FitchRatings

Banks
Universal Commercial Banks
Peru

Banco de Credito del Peru S.A.

Key Rating Drivers

Stand-Alone Assessment: Banco de Credito del Peru S.A.'s (BCP) Issuer Default Ratings (IDRs) are driven by its Viability Rating (VR) of 'bbb', which is in line with the implied VR. Fitch Ratings believes the operating environment factor influences BCP ratings. The bank's leading franchise, well-diversified business profile and sound financial profile underpin the ratings, which are constrained to the sovereign level due to limited geographic diversification outside of Peru and material exposure to foreign currency.

Operating Environment Affects VR: The Stable Outlook on the long-term IDRs reflects Fitch's view that BCP's core financial metrics have sufficient headroom to maintain its current ratings, even if economic conditions are moderately weaker than Fitch's base case due to external shocks or ongoing political and policy uncertainty.

Leading Franchise: BCP is the largest bank in the Peruvian financial system. It is the main subsidiary of Credicorp Ltd., the largest financial holding in Peru. At YE 2021, BCP's consolidated numbers show a 30.3% market share of loans and 29.9% of deposits. It enjoys leadership in all major segments and products.

Asset Quality Impacted: BCP's consolidated loan quality ratios were impacted by the maturity of loans related to the government-assistance program, Reactiva, after the grace period that started to finish in June 2021, as expected by Fitch. Consequently, some clients presented delays in their payments and others asked for refinancing. The bank's consolidated past-due loans greater than 90 days slightly deteriorated to 3.06% at YE 2021 from 2.96% at YE 2020. However, even with this deterioration, BCP's asset quality is well within the benchmarks for its rating category.

Reserves to Return to Historical Levels: The loan impairment charges as a share of average gross loans ratio returned to pre-pandemic level of 1.44% at YE 2021 following a sharp increase in 2020 due to the pandemic. Consolidated reserve coverage is beginning to revert to historical levels (as of YE 2021, 199.8%; the 2017–2019 average was 186.5%), but it still remains high and sufficient to cover expected losses.

Good Capital Metrics: BCP's capital position benefits from conservative internal solvency limits, recurrent profitability, moderate asset growth and a conservative dividend policy. BCP's Fitch Core Capital (FCC) ratio stood at 12.48% at YE 2021, reflecting higher risk-weighted assets (RWA) density (the ratio of RWA/total assets). BCP's regulatory capital ratio was 14.9% as of YE 2021, remaining above the minimum expected regulatory ratio of 9.47%, including buffers. Fitch expects improving profitability to support BCP's FCC ratio at an adequate level in 2022, and when considered with material excess reserve coverage of impaired loans, will remain consistent with the current rating.

Lower Reserves Support Performance: Historically, profitability has been a strength relative to domestic peers and is at the higher end of the benchmark range for its rating category. Lower loan impairment charges positively affected profitability, with net income close to 2019 levels. In addition, a positive impact came from liability management during 2021. On the other hand, operational expenses increased due to the bank's digitalization strategy, including new infrastructure and positions, as well as the impact from branch adaptation of the strategy.

Improving Profitability: The bank's operating profit/risk-weighted assets ratio increased significantly to 2.71% at YE 2021 (at YE 2020 it was 0.67%; the 2016–2019 average was 3.70%). Though this remains below pre-pandemic levels, Fitch expects profitability to recover in the next 18 months. A gradual change in the business mix in favor of retail lending different from that of Reactiva should slightly pressure provision expenses upward.

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

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

Applicable Criteria

Future Flow Securitization Rating Criteria (April 2022)

Bank Rating Criteria (November 2021)

Financial Data

Banco de Credito del Peru S.A.

(PEN Mil.)	12/31/21	12/31/20
Total Assets (USD Mil.)	49,645.6	53,920.6
Total Assets	197,832.6	195,192.6
Total Equity	20,471.5	18,943.4

Analysts

Robert Stoll
+1 212 908-9155
robert.stoll@fitchratings.com

Andres Marquez
+57 601 484 6771
andres.marquez@fitchratings.com

Diversified Funding Base: BCP benefits from a well-diversified and low-cost deposit base consisting predominantly of demand and savings deposits, which comprised about 80% of customer deposits at YE 2021. At 32%, BCP has the highest deposit market share in the country across all major products and has historically benefited from flight to quality in times of stress. BCP's loan/deposit ratio was 101.9% at YE 2021, slightly down from 2020 when liquidity from Reactiva and pension fund withdrawals were present in the system. Fitch expects this ratio to return to historical levels in 2022 as loan growth recovers in segments not related to government programs.

Government Support Rating: Given its size and systemic importance, BCP is likely to receive support from the Peruvian government should it be required, underpinning its Government Support Rating (GSR) of 'bbb–'. The sovereign's ability to provide support is reflected in its 'BBB' IDR and Stable Outlook, which is underpinned by its sound financial position, ample international reserves and low debt levels. BCP's 30% market share in deposits and its outsized presence in all business segments make it a crucial part of Peru's financial sector.

Senior Debt Rating: 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.

Rating Sensitivities

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

- BCP's IDRs are sensitive to a material deterioration in the local operating environment or a negative sovereign rating action.
- BCP's VRs could be negatively affected if the bank's asset quality deteriorates significantly and causes a sustained decline in the bank's operating profits/RWA ratio to below 2.5% and the bank's FCC/adjusted RWA ratio to less than 10% (assuming the maintenance of excess reserves and non-core loss absorbing capital) for more than four consecutive quarters.
- The ratings could also be pressured by a material deterioration of asset quality and profitability metrics due to the disruption of economic activity as a result of political turmoil.
- BCP's senior debt ratings would move in line with its long-term IDR.
- BCP's GSR would be affected if Fitch negatively changes its assessment of the government's ability and/or willingness to support the bank.

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

- There is limited upside potential for BCP's ratings given the sovereign's current rating and Outlook, under an increasingly challenging operating environment.
- Over the medium term, ratings could be upgraded by the confluence of an improvement in the operating environment and the bank's financial profile.
- BCP's senior debt ratings would move in line with its long-term IDR.
- BCP's GSR would be affected if Fitch positively changes its assessment of the government's ability and/or willingness to support the bank.

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long-Term Foreign-Currency IDR	BBB
Short-Term Foreign-Currency IDR	F2
Long-Term Local-Currency IDR	BBB
Short-Term Local-Currency IDR	F2
Viability Rating	bbb
Government Support Rating	bbb–
Outlook/Watch	Stable

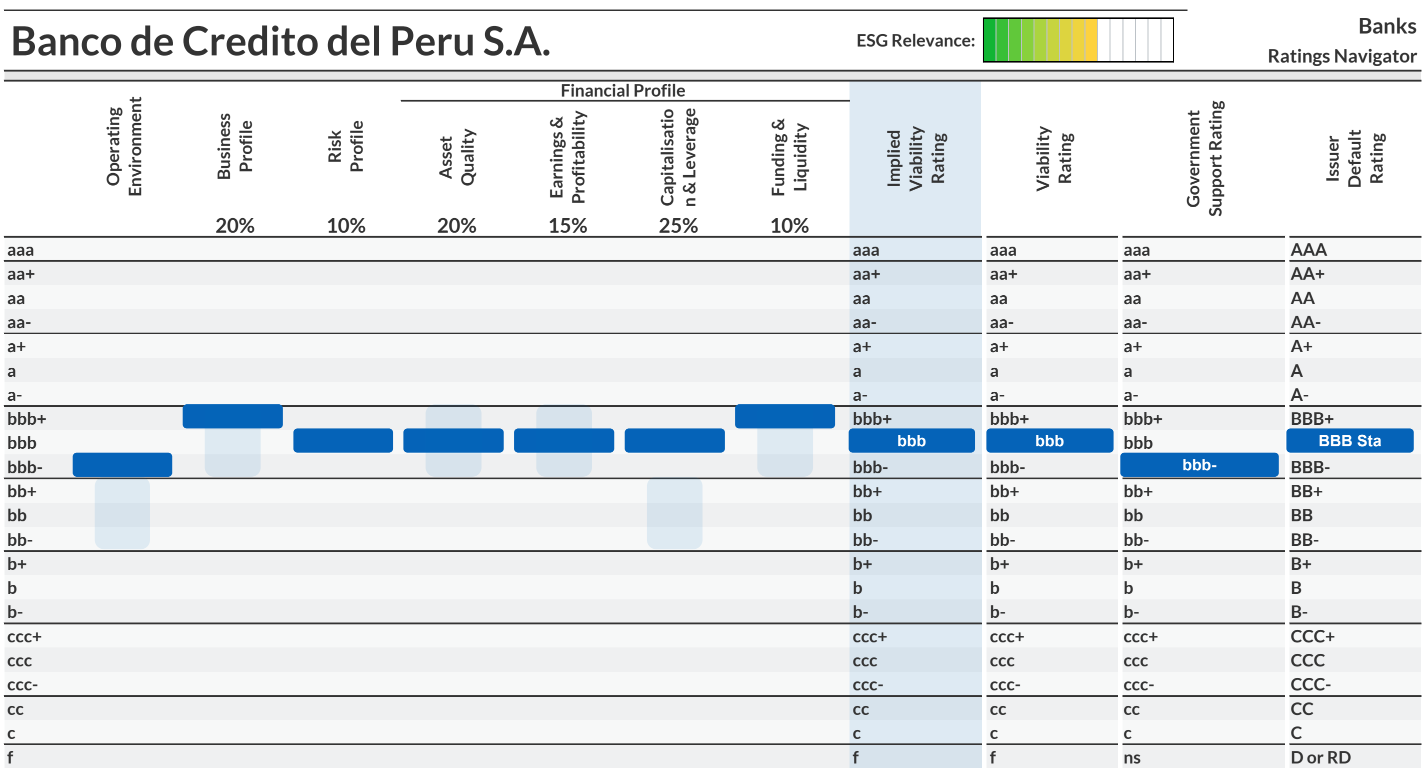
IDR – Issuer Default Ratings.
Source: Fitch Ratings.

Debt Rating Classes

Rating Level	Rating
Senior Unsecured	BBB

Source: Fitch Ratings.

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 upwards or downwards 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.

Significant Changes

The Outlook on the long-term IDRs is Stable. Fitch believes the credit profile is sensitive to a material deterioration in the local operating environment or a negative sovereign rating action. Pressure in the operating environment include a slow recovery of the GDP due greater political uncertainty and the challenging investment and business environment.

Brief Company Summary

Franchise

BCP is the largest bank in the Peruvian financial system. It is the main subsidiary of Credicorp Ltd., the largest financial holding in Peru, which operates mainly through its six subsidiaries: BCP, BCP Bolivia, Grupo Pacífico, Prima AFP, Atlantic Security Bank and Credicorp Capital.

At YE 2021, BCP's consolidated numbers show a 30.3% market share of loans and a 29.9% share of deposits in the Peruvian banking system. It enjoys leadership in all major segments and products, including wholesale banking, small and medium-sized enterprise (SME) loans, microfinancing, consumer credit, credit cards, mortgages, demand deposits, and savings and time deposits.

Business Model

BCP has a universal banking business model with a well-diversified loan portfolio and healthy recurrent-fee income. At YE 2021, its business mix consisted of 61.7% wholesale banking and 38.3% retail banking. Specifically, corporate loans have the biggest share, representing around 27% of total loans. Non-interest income is driven by banking service fees, and in 2021 they improved, with non-interest income accounting 32.2% of gross revenues (the 2017–2020 average was 30.7%). The bank has a long track record of earnings stability, with operating profits of around 3.7% on average for the past four pre-pandemic years, notwithstanding significant changes in the business cycle, "dollarization" (U.S. dollars) and capital requirements. In 2020, operating profit was affected by higher loan impairment reserves, but it is improving and it should return to pre-pandemic levels in 2022 (as of YE 2021 it was 2.71%).

Organizational Structure

BCP benefits from a straightforward organizational structure. It is 97.7% held by Credicorp, the largest financial holding company in Peru. The bank, in turn, controls three subsidiaries that complement its business (Mibanco, Solución Empresa Administradora Hipotecaria S.A. and BCP Emisiones Latam 1 S.A.). The most important of its subsidiaries is Mibanco, a fully licensed bank and the country's largest microfinance lender.

Management and Strategy

Management Quality

BCP has a very experienced, stable and deep management team that has successfully steered the bank through rapid expansion in recent years, facing a difficult operating environment and new challenges such as digital transformation, which is one of BCP's core strategies.

Corporate Governance

BCP's board of directors has 13 members and one alternate member elected for repeatable three-year tenures, nine of which are independent. Both the U.S. Securities and Exchange Commission and the New York Stock Exchange require that the majority of Credicorp's directors be independent and the same structure has been applied to BCP.

Strategic Objectives

Historically, BCP has focused on improving efficiency through outstanding risk management and efficient growth, while improving the client experience. Additionally, BCP is focusing on increasing "bancarization," or extending the range of banking products to a broader swath of the Peruvian population, as well as increasing digital banking and focusing on ESG factors.

After Reactiva in 2020, the bank's structural portfolio started to grow in 2021. Retail banking is expected to grow higher than that of wholesale segments, especially in credit cards, with risk policies flexibilization. Also, the bank plans to increase cross-selling in consumer loans in the retail segment through digital channels and increasing use of data analytics.

Execution

BCP's budget is clear and has been generally met with relatively small deviations, meeting its overall performance goals and strategy in terms of growth and asset quality. In general, all BCP ratios were rather stable until 2019. Due to the coronavirus outbreak, BCP's 2020 results were affected by higher provision expenses, lower net investment margin and lower fee income. As expected by Fitch, profitability ratios and cost of risk improved during 2021, while other ratios are expected to return to pre-pandemic levels during 2022.

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 risk management. Retail underwriting is similarly based on an in-house scoring model, benefitting from BCP's sizable database of customer transaction information, and includes adjustable scoring models.

Targeting well-known customers, such as those with direct salary deposit, BCP concentrates its consumer loan and credit card products to pre-approved clients. A growing share of retail loans are approved directly through BCP's website. Risk-scoring models are continuously back-tested and modified. Also, the bank has increasingly worked to reduce U.S. dollar-denominated loans and deposits (to de-dollarize its balance sheet).

Mortgage lending is limited to a maximum of 80% loan to value (90% for loans originated with Fondo Mivivienda funding), and it has a moderate five-year duration, although loan maturities can be to up to 25 years. BCP's investment policy is equally conservative and considers the creditworthiness, liquidity, relative size and overall impact on the portfolio profile. At YE 2021, its trading and banking portfolios consisted of central bank securities, and corporate and sovereign bonds.

Risk Controls

Central risk management is responsible for implementing policies, procedures, methodologies and for actions to identify, measure, monitor, mitigate, report and control different types of risks to which the bank and its subsidiaries are exposed. Also, it participates in the design and definition of the strategic plans of business units to ensure alignment within the risk parameters approved by the bank's board of directors and subsidiaries.

Growth

BCP's historical growth has been moderate and aligned to that of the larger Peruvian banking system. Positively affected by the Reactiva program, gross loans grew 20% in 2020 but they returned to historical levels during 2021 with 7% growth, focusing on BCP's own structural loan portfolio.

Market Risk

BCP sets interest rate risk limits on its banking and trading books, as well as a trading risk limit of 5% of capital. BCP's exposure to interest rate risk in its 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.

The value at risk (VaR) of the bank and its subsidiaries decreased during 2021, due to a lower Interest rate risk compared to the beginning of the coronavirus pandemic. At YE 2021, consolidated VaR by risk type was PEN29.6 million, or 0.16% of BCP's consolidated FCC. Regarding foreign exchange risk, BCP sets limits on exposure by currency, monitored daily. At YE 2021, BCP reported a net long position in U.S. dollars (including swaps), equivalent to approximately 0.1% of equity and FCC.

Summary Financials

	2021		2020	2019	2018	2017
	USD Mil.	PEN Mil.	PEN Mil.	PEN Mil.	PEN Mil.	PEN Mil.
(Years Ended Dec. 31)	Unaudited	Unaudited	Audited -Unqualified (Emphasis of Matter)	Audited - Unqualified	Audited -Unqualified (Emphasis of Matter)	Audited - Unqualified
Summary Income Statement						
Net Interest and Dividend Income	1,984	7,905.8	7,849.1	8,139.1	7,578.1	7,120.5
Net Fees and Commissions	682	2,718.5	2,248.9	2,609.7	2,486.8	2,337.1
Other Operating Income	259	1,032.0	1,043.3	1,056.5	909.2	948.3
Total Operating Income	2,925	11,656.3	11,141.3	11,805.3	10,974.1	10,405.9
Operating Costs	1,418	5,651.6	5,161.1	5,131.7	4,870.6	4,556.0
Pre-Impairment Operating Profit	1,507	6,004.7	5,980.2	6,673.6	6,103.5	5,849.9
Loan and Other Impairment Charges	469	1,870.3	5,023.8	1,798.5	1,507.8	1,686.6
Operating Profit	1,038	4,134.4	956.4	4,875.1	4,595.7	4,163.3
Other Non-Operating Items (Net)	16	61.9	15.5	106.8	108.1	25.4
Tax	289	1,151.8	155.1	1,334.9	1,330.7	1,140.2
Net Income	764	3,044.5	816.8	3,647.0	3,373.1	3,048.5
Other Comprehensive Income	(367)	(1,461.3)	393.1	287.7	(67.9)	51.1
Fitch Comprehensive Income	397	1,583.2	1,209.9	3,934.7	3,305.2	3,099.6
Summary Balance Sheet						
Assets						
Gross Loans	33,800	134,689.9	125,875.9	104,864.0	101,171.2	91,561.8
- of Which Impaired	1,033	4,116.0	3,725.9	2,495.8	2,367.4	2,279.9
Loan Loss Allowances	2,064	8,223.0	8,494.5	4,527.9	4,460.7	4,322.3
Net Loan	31,737	126,466.9	117,381.4	100,336.1	96,710.5	87,239.5
Interbank	1,394	5,555.4	2,403.3	949.9	1,145.4	2,250.5
Derivatives	463	1,845.4	1,110.6	995.7	848.8	616.2
Other Securities and Earning Assets	7,189	28,649.4	37,822.3	20,613.8	21,488.5	25,113.0
Total Earning Assets	40,783	162,517.1	158,717.6	122,895.5	120,193.2	115,219.2
Cash and Due from Banks	7,482	29,814.9	30,663.0	22,680.6	18,923.2	19,773.6
Other Assets	1,380	5,500.6	5,812.0	5,083.8	4,565.0	3,877.2
Total Assets	49,646	197,832.6	195,192.6	150,659.9	143,681.4	138,870.0
Liabilities						
Customer Deposits	33,163	132,150.6	126,972.0	99,433.2	93,033.7	85,506.4
Interbank and Other Short-Term Funding	6,759	26,935.8	32,112.6	14,668.6	15,753.7	19,623.9
Other Long-Term Funding	3,634	14,482.2	13,810.3	14,312.0	14,736.8	15,451.0
Trading Liabilities and Derivatives	331	1,319.2	881.5	788.4	619.7	551.6
Total Funding and Derivatives	43,888	174,887.8	173,776.4	129,202.2	124,143.9	121,132.9
Other Liabilities	621	2,473.3	2,472.8	2,432.3	2,401.7	2,345.9
Preference Shares and Hybrid Capital	N.A.	N.A.	N.A.	N.A.	0.0	0.0
Total Equity	5,137	20,471.5	18,943.4	19,025.4	17,135.8	15,391.2
Total Liabilities and Equity	49,646	197,832.6	195,192.6	150,659.9	143,681.4	138,870.0
Exchange Rate		USD1 = PEN3.98	USD1 = PEN3.62	USD1 = PEN3.31	USD1 = PEN3.37	USD1 = PEN3.24

N.A. – Not applicable.
Source: Fitch Solutions, Fitch Ratings.

Key Ratios

(%, Years Ended Dec. 31)	2021	2020	2019	2018	2017
Ratios (Annualized as Appropriate)					
Profitability					
Operating Profit/Risk-Weighted Assets	2.7	0.7	3.6	3.7	3.8
Net Interest Income/Average Earning Assets	4.9	5.5	6.8	6.7	6.7
Non-Interest Expense/Gross Revenue	48.5	46.3	43.5	44.4	43.8
Net Income/Average Equity	15.9	4.3	20.5	21.3	21.6
Asset Quality					
Impaired Loans Ratio	3.1	3.0	2.4	2.3	2.5
Growth in Gross Loans	7.0	20.0	3.7	10.5	5.6
Loan Loss Allowances/Impaired Loans	199.8	228.0	181.4	188.4	189.6
Loan Impairment Charges/Average Gross Loans	1.4	4.3	1.8	1.6	1.9
Capitalization					
Common Equity Tier 1 Ratio	11.8	11.4	12.4	11.5	11.8
Fully Loaded Common Equity Tier 1 Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital Ratio	12.5	12.4	13.3	12.8	13.2
Tangible Common Equity/Tangible Assets	9.6	9.0	11.8	11.1	10.3
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Net Impaired Loans/Common Equity Tier 1	N.A.	N.A.	(16,387.9)	(18,202.6)	(17,308.5)
Net Impaired Loans/Fitch Core Capital	(21.8)	(27.4)	(11.6)	(13.2)	(14.4)
Funding and Liquidity					
Gross Loans/Customer Deposits	101.9	99.1	105.5	108.8	107.1
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Non-Equity Funding	76.1	73.4	77.4	75.3	70.9
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.

N.A. – Not applicable.
Source: Fitch Solutions, Fitch Ratings.

Key Financial Metrics — Latest Developments

Asset Quality

As expected by Fitch, BCP's consolidated loan quality ratios were impacted by the maturity of loans related to Reactiva program after the grace period that started to finish in June 2021. Consequently, some clients presented delays in their payments while others asked for refinancing. A significant number of clients decided to pre-pay their obligations because some conditions to remain in the program could weigh on their commercial profile. Nevertheless, the guarantee from the government is present so there is no expectation of high losses.

The bank's concentration risk is moderate; BCP's top 20 consolidated loan exposure by group remained rather stable and represented 14.9% of gross loans as of YE 2021 while its exposure to related parties represented approximately 1.7% of gross loans.

The loan impairment charges/average gross loans ratio returned to pre-pandemic levels at YE 2021 to 1.44% after BCP increased loan loss reserves during 2020 with high voluntary reserves. Consolidated reserve coverage started to return to historical levels. At YE 2021 it was 199.8%, while the 2017–2019 average was 186.5%, but it still remains high and sufficient to cover expected losses from the remaining Reactiva loans. At the same time, net charge-offs slightly increased compared with those from the five-year trend. This is due to the bank's decision to not to maintain debtors with long-time low recovery expectations.

Other assets included cash, loans and advances to banks, which represented 17.9% of total assets at YE 2021. Investments (trading securities at fair value through income, available-for-sale securities and held-to-maturity securities) accounted for 14.3% of total assets at YE 2021, below YE 2020's 18.8%, but returning to pre-pandemic average levels. The reduction is explained by the higher liquidity from deposits in 2020, which returned to historical levels in 2021.

Earnings and Profitability

Lower loan impairment charges positively affected profitability, with net income close to 2019 levels. In addition, a positive impact came from liability management from subordinated debt, which resulted in a lower interest rate to be paid in coupons. On the other hand, operative expenses increased due to the bank's digitalization strategy, including new infrastructure and positions as well as impact of branch adaptation of the strategy. In addition, low interest rates and the growth of Reactiva loans, which have lower interest rates compared with the usual commercial loans, led to lower net investment margins.

Operating profit/risk weighted assets ratio was 2.71% at YE 2021. As of YE 2020, it was 0.67%, and the 2016–2019 average was 3.70%. This ratio is expected to return to pre-pandemic levels in 18 months. A gradual change of the business mix in favor of retail lending outside of the Reactiva program should pressure provision expenses upward and improve profitability due to flat or slightly improving margins.

Total non-interest operating income was 32.2% of gross revenues at YE 2021, which is higher compared with the average 2017–2019 period of 31.1%, thanks to new income from fees after the relief programs that included fee-free periods for clients. Non-interest income largely derives from recurring fees from cash management and card usage, as well as from net gains on securities sales and foreign exchange transactions, which are expected to stabilize during 2022.

Operating expenses comprised 48.5% of gross revenues, above the 2016–2020 average of 44.5%, and are impacted by the digitalization strategy mentioned above. Fitch expects this level to move in the 45%–48% range, similar to bank expectations, due to still-high investments in infrastructure expected in the mid-term.

Capitalization and Leverage

BCP's capital position benefits from conservative internal solvency limits, sustained profitability, moderate asset growth, and conservative dividend policy. BCP's FCC and common equity tier 1 ratio (CET1) has steadily increased prior to 2020. At YE 2020, BCP's FCC declined to 12.37% and slightly recovered to 12.48% at YE 2021, amid higher RWA density (RWA/total assets ratio), which dropped to 72.7% at YE 2020 as a consequence of the focus on Reactiva program loans, that have much lower weigh due to the high guarantees from the government.

RWA density at YE 2021 was 77% and it is expected to return to historical levels as the bank increases its strategic loans positions and the Reactiva loans mature. An internal calculation of CET1 ratio also improved to 11.84% at YE 2021 from 11.40% at YE 2020, above the bank's internal limit of 11%. BCP's regulatory capital ratio was 14.9% as of YE 2021 and it remains above the minimum expected regulatory ratio, including buffers, at 9.47%.

In Fitch's opinion, BCP has successfully adapted to higher and better-quality capital requirements according to Basel III principles, even though the regulator in Peru has not adopted the full Basel III requirements.

Funding and Liquidity

BCP benefits from a well-diversified and low-cost deposit base consisting predominantly of demand and savings deposits, which comprised about 80% of customer deposits at YE 2021. At 32%, BCP has the highest deposit market share in the country across all major products and has historically benefited from flight to quality in times of stress.

The bank manages to a minimum 70% ratio of "core" deposits/total deposits. The bank has set a loan/deposit ratio limit of 120%, although historically it has maintained the ratio below 110%. BCP's loan/deposit ratio was 101.9% at YE 2021, slightly below the 2020 ratio when liquidity from Reactiva and pension funds withdrawals were present in the system. Fitch expects this ratio to return to historical levels during 2022 due to higher loan placements (different from those related to government programs).

Government Support

Given its size and systemic importance, BCP is likely to receive support from the Peruvian government, should it be required, underpinning its GSR. The ability of the sovereign to provide support is reflected in the bank's 'BBB' IDR and Outlook, and is underpinned by its sound financial position, ample international reserves and low debt levels. Regulators have a clear mandate to protect and preserve the banking system through conservative regulation and capable supervision. BCP's 30% market share in deposits and its outsized presence in all business segments make it a crucial part of Peru's financial sector.

Fitch is also withdrawing BCP's Support Rating and Support Rating Floor as they are no longer relevant to Fitch's coverage following the publication of our updated *Bank Rating Criteria* on Nov. 12, 2021. In line with the updated criteria, Fitch has assigned a GSR of 'bbb–' to BCP.

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/ Stable
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 colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

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.

			Overall ESG Scale
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)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
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

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

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with 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) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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

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.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.