FitchRatings

Banco de Credito del Peru S.A.

Banks
Universal Commercial Banks
Peru

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Local Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Government Support Rating	bbb–
Sovereign Risk (Peru)	
Long-Term Foreign Currency IDR	BBB
Long-Term Local Currency IDR	BBB
Country Ceiling	A–

Rating Outlooks

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

Applicable Criteria

Bank Rating Criteria (March 2024)

Future Flow Securitization Rating Criteria (April 2023)

Related Research

Latin American Banks Outlook 2024 (December 2023)

Fitch Affirms Peru at 'BBB'; Outlook Negative (October 2023)

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Key Rating Drivers

Standalone Assessment: Banco de Credito del Peru S.A.'s (BCP) IDRs are driven by its Viability Rating (VR) of 'bbb', which is in line with the implied VR. The bank's strong and leading franchise, well-diversified business profile and funding base and sound and improving financial profile underpin the ratings, which are constrained at the sovereign level due to limited geographical diversification outside of Peru and material exposure to foreign currency.

Challenging Operating Environment: Fitch Ratings expects BCP's financial performance to stabilize after downside risks in 2023. We believe the Peruvian banking system has been resilient despite political instability, weather-related events and continued negative impacts from slow global growth. Fitch expects economic growth of 1.9% in 2024 will mostly represent a rebound from a low base effect in 2023, while headwinds will remain for private investment and consumption due in part to political and social unrest.

Although this economic downside could result in some asset quality deterioration, banking system performance will remain solid and stable. Sound bank capitalization and liquidity should absorb any downside risks in 2024.

Leading Franchise: BCP is the largest bank in Peru and the main subsidiary of Credicorp Ltd. (BBB/Negative), the country's largest financial holding company. BCP's consolidated numbers show a market share of 37.3% by loans and 38.7% by deposits as of YE23. The bank maintains a leadership role in all major segments and products, including wholesale banking, SME lending, microfinance, consumer, credit cards, mortgages, demand deposits, savings and time deposits. It has a universal banking business model with a well-diversified loan portfolio and healthy recurrent fee income.

Deteriorating Asset Quality: In 2023, BCP's consolidated loan quality was affected by a combination of lower economic activity and a challenging operating environment (OE), coupled with maturing loans related to the Reactiva program and protests in some regions of the country. Wholesale loans fell by 6.8%, while SME loans (particularly those related to the Reactiva program) decreased by 1.8%.

Consolidated past-due loans greater than 90 days deteriorated slightly, to 3.4%, as of YE23 from 3.32% at YE22. Asset quality is well within the benchmarks for the bank's rating category, and Fitch expects asset quality to remain stable or deteriorate slightly in 2024. Thereafter, Fitch expects asset quality to slowly return to pre-pandemic levels, ranging between 3.3% and 3.5% in 2025–2026, when the OE should be more benign and supportive of loan growth, coupled with more stability in the Peruvian political environment.

Sufficient Reserves to Face Headwinds: BCP's consolidated loan impairment charges (LICs) to average gross loans deteriorated to 2.61% as of YE23 (YE22: 1.46%), attributable to a rise in loan refinancings and higher economic risk, but should return to the 1.5%–2.0% range in 2024. YE23 consolidated reserve coverage was 180.5%, marking a return to pre-pandemic levels (2017–2019 average: 186.5%), and remains sufficient to cover expected losses from remaining Reactiva-related loans and refinancing retail loans.

Improving Expected Loan-Impairment Charges: Seasoning of the remaining Reactiva loans and loans in the refinancing stage peaked in 2023, in Fitch's view. This better-than-expected loan performance, coupled with low but positive growth in the loan portfolio, should result in relatively stable to improving LICs.

High, Sustained Profitability: Growth in net investment margins (NIMs), with strong fee income and commissions, outpaced deterioration stemming from LICs. Consequently, BCP's operating profit-to-risk-weighted assets (RWA) ratio rose to 3.98% at YE23, from 3.80% at YE22 and slightly above the pre-pandemic average (2016–2019) of 3.70%, as expected. The gradual change in business mix in favor of retail lending, coupled with more active balance sheet management, should support wide NIMs even amid a lower interest rate environment due to the change in the Peruvian Central Bank's monetary policy.

Improving Capitalization: BCP's capital position benefits from conservative internal solvency limits and its dividend policy, coupled with high profitability and negative asset growth in 2023. Capitalization ratios have increased steadily in recent years, with common equity Tier 1 (CET1) reaching 13.09% at YE23.

Aligned with New Regulatory Requirements: Fitch believes BCP has successfully adapted to higher and better-quality capital requirements, in accordance with Basel III principles, following adoption of the new Basel III requirements beginning in 2023 (with the phase-in period ending in 2026). Fitch expects capital ratios to remain around the 11.5%–12.0% range in the medium term due to expected profitability and low loan and asset growth.

Diversified Funding Base: BCP benefits from a low-cost deposit base predominantly consisting of demand and savings deposits, about two thirds of which are customer deposits. Time deposits have outpaced demand and saving deposits due to customers' investment appetite in a high interest rate environment. BCP has the largest deposit market share in Peru across all major products, at 36%. The loan-to-deposit ratio fell further, to 99.6% at YE23, although Fitch expects it to stabilize in the 101%–103% range. U.S. dollarization is stable and close to historical levels; as such, it is not a focus for Fitch.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- BCP's IDRs are sensitive to material deterioration in the local OE or a negative sovereign rating action.
- BCP's VR could be affected if asset quality were to deteriorate significantly and cause a sustained decline in operating profits to RWAs below 2.5% and if the bank's CET1 ratio were to fall below 10%, assuming maintenance of excess reserves and noncore loss absorbing capital, for more than four consecutive quarters.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- BCP's IDRs have a Negative Rating Outlook; as such, the possibility of an upgrade is highly unlikely over the rating horizon given that the IDRs are constrained by the sovereign rating.
- Over the medium term, BCP's VR could be upgraded by the confluence of improvement in the OE and the bank's financial profile.

Other Debt and Issuer Ratings

Rating Type	Rating
Senior Unsecured: Long Term	BBB

Source: Fitch Ratings

BCP's senior unsecured bonds are rated at the same level as the bank's IDRs, considering the absence of credit enhancement or any subordination feature.

Other Debt and Issuer Ratings — Rating Sensitivities

- BCP's senior debt ratings would move in line with its Long-Term IDR.

Significant Changes from Last Review

On Oct. 25, 2023, Fitch affirmed Peru's ratings at 'BBB' with a Negative Rating Outlook. The Negative Rating Outlook reflects continued high political uncertainty in Peru and further deterioration in governance, which have recently undermined private investment and are weighing on the country's economic growth prospects. This political backdrop could damage medium-term growth potential and lead to a shift toward a more expansionary policy to support the economy and address social discontent, potentially impairing Peru's fiscal trajectory relative to its 'BBB' rated peers.

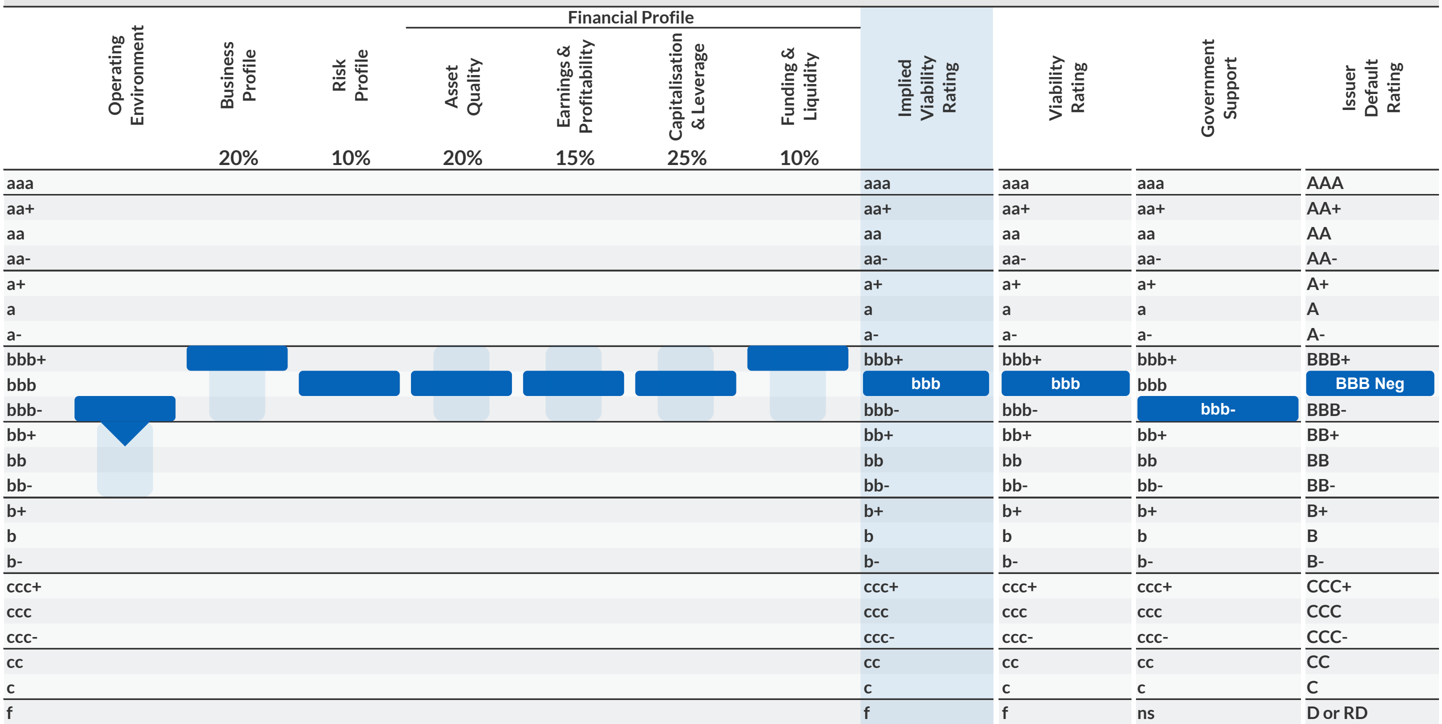
Fitch believes the bank's credit profile is sensitive to material deterioration in the local OE or a negative sovereign rating action. As a result, the outlook on the OE score remains negative, as a slowdown in macroeconomic and loan growth, higher borrowing costs and persistent political uncertainty are negatively affecting Peruvian banking sector activity. However, sustained capitalization, improving profitability and lower loan impairment charges provide sufficient resilience to face stress from political uncertainty and external shocks.

Ratings Navigator

Banco de Credito del Peru S.A.

ESG Relevance:

Banks
Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upward or downward to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The OE score has been assigned above the implied score due to the following adjustment reason: Sovereign rating (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Challenging Operating Environment: The political crisis in Peru increases the potential for downside risks to the country's banking system. The deeply polarized political environment and policy uncertainty will exacerbate pressures on economic growth, business confidence and investment activity, which could weaken asset quality and lower profitability for the banking system beyond current expectations.

In addition to the broad macroeconomic effects of the ongoing political disruptions, negative sensitivity to the sovereign rating is a risk for Peruvian banks. The largest Peruvian banks rated by Fitch are constrained by Peru's sovereign rating or country ceiling. Slowing economic and credit growth, higher borrowing costs and persistent political uncertainty are expected to continue to affect the banking sector. The less benign economic and political environment will likely temper loan and asset growth in 2024.

Business Profile

Franchise

BCP is the largest bank in the Peruvian financial system and the main subsidiary of Credicorp Ltd., the largest financial holding company in Peru. BCP's consolidated numbers show market shares of 33.6% for loans and 35.7% for deposits at YE23. The bank maintains a leadership role in all major segments and products, including wholesale banking, SME lending, microfinance, consumer, credit cards, mortgages, demand deposits, savings and time deposits.

Business Model

The bank has a universal banking business model with a well-diversified loan portfolio and healthy recurrent fee income. The bank's business mix consisted of 55.2% wholesale banking and 44.8% retail banking in 4Q23. Specifically, corporate loans hold the biggest share, representing around 25.5% of total loans at YE23. Non-interest income is driven by banking service fees. BCP has a long track record of earnings stability through economic cycles. It also holds an important market share in microcredit via its Mibanco subsidiary.

Organizational Structure

BCP benefits from a straightforward organizational structure and is 97.7% held by Credicorp. BCP, in turn, controls two subsidiaries that complement its business: Mibanco and Solucion Empresa Administradora Hipotecaria S.A. The most important of these is Mibanco, a fully licensed bank and the country's largest microfinance lender. BCP also has branches in Panama and Miami.

Management Quality

BCP has a very experienced, stable and deep management team that has successfully steered the bank through rapid expansion in recent years. Management is currently navigating a turbulent OE and new challenges such as digital transformation, which represents one of the bank's core strategies.

Corporate Governance

The board of directors has 13 members, of which eight are independent. SEC/New York Stock Exchange regulation requires the majority of Credicorp's directors be independent, with the same structure applying to BCP. In addition to extensive banking experience, board members report high-level backgrounds in capital markets, private equity, mining and other corporate sectors. The board has two organized committees (executive and risk) and four corporate committees (audit, compensation and remuneration, sustainability and risk).

Strategic Objectives

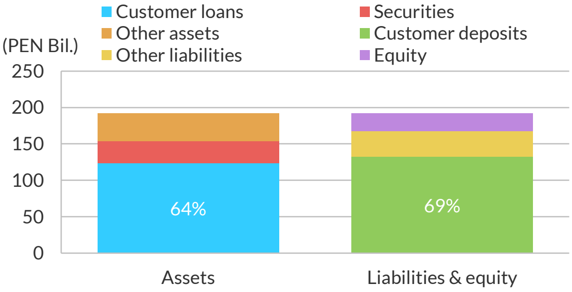
Historically, BCP has focused on improving efficiency with outstanding and conservative risk management and efficient growth; this includes enhancing the client experience. The bank is currently focusing on inclusion (bancarization); digital banking; and environmental, social and governance (ESG). As Fitch expected, retail loans, especially in the mortgage and consumer sectors, have outgrown nonretail loans. The bank plans to continue its strategy of expanding digital processes and changing employees' cultural mindset to further enhance efficiency and the client experience while deepening digital sales.

The bank's strategic priorities include three pillars related to client experience, efficiency and enablers: team, IT and data. Finally, BCP wants to enhance the employee experience. The bank's digital transformation has been central to improving speed of service and strengthening client focus while simultaneously reducing operating costs.

Execution

BCP achieves its overall performance goals and strategy in terms of growth and asset quality through economic cycles. In general, all of BCP's ratios were relatively stable until 2019. Given the pandemic, results for 2020 and 2021 were affected by higher provision expenses, a lower NIM and lower fee income, but metrics are now returning toward pre-pandemic levels. After the pandemic, the bank was able to deftly take advantage of its position, leading to higher NIMs and profitability and improved efficiency.

Balance Sheet
(Ended Dec. 2023)



Source: Fitch Ratings, Fitch Solutions, BCP

Risk Profile

Underwriting Standards

Corporate underwriting relies on an internal risk rating model based on probabilities of default. The internal model is regularly reviewed and adjusted by the risk management team. Similarly, retail underwriting is based on an in-house scoring model and benefits from BCP's sizable database of customer transaction information and adjustable scoring models. Targeting well-known customers, such as those with direct salary deposit, BCP concentrates its consumer loan and credit card product marketing efforts on pre-approved clients. A growing share of retail loans are approved directly through BCP's website. Risk scoring models are continuously backtested and modified.

Mortgage lending is limited to a maximum 80% loan-to-value ratio (90% for loans originated with Fondo Mivivienda funding). Loans have a moderate five years of duration, although they can reach 25 years of maturity. BCP's investment policy is conservative and takes into account creditworthiness, liquidity, relative size and overall effect on the portfolio. The bank's trading and banking portfolios have historically consisted of central bank securities, corporate bonds and sovereign bonds. Finally, related-party transactions are focused on deposits from related entities and loans.

Risk Controls

The central risk management group is responsible for implementing policies, procedures and methodologies and for identifying, measuring, monitoring, mitigating, reporting and controlling different forms of risks faced by the bank and its subsidiaries. BCP participates in the design and definition of the business units' strategic plans to ensure they align with risk parameters approved by the boards of the bank and its subsidiaries. The risk control group consistently monitors loans extended under relief programs, focusing on collections and follow-up.

The central risk management group is split into units in charge of risk management, consumer and micro-business risk, credit, treasury risk management and cybersecurity management. BCP allocates capital for operational risk according to an approved alternative regulatory approach. The bank maintains a register of loss events and has developed key risk indicators, created an operational risk management area and designed a self-assessment framework for reviewing new processes, third-party providers, data security, business continuity and operational risk training.

In 2023, BCP actively reviewed sectors deemed likely to be impacted by El Niño, which was less severe than originally forecast. Although the climatic phenomenon is considered a moderate to low risk, both the bank and banking group at the consolidated level continue to monitor sectors deemed most vulnerable to the effects of climate change.

Growth

BCP's historical growth is moderate and aligned with that of the system. Loan growth was negatively affected by the challenging OE in Peru in 2023, with a 3.15% decrease in gross loans resulting from sluggish economic activity attributable to political uncertainty and especially the maturing Reactiva loans, totaling around PEN5 billion in 2023. In Fitch's view, BCP's growth will continue to be more commensurate with pre-pandemic levels, with gross loans growing in the mid-to-high single digits in 2024.

Market Risk

BCP has interest rate risk limits on its banking and trading books, along with a trading risk limit of 5% of capital. Exposure to interest rate risk in the banking book is moderate given that assets and liabilities are predominantly fixed rate with closely matched durations. BCP simulates potential shocks in yield curves and repricing gaps in both local currency and U.S. dollars.

Financial Profile

Asset Quality

BCP's consolidated loan quality ratios have been affected by a combination of lower economic activity and a challenging OE, coupled with maturing loans related to the Reactiva program and protests in some regions of Peru. Wholesale loans and SME loans (especially those relating to Reactiva programs) decreased by 6.8% and 1.8%, respectively, in 2023.

Consolidated past-due loans greater than 90 days deteriorated slightly, to 3.4% at YE23 from 3.32% at YE22. BCP's asset quality is well within benchmarks for its rating category, and Fitch expects asset quality ratios to remain stable or deteriorate slightly in 2024 before slowly returning to pre-pandemic levels (3.3%–3.5%) over the following two years amid a more benign OE that supports loan growth and a more stable political environment. Deterioration in SME loan performance resulted from the aforementioned maturity of Reactiva loans and deterioration in the Mibanco portfolio, which consolidates at BCP.

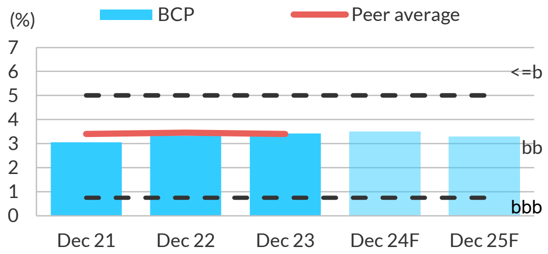
The bank's risk concentration is deemed moderate. BCP's exposure to its top 20 consolidated borrowers (by group) remains relatively stable and accounted for approximately 14.8% of gross loans as of YE23. The bank's exposure to related parties constituted about 4.2% of gross loans.

Increasing loan refinancings and higher macroeconomic risk saw BCP's consolidated loan impairment charges-to-average gross loans ratio deteriorate to 2.61% at YE23 (YE22: 1.46%); the ratio is expected to return to the 1.5%–2.0% range in 2024. Consolidated reserve coverage of 180.5% at YE23 approached pre-pandemic levels (2017–2019 average: 186.5%) and remains sufficient to cover expected losses from the remaining Reactiva loans and refinancing retail loans.

Concurrently, net chargeoffs peaked in 2023 and remain high compared with the five-year trend given the bank's decision to not maintain debtors with low recovery expectations for a long period. In Fitch's view, seasoning of the remaining Reactiva loans and the number of loans in the refinancing stage peaked in 2023. This better-than-expected loan performance, coupled with low but positive growth in the loan portfolio, should lead to relatively stable to improving LICs.

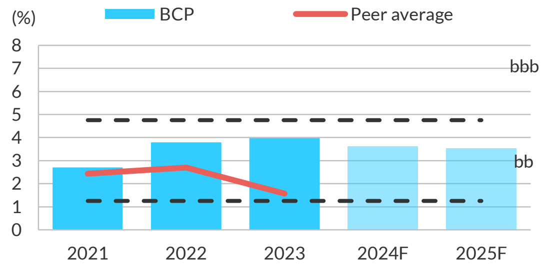
Other assets included cash and loans and advances to banks, representing 16% of total assets at YE23. Investments, such as trading securities at fair value through income, available-for-sale securities and held-to-maturity securities, accounted for 15.6% of total assets at YE23. This is up from 2022, stemming from contraction in loan volumes, while liquidity and deposits demonstrated stability and growth. Investments mainly consisted of fixed income securities with mostly sovereign risk. The remainder of the portfolio mainly comprises financial and corporate bonds with high ratings.

Impaired Loans/Gross Loans



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Operating Profit/Risk-Weighted Assets



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Earnings and Profitability

Higher NIMs, along with strong income from fees and commissions, have outpaced deterioration in loan impairment charges and led to all-time highs in net income for BCP, even surpassing the pre-pandemic period. The balance sheet structure, with assets pricing faster than liabilities, along with high interest rates supported NIM improvement, exceeding that of local peers. Operating expenses remained controlled despite rising expenses related to the bank's digitalization and associated headcount strategies.

Consequently, the bank's operating profit to-RWAs ratio rose to 3.98% at YE23, from 3.80% at YE22, already aligning with the pre-pandemic (2016–2019) average of 3.70%, as Fitch anticipated. The bank's strategy of gradually changing its business mix in favor of retail lending and more active balance sheet management should support high NIMs, even in a lower interest rate environment, given the change in the Central Bank's monetary policy. However, depending on the OE and political uncertainty, provision expenses could encounter upward pressure, although they would still be well within benchmarks for the bank's rating level.

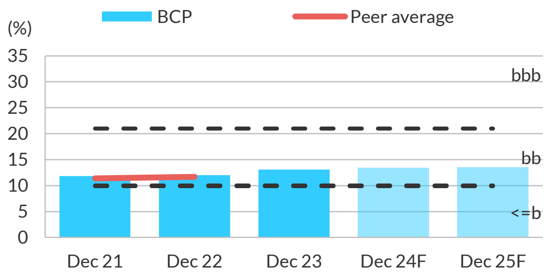
Total noninterest operating income-to-gross revenues ratio, at 25.4%, was below the average of 30.5% for 2019–2022 due to lower banking business volume. This is expected to improve in 2024. Noninterest income largely derives from recurring fees from cash management, credit card usage and net gains on securities sales and foreign exchange transactions.

Operating expenses comprised 40.9% of gross revenues at YE23, improving from both YE22 and the 2019–2022 average (43.7% and 45.5%, respectively). This reflects results of the bank's digitalization strategy and efficiency goals. Fitch expects operating expenses to move toward 45% over the medium term due to high infrastructure investment.

Capital and Leverage

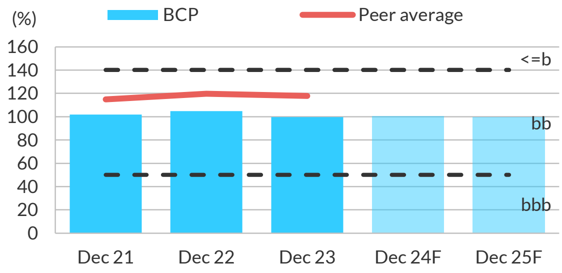
BCP's capital position benefits from conservative internal solvency limits and its dividend policy, coupled with high profitability and negative asset growth in 2023. Capitalization ratios have steadily increased in recent years, with the CET1 ratio reaching 13.09% at YE23. In Fitch's view, BCP has successfully adapted to higher and better quality capital requirements in accordance with Basel III principles following the adoption of Basel III requirements beginning in 2023 (with a phase-in period ending in 2026). Fitch expects the bank's capital ratios to remain in the 11.5%–12.0% range in the medium term due to expected profitability and low loan and asset growth.

CET1 Ratio



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Gross Loans/Customer Deposits



F - Forecast
Source: Fitch Ratings, Fitch Solutions

Funding and Liquidity

BCP benefits from a well-diversified and low-cost deposit base predominantly consisting of demand and savings deposits, comprising about two thirds of customer deposits at YE23. Growth in time deposits outpaced growth in demand and savings deposits given customers' increased investment appetite amid the high interest rate environment. BCP has the highest deposit market share among Peruvian banks across all major products, at 36%, including demand, savings, time and compensation for time service (compensacion por tiempo de servicio, or CTS) and unemployment savings deposits. The bank has historically benefited from a flight to quality during periods of stress.

The bank manages a minimum ratio of "core" deposits that includes nonremunerated demand deposits, savings, retail term deposits and CTS of around 70% of total deposits. BCP has set a loan-to-deposit ratio limit of 120%, although the ratio has historically been below 110%, especially within the past five years when it averaged 102.2%. More recently, the ratio has contracted even further, falling to 99.6% as of YE23, although Fitch expects it to stabilize in the 101%–103% range. U.S. dollarization is stable, close to historical levels and therefore not a source of concern for Fitch. In addition, BCP's profile and market share support its diversified deposit base, with the top 20 depositors accounting for 9.4% of total customer deposits, a level Fitch considers low.

Additional Notes on Charts

The forecasts within the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's "Bank Rating Criteria." They are based on a combination of Fitch's macroeconomic forecasts, sector outlook and company-specific considerations. As a result, Fitch's forecasts may differ materially from guidance provided by the rated entity to the market.

To the extent Fitch is aware of material nonpublic information with respect to future events, such as planned recapitalizations or M&A activity, Fitch will not reflect these nonpublic future events in its published forecasts. However, where relevant, Fitch considers such information as part of the rating process.

The black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments Fitch scores in the 'bb' category. Light blue columns represent Fitch's forecasts.

The peer average includes Banco BBVA Peru (VR: bbb), Scotiabank Peru S.A.A. (bbb) and Banco Internacional del Peru S.A.A. — Interbank (bbb). Unless otherwise stated, the financial year (FY) end is Dec. 31 for all banks covered in this report.

Financials

Summary Financials

	2023		2022	2021	2020
(Years ended as of Dec. 31)	(USD Mil.)	(PEN Mil.)	(PEN Mil.)	(PEN Mil.)	PEN Mil.)
Summary income statement					
Net interest and dividend income	3,240	12,072	10,225	7,906	7,849
Net fees and commissions	831	3,097	3,034	2,719	2,249
Other operating income	367	1,366	1,175	1,032	1,043
Total operating income	**4,438**	**16,535**	**14,435**	**11,656**	**11,141**
Operating costs	1,847	6,881	6,301	5,652	5,161
Pre-impairment operating profit	2,591	9,654	8,134	6,005	5,980
Loan and other impairment charges	929	3,462	1,978	1,870	5,024
Operating profit	1,662	6,192	6,155	4,134	956
Other non-operating items (net)	0	2	16	62	16
Tax	410	1,528	1,669	1,152	155
Net income	**1,252**	**4,666**	**4,502**	**3,045**	**817**
Other comprehensive income	132	492	–642	–1,189	393
Fitch comprehensive income	1,384	5,158	3,861	1,855	1,210
Summary balance sheet					
Assets					
Gross loans	**35,350**	**131,714**	**135,999**	**134,690**	**125,876**
– of which impaired	1,209	4,505	4,513	4,116	3,726
Loan loss allowances	2,182	8,129	8,051	8,223	8,495
Net loans	**33,168**	**123,586**	**127,948**	**126,467**	**117,381**
Interbank	611	2,277	2,232	5,555	2,403
Derivatives	221	825	1,269	1,845	1,111
Other securities and earning assets	8,051	29,997	24,765	28,649	37,822
Total earning assets	**42,052**	**156,685**	**156,214**	**162,517**	**158,718**
Cash and due from banks	7,669	28,576	29,138	29,815	30,663
Other assets	1,771	6,597	5,504	5,501	5,812
Total assets	**51,492**	**191,858**	**190,855**	**197,833**	**195,193**
Liabilities					
Customer deposits	**35,510**	**132,309**	**129,820**	**132,151**	**126,972**
Interbank and other short-term funding	5,334	19,876	20,383	26,936	32,113
Other long-term funding	2,942	10,961	13,840	14,482	13,810
Trading liabilities and derivatives	190	709	1,038	1,319	882
Total funding and derivatives	**43,976**	**163,855**	**165,081**	**174,888**	**173,776**
Other liabilities	1,027	3,828	3,573	2,473	2,473
Preference shares and hybrid capital	—	—	—	—	—
Total equity	6,488	24,176	22,201	20,472	18,943
Total liabilities and equity	**51,492**	**191,858**	**190,855**	**197,833**	**195,193**
Exchange rate	—	USD1 = PEN3.7260	USD1 = PEN3.8090	USD1 = PEN3.9849	USD1 = PEN3.6200

PEN – Peruvian Sol
Source: Fitch Ratings, Fitch Solutions

Key Ratios

(Years ended as of Dec. 31)	2023	2022	2021	2020
Ratios (%; annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	4.0	3.8	2.7	0.7
Net interest income/average earning assets	7.8	6.4	4.9	5.5
Noninterest expense/gross revenue	41.6	43.7	48.5	46.3
Net income/average equity	20.6	21.5	15.9	4.3
Asset Quality				
Impaired loans ratio	3.4	3.3	3.1	3.0
Growth in gross loans	−3.2	1.0	7.0	20.0
Loan loss allowances/impaired loans	180.5	178.4	199.8	228.0
Loan impairment charges/average gross loans	2.6	1.5	1.4	4.3
Capitalization				
Common equity Tier 1 ratio	13.1	12.0	11.8	11.4
Fitch Core Capital ratio	—	12.7	12.5	12.4
Tangible common equity/tangible assets	11.2	10.8	9.6	9.0
Net impaired loans/Fitch Core Capital	—	−17.4	−21.8	−27.4
Funding and Liquidity				
Gross loans/customer deposits	99.6	104.8	101.9	99.1
Customer deposits/total non-equity funding	81.1	79.1	76.1	73.4

Source: Fitch Ratings, Fitch Solutions

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb to bb+
Actual jurisdiction D-SIB GSR	bbb-
Government Support Rating	bbb-
Government ability to support D-SIBs	
Sovereign Rating	BBB/ Negative
Size of banking system	Neutral
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Neutral
Ownership	Neutral

The colors indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Given its size and systemic importance, BCP is likely to receive support from the Peruvian government should it be required, thereby underpinning its Government Support Rating (GSR). The ability of the sovereign to provide support is reflected in its 'BBB'/Negative IDR and underpinned by its sound financial position, ample international reserves and low debt. Regulators have a clear mandate to protect and preserve the banking system through conservative regulation and capable supervision. BCP's 34% and 36% market shares by assets and deposits, respectively, coupled with its outsized presence in all business segments make BCP a crucial part of Peru's financial sector.

Environmental, Social and Governance Considerations

FitchRatings **Banco de Credito del Peru S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco de Credito del Peru S.A. has 5 ESG potential rating drivers

- Banco de Credito del Peru S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
not a rating driver	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, due to either their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.