MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Intercorp Peru Ltd.'s senior debt rating

11 Jun 2019

New York, June 11, 2019 -- Moody's Investors Service ("Moody's") has today upgraded the senior unsecured debt rating of Intercorp Peru Ltd.'s (Intercorp) to Ba1 from Ba2 with stable outlook, following the upgrade of its main operating company, Banco Internacional del Peru - Interbank (Interbank)'s standalone assessment to baa2 from baa3 on June 5 (see press release " Moody's upgrades Interbank's ratings; outlook stable").

The outlook on the rating is now stable.

The following rating of Intercorp Peru Ltd. was upgraded:

....Senior Unsecured Foreign Currency debt rating, upgraded to Ba1 from Ba2, stable (changed from positive)

Outlook, changed to stable from positive

RATINGS RATIONALE

The upgrade of Intercorp's debt rating follows the upgrade of its primary operating subsidiary, Banco Internacional del Perú-Interbank (Baa1/Baa1 stable, baa2), which has been Intercorp's main dividend contributor. The rating action incorporates the structural subordination of Intercorp's rating to that of Interbank, its moderate double leverage, and growing, but still limited dividend diversification.

Intercorp's rating is based on the relatively robust and sustained dividend contributions reflecting the strong pricing power and income generation capacity of the holding group's main operating subsidiaries, particularly Interbank, the group's largest earnings and dividend generator, and, to a lesser extent, Inteligo (unrated), Interseguro (unrated) and Intercorp Retail (unrated).

Interbank, which has contributed on average almost 60% of Intercorp's total dividends over the past three years, is Peru's largest consumer lender with a strong focus on credit cards, a strong balance sheet and recurring profitability. Inteligo, a private banking and wealth management operation, accounts for almost 21% of Intercorp's dividends during the same period, while Interseguro, an important player in life insurance and annuities, contributes with 19% of the holding company's dividends.

Intercorp Retail, a holding group with businesses that include supermarkets, pharmacies, shopping centers, and department stores, paid dividends in 2017 but earnings in 2018 and 2019 were retained to fund acquisitions in the pharmacy business. The holding company is expected to resume paying dividends in 2020. Intercorp's other investments, largely in education and health care, are in an early stage and are not expected to pay dividends over the next three years.

Moody's Ba1 rating is positioned two-notches below Interbank's baa2 baseline credit assessment, reflecting the structural subordination of Intercorp to the bank and its other operating subsidiaries, and its moderate double leverage (a measure of the degree to which the holding company's equity stakes are financed with debt), which was 113% in 2018, declining from 118% in 2016. As a holding company, Intercorp's rating does not incorporate any government support, unlike Interbank's deposit rating, which benefits from one notch of ratings uplift to reflect the moderate likelihood that the government will provide financial support to the bank in an event of stress. Moody's does not believe that any support provided to the bank will extend to the holding company.

Intercorp's rating also takes into account the interest coverage above three times over the past three years - measured by net dividends received relative to financial expenses, and also the fact that the holding group has a cash and liquid investments position that well exceeds its annual debt service requirements, with a ratio of 1.4x.

Intercorp had assets of $ 25.9 billion, net income of $ 126.8 million, and equity of $ 4.1 billion as of March 2019 on a consolidated basis.

WHAT COULD CHANGE THE RATING UP/DOWN

Intercorp's ratings could be upgraded if and when Interbank's rating is upgraded given the structural subordination to Interbank's rating. The rating could also face upward pressure if its dividend stream becomes substantially more diversified such that the company is no longer dependent on dividend payments from Interbank, and depending on the stability and quality of any new or larger sources of dividends. Conversely, Intercorp's ratings could be downgraded if its main dividend contributors were to be downgraded or if metrics were to weaken materially, either because of interest costs or weak performance at the subsidiaries level and thus lower upstream dividends.

The principal methodology used in this rating was Banks published in August 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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