01
26. Non-recurring Expense	0.0	0	0.00	0	0.00	1,104	0.07	762	0.08
27. Change in Fair Value of Own Debt	0.0	0	0.00	0	0.00	0	0.00	0	0.00
28. Other Non-operating Income and Expenses	0.9	3,118	0.31	1,996	0.11	0	0.00	0	0.00
29. Pre-tax Profit	2.6	8,458	0.85	27,287	1.46	15,042	1.02	39,283	4.36
30. Tax expense	1.0	3,422	0.34	9,961	0.53	4,965	0.34	16,527	1.84
31. Profit/Loss from Discontinued Operations	0.0	0	0.00	0	0.00	0	0.00	0	0.00
32. Net Income	1.5	5,036	0.51	17,326	0.93	10,077	0.68	22,756	2.53
33. Change in Value of AFS Investments	0.0	0	0.00	0	0.00	0	0.00	0	0.00
34. Revaluation of Fixed Assets	0.0	0	0.00	0	0.00	0	0.00	0	0.00
35. Currency Translation Differences	0.0	0	0.00	0	0.00	0	0.00	0	0.00
36. Remaining OCI Gains/(losses)	0.0	0	0.00	0	0.00	0	0.00	0	0.00
37. Fitch Comprehensive Income	1.5	5,036	0.51	17,326	0.93	10,077	0.68	22,756	2.53
38. Memo: Profit Allocation to Non-controlling Interests	0.0	0	0.00	0	0.00	0	0.00	0	0.00
39. Memo: Net Income after Allocation to Non-controlling Interests	1.5	5,036	0.51	17,326	0.93	10,077	0.68	22,756	2.53
40. Memo: Common Dividends Relating to the Period	0.0	0	0.00	0	0.00	0	0.00	0	0.00
41. Memo: Preferred Dividends Related to the Period	0.0	0	0.00	0	0.00	0	0.00	0	0.00
Exchange rate		USD1 = PEN3.30000		USD1 = PEN3.41050		USD1 = PEN2.98500		USD1 = PEN2.79500	

Banco Agropecuario (Agrobanco)

Balance Sheet

	6/30/16			12/31/15		12/31/14		12/31/13	
	6 Mos - Int USDm	6 Mos - Int PENth	As % of Assets	Year End PENth	As % of Assets	Year End PENth	As % of Assets	Year End PENth	As % of Assets
Assets									
A. Loans									
1. Residential Mortgage Loans	0.0	0	0.00	0	0.00	0	0.00	0	0.00
2. Other Mortgage Loans	0.0	0	0.00	0	0.00	0	0.00	0	0.00
3. Other Consumer/ Retail Loans	284.9	940,300	38.19	844,107	36.16	721,910	38.12	569,246	60.42
4. Corporate & Commercial Loans	219.1	723,086	29.37	779,037	33.37	616,396	32.55	280,608	29.78
5. Other Loans	53.1	175,293	7.12	150,582	6.45	107,722	5.69	50,710	5.38
6. Less: Reserves for Impaired Loans	24.4	80,520	3.27	65,702	2.81	50,152	2.65	27,872	2.96
7. Net Loans	532.8	1,758,159	71.40	1,708,024	73.16	1,395,876	73.70	872,692	92.62
8. Gross Loans	557.2	1,838,679	74.67	1,773,726	75.97	1,446,028	76.35	900,564	95.58
9. Memo: Impaired Loans included above	13.2	43,622	1.77	34,415	1.47	28,647	1.51	13,950	1.48
10. Memo: Loans at Fair Value included above	0.0	0	0.00	0	0.00	0	0.00	0	0.00
B. Other Earning Assets									
1. Loans and Advances to Banks	73.3	241,948	9.83	161,754	6.93	78,462	4.14	27,644	2.93
2. Reverse Repos and Cash Collateral	0.0	0	0.00	0	0.00	0	0.00	0	0.00
3. Trading Securities and at FV through Income	0.0	0	0.00	0	0.00	0	0.00	0	0.00
4. Derivatives	0.0	0	0.00	0	0.00	0	0.00	0	0.00
5. Available for Sale Securities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Held to Maturity Securities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
7. Equity Investments in Associates	0.0	0	0.00	0	0.00	0	0.00	0	0.00
8. Other Securities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
9. Total Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Memo: Government Securities included	0.0	0	0.00	0	0.00	0	0.00	0	0.00
11. Memo: Total Securities Pledged	0.0	0	0.00	0	0.00	0	0.00	0	0.00
12. Investments in Property	0.0	0	0.00	0	0.00	0	0.00	0	0.00
13. Insurance Assets	0.0	0	0.00	0	0.00	0	0.00	0	0.00
14. Other Earning Assets	0.0	0	0.00	0	0.00	0	0.00	0	0.00
15. Total Earning Assets	606.1	2,000,107	81.23	1,869,778	80.09	1,474,338	77.85	900,336	95.56
C. Non-Earning Assets									
1. Cash and Due From Banks	114.6	378,087	15.35	386,465	16.55	344,945	18.21	1,793	0.19
2. Memo: Mandatory Reserves included above	0.0	0	0.00	2,872	0.12	557	0.03	204	0.02
3. Foreclosed Real Estate	2.3	7,736	0.31	7,155	0.31	4,714	0.25	317	0.03
4. Fixed Assets	5.9	19,573	0.79	19,757	0.85	17,976	0.95	9,519	1.01
5. Goodwill	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Other Intangibles	1.2	3,920	0.16	3,907	0.17	3,125	0.17	2,690	0.29
7. Current Tax Assets	4.2	13,821	0.56	14,205	0.61	10,583	0.56	0	0.00
8. Deferred Tax Assets	3.2	10,607	0.43	9,137	0.39	8,872	0.47	5,564	0.59
9. Discontinued Operations	0.0	0	0.00	0	0.00	0	0.00	0	0.00
10. Other Assets	8.6	28,511	1.16	24,278	1.04	29,377	1.55	21,993	2.33
11. Total Assets	746.2	2,462,362	100.00	2,334,682	100.00	1,893,930	100.00	942,212	100.00
Exchange rate		USD1 = PEN3.30000		USD1 = PEN3.41050		USD1 = PEN2.98500		USD1 = PEN2.79500	

Banco Agropecuario (Agrobanco)

Balance Sheet

	6/30/16			12/31/15		12/31/14		12/31/13	
	6 Mos - Int USDm	6 Mos - Int PENth	As % of Assets	Year End PENth	As % of Assets	Year End PENth	As % of Assets	Year End PENth	As % of Assets
Liabilities and Equity									
D. Interest-Bearing Liabilities									
1. Customer Deposits - Current	0.0	0	0.00	0	0.00	0	0.00	0	0.00
2. Customer Deposits - Savings	0.0	0	0.00	0	0.00	0	0.00	0	0.00
3. Customer Deposits - Term	0.0	0	0.00	0	0.00	0	0.00	0	0.00
4. Total Customer Deposits	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Deposits from Banks	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Repos and Cash Collateral	0.0	0	0.00	0	0.00	0	0.00	0	0.00
7. Commercial Paper and Short-term Borrowings	491.9	1,623,328	65.93	1,809,933	77.52	711,176	37.55	119,706	12.70
8. Total Money Market and Short-term Funding	491.9	1,623,328	65.93	1,809,933	77.52	711,176	37.55	119,706	12.70
9. Senior Unsecured Debt (original maturity > 1 year)	0.0	0	0.00	30,699	1.31	722,797	38.16	369,120	39.18
10. Subordinated Borrowing	0.0	0	0.00	0	0.00	0	0.00	0	0.00
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	0.0	0	0.00	0	0.00	0	0.00	0	0.00
13. Total LT Funding (original maturity > 1 year)	0.0	0	0.00	30,699	1.31	722,797	38.16	369,120	39.18
14. Derivatives	0.0	0	0.00	0	0.00	0	0.00	0	0.00
15. Trading Liabilities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
16. Total Funding	491.9	1,623,328	65.93	1,840,632	78.84	1,433,973	75.71	488,826	51.88
E. Non-Interest Bearing Liabilities									
1. Fair Value Portion of Debt	0.0	0	0.00	0	0.00	0	0.00	0	0.00
2. Credit impairment reserves	0.0	0	0.00	0	0.00	0	0.00	0	0.00
3. Reserves for Pensions and Other	2.8	9,101	0.37	3,648	0.16	713	0.04	275	0.03
4. Current Tax Liabilities	0.0	0	0.00	819	0.04	886	0.05	7,062	0.75
5. Deferred Tax Liabilities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Other Deferred Liabilities	0.0	0	0.00	0	0.00	0	0.00	0	0.00
7. Discontinued Operations	0.0	0	0.00	0	0.00	0	0.00	0	0.00
8. Insurance Liabilities	0.0	0	0.00	956	0.04	261	0.01	266	0.03
9. Other Liabilities	113.1	373,288	15.16	37,910	1.62	24,706	1.30	22,469	2.38
10. Total Liabilities	607.8	2,005,717	81.46	1,883,965	80.69	1,460,539	77.12	518,898	55.07
F. Hybrid Capital									
1. Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0	0.00	0	0.00	0	0.00	0	0.00
2. Pref. Shares and Hybrid Capital accounted for as Equity	0.0	0	0.00	0	0.00	0	0.00	0	0.00
G. Equity									
1. Common Equity	138.4	456,645	18.54	450,717	19.31	433,391	22.88	423,314	44.93
2. Non-controlling Interest	0.0	0	0.00	0	0.00	0	0.00	0	0.00
3. Securities Revaluation Reserves	0.0	0	0.00	0	0.00	0	0.00	0	0.00
4. Foreign Exchange Revaluation Reserves	0.0	0	0.00	0	0.00	0	0.00	0	0.00
5. Fixed Asset Revaluations and Other Accumulated OCI	0.0	0	0.00	0	0.00	0	0.00	0	0.00
6. Total Equity	138.4	456,645	18.54	450,717	19.31	433,391	22.88	423,314	44.93
7. Total Liabilities and Equity	746.2	2,462,362	100.00	2,334,682	100.00	1,893,930	100.00	942,212	100.00
8. Memo: Fitch Core Capital	134.0	442,118	17.96	437,673	18.75	421,394	22.25	415,060	44.05
Exchange rate		USD1 = PEN3.30000		USD1 = PEN3.41050		USD1 = PEN2.98500		USD1 = PEN2.79500	

Banco Agropecuario (Agrobanco)

Summary Analytics

	6/30/16 6 Mos - Int	12/31/15 Year End	12/31/14 Year End	12/31/13 Year End
A. Interest Ratios				
1. Interest Income on Loans/ Average Gross Loans	14.58	13.75	15.31	15.45
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	14.24	13.66	14.06	15.85
4. Interest Expense/ Average Interest-bearing Liabilities	6.12	5.89	5.35	7.31
5. Net Interest Income/ Average Earning Assets	8.29	7.81	8.55	13.16
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	5.51	6.45	6.59	11.63
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	8.29	7.81	8.55	13.16
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	0.09	1.83	1.92	3.28
2. Non-Interest Expense/ Gross Revenues	57.04	60.92	64.76	53.57
3. Non-Interest Expense/ Average Assets	3.63	3.74	4.79	6.85
4. Pre-impairment Op. Profit/ Average Equity	14.32	11.36	9.38	10.30
5. Pre-impairment Op. Profit/ Average Total Assets	2.73	2.40	2.61	5.94
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	83.48	49.69	65.94	25.15
7. Operating Profit/ Average Equity	2.37	5.71	3.19	7.71
8. Operating Profit/ Average Total Assets	0.45	1.21	0.89	4.45
9. Operating Profit / Risk Weighted Assets	0.51	1.24	0.83	3.02
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	2.23	3.91	2.34	5.66
2. Net Income/ Average Total Assets	0.43	0.83	0.65	3.26
3. Fitch Comprehensive Income/ Average Total Equity	2.23	3.91	2.34	5.66
4. Fitch Comprehensive Income/ Average Total Assets	0.43	0.83	0.65	3.26
5. Taxes/ Pre-tax Profit	40.46	36.50	33.01	42.07
6. Net Income/ Risk Weighted Assets	0.48	0.85	0.61	2.22
D. Capitalization				
1. FCC/FCC-Adjusted Risk Weighted Assets	20.81	21.37	25.53	40.49
2. Tangible Common Equity/ Tangible Assets	18.06	18.85	22.39	44.44
3. Tier 1 Regulatory Capital Ratio	21.21	21.17	25.60	39.08
4. Total Regulatory Capital Ratio	22.26	22.13	26.79	40.20
5. Common Equity Tier 1 Capital Ratio	n.a.	n.a.	n.a.	n.a.
6. Equity/ Total Assets	18.54	19.31	22.88	44.93
7. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.
8. Internal Capital Generation	2.22	3.84	2.33	5.38

Banco Agropecuario (Agrobanco)

Summary Analytics

	6/30/16 6 Mos - Int	12/31/15 Year End	12/31/14 Year End	12/31/13 Year End
E. Loan Quality				
1. Growth of Total Assets	5.47	23.27	101.01	114.75
2. Growth of Gross Loans	3.66	22.66	60.57	107.73
3. Loans 30 days past due/ Gross Loans	2.37	1.94	1.98	1.55
4. Reserves for Loans 30 days past due/ Gross Loans	4.38	3.70	3.47	3.09
5. Reserves for Loans 30 days past due/ Loans 30 days past due	184.59	190.91	175.07	199.80
6. Loans 30 days past due less Reserves for Impaired Loans/ Fitch Core Capital	(8.35)	(7.15)	(5.10)	(3.35)
7. Loans 30 days past due less Reserves for Impaired Loans/ Equity	(8.08)	(6.94)	(4.96)	(3.29)
8. Loan Impairment Charges/ Average Gross Loans	2.88	1.39	2.17	1.50
9. Net Charge-offs/ Average Gross Loans	3.66	0.31	0.30	0.06
10. Loans 30 days past due+ Foreclosed Assets/ Gross Loans + Foreclosed Assets	2.78	2.33	2.30	1.58
F. Funding and Liquidity				
1. Loans/ Customer Deposits	n.a.	n.a.	n.a.	n.a.
2. Interbank Assets/ Interbank Liabilities	n.a.	n.a.	n.a.	n.a.
3. Customer Deposits/ Total Funding (excluding derivatives)	n.a.	n.a.	n.a.	n.a.
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.
G. Other Financial Ratios				
1.Total Liabilities / Tangible Capital (x)	4.5	4.3	3.5	1.3
2. EBITDA / Interest Expense (x)	1.8	1.9	1.9	5.9
3. EBITDA / Gross Revenues	72.7	81.7	74.0	90.0
4. Dividends/ Net Income	n.a.	n.a.	n.a.	n.a.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.