

CREDICORP LTD  
Form 6-K  
November 09, 2015

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 under the  
Securities Exchange Act of 1934

**For the month of November 2015**

Commission File Number: 001-14014

**CREDICORP LTD.**

(Translation of registrant's name into English)

**Clarendon House**

**Church Street**

**Hamilton HM 11 Bermuda**

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F x Form 40-F "

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**Lima, Perú, November 5, 2015** – Credicorp (NYSE:BAP) announced its unaudited results for the third quarter of 2015. These results are consolidated according to IFRS and are in Nuevos Soles.

### **Third Quarter Results 2015**

Credicorp reported net income of S/.807.1 million in 3Q15, which represented an ROAE and ROAA of 21.6% and 2.2%, respectively. Despite the macroeconomic scenario and market volatility, recurring net income totaled S/.746.0 million, which indicated a slight increase of +0.5% QoQ and +7.1% YoY, and good profitability with recurrent ROAE of 20.1% and ROAA of 2.0%.

The main factors behind Credicorp's results were:

- Loan expansion of +5.2% QoQ and +16.1% YoY in quarter-end balances that represented real growth of +4.6% QoQ and +11.4% YoY, which were slightly higher than those posted in 2Q. Wholesale Banking continued to drive this growth followed by Retail Banking. The latter recorded better pace of growth than that of 2Q15. Furthermore, Mibanco started showing loan growth.
- Growth of +1.6% QoQ and +10.7% YoY in net interest income, which was primarily attributable to expansion in interest income on loans and income from derivatives, all of which offset the increase in interest expenses.
- Net interest margin (NIM), decreased 21 bps to reach 5.49%, which is below the 5.70% reported in 2Q15, and the 5.75% registered in 3Q14. The drop was due to: (i) more use of BCRP instruments, which inflated interest-earning-assets (IEA) because of the restricted-deposits that are required; (ii) higher loan disbursements towards the end of the quarter that resulted in higher growth in average IEA (the average of period-beginning and period-end balances is used in the NIM calculation) than in average daily balances of the IEA (which are related to NII generation); (iii) the expansion of total loans, led by low-margin business segments; and (iv) the slight increase in funding cost.

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- The slight increase of +2.9% QoQ and +2.6% YoY in provisions for loan losses, which grew at a much slower pace than that of loans, pushed down the cost of risk from 2.07% in 2Q15 and 2.29% in 3Q14 to 2.02% in 3Q15. This level was below expectations and reflects the good risk profile of new vintages despite low economic growth in the country. Thus, a slight increase in provisions attenuated the contraction of NIM after provisions (-14 bps QoQ and -5 bps YoY).
- Good growth in gains on foreign exchange transactions (+17.6% QoQ and +20.6% YoY) due to exchange rate volatility in 3Q15, which helped offset the slight contraction in fee income (-2.0% QoQ).
- Better performance in the insurance business, which registered a +4.1% improvement QoQ of its underwriting result due to a decrease in the acquisition cost and an increase in the net earned premiums.
- Income expansion and lower operating expenses (-2.1% QoQ) were reflected in an improvement in operating efficiency. In this context, the efficiency ratio was situated at 41.7%, which represented a contraction of -60 bps QoQ.

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## Credicorp (NYSE: BAP): Third Quarter Results 2015

*Executive Summary*

| Credicorp Ltd.<br>\$/,000                             | Quarter      |              |              | Change |        | YTD            |              | Change<br>Sep 15<br>Sep 14 |
|---|--------------|--------------|--------------|--------|--------|----------------|--------------|----------------------------|
|   | 3Q14         | 2Q15         | 3Q15         | QoQ    | YoY    | Sep 14         | Sep 15       |                            |
| Net interest income                                   | 1,686,184    | 1,837,200    | 1,866,893    | 1.6    | % 10.7 | % 4,698,407    | 5,489,455    | 16.8                       |
| Provision for loan losses, net of recoveries          | (433,219 )   | (431,763 )   | (444,425 )   | 2.9    | % 2.6  | % (1,278,551 ) | (1,378,324 ) | 7.8                        |
| Net interest income after provisions                  | 1,252,965    | 1,405,437    | 1,422,468    | 1.2    | % 13.5 | % 3,419,857    | 4,111,131    | 20.2                       |
| Non-financial income <sup>(1)</sup>                   | 881,287      | 889,730      | 916,081      | 3.0    | % 3.9  | % 2,639,290    | 2,863,239    | 8.5                        |
| Insurance services underwriting result <sup>(1)</sup> | 117,638      | 120,348      | 125,245      | 4.1    | % 6.5  | % 318,905      | 341,843      | 7.2                        |
| Medical services gross margin                         | 28,813       | -            | -            | N/A    | N/A    | 74,765         | -            | N/A                        |
| Operating expenses                                    | (1,349,566 ) | (1,366,178 ) | (1,337,802 ) | -2.1   | % -0.9 | % (3,806,544 ) | (3,999,850 ) | 5.1                        |
| Operating income                                      | 931,137      | 1,049,336    | 1,125,992    | 7.3    | % 20.9 | % 2,646,273    | 3,316,363    | 25.3                       |
| Translation results                                   | 2,603        | 9,324        | 2,940        | -68.5  | % 13.0 | % 2,182        | 13,830       | N/A                        |
| Income taxes  | (275,364 )   | (289,389 )   | (300,989 )   | 4.0    | % 9.3  | % (711,113 )   | (899,809 )   | 26.5                       |
| Net income  | 658,376      | 769,271      | 827,943      | 7.6    | % 25.8 | % 1,937,342    | 2,430,384    | 25.4                       |
| Minority Interest                                     | 12,941       | 19,976       | 20,798       | 4.1    | % 60.7 | % 45,097       | 69,210       | 53.5                       |
| Net income attributed to Credicorp                    | 645,435      | 749,295      | 807,145      | 7.7    | % 25.1 | % 1,892,245    | 2,361,174    | 24.8                       |
| Non-recurring income (expense) <sup>(2)</sup>         | (51,327 )    | 6,753        | 61,117       | N/A    | -219.1 | % 52,448       | 176,011      | 235.6                      |
| Recurring net income                                  | 696,763      | 742,542      | 746,028      | 0.5    | % 7.1  | % 1,839,797    | 2,185,163    | 18.8                       |

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|   |            |            |            |            |          |              |            |            |
|---|------------|------------|------------|------------|----------|--------------|------------|------------|
| Net income/share (S/.)                    | 8.09       | 9.39       | 10.12      | 7.7        | % 25.1   | % 23.72      | 29.60      | 24.8       |
| Total loans                               | 75,680,558 | 83,503,212 | 87,842,690 | 5.2        | % 16.1   | % 75,680,558 | 87,842,690 | 16.1       |
| Deposits and obligations                  | 74,863,232 | 80,910,623 | 86,426,707 | 6.8        | % 15.4   | % 74,863,232 | 86,426,707 | 15.4       |
| Net shareholders' equity                  | 13,414,052 | 14,803,711 | 15,153,252 | 2.4        | % 13.0   | % 13,414,052 | 15,153,252 | 13.0       |
| Net interest margin                       | 5.75       | % 5.70     | % 5.49     | % -21 bps  | -26 bps  | 5.61         | % 5.56     | % -5 bps   |
| Funding cost                              | 1.94       | % 1.95     | % 1.97     | % 2 bps    | 3 bps    | 1.93         | % 1.93     | % -        |
| ROAE                                      | 19.7       | % 20.7     | % 21.6     | % 90 bps   | 190 bps  | 20.0         | % 21.6     | % 160 bps  |
| Recurring ROAE <sup>(3)</sup>             | 21.4       | % 20.6     | % 20.1     | % -50 bps  | -130 bps | 19.4         | % 20.1     | % 70 bps   |
| ROAA                                      | 2.0        | % 2.1      | % 2.2      | % 10 bps   | 20 bps   | 2.0          | % 2.2      | % 20 bps   |
| Recurring ROAA <sup>(4)</sup>             | 2.1        | % 2.1      | % 2.0      | % -10 bps  | -10 bps  | 2.0          | % 2.0      | % -        |
| PDL ratio <sup>(5)</sup>                  | 1.83       | % 1.96     | % 1.88     | % -8 bps   | 5 bps    | 1.83         | % 1.88     | % 5 bps    |
| PDL over 90 days                          | 2.59       | % 2.72     | % 2.57     | % -15 bps  | -2 bps   | 2.59         | % 2.57     | % -2 bps   |
| NPL ratio <sup>(6)</sup>                  | 3.26       | % 3.56     | % 3.40     | % -16 bps  | 14 bps   | 3.26         | % 3.40     | % 14 bps   |
| Cost of risk <sup>(7)</sup>               | 2.29       | % 2.07     | % 2.02     | % -5 bps   | -27 bps  | 2.25         | % 2.09     | % -16 bps  |
| Coverage of PDLs                          | 161.5      | % 159.2    | % 162.8    | % 360 bps  | 130 bps  | 161.5        | % 162.8    | % 130 bps  |
| Coverage of NPLs                          | 128.3      | % 121.9    | % 123.2    | % 130 bps  | -510 bps | 128.3        | % 123.2    | % -510 bps |
| Efficiency ratio                          | 41.5       | % 42.3     | % 41.7     | % -60 bps  | 20 bps   | 42.1         | % 41.8     | % -30 bps  |
| Operating expenses / Total assets         | 3.9        | % 3.7      | % 3.5      | % -20 bps  | -40 bps  | 3.9          | % 3.6      | % -30 bps  |
| Combined ratio of P&C <sup>(8)(9)</sup>   | 91.6       | % 90.6     | % 92.2     | % 160 bps  | 60 bps   | 97.7         | % 91.9     | % -580 bps |
| Loss ratio <sup>(9)</sup>                 | 62.5       | % 58.8     | % 60.4     | % 160 bps  | -210 bps | 63.3         | % 58.7     | % -460 bps |
| Underwriting result / net earned premiums | 16.9       | % 14.9     | % 12.9     | % -200 bps | -400 bps | 14.7         | % 14.3     | % -40 bps  |
| Employees                                 | 32,162     | 32,828     | 33,426     | 1.8        | % 3.9    | % 32,162     | 33,426     | 3.9        |

(1) Figures differ from previously reported, consider figures on this report.

(2) Includes non-recurring income / (expense) and translation results (net of taxes).

(3) Recurring ROAE: Net recurring income is used for calculations. In the equity side, adjustments are made to exclude non-recurring income (expense).

(4) Recurring ROAA: Net recurring income is used for calculations.



- (5) PDL ratio = Past-due loan ratio. Past-due loans include overdue loans and loans under legal collection.
- (6) NPLs: Non-performing loans = Past-due loans + Refinanced loans. NPL ratio: NPLs / Total loans.
- (7) Annualized provision for loan losses / Total loans.
- (8) Combined ratio= (Net claims + General expenses + Fees + Underwriting expenses) / Net earned premiums. Do not include insurance Life business.
- (9) Considers Grupo Pacifico's figures before eliminations for consolidation to Credicorp.

Credicorp reported **net income** of S/.807.1 million, a ROAE of 21.6% and a ROAA of 2.2% in 3Q15. These figures represent a solid result for the third consecutive quarter, especially considering the macroeconomic environment and market volatility. It is important to note that recurring net income was S/. 746.0 million (+0.5% QoQ and +7.1% YoY), which led to a recurring ROAE and ROAA of 20.1% and 2.0%, respectively.

Credicorp's **NI** increased +1.6% QoQ and +10.7% YoY, mainly due to growth in interest income, as a result of higher interest income on loans and income from derivatives. The higher interest income generation offset the increase in interest expenses associated with higher level of BCRP instruments, and the effect of the appreciation of the US dollar in interest expenses on bonds and subordinated notes.

All of the aforementioned translated into a reduction of 21bps QoQ in **NIM** (5.70% in 2Q15 vs. 5.49% in 3Q15) that was mainly due to four drivers: (i) more use of BCRP instruments; (ii) higher loan disbursements towards the end of the quarter; (iii) expansion of total loans led by low-margin business segments; and (iv) slight increase in funding cost; as we will explain later.

**Total loans** at Credicorp grew +5.2% QoQ in quarter-end balances, and +3.3% QoQ in average daily balances, the difference between the two was attributable to loan disbursements towards the end of the quarter, which had a less significant impact on average daily balances in 3Q15. Loan growth was driven by Wholesale Banking and Retail Banking. In terms of real growth, loans expanded +4.6% QoQ in quarter-end balances and +2.6% QoQ in average daily balances.

In terms of business segments, Wholesale Banking continued to lead loan expansion (+3.5% QoQ and +20.5% YoY). This was due mainly to the increase in working capital, and medium & long term financing, primarily in local currency (LC). In Retail Banking (+2.9% QoQ and +13.2% YoY), loan growth was associated to the better dynamism in the SME-Business, SME-Pyme, Mortgage, and Credit card segments. It is important to note that for Retail Banking, the second half of each year tends to be more dynamic in terms of loan expansion because of the year-end financing campaigns. Mibanco's loan expansion shows the initial recovery in loan origination after the acquisition and the clean-up process that was put in place.

The analysis of loan book by currency shows that LC loan book continued expanding (+8.1% QoQ), and FC loans contracted (-4.6% QoQ), mainly at BCP Stand-alone. In this context, LC loans' share of total loans at Credicorp rose from 55.4% in 2Q15 to 58.0% at the end of 3Q15. BCP Stand-alone, where the de-dollarization plan is carried out, posted a high level of compliance. As such, total FC loan portfolio subject to the plan contracted 25% by the end of September (vs. the reduction target of 10% by December 2015), and the FC Mortgage and Car loans reduced 26% (vs. the reduction target of 15% by December 2015).

The **funding cost** at Credicorp and at BCP stand-alone increased slightly QoQ (+2 bps and +3 bps, respectively). This was due primarily to the increase in the cost of BCRP instruments, which was attributable to an increase in the reference rate in August, and to the increase in the tenure of those instruments (up to 5 years).

The **L/D ratio** fell QoQ, which was due mainly to an atypical increase in time deposits, and in a lesser extent the savings deposits. In BCP Stand-alone's case, the LC L/D ratio was situated at 152.5%, and the FC L/D ratio was situated at 69.7%. The evolution of the LC ratio does not represent a risky situation but reflects the improvement in the composition of funding after increasing the share of more stable and long-term funds, such as BCRP instruments.

In terms of portfolio quality, the **PDL ratio** fell -15 bps QoQ, which was in line with: (1) an improvement in the risk quality of new vintages at BCP Stand-alone and Mibanco; (2) an increase in charge-offs, mainly at Mibanco; and (3) solid growth in loans. The **NPL ratio** fell -16 bps QoQ due to loan growth and a decrease in the pace of growth of NPLs. The **cost of risk** registered its lowest level in two years and situated at 2.02% at the end of 3Q15.

**Non-financial income** increased +3.0% QoQ, this was basically due to the higher gain on foreign exchange transactions (+17.6% QoQ), followed by the growth of Net gain from subsidiaries, the latter explains the result of the joint venture between the Grupo Pacífico and Banmédica in the health business. The YoY evolution of this income shows an increase of +3.9%, due to an increase in Fee income, which is the main source of non-financial income, and the growth of Net gain on foreign exchange transactions, in line with the appreciation of the US Dollar.

The **insurance underwriting result** increased +4.1% QoQ mainly due to a decrease in the acquisition cost in Property & Casualty, and an increase in net earned premiums in life insurance business. This effect offset a higher level of claims in P&C QoQ.

In terms of operating efficiency, the **efficiency ratio** dropped -60 bps QoQ. The aforementioned was attributable to lower expenses in Salaries and employees benefits and the increase in operating income. The latter was mainly associated to the major dynamism of the second half of the year.

Finally, with regard to **capital**, Credicorp maintained a comfortable level of capitalization that at the end of 3Q15 represented 1.15 times the capital required by the Peruvian regulator. At BCP Stand-alone (in Peru GAAP), the ratios continued to be highly adequate and were above the regulatory limit with a BIS ratio of 13.89%, Tier 1 of 9.24%, and, perhaps most noteworthy, a Tier 1 common equity increased to 9.00% vs. 8.38% in 2Q15.

### *Credicorp and subsidiaries*

| Earnings contribution<br>S/. 000                         | Quarter   |           |           | % change |         | YTD       |           | % change         |   |
|--|-----------|-----------|-----------|----------|---------|-----------|-----------|------------------|---|
|  | 3Q14      | 2Q15      | 3Q15      | QoQ      | YoY     | Sep 14    | Sep 15    | Sep<br>15/Sep 14 |   |
| Banco de Crédito BCP <sup>(1)</sup>                      | 572,056   | 605,642   | 659,756   | 8.9 %    | 15.3 %  | 1,461,935 | 1,844,533 | 26.2             | % |
| Mibanco <sup>(2)</sup>                                   | 19,643    | 47,077    | 70,938    | 50.9 %   | 261.1 % | 79,249    | 158,514   | 100.0            | % |
| BCB <sup>(3)</sup>                                       | 17,418    | 11,167    | 15,960    | 42.9 %   | -8.4 %  | 51,915    | 41,453    | -20.2            | % |
| Grupo Pacífico <sup>(4)</sup>                            | 60,031    | 66,053    | 48,498    | -26.6 %  | -19.2 % | 144,380   | 282,599   | 95.7             | % |
| Atlantic Security Bank                                   | 28,112    | 30,445    | 67,792    | 122.7 %  | 141.1 % | 109,713   | 134,081   | 22.2             | % |
| Prima  | 37,363    | 43,338    | 40,074    | -7.5 %   | 7.3 %   | 116,277   | 123,699   | 6.4              | % |
| Credicorp Capital <sup>(5)</sup>                         | 11,308    | 16,692    | 10,759    | -35.5 %  | -4.9 %  | 39,736    | 44,853    | 12.9             | % |
| Others <sup>(6)</sup>                                    | (63,436 ) | (12,874 ) | (19,734 ) | 53.3 %   | -68.9 % | 20,204    | (68,591 ) | N/A              |   |
| Net income Credicorp                                     | 645,435   | 749,295   | 807,145   | 7.7 %    | 25.1 %  | 1,892,245 | 2,361,174 | 24.8             | % |
| <b>Recurring net income<br/>Credicorp <sup>(7)</sup></b> | 696,763   | 742,542   | 746,028   | 0.5 %    | 7.1 %   | 1,839,797 | 2,185,163 | 18.8             | % |

(1) Includes Banco de Crédito de Bolivia and Mibanco. September 2015 figure does not include the gain on sale of BCI shares, as it is eliminated in the consolidation.

(2) The figure is lower than the net income of Mibanco because Credicorp owns 95.4% of Mibanco (directly and indirectly). Consolidated results of Mibanco and Edyficar.

(3) The figure is lower than the net income of BCB because Credicorp owns 97.7% of BCB (directly and indirectly).

(4) The figure is lower than the net income before minority interest of Grupo Pacifico because Credicorp owns 98.5% of Grupo Pacifico (directly and indirectly).

(5) Includes Credicorp Capital Limited and Credicorp Capital Perú.

(6) Includes Grupo Crédito excluding Prima (Servicorp and Emisiones BCP Latam), others of Atlantic Security Holding Corporation and others of Credicorp Ltd.

(7) Excludes non-recurring income / (expense) and translation results (net of taxes).

| ROAE | Quarter |      |      | YTD    |        |
|------|---------|------|------|--------|--------|
|      | 3Q14    | 2Q15 | 3Q15 | Sep 14 | Sep 15 |

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|                                       |        |        |        | Sep<br>14 |        |
|---------------------------------------|--------|--------|--------|-----------|--------|
| Banco de Crédito BCP <sup>(1)</sup>   | 25.4 % | 24.4 % | 25.0 % | 22.4 %    | 24.0 % |
| M ibanco <sup>(2)</sup>               | 8.2 %  | 16.5 % | 23.7 % | 15.2 %    | 18.1 % |
| BCB                                   | 16.1 % | 9.2 %  | 12.5 % | 16.5 %    | 11.0 % |
| Grupo Pacífico <sup>(3)</sup>         | 13.9 % | 13.2 % | 10.5 % | 11.7 %    | 21.5 % |
| Atlantic Security Bank <sup>(4)</sup> | 18.0 % | 20.1 % | 42.8 % | 31.2 %    | 24.6 % |
| Prima                                 | 29.0 % | 35.7 % | 30.8 % | 29.9 %    | 29.2 % |
| Credicorp Capital                     | 6.4 %  | 11.7 % | 7.6 %  | 7.8 %     | 10.3 % |
| Credicorp                             | 19.7 % | 20.7 % | 21.6 % | 20.0 %    | 21.6 % |
| Recurring net income                  | 21.4 % | 20.6 % | 20.1 % | 19.4 %    | 20.1 % |

(1) September 2015 figure does not include the gain on sale of BCI shares, as it is eliminated in the consolidation to Credicorp. The ROAE including the gain on sale of BCI shares is 27.0% as of September 2015.

(2) ROAE for 3Q14 and September 2014 do not consider Edyficar's goodwill (US\$50.7 Million). Calculations based on proforma figures.

(3) The ROAE without including the income for the JV with Banmédica is 13.3% as of September 2015.

(4) The ROAE without including the non-recurring income is 5.8% for 3T15 and 13.3% as of September 2015.

This quarter, BCP Consolidated contributed S/.659.8 million to Credicorp, which represented an increase of +8.9% QoQ and +15.3% YoY. The aforementioned led to an ROAE of 25%, which was slightly higher than the level posted in 2Q15. The improvement in this quarter's performance was due primarily to: (i) NII growth, in line with loan expansion and higher income from derivatives; (ii) the increase in fee income and in net gain on FX transactions, which outpaced the result of 2Q15; and (iii) the decrease in operating expenses, due to lower employee salaries and benefits expenses. The aforementioned largely offset the loss on sale of securities, in line with adverse market conditions, and the slight increase in net provisions for loan losses. The decrease in operating expenses led to a 120 bps improvement in the efficiency ratio, which went from 43% in 2Q15 to 41.8% in 3Q15. In accumulated terms, at the end of September 2015, BCP Consolidated reported a contribution of S/. 1,845 million (+26.2% YoY), which led to an ROAE of 24%. The last does not include the income that this subsidiary generated after the transfer of BCI shares to Credicorp.

**Mibanco** reported a net contribution to Credicorp of S/.70.9 million and an ROAE of 23.7% at the end of 3Q15. These results represent a significant improvement QoQ due to an increase in net interest income (NII) and a decrease in provisions and operating expenses. The evolution of the NII (+4.4% QoQ) is mainly attributable to loan growth in the micro and small business segments and stable funding costs QoQ, which were associated with efforts to restructure liabilities to contemplate more lower-cost funding sources. The cost of risk fell QoQ, which was in line with an improvement in the portfolio's risk quality and also due to the fact that charge-offs were higher in 3Q15. This reflects the progress that has been made after a year of concerted efforts to recover the PDL portfolio. In this context, the PDL ratio improved 95 bps QoQ. Operating expenses fell in line with a QoQ decrease in the number of branches. Mibanco's efficiency ratio was situated at 54% at the end of 3Q15 (-200 bps QoQ).

**BCP Bolivia** reported a contribution of S/. 16.0 million, +42.9% QoQ, mainly due to (i) an increase in NII of +6.0% QoQ in line with loan evolution; and (ii) a -14.9% QoQ drop in general and administrative expenses due to a decrease in non-recurring expenses in 3Q15 (in 2Q15 a guarantee fund was set up to cover the year 2014). Loans increased +6.9% QoQ; this allowed BCP Bolivia to achieve a market share of 9.0% at the end of 3Q15, making it the fourth largest bank in the Bolivian financial system. It is important to note that in September, BCP Bolivia placed its second issuance of Subordinated Bonds in the local capitals market for a total of S/. 64.4 million. These funds will be used to support loan growth.

**ASB** reported a contribution of S/. 83.9 million to Credicorp in 3Q15, which includes a non-recurring income of S/. 58.9 million (US\$ 18.3 million) related to the sale of a fund. ASB recurring contribution is S/. 8.8 million, -71% lower QoQ due mainly to a loss for lower mark-to-market of investments portfolios. The aforementioned translated into an ROAE and a recurring ROAE of 42.8% and 5.8%.

**Grupo Pacífico** reported a contribution of S/. 48.5 million in 3Q15, which represented a decrease of +26.6% QoQ. This was due to a net loss on sale of securities, in line with lower mark to market level. The aforementioned offset the improvement in the underwriting result, which was due to a decrease in the acquisition cost, mainly in P&C, and to an increase in net earned premiums in life insurance business. It is important to note that there was noteworthy growth in written premiums in the life insurance business due to higher premium turnover in the annuities line; nevertheless, due to the nature of this business (more reserves when a new client is registered with Grupo Pacifico), net earned premiums did not grow at the same rate. The aforementioned translated into an ROAE of 10.5% at the end of 3Q15.

In 3Q15, **Prima AFP's** contribution to Credicorp was S/. 40.1 million, which represented a decrease of -7.5% QoQ and an increase of +7.3% YoY. The aforementioned translated into an ROAE of 30.8% for the quarter. It is important to note that operating income grew +2.8% QoQ due to lower administrative and sales expenses (-6.5% QoQ), which was in line with a decrease in expenditures for the sales force and for marketing. In this context, the efficiency ratio for 3Q15 was 41.1%, which fell below 2Q15's level (44%). The funds under management at Prima AFP totaled S/. 36,847 million, which represented a 31.8% share of the system's total funds.

**Credicorp Capital** registered a contribution of S/. 10.8 million (-35.5% QoQ). It is important to note that Credicorp Capital's non-financial income in the third quarter of the year totaled S/. 106.2 million, which represented a decline of -10.1% QoQ. The good evolution of net gains on foreign exchange transactions was not enough to offset a decrease in net gains on sales of securities and moreover, lower fee income QoQ. The aforementioned reflects adverse market conditions and lower volumes of transactions in the Asset Management business QoQ. Additionally, the relative devaluation of currencies in Colombia and Chile with regard to the Nuevo Sol affected the income level at these subsidiaries when results were translated into Nuevos Soles.

## 1. Interest-earning assets (IEA)

*IEA grew +7.3% QoQ due primarily to +5.2% QoQ expansion in loans, the most profitable assets, followed by an increase in funds in BCRP and other banks and investments, mainly securities available for sale.*

| Interest earning assets<br>S/. 000 | Quarter     |             |             | % change |         |
|------------------------------------|-------------|-------------|-------------|----------|---------|
|                                    | 3Q14        | 2Q15        | 3Q15        | QoQ      | YoY     |
| BCRP and other banks               | 20,142,386  | 24,746,182  | 27,845,763  | 12.5 %   | 38.2 %  |
| Interbank funds                    | 550,548     | 42,846      | 109,592     | 155.8 %  | -80.1 % |
| Trading securities                 | 3,259,704   | 2,130,997   | 2,608,267   | 22.4 %   | -20.0 % |
| Investments available for sale     | 18,009,519  | 17,772,153  | 19,152,136  | 7.8 %    | 6.3 %   |
| Investment held to maturity        | 2,122,790   | 2,970,260   | 3,161,475   | 6.4 %    | 48.9 %  |
| Total loans                        | 75,680,558  | 83,503,213  | 87,842,690  | 5.2 %    | 16.1 %  |
| Total interest earning assets      | 119,765,505 | 131,165,651 | 140,719,923 | 7.3 %    | 17.5 %  |

## 1.1 Evolution of IEA

Growth of +7.3% QoQ in IEA was due primarily to growth in **total loans** at Credicorp, which increased +5.2% QoQ and +16.1% YoY in quarter-end balances due to the expansion of both Wholesale Banking and Retail Banking portfolios. It is important to note that for the latter, the second half of each year tends to be more dynamic in terms of loan expansion, particularly due to the year-end financing campaigns.

In terms of average daily balances, the indicator that is most closely related to net interest income generation, loans, increased +3.3% QoQ and +16.8% YoY. It is important to note that Wholesale Banking once again registered the highest growth rate while Retail Banking reported a QoQ increase that was slightly higher than that posted in 2Q15. In terms of real growth, average daily balances expanded +2.6% QoQ and +11.9% YoY, which will be discussed later in the report.

The quarterly growth rate in quarter-end balances (+5.2% QoQ) vs. average daily balances (+3.3% QoQ) reflects a difference that was attributable to loan disbursements towards the end of the quarter, which had a less significant impact on average daily balances in 3Q15.

The following figures provide information on the main factors that drove QoQ and YoY expansion in average daily balances of loans:



**Total loan growth contribution QoQ**

(In average daily balances)

7

## Loan growth contribution YoY

(In average daily balances)

As is evident in the figure above, in 3Q15 22.3% of the nominal QoQ growth in average daily balances was attributable to the effect of appreciation of the US Dollar against the Nuevo Sol (+1.42% in 3Q15) in the loan portfolio denominated in FC, which represented 42% of total loans at the end of 3Q15. In this context, average daily balances expanded +2.6% QoQ in real terms.

An overall analysis of average daily balances shows that:

Wholesale Banking once again led loan growth and drove 38.3% of the total expansion registered in 3Q15.  
(i) Middle-Market Banking posted higher loan growth than Corporate Banking; this expansion was denominated primarily in LC.

Retail Banking originated 23.9% of total nominal loan growth, which was in line with increases in the SME-Business, SME-Pyme, Mortgage and Credit Card segments. The QoQ expansion in loans as measured in average daily balances was due to the fact that the year-end campaign has begun, which is in line with the increase in lending activity registered in the second semester every year.  
(ii)

On-going and solid growth in the portfolios held by ASB and BCP Bolivia generated 3.8% and 8.0%, respectively to the total QoQ increase.  
(iii)

The Mibanco portfolio originated only 1.2% of the expansion QoQ due to the fact that it still reflects a slower pace of origination in a year where the focus has been on integrating and implementing Edyficar's business model. It is important to note that the changes made to the origination model to improve portfolio quality constitute another reason why Mibanco's loan growth remains low.  
(iv)

The increase in EIA was also due to growth of +12.5% QoQ in **BCRP and other Banks**, in line with an increase in the use of BCRP instruments, in particular in repos for substitution and expansion. Under both schemes, repo transactions generate a restricted deposit in BCRP, which has accounted for an important part of IEA expansion. In the Credicorp's case, these transactions were only conducted by BCP Stand-alone and Mibanco.

**Investments available for sale** registered an increase of +7.8% QoQ that was attributable primarily to more investment in BCRP Certificates of Deposit, and an increase in BCP's acquisition of Government Bonds. It is important to note that BCRP's CDs have been used, in part, in REPO transactions with BCRP, which are a low-cost funding source for BCP as will be described later in this report. These repo transactions generate a restricted deposit in BCRP, which is also considered an IEA.

**Investments held-to-maturity** grew +6.4% QoQ due to an increase in the position held in Peruvian Government Bonds. It is important to note that these transactions were conducted primarily by BCP.

**Trading securities** increased considerably (+22.4% QoQ), which was primarily due to more investment in BCRP Certificates of Deposit, which offered better returns and higher variations in 3Q15. It is important to note that the result was attributable to several investment transactions at Credicorp's subsidiaries:

- (i) BCP registered an increase given that it purchased bonds issued by the Mexican and Colombian governments during the quarter.
- (ii) The Mibanco subsidiary made more investments in Sovereign Bonds from the Ministry of Economy and Finance (Peru).
- (iii) Credicorp Capital registered an increase due to portfolio turnover to high liquidity (equity) transactions and to a decrease in Repo transactions (Credicorp Capital Colombia).

## 1.2 Loan Portfolio of Credicorp

Credicorp's loan portfolio reported an increase of +3.3% QoQ in average daily balances that was led by growth in BCP Stand-alone, which represents 83.5% of its portfolio. In the analysis by currency, it is evident that the LC portfolio is more dynamic. The YoY analysis, which registers an increase of +16.8% in average daily balances, reflects the solid state of our banking business. In real terms, without including the exchange rate effect, Credicorp's loans grew +2.6% QoQ and +11.9% YoY, in average daily balances.