

# Credicorp Ltd.

## Key Rating Drivers

**IDRs Driven by Main Subsidiary's:** Credicorp Ltd.'s Issuer Default Ratings (IDRs) are driven primarily by that of its key subsidiary, BCP, which has a strong business and financial profile. Credicorp's Long-Term Foreign Currency IDR of 'BBB' with a Negative Outlook is equalized with BCP's ratings.

**Low Double Leverage:** The equalization is driven mainly by Credicorp's low double leverage, which improved to 98.6% at year-end 2023 (YE23), and strong liquidity management. Credicorp, a non-operating holding company, has a long record of significant dividend flows, especially from BCP, that comprise the bulk of its liquidity.

**Strong Corporate Strategy:** Credicorp maintains an integrated business platform composed of leading Peruvian and Bolivian banking, insurance, pension, and asset and wealth-management companies, as well as entities in the microfinance (SME) sector in Peru and Colombia.

**Consistent Performance:** Credicorp's capital structure benefits from its subsidiaries' profitability, which allows it to maintain consistent dividend flows. Asset quality ratios on a consolidated basis deteriorated at YE23 to 3.46% (YE22: 3.11%) due to the challenging operating environment (OE). These ratios were also negatively affected by a decrease in gross loans and the maturity of the Reactiva portfolio, coupled with the deterioration of loans at the subsidiary Mibanco. Reserve coverage remained high, at 165.0% (YE21: 170.4%).

**Improving Profitability:** Consolidated profitability at YE23 was affected by higher loan impairment charges (LICs), which was mitigated partially by an improving NIM, with ROAE and ROAA at 15.88% and 2.09% (versus December 2022 levels of 17.14% and 1.98%), respectively. Fitch expects profitability to be stable during 2024 amid headwinds within the OE due to the macro and political environment.

**Senior Debt Rating:** The senior global debt rating is at the same level as Credicorp's Long-Term IDRs of 'BBB', as the likelihood of default of the senior debt is the same as that for Credicorp.

## Rating Sensitivities

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

- Credicorp's IDRs would remain at the same level as those of BCP, and would move in tandem with any rating action on its main operating subsidiary. However, the relativity between these two entities' ratings could also be affected - and the holding company downgraded - in the event of a material and sustained increase in Credicorp's double-leverage metrics (above 1.2x), and if Fitch perceives a material weakening of the holding company's liquidity position and its management.
- A change in the dividend flows from the operating companies or debt levels at the holding company that affects its debt coverage ratios could also be detrimental to Credicorp's ratings.
- Ratings for Credicorp's senior unsecured debt would move in line with its Long-Term IDR.

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

- Credicorp's ratings would move in tandem with positive rating actions on its main operating subsidiary, BCP.
- Ratings for Credicorp's senior unsecured debt would move in line with its Long-Term IDR.

## Ratings

### Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F2

### Sovereign Risk

Long-Term Foreign Currency IDR	BBB
Long-Term Local Currency IDR	BBB
Country Ceiling	A-

### Outlooks

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

## Applicable Criteria

Bank Rating Criteria (March 2024)

## Related Research

Latin American Banks Outlook 2024 (December 2023)

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

Fitch Affirms Banco de Credito del Peru at 'BBB'; Outlook Negative (March 2024)

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Issuer Ratings (Including Main Issuing Entities)

Rating level	Rating
Long-Term Foreign Currency IDR	BBB
Short-Term Foreign Currency IDR	F2
Outlook	Negative

Source: Fitch Ratings

Debt Rating Classes

Rating level	Rating
Senior unsecured: long term	BBB

Source: Fitch Ratings

Significant Changes

On Oct. 25, 2023, Fitch affirmed Peru’s IDRs at ‘BBB’ with a Negative Outlook. The Negative Outlook reflects ongoing, significant, political uncertainties in Peru and further deterioration in governance that have undermined private investment, weighing on economic growth prospects. The 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 the fiscal trajectory relative to ‘BBB’ rated peers.

Fitch believes Credicorp’s main subsidiary BCP’s credit profile is sensitive to a 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 economic and loan growth, an increase in borrowing costs and persistent political uncertainty are detracting from Peruvian banking sector activity. However, sustained capitalization, improving profitability and lower LICs provide sufficient resilience to face stress from political uncertainty and external shocks.

## Summary Financials and Key Ratios

	Dec. 31, 2023 <sup>a</sup>		Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
	Year end USD mil. Audited - unqualified	Year end PEN mil. Audited - unqualified	Year end PEN mil. Audited - unqualified	Year end PEN mil. Audited - unqualified	Year end PEN mil. Audited - unqualified
<b>Summary income statement</b>					
Net interest and dividend income	3,472	12,938.0	11,518.1	9,362.0	8,571.3
Net fees and commissions	1,021	3,804.5	3,640.3	3,493.7	2,912.8
Other operating income	823	3,065.2	2,173.7	1,434.3	1,895.4
Total operating income	5,316	19,807.7	17,332.1	14,290.0	13,379.5
Operating costs	2,486	9,262.5	8,620.6	7,740.1	7,127.0
Pre-impairment operating profit	2,830	10,545.2	8,711.5	6,549.9	6,252.5
Loan and other impairment charges	973	3,626.6	1,869.8	1,219.0	5,972.8
Operating profit	1,857	6,918.6	6,841.7	5,330.9	279.7
Other non-operating items (net)	-19	-70.3	14.2	1.9	-55.5
Tax	507	1,888.4	2,110.5	1,661.0	-109.9
Net income	1,331	4,959.9	4,745.4	3,671.8	334.1
Other comprehensive income	156	581.6	-891.0	-1,660.0	787.0
Fitch comprehensive income	1,487	5,541.5	3,854.4	2,011.8	1,121.1
<b>Summary balance sheet</b>					
<b>Assets</b>					
Gross loans	38,909	144,976.0	148,626.4	147,597.4	137,659.9
- Of which impaired	1,347	5,018.5	4,620.5	4,203.7	3,709.9
Loan loss allowances	2,222	8,277.9	7,872.4	8,477.3	9,898.8
Net loan	36,688	136,698.1	140,754.0	139,120.1	127,761.1
Interbank	972	3,621.9	3,942.9	8,047.6	4,410.9
Derivatives	265	987.7	1,478.7	1,661.6	1,214.5
Other securities and earning assets	15,034	56,015.4	50,597.3	53,860.8	59,593.3
Total earning assets	52,958	197,323.1	196,772.9	202,690.1	192,979.8
Cash and due from banks	8,134	30,309.1	30,241.0	31,273.1	32,342.1
Other assets	3,008	11,208.0	9,739.7	10,883.5	12,084.3
Total assets	64,101	238,840.2	236,753.6	244,846.7	237,406.2
<b>Liabilities</b>					
Customer deposits	39,321	146,510.3	145,602.0	148,268.9	141,162.5
Interbank and other short-term funding	3,492	13,010.0	15,511.1	23,342.4	29,128.0
Other long-term funding	6,770	25,226.5	24,818.9	25,035.2	22,296.3
Trading liabilities and derivatives	412	1,533.9	1,536.7	1,862.7	1,766.8
Total funding and derivatives	49,995	186,280.7	187,468.7	198,509.2	194,353.6
Other liabilities	5,221	19,452.4	19,705.2	19,300.1	17,607.0
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total equity	8,885	33,107.1	29,579.7	27,037.4	25,445.6
Total liabilities and equity	64,101	238,840.2	236,753.6	244,846.7	237,406.2
Exchange rate		USD1 = PEN3.726	USD1 = PEN3.809	USD1 = PEN3.9849	USD1 = PEN3.62

Source: Fitch Ratings, Fitch Solutions

<sup>a</sup>IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning after January 1, 2023. Statements prior to 2023 are not restated.

## Summary Financials and Key Ratios

	Dec. 31, 2023 <sup>a</sup>	Dec. 31, 2022	Dec. 31, 2021	Dec. 31, 2020
<b>Ratios (annualized as appropriate)</b>				
<b>Profitability</b>				
Operating profit/risk-weighted assets	N.A.	N.A.	N.A.	N.A.
Net interest income/average earning assets	6.5	5.7	4.4	4.6
Non-interest expense/gross revenue	47.0	50.0	54.5	53.5
Net income/average equity	15.9	17.1	14.3	1.4
<b>Asset quality</b>				
Impaired loans ratio	3.5	3.1	2.9	2.7
Growth in gross loans	-2.5	0.7	7.2	19.1
Loan loss allowances/impaired loans	165.0	170.4	201.7	266.8
Loan impairment charges/average gross loans	2.5	1.2	0.9	4.6
<b>Capitalization</b>				
Common equity Tier 1 (CET1) ratio	N.A.	N.A.	N.A.	N.A.
Fully loaded CET1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	N.A.	N.A.	N.A.	N.A.
Tangible common equity/tangible assets	12.7	11.4	10.0	9.7
Basel leverage ratio	N.A.	N.A.	N.A.	N.A.
Net impaired loans/CET1	N.A.	N.A.	N.A.	N.A.
Net impaired loans/Fitch Core Capital	-10.9	-12.2	-17.6	-27.2
<b>Funding and liquidity</b>				
Gross loans/customer deposits	99.0	102.1	99.6	97.5
Gross loans/customer deposits + covered bonds	N.A.	N.A.	N.A.	N.A.
Liquidity coverage ratio	N.A.	N.A.	N.A.	N.A.
Customer deposits/total non-equity funding	79.0	78.2	75.3	73.1
Net stable funding ratio	N.A.	N.A.	N.A.	N.A.

Source: Fitch Ratings, Fitch Solutions

<sup>a</sup>IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning after January 1, 2023. Statements prior to 2023 are not restated.

## Environmental, Social and Governance Considerations

## Credit-Relevant ESG Derivation

Credicorp Ltd. has 5 ESG potential rating drivers

- ➔ Credicorp Ltd. 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.

key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

## Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance	How to Read This Page
GHG Emissions & Air Quality	1	n.a.	n.a.	5	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. 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.
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	CREDIT-RELEVANT ESG SCALE
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5	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.
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	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.
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3	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.
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2	2 Irrelevant to the entity rating but relevant to the sector.
				1	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, either due to 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 <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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