

RatingsDirect®

Update: Banco BBVA Peru

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Update: Banco BBVA Peru

Ratings Score Snapshot

Issuer Credit Rating
BBB-/Stable/A-3

SACP: bbb+ → **Support: 0** → **Additional factors: -2**

| Anchor | bbb- | | ALAC support | 0 | <table border="1"> <tr> <th colspan="2">Issuer credit rating</th> </tr> <tr> <td colspan="2" style="text-align: center;">BBB-/Stable/A-3</td> </tr> </table> | Issuer credit rating | | BBB-/Stable/A-3 | |
|------------------------|----------|----|-------------------|---|---|----------------------|--|------------------------|--|
| Issuer credit rating | | | | | | | | | |
| BBB-/Stable/A-3 | | | | | | | | | |
| Business position | Strong | +1 | GRE support | 0 | | | | | |
| Capital and earnings | Strong | +1 | Group support | 0 | | | | | |
| Risk position | Adequate | 0 | Sovereign support | 0 | | | | | |
| Funding | Adequate | 0 | | | | | | | |
| Liquidity | Adequate | | | | | | | | |
| CRA adjustment | 0 | | | | | | | | |

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths

Sound business position given Banco BBVA Peru's diversified business portfolio and its status as the second-largest bank in Peru;
Solid operating performance and track record; and
Strategically important subsidiary of Banco Bilbao Vizcaya Argentaria S.A. (BBVA).

Key risks

Low per capita GDP weakens Peru's economic resilience and limits debt capacity; and
Political volatility affecting short to medium term economic growth in the country with impact on the banking industry and the bank.

The change in the business mix bolstered margins, partly compensating for a deterioration in asset quality metrics and impacts of adverse events in Peru. Over the last few years, in line with its parent's strategy, Banco BBVA Peru implemented a change in its loan mix by expanding its retail and small- to mid-size enterprise (SMEs) segments, diluting the wholesale segment's share. This change, the increase in interest rates, and the amortization of loans under government programs (granted during the pandemic and that accrued low interest rates) boosted margins, partly offsetting the deterioration in the bank's asset quality metrics (in line with the industry trend) and the impact of adverse events in Peru in 2023. The latter were social unrest at the beginning of 2023, weather events, and feeble economic growth. As a result, core earnings over average adjusted assets remained at about 1.9% in 2023.

The bank has adequate provisions to face losses stemming from weaker asset quality. As of the end of 2023, loan-loss reserves accounted for about 138% of non-performing loans (NPLs). We expect delinquency to remain still high in the first half of 2024 to then recede as economic conditions improve.

Capitalization to remain a credit strength. Capitalization metrics remain sound thanks to healthy profitability despite high provisioning requirements.

The ratings incorporate the bank's diversified and stable funding profile, and sound liquidity coverage. Banco BBVA Peru has a sticky deposit base. It also has a wide access to domestic and international capital markets, and to central bank funding (e.g., when actions were taken to reduce dollarization in the banking system, and more recently, to mitigate the impact of the pandemic).

Our ratings on Peru limit those on domestic financial institutions including on Banco BBVA Peru. This is because we don't consider that the entities could withstand a sovereign default scenario, given their large exposure to the country in the form of loans and securities.

Outlook

The stable outlook on Banco BBVA Peru for the next two years mirrors the outlook on Peru. We expect that the ratings on the bank will move in tandem with those on the sovereign because of Banco BBVA Peru's high exposure to the domestic market. We rarely rate financial institutions higher than the sovereign where they operate because we consider it unlikely that these institutions would remain unaffected by developments in domestic economies.

Increased systemic risks for financial entities operating in Peru, combined with a hypothetical deterioration in the bank's intrinsic creditworthiness, would not have an impact on the ratings because of parent support. However, if the SACP falls below 'bb-', which is unlikely, that would affect the ratings. Banco BBVA Peru is a strategically important subsidiary that could receive group support, which could result in up to three notches of rating uplift above the bank's SACP.

Downside scenario

We could downgrade the bank if we were to take a similar action on the sovereign.

Upside scenario

We could raise the rating on Banco BBVA Peru if we were to take a similar action on the sovereign.

Key Statistics

Table 1

| Banco BBVA Peru key figures | | | | | |
|-----------------------------|-----------|----------|-----------|-----------|----------|
| --Year-ended Dec. 31-- | | | | | |
| (Mil. PEN) | 2023 | 2022 | 2021 | 2020 | 2019 |
| Adjusted assets | 103,924.7 | 97,667.4 | 101,176.8 | 107,051.9 | 81,490.2 |
| Customer loans (gross) | 75,545.8 | 73,784.9 | 75,091.7 | 71,012.9 | 59,305.3 |
| Adjusted common equity | 11,863.2 | 10,966.4 | 9,882.5 | 8,957.4 | 8,869.0 |

Table 1

| Banco BBVA Peru key figures (cont.) | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|
| | --Year-ended Dec. 31-- | | | | |
| (Mil. PEN) | 2023 | 2022 | 2021 | 2020 | 2019 |
| Operating revenues | 7,291.6 | 6,141.2 | 5,173.5 | 4,694.5 | 4,949.4 |
| Noninterest expenses | 2,894.6 | 2,481.0 | 2,168.6 | 2,055.9 | 1,952.2 |
| Core earnings | 1,873.7 | 1,921.8 | 1,560.5 | 648.2 | 1,609.1 |

PEN--Peruvian nuevo sol.

Table 2

| Banco BBVA Peru business position | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|--|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Loan market share in country of domicile | 20.5 | 20.6 | 21.4 | 21.6 | 20.6 | |
| Deposit market share in country of domicile | 20.3 | 20.3 | 19.3 | 21.6 | 21.0 | |
| Return on average common equity | 15.9 | 17.9 | 16.0 | 7.0 | 18.4 | |

Table 3

| Banco BBVA Peru capital and earnings | | | | | | |
|--|-------------------------------|-------------|-------------|-------------|-------------|--|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Tier 1 capital ratio | N/A | 10.6 | 10.3 | 10.8 | 11.0 | |
| S&P Global Ratings' RAC ratio before diversification | 10.0 | 10.6 | 10.4 | 10.3 | 10.1 | |
| S&P Global Ratings' RAC ratio after diversification | 8.3 | 8.5 | 8.1 | 8.1 | 7.8 | |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |
| Net interest income/operating revenues | 73.5 | 75.1 | 69.6 | 69.1 | 69.1 | |
| Fee income/operating revenues | 13.9 | 14.5 | 16.9 | 17.3 | 16.4 | |
| Market-sensitive income/operating revenues | 11.3 | 10.0 | 13.5 | 14.1 | 13.8 | |
| Cost to income ratio | 39.7 | 40.4 | 41.9 | 43.8 | 39.4 | |
| Provision operating income/average assets | 4.3 | 3.7 | 2.9 | 2.8 | 3.8 | |
| Core earnings/average managed assets | 1.9 | 1.9 | 1.5 | 0.7 | 2.1 | |

N/A--Not applicable.

Table 4

| Banco BBVA Peru risk position | | | | | | |
|---|-------------------------------|-------------|-------------|-------------|-------------|--|
| | --Year-ended Dec. 31-- | | | | | |
| (%) | 2023 | 2022 | 2021 | 2020 | 2019 | |
| Growth in customer loans | 2.4 | (1.7) | 5.7 | 19.7 | 8.5 | |
| Total diversification adjustment/S&P Global Ratings' RWA before diversification | 21.6 | 25.0 | 28.2 | 27.1 | 28.4 | |
| Total managed assets/adjusted common equity (x) | 8.8 | 8.9 | 10.3 | 12.0 | 9.2 | |
| New loan loss provisions/average customer loans | 2.6 | 1.3 | 1.0 | 2.7 | 1.3 | |
| Net charge-offs/average customer loans | 1.2 | 0.6 | 0.5 | 0.3 | 0.7 | |
| Gross nonperforming assets/customer loans + other real estate owned | 4.7 | 4.3 | 3.7 | 3.2 | 3.0 | |
| Loan loss reserves/gross nonperforming assets | 138.5 | 145.4 | 167.6 | 193.4 | 162.1 | |

Table 5

| Banco BBVA Peru funding and liquidity | | | | | |
|--|------------------------|-------|-------|-------|-------|
| | --Year-ended Dec. 31-- | | | | |
| (%) | 2023 | 2022 | 2021 | 2020 | 2019 |
| Core deposits/funding base | 82.6 | 81.1 | 72.6 | 75.1 | 79.1 |
| Customer loans (net)/customer deposits | 102.1 | 104.6 | 111.4 | 93.9 | 102.6 |
| Long-term funding ratio | 90.3 | 87.0 | 79.5 | 82.8 | 89.9 |
| Stable funding ratio | 107.5 | 104.5 | 99.7 | 115.4 | 111.2 |
| Short-term wholesale funding/funding base | 11.1 | 14.7 | 22.8 | 18.8 | 11.4 |
| Broad liquid assets/short-term wholesale funding (x) | 2.5 | 1.7 | 1.1 | 1.8 | 2.3 |
| Broad liquid assets/total assets | 22.3 | 20.8 | 22.5 | 30.2 | 22.3 |
| Broad liquid assets/customer deposits | 33.7 | 30.9 | 36.0 | 45.7 | 33.2 |
| Net broad liquid assets/short-term customer deposits | 40.9 | 37.4 | 18.4 | 61.9 | 48.4 |
| Short-term wholesale funding/total wholesale funding | 64.0 | 77.7 | 83.1 | 75.4 | 54.4 |
| Narrow liquid assets/3-month wholesale funding (x) | 9.0 | 8.5 | 8.4 | 15.8 | 5.0 |

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Peru's Banking Industry Country Risk Assessment Remains At Group '5', Despite Rising Economic Risks, Nov. 30, 2023

Ratings Detail (As Of April 30, 2024)*

Banco BBVA Peru

Issuer Credit Rating

BBB-/Stable/A-3

Ratings Detail (As Of April 30, 2024)*(cont.)

| | |
|--|---------------------|
| Subordinated | BB+ |
| Issuer Credit Ratings History | |
| 26-Apr-2024 | BBB-/Stable/A-3 |
| 14-Dec-2022 | BBB/Negative/A-2 |
| 21-Mar-2022 | BBB/Stable/A-2 |
| 15-Oct-2021 | BBB+/Negative/A-2 |
| 25-Jun-2021 | BBB+/Stable/A-2 |
| 16-Jul-2020 | BBB+/Negative/A-2 |
| Sovereign Rating | |
| Peru | |
| Foreign Currency | BBB-/Stable/A-3 |
| Local Currency | BBB/Stable/A-2 |
| Related Entities | |
| Banco BBVA Argentina S.A. | |
| Issuer Credit Rating | |
| Argentina National Scale | raB+/Stable/raB |
| Senior Unsecured | |
| Argentina National Scale | raCCC+/Negative |
| Banco Bilbao Vizcaya Argentaria S.A. | |
| Issuer Credit Rating | A/Stable/A-1 |
| Resolution Counterparty Rating | A+/-/A-1 |
| Senior Subordinated | BBB+ |
| Senior Unsecured | A |
| Short-Term Debt | A-1 |
| Subordinated | BBB |
| Banco Bilbao Vizcaya Argentaria Uruguay | |
| Issuer Credit Rating | BBB+/Stable/A-2 |
| Uruguay National Scale | uyAAA/Stable/-- |
| BBVA Global Markets B.V. | |
| Issuer Credit Rating | A/Stable/A-1 |
| BBVA Mexico S.A. | |
| Issuer Credit Rating | BBB/Stable/A-2 |
| CaVal (Mexico) National Scale | mxAAA/Stable/mxA-1+ |
| Senior Unsecured | |
| CaVal (Mexico) National Scale | mxAAA |
| Subordinated | BB |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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