CREDICORP LTD
Form 6-K
November 07, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of the
Securities Exchange Act of 1934

For the month November 2011

CREDICORP LTD.
(Exact name of registrant as specified in its charter)

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 Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

CREDICORP LTD.

Third Quarter 2011 Results

Lima, Peru, November 03, 2011 - Credicorp (NYSE:BAP) announced today its unaudited results for the third quarter of 2011. These results are reported on a consolidated basis in accordance with IFRS in nominal U.S. Dollars.

HIGHLIGHTS

· Continuing the dynamic business activity of the first half of the year, Credicorp reported strong net earnings of US$ 170.9 million in 3Q11 which represent a ROAE of 22.6%. All of its other ratios reflect good performance this 3Q11 with ROAA of 2.3%, a PDL Ratio of 1.54% and a sustained efficiency ratio of 40.6%.

· This net earnings result is, however, slightly lower (-1.9%) than that seen last Q, but 9.4% stronger compared to the same Q of last year. This was due primarily to the negative impact of currency movements (0.9% depreciation of Nuevo Sol against US Dollar) on translation results and taxes as well as lower contributions from ASB -given the market volatility- and PPS.

· Excellent business performance is better reflected in the operating result, which was 15.2% stronger QoQ reaching US$240.5 million in 3Q11, but could not offset the negative impact of the currency volatility mentioned above.

· Loan growth remained strong with a 5.8% expansion in average daily outstanding balances. Quarter-end loan growth however did not reflect this expansion given that balances at the end of the previous quarter were particularly high. In this context, growth was only 1.2% QoQ.

· Portfolio quality remained sound with a stable PDL ratio of 1.54%. Provision requirements this 3Q were significantly lower to sustain a stable coverage in excess of 190%. In this scenario, provisions totaled US$ 42.7 million this Q vs. US$ 60.3 million and US$ 52.3 million for 2Q11 and 3Q10 respectively, due to low quarter-end loan growth.

· Following strong loan expansion, net interest income increased 6.4% over 2Q, contributing to an improvement in the operating result and higher NIM, which was 5% in 3Q11 vs. 4.7% for the previous Q.

· Fee income was flat this Q, but slightly better gains on securities resulted in a 3.1% increase in non-financial income for the Q.

· The insurance business also reported good results. Net earned premiums were up 8% this Q in a context where operating income fell slightly due to higher claims and acquisition costs incurred in the health business. This led to US$ 49.2 million in operating profits, which may reflect a slight drop of 6.9% QoQ but still indicate 11.3% growth YoY.

· Despite being in expansion mode, OpEx growth continued at a controlled pace showing only 2.9% QoQ growth, which is comparable to the previous Q's OpEx result.

· BCP's 3Q operating results reflect the same business expansion and no additional elements affected performance in this area. In fact, BCP's strong operating results were able to absorb the translation loss and higher taxes and still post bottom line growth. In this context, BCP's contribution to Credicorp's bottom line reached US$ 140.4 million, which represents a 4.3% increase in terms of the US$ 134.6 million posted in 2Q11. ROAE this 3Q was 27.4%.

· Given the nature of its business, difficulties in the international markets have affected ASB. In this context, ASB's contribution to Credicorp this 3Q11 was down 35.7% to US$ 7.4 million vs. US$ 11.5 million in 2Q due to continuously low market rates and valuations for some derivatives valuations. ROAE reached 16.6 % this Q.

· PPS's performance was also somewhat weaker this 3Q as its contribution to Credicorp dropped 47.0% to US$ 13.3 million. Strong net earned premiums growth of 8.0% and a 28.1% decrease in other direct costs were not enough to offset a 17.0% increase in claims and 4.5% in commissions paid. This led to a 7.6% decline in PPS's underwriting results. The aforementioned, coupled with significantly lower financial income and translation losses, led to a weaker contribution this Q.

· Prima's performance was stable with operating income of US$ 12.6 million in 3Q11, which represented an increase of 2.5% QoQ. This result was offset by a translation loss and higher income tax expenses. Consequently net income totaled US$ 7.6 million, which represented a decline of 2.7% with regard to 2Q11's result.

· Overall and despite the weaker performance of some sectors, Credicorp posted excellent results once again this Q. Operating results reveal the strength of the business, which is not fully reflected in the bottom line results given that the translation losses present in all subsidiaries had a double negative impact on Credicorp's bottom line given that it also leads to higher taxes.

· Year to date results reached US$ 520.1 million, revealing a robust 17.7% increase compared to the same period of last year.

I. Credicorp Ltd.

Overview

Despite fears that political uncertainty in the previous quarter would have a stronger impact; business activity continued the dynamic trend seen in the first half of the year. In this context, Credicorp reported strong business activity this 3Q and net earnings of US$ 170.9 million, which represent a ROAE of 22.6% for the quarter. All other ratios also reflect good performance this 3Q11 with ROAA of 2.3%, a PDL Ratio of 1.54% and a sustained efficiency ratio of 40.6%.

This bottom line result is, nonetheless, slightly lower (-1.9%) QoQ and reflects the negative impact of the temporary strength of the US Dollar (0.9% depreciation of Nuevo Sol against US Dollar) on translation results and taxes as well as a lower contribution from ASB -given the market volatility- and PPS. Compared to the same Q of last year, this result shows a 9.4% growth.

Lending activity and business development were robust this 3Q and are better reflected in the operating result, which at US$240.5 million was 15.2% stronger in 3Q11 vs. US$ 208.7 million the previous quarter. Nevertheless, these stronger results could not completely offset the impact of the volatility surrounding the US Dollar, which peaked right at the end of September. This high point in the US Dollar exchange rate was captured at quarter-end and generated a translation loss of about $7.2 million for 3Q as well as a subsequently higher effective tax rate as taxes are calculated according to local accounting in Soles. These accounting/taxation rules lead to a double positive impact in terms of translation gains or a double negative impact with regard to translation losses, as was the case this 3Q.

The particularly strong operating result is the direct result of dynamic lending activity, as is evident in the robust 5.8% expansion in average daily balances that led to a net interest income increase of 6.4% over 2Q. Furthermore, some spreads were expanded given a strong demand for credit. The aforementioned led to higher NIM, which was 5% in 3Q11 vs. 4.7% for the previous Q. This strong lending performance is not reflected in quarter-end loan growth, which posted only 1.2% QoQ expansion over the high Q-end balance of the previous 2Q.

Portfolio quality remained sound with a stable PDL ratio of 1.54%. Provision requirements were significantly lower this Q to sustain a stable coverage of above 190%. In this context, provisions for 3Q11 totaled US$ 42.7 million vs. US$ 60.3 million and US$ 52.3 million for 2Q11 and 3Q10 respectively, due to low quarter-end loan growth.

Fee income was flat this Q, but slightly better gains on the sale of securities resulted in a 3.1% increase in non-financial income for the Q.

The insurance business also reported good growth with net earned premiums up 8% for the Q. However, higher claims and acquisition costs incurred in the life & health businesses led the group to post US$ 49.2 million in operating profits, which may represent a drop of 6.9% QoQ but still indicates 11.3% growth YoY.

Despite being in expansion mode, OpEx growth has yet to fully reflect growth and continues to move at a controlled pace. In this context, expansion this 3Q was only 2.9%, which is similar to the figure posted in previous Q's.

All of the aforementioned led to a reported net income attributable to Credicorp of US$ 170.9 million. This result, however, fails to reflect the strong operating performance reported this quarter, which was attributable to continuing sound growth in the Peruvian market. However, the year to date result reached US$ 520.1 million revealing a very strong 17.7% growth compared to the same period of last year.

Credicorp Ltd.	Quarter			Change %		Year ended		Change %
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 10	YoY
Net Interest income	330,473	310,461	271,438	6.4 %	21.7 %	951,006	775,457	22.6 %
Net provisions for loan losses	(42,676)	(60,259)	(52,303)	-29.2 %	-18.4 %	(144,451)	(126,379)	14.3 %
Non financial income	206,445	200,152	193,987	3.1 %	6.4 %	612,372	558,349	9.7 %
Insurance premiums and claims	49,227	52,878	44,220	-6.9 %	11.3 %	152,250	122,224	24.6 %
Operating expenses	(302,967)	(294,520)	(243,281)	2.9 %	24.5 %	(883,806)	(716,300)	23.4 %
Operating income (1)	240,503	208,713	214,060	15.2 %	12.4 %	687,371	613,350	12.1 %
Core operating income	240,503	208,713	204,423	15.2 %	17.6 %	674,434	578,364	16.6 %
Non core operating income (2)	-	-	9,637	-	-100.0 %	12,937	34,986	-63.0 %
Translation results	(7,213)	12,638	14,467	-157.1 %	-149.9 %	6,448	31,202	-79.3 %
Employees' profit sharing (3)	-	-	(8,039)	-	-100.0 %	-	(22,132)	-100.0 %
Income taxes	(58,646)	(43,165)	(54,902)	35.9 %	6.8 %	(162,487)	(151,322)	7.4 %
Net income	174,645	178,185	165,586	-2.0 %	5.5 %	531,332	471,098	12.8 %
Minority Interest	3,744	4,019	9,360	-6.8 %	-60.0 %	11,241	29,078	-61.3 %
Net income attributed to Credicorp	170,900	174,166	156,226	-1.9 %	9.4 %	520,092	442,020	17.7 %
Net income / share (US$)	2.14	2.18	1.96	-1.9 %	9.4 %	6.52	5.54	17.7 %
Total loans	16,401,270	16,198,533	13,409,258	1.3 %	22.3 %	16,401,270	13,409,258	22.3 %
Deposits and obligations	18,066,891	18,540,412	16,652,009	-2.6 %	8.5 %	18,066,891	16,652,009	8.5 %
Net shareholders' equity	3,092,778	2,965,948	2,689,315	4.3 %	15.0 %	3,092,778	2,689,315	15.0 %
Net interest margin	5.0 %	4.7 %	4.8 %			4.9 %	5.1 %	
Efficiency ratio	40.6 %	40.6 %	39.4 %			40.4 %	40.3 %	

Return on average shareholders' equity	22.6	%	24.2	%	24.4	%		24.2	%	24.2	%
PDL / total loans	1.54	%	1.50	%	1.59	%		1.54	%	1.59	%
Coverage ratio of PDLs	191.2	%	194.0	%	193.1	%		191.2	%	193.1	%
Employees	21,514		20,554		19,012			21,514		19,012	

(1) Income before translation results and income taxes and, until 2010 before workers' profit sharing.
(2) Includes non core operating income from net gain on sales of securities.
(3) Employees' profit sharing is registered in Salaries and Employees Benefits since 1Q11 due to local regulator's decision.

Credicorp – The Sum of Its Parts

Credicorp's 3Q11 results were once again better than expected given that there were no signs of significant disruptions in growth or business activity due to political uncertainty during the presidential elections period. The soft downturn in investments in the corporate world appears to have been offset by continuously strong lending activity in the retail business, where some margins have even expanded and favored our NIMs. In this context, BCP's results show strong growth in earnings generation, which easily absorbed the translation losses and higher taxes that arose due to a temporary strengthening of US Dollar right at quarter-end (which has since reverted). Credicorp's other businesses also evolved well with the exception of ASB, which suffered from volatility in the international markets and persistently low interest rates, and PPS.

This Q, BCP reported its highest operating income level (excluding extraordinary income) of the year of US$203.7 millions. This was attributed to the continuous expansion of its loan portfolio (+5.8% QoQ as measured in average daily balances), which led to significant growth in NII (+7.9% QoQ). The aforementioned, coupled with lower provisions for loan losses (-28.9% QoQ) and an increase in non-financial income (+6.3% QoQ), helped offset higher operating expenses (+4% QoQ) due to business expansion. This led to the highest quarterly operating income growth posted this year (+25.4%), despite the fact that no significant extraordinary income was reported. Nevertheless, this excellent result was adversely affected by the translation loss (-US$6.6 million in 3Q11 vs. US$12.3 million in 2Q11) and higher income tax this quarter due to an increase in taxable income. As such, growth in net income was up only 4.4% QoQ. BCP's overall performance was indeed excellent and is reflected in NIM of 5.1%, ROAE of 27.4% and ROAA of 2.2%. BCP's contribution to Credicorp reached US$140 million, which represents a 4% increase QoQ.

Earnings contribution		Quarter		Change %		Year ended		Change %
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 10	YoY
Banco de Crédito BCP(1)	140,420	134,583	135,216	4 %	4 %	402,961	365,231	10 %
BCB	5,404	3,248	3,356	66 %	61 %	13,799	12,063	14 %
Edyficar	5,972	6,384	5,306	-6 %	13 %	18,188	17,080	6 %
PPS	13,286	25,057	10,439	-47 %	27 %	53,668	31,449	71 %
Atlantic Security Bank	7,414	11,524	10,659	-36 %	-30 %	31,929	37,137	-14 %
Prima	7,617	7,834	5,696	-3 %	34 %	23,543	17,499	35 %
Credicorp Ltd. (2)	327	(2,250)	(5,844)	115 %	106 %	207	(11,342)	102 %
Otras (3)	1,836	(2,581)	60	171 %	2960 %	7,784	2,046	280 %
Net income attributable to Credicorp	170,900	174,167	156,226	-2 %	9 %	520,092	442,020	18 %

(1) Includes Banco de Crédito de Bolivia and Edyficar.

(2) Includes taxes on BCP's and PPS's dividends, and other expenses at the holding company level.

(3) Includes Grupo Crédito (Servicorp and Emisiones BCP LatAm), others of Atlantic Security Holding Corporation and others of Credicorp Ltd.

BCP Bolivia contributed US$5.4 million to Credicorp this quarter, which represents a remarkable 66% increase QoQ. This outstanding result was attributable to loan growth (+6.7%), which led to an increase in NII (+16.4% QoQ and +45% YoY) that helped offset the decline in investment income. Provisions for loan losses (-62% TaT) decreased due to an improvement in the portfolio’s quality, which was accompanied by a lower past due ratio (1.18% in 3Q11 vs. 1.25% in 2Q11). All of the aforementioned led to a ROAE of 19.3%, which represents an increase over the 18% reported last quarter.

Financiera Edyficar continued to grow in line with significant expansion in the retail sector. In 3Q11, Financiera Edyficar contributed US$6 million to Credicorp. Although this represents a 6% decrease QoQ, the accumulated contribution grew 6% to total US$18.2 million. In fact, the operating result increased 46.5% QoQ due to strong loan growth (+6.5% QoQ), which generated a 12.9% increase in NII QoQ. This went hand-in-hand with an improvement in portfolio quality- which led to a 19.3% decrease on provisions for loan losses this Q- as well as adequate control of operating expenses and a past due ratio that remained steady at 4.11%. Despite this good operating result, the translation loss reported this quarter caused net income to fall, which led to a ROAE of 21.2% in 3Q11 (including goodwill).

PPS reported strong growth in net earned premiums (+7.9%) and a significant decline in other direct costs (-28.1%). Regardless, these results were not sufficient to offset a significant increase in net claims (+17%) and an increase in net commissions paid (+4.5%), which led to a 7.6% deterioration in the QoQ underwriting result. This, coupled with a decrease in financial income (-22.5% QoQ) attributed to lower market prices of investment securities, and a translation loss (US$ -0.5 million in 3Q11 vs. US$2.7 million in 2Q11), led net income and PPS´s contribution to Credicorp to drop 47% QoQ. Nevertheless, it is important to point out that in accumulated terms, net income before minority interest totaled US$55 million, which represents a 6% improvement over the result reported at the same time last year.

Atlantic Security Bank (ASB) reported a US$7.4 million contribution to Credicorp, which represents a 36% contraction QoQ. This decline is primarily attributable to market volatility due to the downgrade in the United States’ credit rating and the European crisis. This led to a decline in the value of ASB’s hedge for potential rise in interest rates, which in turn generated a drop in NII (-23.2% QoQ) and lower realized gains on sales of securities (-58.7% QoQ). Commissions on services were also adversely affected by the current juncture, reporting an 18.8%

decline QoQ. Nevertheless, in accumulated terms, commissions grew 40.6% with regard to the same period last year. All of the aforementioned caused net income to fall, which led to a ROAE of 16.6% in 3Q11.

Prima AFP has maintained a high contribution level to Credicorp, posting US$7.6 million in 3Q11. This represents a slight decline of 3% QoQ, which was attributable to higher income tax. Operating results improved 2.5% QoQ. This was due to higher fee income, which helped offset the increase in the premiums paid on insurance for disability, survivors and burial expenses. It is important to mention that PRIMA has maintained market leadership in terms of both RAM and managed funds.

Credicorp Ltd. line mainly includes provisions for withholding taxes on dividends paid to Credicorp and dividends & interest income from investments in some selected Peruvian companies. This line posted a positive balance this quarter due to an improvement in net interest income, which went hand-in-hand with a decrease in provisions for withholding taxes and a drop in the foreign exchange difference in comparison to last quarter.

Others line includes different companies from the holding, including Grupo Crédito. This Q, Grupo Crédito reported an improved translation result (gain of US$0.3 million) in comparison to last quarter's loss of US$1.7 million. Additionally, the sale of an investment in the ASHC holding generated income for US$1.2 million in 3Q11.

As a whole, Credicorp´s results for the Q remain strong. Its subsidiaries have performed well despite the challenging conditions affecting international markets. It is important to emphasize that the performance of Credicorp's subsidiaries in the first nine months of the year led to a substantial YoY increase of 18%.

II. Banco de Credito del Peru Consolidated

Summary 3Q11

BCP's results in 3Q11 constitute the best quarterly performance in the banking business thus far this year. This translated into net income of US$ 143.9 million, which represents a 4.4% increase QoQ that led to subsequently solid ROAE and ROAA levels of 27.4% and 2.2% respectively. It is important to emphasize that the major achievement this quarter was a 25.4% QoQ increase in operating income, which led to the highest growth recorded thus far this year in a context where no extraordinary income was reported.

The excellent quarterly evolution in the banking business is due primarily to:

i) A +7.9% increase in net interest income (NII)due to loan expansion, which grew 5.8% in terms of average daily balances;

ii) A 28.9% decline in provisions for loan losses due to lower growth in loan balances at quarter-end; and

iii) Growth of 6.3% in non-financial income. This was primarily attributable to higher earnings on sales of securities (US$ 12 million), which were possible thanks to on-target treasury management.

The aforementioned helped offset the increase in operating expenses (+4.0% QoQ); higher provisions for income tax (+44.3%) as a result of an increase in earnings; and a translation loss (US$ 6.6 million) associated with the 0.9% devaluation of the Nuevo Sol this quarter.

The YoY comparison shows favorable growth of +3.9% YoY in net income due to a significant increase of +24.8% YoY in NII, which was due primarily to higher interest income stemming from loan expansion. The -18.3% YoY decline in provisions; the +8.4% YoY increase in non-financial income due to an increase in fee income (+9.7% YoY); and higher gains on FX transactions (+33.9% YoY) also contributed to good inter-annual performance. The aforementioned offset the 28.4% YoY increase in operating expenses and the translation loss.

It is important to emphasize that the accumulated results in the first 3 quarters of the year showed US$ 412.9 million in net income, which represents 10.2% growth with regard to the accumulated results for the same period in 2010. Operating income, without including extraordinary income, reported a considerable 21% increase. This was in line with an outstanding rise in NII of 24.7%, which was strengthened by higher non-financial income (+7.6%). All of the aforementioned helped offset an increase in provision requirements (+14.0%) and higher operating expenses (+23.4%).

Banco de Credito and Subsidiaries	Quarter			Change %		Year ended	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 1
Net financial income	302,463	280,317	242,274	7.9 %	24.8 %	860,295	690,10
Total provisions for loan loasses	(42,960)	(60,409)	(52,614)	-28.9 %	-18.3 %	(145,023)	(127,24
Non financial income	181,379	170,626	167,348	6.3 %	8.4 %	510,924	474,73
Operating expenses	(237,182)	(228,129)	(184,751)	4.0 %	28.4 %	(682,555)	(553,26
Operating income (1)	203,700	162,405	172,257	25.4 %	18.3 %	543,641	484,32
Core operating income	203,700	162,405	162,620	25.4 %	25.3 %	543,641	449,33
Non core operating income (2)	-	-	9,637	0.0 %	-100.0%	-	34,986
Translation results	(6,622)	12,333	12,896	-153.7%	-151.3%	6,961	29,548
Employee's profit sharing (3)	-	-	(6,699)	0.0 %	-100.0%	-	(18,99
Income taxes	(53,001)	(36,719)	(39,683)	44.3 %	33.6 %	(137,182)	(119,5
Net income	143,964	137,870	138,620	4.4 %	3.9 %	412,929	374,75
Net income/ share (US$)	0.056	0.054	0.054	4.5 %	3.9 %	0.161	0.147
Total loans	15,998,891	15,927,315	13,326,601	0.4 %	20.1 %	15,998,891	13,326,
Deposits and obligations	16,967,412	17,440,176	15,642,366	-2.7 %	8.5 %	16,967,412	15,642,
Net shareholders´ equity	2,149,132	2,057,795	1,864,471	4.4 %	15.3 %	2,149,132	1,864,4
Net financial margin	5.1 %	4.7 %	4.8 %			4.8 %	4.9
Efficiency ratio	48.9 %	48.4 %	46.3 %			48.4 %	48.5
Return on average equity	27.4 %	27.7 %	31.3 %			27.0 %	29.3
PDL/ Total loans	1.56 %	1.52 %	1.59 %			1.56 %	1.59
Coverage ratio of PDLs	192.9 %	194.3 %	193.3 %			192.9 %	193.3
BIS ratio	14.8 %	13.5 %	13.9 %			14.8 %	13.9
Branches	337	333	324			337	324
Agentes BCP	4,417	4,098	3,354			4,417	3,354
ATMs	1,384	1,309	1,109			1,384	1,109
Employees	17,964	17,027	15,650			17,964	15,650

(1) Income before translation results and income taxes and, until 2010 before workers' profit sharing.
(2) Includes non core operating income from net gain on sales of securities.
(3) Employees' profit sharing is registered in Salaries and Employees Benefits since 1Q11 due to local regulator's decision.

The excellent evolution of the banking business was reflected in significant loan expansion of 5.0% QoQ and 20.7% YoY in the main components of operating income, which was led by 7.9% growth QoQ and 24.8% YoY in NII. Fee income and net gains on foreign exchange transactions were the primary contributors to better YoY performance, increasing 9.7% and 33.9% respectively.

Core earnings	Quarter			Change %		Year ended		Change %
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 10	Sep 11 / Sep 10
Net interest and dividend income	302,463	280,317	242,274	7.9 %	24.8 %	860,295	690,101	24.7 %
Fee income, net	132,509	132,207	120,839	0.2 %	9.7 %	386,741	341,639	13.2 %
Net gain on foreign exchange transactions	35,281	35,335	26,354	-0.2 %	33.9 %	101,891	75,452	35.0 %
Core earnings	470,253	447,859	389,467	5.0 %	20.7 %	1,348,927	1,107,192	21.8 %

In 3Q11, total assets remained at levels similar to those seen last quarter but showed a slight decline in terms of available funds, which were partially redirected to other higher yield assets such as loans and investments. Although the loan portfolio reported good balances at quarter-end, no significant growth was registered (0.4% QoQ). In fact, average daily balances, which increased 5.8% QoQ, reflect real business dynamism. This was led by expansion in the Retail Banking portfolio, which posted its highest growth rate thus far this year (+7.3% QoQ). The higher margins associated with this portfolio contributed to an increase in the net interest margin (NIM), which went from 4.7% at the end of 2Q11 to 5.1% at quarter-end in 3Q11.

In terms of liabilities, time deposits, which represent the funding source with high costs for BCP fell. Additionally, BCP issued a 15-year subordinated bond issuance for US$ 350 million not only to continue strengthening capital but also to improve currency and maturity matching between assets and liabilities.

Provisions for loan losses fell 28.9% QoQ due to lower growth in loan balances at quarter-end. In terms of loan quality, the past due ratio reported a slight QoQ increase (from 1.52% to 1.56%) that was due primarily to lower growth in loans in terms of end-of-period balances. However, it is important to note that the past due ratio at 90 days was similar to that seen in the previous quarter (1.05% in 3Q11 versus 1.08% in 2Q11). In this context, the coverage rate for the past due portfolio remained high at 192.9% vs. 194.3% last quarter.

Finally, operating expenses increased 4.0% QoQ. This was mainly attributable to an increase in personnel, administrative and general expenses. Growth in personnel expenses is due to an increase in variable remuneration, mandatory employee profit sharing and discretionary profit sharing (performance bonus for employees), which was in line with business expansion (in the retail sector in particular). Although the main components of income increased 5.0% QoQ, the expenses used to calculate the efficiency ratio were 6.1% higher than those reported in 2Q11.
As such, the efficiency ratio went from 48.4% in 2Q11 to 48.9% in 3Q1l but still fell within the expected range.

II.1 Interest-earning assets

Although interest-earning assets remained at levels similar to those reported in 2Q11, BCP reported a reduction in funds held at BCRP as part of its strategy to re-direct resources to higher-yield assets such as loans and investments.

Interest earning assets		Quarter		Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY
BCRP and other banks	4,054,084	4,341,947	3,012,573	-6.6 %	34.6 %
Interbank funds	7,000	6,819	-	2.7 %	100.0 %
Trading securities	118,289	98,500	73,986	20.1 %	59.9 %
Securities available for sale	3,979,007	3,906,167	5,336,436	1.9 %	-25.4 %
Current loans	15,748,718	15,685,548	13,114,103	0.4 %	20.1 %
Total interest earning assets	23,907,098	24,038,981	21,537,098	-0.5 %	11.0 %

In 3Q11, the assets management strategy was characterized by a reduction in funds held in BCRP, which was closely linked to a slight increase in higher yielding assets such as loans, investments and trading securities.

An analysis of the YoY evolution shows that interest-earning assets grew a significant 11.0% due primarily to a 20.1% YoY expansion in loans, which is the bank's most profitable asset. Securities available for sale fell this quarter due to the fact instruments held in the BCRP, which are recorded in BCRP and other banks, reached maturity.

Loan Portfolio

At the end of 3Q11, total net loans reached US$ 15,516 million, which represents 0.4% growth QoQ and 20.1% YoY. Nevertheless, real loan dynamism is evident if we look at the average daily balances for each period, which increased 5.8% QoQ and 26.5% YoY. Growth in average daily balances is clear in both Wholesale Banking and Retail Banking; nevertheless, it is important to emphasize that for the first time this year, Retail Banking led loan growth and posted the highest quarterly expansion recorded thus far in 2011. Furthermore, all of BCP's banking segments evolved favorably this quarter.

Average Daily Balances

	TOTAL LOANS (1) (US$ million)				
	3Q11	2Q11	3Q10	QoQ	YoY
Wholesale Banking	8,700.9	8,336.9	7,065.0	4.4 %	23.2 %
- Corporate	5,555.8	5,350.1	4,552.2	3.8 %	22.0 %
- Middle Market	3,145.1	2,986.8	2,512.7	5.3 %	25.2 %
Retail Banking	6,343.8	5,909.7	4,821.0	7.3 %	31.6 %
- SME + Business	2,217.5	2,059.1	1,633.0	7.7 %	35.8 %
- Mortgages	2,253.3	2,135.4	1,753.4	5.5 %	28.5 %
- Consumer	1,168.0	1,075.9	898.3	8.6 %	30.0 %
- Credit Cards	705.0	639.4	536.3	10.3 %	31.4 %
Edyficar	425.1	394.6	302.1	7.7 %	40.7 %
Others (2)	874.1	813.5	735.1	7.5 %	18.9 %
Consolidated total loans	16,343.9	15,454.7	12,923.1	5.8 %	26.5 %

(1) Average daily balance.
(2) Includes Work Out Unit, other banking and BCP Bolivia.
Source: BCP

The chart below shows the evolution of total loans since the third quarter of 2010 in terms of accounting balances and average daily balances for each month. An initial analysis indicates that QoQ expansion is due to an upward trend in average daily balances in July and August.

An analysis of loan evolution by currency type indicates that expansion in the LC portfolio was led by Retail Banking, which maintained an upward trend in all of its segments. The SME segment (+8.1%) was the front runner once again this quarter, followed by the Consumer segment, which reported 9.4% growth. This last figure represents the highest growth reported thus far in 2011. Edyficar continued to concentrate its portfolio in local currency and posted growth of 6.8% QoQ and 40.2% YoY.

The increase in FC loans was associated with dynamism in the Wholesale Banking division. In disaggregated terms, Middle-Market loans grew 5.9% QoQ while Corporate loans increased 4.1% during the same period. Nevertheless, this is not reflected in the accounting balances for the quarter (which posted 0.4% growth in the total loans portfolio) due to: (i) the end of the fishing season, which affected the Middle-Market Banking portfolio in particular, and (ii) significant pre-payments of loans in September by Corporate Banking clients after some headquarters raised funds with international issues in more attractive conditions.

Average Daily Balances

	Domestic Currency Loans (1) (Nuevos Soles million)					Foreign Currency Loans (1) (US$ million)				
	3Q11	2Q11	3Q10	QoQ	YoY	3Q11	2Q11	3Q10	QoQ	YoY
Wholesale Banking	5,746.5	5,538.7	5,052.1	3.8 %	13.7 %	6,686.0	6,380.5	5,262.1	4.8 %	27.1 %
- Corporate	3,836.5	3,793.4	3,475.6	1.1 %	10.4 %	4,159.2	3,994.3	3,312.0	4.1 %	25.6 %
- Middle Market	1,910.0	1,745.3	1,576.6	9.4 %	21.1 %	2,526.7	2,386.2	1,950.1	5.9 %	29.6 %
Retail Banking	11,121.7	10,289.7	8,258.6	8.1 %	34.7 %	2,303.1	2,209.8	1,873.7	4.2 %	22.9 %
- SME + Business	4,045.9	3,741.4	2,876.7	8.1 %	40.6 %	753.7	716.4	606.3	5.2 %	24.3 %
- Mortgages	2,887.7	2,726.4	2,240.8	5.9 %	28.9 %	1,201.7	1,154.0	953.7	4.1 %	26.0 %
- Consumer	2,475.4	2,261.8	1,830.5	9.4 %	35.2 %	266.5	261.6	245.0	1.9 %	8.8 %
- Credit Cards	1,712.7	1,560.0	1,310.6	9.8 %	30.7 %	81.2	77.8	68.6	4.4 %	18.4 %
Edyficar	1,136.5	1,064.4	810.8	6.8 %	40.2 %	11.1	11.4	12.7	-2.3 %	-12.4 %
Others (2)	126.5	131.1	167.4	-3.6 %	-24.4 %	828.1	766.3	675.3	8.1 %	22.6 %
Consolidated total loans	18,131.2	17,023.9	14,288.9	6.5 %	26.9 %	9,828.3	9,368.0	7,823.8	4.9 %	25.6 %

(1) Average daily balance.

(2) Includes Work Out Unit, other banking and BCP Bolivia.

Source: BCP

Loan Market Share

At the end of September, BCP consolidated continued to lead the loan market with a 31.2% share, which is 10 percentage points higher than its closest competitor.

Corporate Banking and Middle-Market Banking continued to lead the pack with 46.2% and 34.2%, respectively. Within the Retail Banking portfolio, the SME and credit card segments increased their shares QoQ. The highest increase was in the latter segment, which increased its share from 19.7% to 20.3%.

Dollarization

The LC portfolio’s share of the total portfolio increased this Q to reach 40.3% at the end of the third quarter. This was mainly due to an increase in Retail Banking loans. This evolution has a positive impact given that LC products offer better rates and margins than their FC-denominated counterparts.

10

II. 2 Liabilities

Total liabilities in 3Q11 showed little variation QoQ, posting a slight 1.2% decline. Nevertheless, adequate management of the deposit portfolio helped BCP ensure its market leadership in all deposit types.

Deposits and obligations	Quarter			Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY
Non-interest bearing deposits	4,858,189	5,069,417	3,918,653	-4.2 %	24.0 %
Demand deposits	1,473,318	1,382,317	1,338,402	6.6 %	10.1 %
Saving deposits	4,705,850	4,609,125	3,953,997	2.1 %	19.0 %
Time deposits	4,441,832	4,827,161	5,267,355	-8.0 %	-15.7 %
Severance indemnity deposits (CTS)	1,440,930	1,496,795	1,127,933	-3.7 %	27.7 %
Interest payable	47,293	55,361	36,026	-14.6 %	31.3 %
Total customer deposits	16,967,412	17,440,176	15,642,366	-2.7 %	8.5 %
Due to banks and correspondents	3,251,910	3,400,461	3,181,057	-4.4 %	2.2 %
Bonds and subordinated debt	2,952,120	2,622,932	2,004,124	12.6 %	47.3 %
Other liabilities	785,886	785,832	778,110	0.0 %	1.0 %
Total liabilities	23,957,328	24,249,401	21,605,657	-1.2 %	10.9 %

As part of its strategy to strength capital, BCP issued 15-year subordinated bonds for a total of US$ 350 million. Additionally, there was a reduction of time deposits in FC, which represent a high funding cost. In this context, BCP's liabilities were restructured and reflected a 12.6% increase in subordinated bonds while time deposits fell 8.0% with regard to 2Q11's figures.

It is important to point out that the increase in non-interest bearing LC deposits was offset by a drop in said deposits in FC due to movements by Corporate clients. This generated a total decline of 4.2% QoQ for this deposit type.

The bank's funding cost this quarter was situated at 2.26 %, which was slightly higher than the 2.19% reported in 2Q11. This increase was primarily attributable to growth in interest expenses for deposits, which was in turn associated with higher interest rates and volume of LC deposits.

Market share of Deposits

At the end of 3Q11, BCP's total market share was 32.1%, which was 10 percentage points higher than that of its closest competitor. BCP continued to lead the pack in both FC and LC deposits for all of its products. Time deposits performed particularly well this quarter, reporting a 44.3% share of all FC deposits and 36.5% of LC deposits. Although the quarter-end balance in FC time deposits fell, the corresponding decline only represents 2 percentage points in a quarter-on-quarter comparison of market shares.

Market share by type of deposit and currency

	Demand deposits	Saving deposits	Time deposits	Severance indemnity
LC	36.5 %	37.0 %	23.6 %	40.2 %
FC	44.3 %	39.3 %	26.8 %	55.3 %

LC: Local Currency
FC: Foreign Currency

Deposit Dollarization

Despite local currency depreciation in 3Q11, deposits continue to reflect high levels of de-dollarization. The FC deposit portfolio accounted for 50.7% of total deposits, which is the lowest level reported thus far this year. This decline is partially attributable to an increase in LC interest rates.

Mutual funds

Customer funds	Quarter			Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY
Mutual funds in Perú	2,095,211	2,090,681	2,164,067	0.2 %	-3.2 %
Mutual funds in Bolivia	68,922	73,889	123,312	-6.7 %	-44.1 %
Total customer funds	2,164,133	2,164,570	2,287,379	0.0 %	-5.4 %

In a context characterized by volatility in the stock and fixed income markets, the level of assets managed by Credifondo remained stable this quarter. AuM in Peru increased slightly by 0.2% QoQ. Credifondo continued to lead the market in terms of AuM and number of participants with shares of 43.4% and 31.9%, respectively. Operations in Bolivia were also affected by volatility, causing AuM to fall 6.7% QoQ.

II.3 Net Interest Income

The net interest margin increased to 5.1% this Q, which is the highest level thus far this year. This increase was due to significant expansion in interest income (+6.2%), which was in turn attributable to loan growth in the Retail Banking portfolio in particular.

Net interest income	Quarter			Change %		Year ended		Change %
US$ 000	3Q11	2Q10	3Q10	QoQ	YoY	Sep 11	Sep 10	Sep 11 / Sep
Interest income	433,949	408,515	345,937	6.2 %	25.4 %	1,239,995	963,407	28.7 %
Interest on loans	393,955	364,552	309,818	8.1 %	27.2 %	1,100,522	884,286	24.5 %
Interest and dividends on investments	110	291	33	-62.2%	233.3%	5,802	3,532	64.3 %
Interest on deposits with banks	5,145	6,442	1,643	-20.1%	213.1%	35,300	5,058	597.9%
Interest on trading securities	34,429	30,824	21,035	11.7 %	63.7 %	85,689	60,384	41.9 %
Other interest income	310	6,406	13,408	-95.2%	-97.7 %	12,682	10,147	25.0 %
Interest expense	131,486	128,198	103,663	2.6 %	26.8 %	379,700	273,306	38.9 %
Interest on deposits	48,608	44,373	35,477	9.5 %	37.0 %	135,852	79,590	70.7 %
Interest on borrowed funds	31,447	32,060	41,879	-1.9 %	-24.9 %	97,725	99,941	-2.2 %
Interest on bonds and subordinated note	42,963	43,118	23,783	-0.4 %	80.6 %	120,570	72,474	66.4 %
Other interest expense	8,468	8,647	2,524	-2.1 %	235.5%	25,553	21,301	20.0 %
Net interest income	302,463	280,317	242,274	7.9 %	24.8 %	860,295	690,101	24.7 %
Average interest earning assets	23,973,040	24,111,076	20,147,428	-0.6 %	19.0 %	24,042,058	19,395,501	24.0 %
Net interest margin*	5.1 %	4.7 %	4.8 %			4.8 %	4.9 %	

*Annualized

NII increased 7.9% QoQ, which represents the highest quarterly growth posted this year. This increase is primarily attributable to:

i) A significant 8.1% expansion in interest on loans, which was in line with loan growth as measured in daily average balances (+5.8%). This increase was led by Retail Banking (the segment with the highest margins that transferred the increase of reference rate during 1H11 to clients), and reinforced by Wholesale Banking (which registered a slight rise in spreads as a result of longer term financing, nevertheless, at the end of 3Q11 there were some pre-payments of medium-term whose impact will be captured in the last quarter);

ii) An assets management strategy characterized by a reduction in funds held in BCRP, prioritizing higher yielding assets such as loans, investments and trading securities.

iii) Lower growth in interest expenses, which grew only 2.6% QoQ mainly due to higher interest on local currency deposits in particular.

In terms of NIM, average assets remained steady QoQ while interest income grew. As such, the margin rose from 4.7% at the end of 2Q11 to 5.1% at the close of 3Q11 (+40 bps QoQ).

A considerable increase in interest income from loans, which accounts for a large percentage of the growth posted in NII, went hand-in-hand with growth in the NIM for loans, which rose from 7.5% at the end of 2Q11 to 7.8% at the close of 3Q11.

II.4 The Past Due Portfolio and Provisions for Loan Losses

Net provisions fell 28.9% due to lower Q-end loan growth, particularly in the Wholesale Banking portfolio. The past-due loan ratio at 90 days remained stable at 1.05% while the standard past due ratio was 1.56% at the end of 3Q.

Provision for loan losses		Quarter		Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY
Provisions	(54,219)	(69,563)	(59,018)	-22.1 %	-8.1 %
Loan loss recoveries	11,259	9,154	6,404	23.0 %	75.8 %
Net provisions, for loan losses	(42,960)	(60,409)	(52,614)	-28.9 %	-18.3 %
Total loans	15,998,891	15,927,315	13,326,601	0.4 %	20.1 %
Change in total loans	71,576	1,374,071	715,535	-	-
Reserve for loan losses (RLL)	482,457	469,728	410,814	2.7 %	17.4 %
Charge-Off amount	36,871	34,543	35,801	6.7 %	3.0 %
Past due loans (PDL)	250,173	241,767	212,498	3.5 %	17.7 %
PDL / Total loans	1.56 %	1.52 %	1.59 %		
Coverage	192.8 %	194.3 %	193.3 %		

Net provisions for loan losses totaled US$ 43.0 million, which represents 14.2% of net interest income (vs. 21.6% in the previous quarter). This amount reflects a 28.9% decline that was primarily due to a drop in gross provisions (-22.1%), which was in turn associated with lower loan growth -in Wholesale Banking portfolio in particular- as seen in the change in total loans which was US$ 1,374 million in 2Q and only US$ 71.5 million in 3Q.

An analysis of portfolio quality shows favorable signs despite a slight increase in the past-due loan (PDL) ratio given that in 3Q11:

(i) The past due portfolio reported 3.5% growth QoQ, a lower rate than the figure recorded in 2Q11 (+5.8% QoQ);

(ii) The portfolio share of "normal" risk loans (the lowest risk category) as a percentage of the total portfolio rose from 95.1% at the end of 2Q to 95.4% at the close of 3Q; and

(iii) The PDL ratio at 90 days remained stable throughout the quarter and was situated at 1.05% at the end of September (versus 1.08% at month-end in June).

Due to the aforementioned, it is important to note that the slight increase in the PDL ratio (which was situated at 1.56% at the end of 3Q) was a reflection of (i) higher growth in past-due loans of SME, which is at the same time the fastest growing segment with 8% for the Q; but more importantly (ii) the low QoQ growth in quarter-end loan balances.

Reserves for loan losses increased 2.7% in 3Q, which translated into a comfortable coverage level of 192.9% at quarter-end.

An analysis of the PDL ratio by segments shows that portfolio quality is stable. Any variation is slight and includes improvement in the quality of the following portfolios: (i) consumer loans, whose PDL ratio fell from 2.1% in June to 1.9% in September; and (ii) Wholesale Banking, which reported a PDL ratio of 0.2% in June and 0.1% at the end of 3Q. The PDL ratios for mortgage loans, credit cards and Edyficar's micro loan portfolios remained stable throughout 3Q11 (1.4%, 3.7% and 4.0%, respectively). The SME segment was the only component in BCP's loan portfolio to report a slight decline this quarter. The PDL ratio for this segment rose from 5.6% in June to 5.8% in September.

II.5 Non-Financial Income

Non-financial income reported +6.3% growth QoQ due to higher net gains on sales of securities. The YoY and accumulated evolution show expansion of 8.4% and 7.6%, respectively. This was due primarily to an increase in fee income and to a lesser extent to gains on foreign exchange transactions.

Non financial income		Quarter		Change %				Year ended		Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ		YoY		Sep 11	Sep 10	Sep 11 / Sep 10	
Fee income	132,509	132,207	120,839	0.2	%	9.7	%	386,741	341,639	13.2	%
Net gain on foreign exchange transactions	35,281	35,335	26,354	-0.2	%	33.9	%	101,891	75,452	35.0	%
Net gain on sales of securities	12,001	552	18,987	2074.1	%	-36.8	%	9,918	48,875	-79.7	%
Other income	1,588	2,532	1,168	-37.3	%	36.0	%	12,374	8,764	41.2	%
Total non financial income	181,379	170,626	167,348	6.3	%	8.4	%	510,924	474,730	7.6	%

Non-financial income's quarterly evolution shows an increase attributable to sales of sovereign bonds, which attests to the treasury department's adequate approach to managing trading positions and sales of securities.

Fee income in 3Q11 reported little variation QoQ but in the analysis by item it is evident the increase in almost all of them, mainly in Debit Card, Saving accounts, Current Account and Maestra Account (Miscellaneous accounts , +9.6% QoQ), Payments and Collections (+9.3% QoQ) and Off-Balance sheet (+12.8% QoQ), that were offset by lower fees from Corporate Finance and Credibolsa. In the YoY evolution, it is important to highlight the significant increase of +9.7%, a performance that was replicated throughout all segments. Growth was particularly noteworthy for commissions on debit cards, current accounts, savings accounts and Cuenta Maestra (15.6%). Income related to commissions on payments and collections also increased (+17.5%).

Banking Fee Income		Quarter		Change %				Year ended		Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ		YoY		Sep 11	Sep 10	Sep 11 / Sep 10	
Miscellaneous Accounts*	35,683	32,564	30,863	9.6	%	15.6	%	100,285	86,939	15.4	%
Off-balance sheet	8,999	7,979	7,113	12.8	%	26.5	%	25,745	19,721	30.5	%
Payments and Collections	18,059	16,526	15,376	9.3	%	17.5	%	50,438	43,886	14.9	%
Drafts and Transfers	8,220	7,736	7,321	6.3	%	12.3	%	23,511	20,659	13.8	%
Credit Cards	16,906	16,460	15,284	2.7	%	10.6	%	48,960	43,763	11.9	%
Others	44,641	50,941	44,882	-12.4	%	-0.5	%	137,801	126,671	8.8	%
Total Fee Income	132,509	132,207	120,839	0.2	%	9.7	%	386,741	341,639	13.2	%

* Saving accounts, current accounts and debit card.

Gains on foreign exchange transactions in 3Q11 were situated at levels similar to those reported in 2Q11. Nevertheless, the YoY evolution indicates that gains for this component increased significantly (+33.9%), which reinforced the upward trend seen for non-financial income. The same dynamic is evident in the accumulated results for the first three quarters of the year.

16

The number of transactions increased a considerable +10.6% QoQ. This was driven mainly by growth in transactions through Agentes BCP, which increased 27.7% QoQ as a result of network expansion in this channel as well as efforts to promote this cost-efficient channel, which is essential for banking penetration. ATMs also experienced significant growth in the average number of transactions (+13.3% QoQ) as more machines were situated around the country as part of a strategy to promote the use of this channel.

	Quarter			Change %	
N°of Transactions per channel	Average 3Q11	Average 2Q11	Average 3Q10	QoQ	YoY
Teller	9,689,954	9,429,812	10,135,285	2.8 %	-4.4 %
ATMs Via BCP	11,450,450	10,107,607	8,957,045	13.3 %	27.8 %
Balance Inquiries	3,429,950	3,126,428	2,931,377	9.7 %	17.0 %
Telephone Banking	2,249,447	2,052,248	1,592,501	9.6 %	41.3 %
Internet Banking Via BCP	13,614,030	12,712,610	11,458,877	7.1 %	18.8 %
Agente BCP	10,737,235	8,409,309	5,383,892	27.7 %	99.4 %
Telecrédito	5,835,783	5,452,241	4,725,407	7.0 %	23.5 %
Mobile banking	583,182	520,217	303,147	12.1 %	92.4 %
Direct Debit	492,565	452,055	417,399	9.0 %	18.0 %
Points of Sale P.O.S.	5,411,589	5,129,081	4,273,894	5.5 %	26.6 %
Other ATMs network	361,096	359,889	333,604	0.3 %	8.2 %
Total transactions	63,855,281	57,751,497	50,512,428	10.6 %	26.4 %

Source: BCP

The network of BCP distribution channels (only in Peru) continued to grow in 3Q11 to total 6,138 points of access. This represents growth of +6.9% QoQ. As mentioned above, expansion is still led by Agentes BCP and outstanding growth in ATMs (+5.7% QoQ). The YoY analysis reveals a total increase of points of access of 1,351 (+28.2% YoY).

	Balance as of			Change %	
	3Q11	2Q11	3Q10	QoQ	YoY
Branches	337	333	324	1.2 %	4.0 %
ATMs	1,384	1,309	1,109	5.7 %	24.8 %
Agentes BCP	4,417	4,098	3,354	7.8 %	31.7 %
Total	6,138	5,740	4,787	6.9 %	28.2 %

Source: BCP

II.6 Operating Expenses and Efficiency

At the end of 3Q11, operating expenses increased 4.0%. This led to a slight deterioration in the efficiency ratio, which rose from 48.4% to 48.9% QoQ. Nevertheless, this indicator is still within the target range.

Operating expenses	Quarter			Change %		Year ended		Change %
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 10	Sep 11 / Sep 10
Salaries and employees benefits (1)	125,764	117,713	95,404	6.8 %	31.8 %	357,384	284,810	25.5 %
Administrative, general and tax expenses	84,025	79,861	67,549	5.2 %	24.4 %	236,507	201,200	17.5 %
Depreciation and amortizacion	20,304	19,235	17,392	5.6 %	16.7 %	58,409	50,652	15.3 %

Other expenses	7,089	11,320	4,406	-37.4 %	60.9 %	30,255	16,602	82.2 %
Total operating expenses	237,182	228,129	184,751	4.0 %	28.4 %	682,555	553,264	23.4 %
Efficiency ratio	48.9 %	48.4 %	46.3 %			48.4 %	48.5 %	

(1) Includes Employees´ profit sharing since 1Q11.

The QoQ increase in operating expenses can be attributed to higher expenses for employee salaries and benefits (+6.8%) and administrative and general expenses (+5.2%). The increase in these concepts was partially mitigated by a drop in Other expenses (-37.4%), which were relatively high in 2Q11 due to a SARs program hedge valuation (US$ 11.2 million). Conversely, this valuation represented income of US$ 2.9 million in 3Q11.

The employee salaries and benefits concept increased QoQ due to: (i) increased spending associated with employee profit sharing (+43.8%); (ii) higher variable compensation (+9.3%) and fixed compensation (+3.8%); the latter increase was a result of hiring personnel to cover business expansion; (iii) higher provisions for CTS (+30.8%); and (iv) higher provisions for income tax for the Executive Compensation Program due to changes in share prices.

Administrative and general expenses increased 5.2%. This was mainly due to an increase in spending for Systems (+7.9%), Communications (+23.8%) and Other expenses (+6.3%, which included a noteworthy increase in commissions for Agentes BCP due this distribution channel's growth).

The following table contains details on administrative expenses and their respective quarterly variations:

Administrative Expenses			Quarter				Change %	
US$ (000)	3Q11	%	2Q11	%	3Q10	%	3Q11 / 2Q11	3Q11 / 3Q10
Marketing	12,663	15.1 %	12,743	16.0 %	8,815	13.0 %	-0.6 %	43.7 %
Systems	10,797	12.9 %	10,003	12.5 %	9,270	13.7 %	7.9 %	16.5 %
Transport	7,559	9.0 %	6,911	8.7 %	6,057	9.0 %	9.4 %	24.8 %
Maintenance	2,743	3.3 %	2,951	3.7 %	2,971	4.4 %	-7.0 %	-7.7 %
Communications	4,856	5.8 %	3,922	4.9 %	3,857	5.7 %	23.8 %	25.9 %
Consulting	5,608	6.7 %	6,247	7.8 %	3,076	4.6 %	-10.2 %	82.3 %
Others	22,140	26.3 %	20,821	26.1 %	17,621	26.1 %	6.3 %	25.6 %
Taxes and contributions	8,132	9.7 %	7,744	9.7 %	6,635	9.8 %	5.0 %	22.6 %
Other subsidiaries and eliminations, net	9,525	11.3 %	8,520	10.7 %	9,247	13.7 %	11.8 %	3.0 %
Total Administrative Expenses	84,025	100.0%	79,861	100.0%	67,549	100.0%	5.2 %	24.4 %

II. 7 Net Shareholder's Equity and Regulatory Capital

The bank's profitability level remains highly favorable. Proof of this can be found in 3Q11's considerable 27.4% ROAE, which was in line with solid earnings generation this quarter (+4.4% QoQ). The subordinated bond issuance in the international market strengthened the BIS ratio at the end of 3Q (14.8%).

Shareholders' equity		Quarter		Change %	
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY
Capital stock	783,213	783,213	783,213	0.0 %	0.0 %
Reserves	628,987	628,987	388,309	0.0 %	62.0 %
Unrealized gains and losses	87,464	140,212	131,056	-37.6 %	-33.3 %
Retained earnings	236,540	236,418	187,143	0.1 %	26.4 %
Income for the year	412,928	268,965	374,750	53.5 %	10.2 %
Net shareholders' equity	2,149,132	2,057,795	1,864,471	4.4 %	15.3 %
Return on average equity (ROAE)	27.4 %	27.7 %	31.3 %		

BCP's ROAE in 3Q11 remained high QoQ due to strong earnings generation (US$ 144.0 million), which indicated that the upward trend seen throughout the year remains in play. This translated into 53.5% growth in accumulated earnings.

The BIS ratio was 14.8%. This represents an increase with regard to 2Q11 (13.5%) despite 4.9% growth QoQ in risk-weighted assets (RWA) due to significant 14.7% growth in regulatory capital in 3Q. It is important to point out that the increase in the regulatory capital is attributable to a international subordinated bond issuance for US$ 350 million with the purpose of maintaining an appropriate level of capitalization.

Finally it is important to note that in July of this year, the supervisor approved new guidelines for capitalization levels (in line with Basel III). This framework will be implemented as of July 2012 but the supervisor has given financial institutions until 2016 to fully adopt all elements. BCP expects to be fully compliant by mid 2012 (almost 5 years in advance of the regulatory adequacy period defined by the regulator) once it has assumed the capital requirements associated with systematic risk, concentration risk, economic cycle risk, risk propensity and ALM- asset and liability management ("banking book").

18

Regulatory Capital and Capital Adequacy Ratios		As of		Change %	
US$ (000)	Sep 11	Jun 11	Sep 10	QoQ	YoY
Capital Stock	922,372	930,425	917,739	-0.9 %	0.5 %
Legal and Other capital reserves	722,691	729,000	476,912	-0.9 %	51.5 %
Accumulated earnings with capitalization agreement	-	-	-	-	-
Loan loss reserves (1)	202,259	194,226	167,661	4.1 %	20.6 %
Perpetual subordinated debt	250,000	250,000	250,000	0.0 %	0.0 %
Subordinated Debt	757,546	416,605	448,728	81.8 %	68.8 %
Unrealized profit (loss)	-	-	-	-	-
Investment in subsidiaries and others, net of unrealized profit and net income	(195,498)	(196,129)	(232,388)	-0.3 %	-15.9 %
Goodwill	(44,026)	(44,410)	(43,805)	-0.9 %	0.5 %
Total Regulatory Capital	2,615,344	2,279,717	1,984,848	14.7 %	31.8 %
Tier 1 (2)	1,843,892	1,880,547	1,560,999	-1.9 %	18.1 %
Tier 2 (3) + Tier 3 (4)	771,452	399,171	423,850	93.3 %	82.0 %
Total risk-weighted assets	17,685,063	16,852,921	14,290,912	4.9 %	23.8 %
Market risk-weighted assets (5)	743,950	715,238	410,725	4.0 %	81.1 %
Credit risk-weighted assets	16,157,488	15,511,604	13,396,056	4.2 %	20.6 %
Operational risk-weighted assets	783,624	626,079	484,132	25.2 %	61.9 %
Market risk capital requirement (5)	74,395	70,093	40,251	6.1 %	84.8 %
Credit risk capital requirement	1,615,749	1,520,137	1,312,813	6.3 %	23.1 %
Operational risk capital requirement	78,362	61,356	47,445	27.7 %	65.2 %
Capital ratios					
BIS ratio (6)	14.79 %	13.53 %	13.89 %		
Risk-weighted assets (7) / Regulatory Capital	6.76	7.39	7.20		

(1) Up to 1.25% of total risk-weighted assets.
(2) Tier 1 = Capital + Legal and other capital Reserves + Accumulated earnings with capitalization agreement + Unrealized profit in subsidiaries - Goodwill - (0.5 x Inverstment in Subsidiaries) + Perpetual subordinated debt (maximum amount that can be included is 17.65% of Capital + Legal and other capital Reserves + Accumulated earnings with capitalization agreement + Unrealized gains - Goodwill).
(3) Tier 2 = Subordinated debt + Loan loss reserves - (0.5 x Investment in subsidiaries)
(4) Tier 3 = Subordinated debt covering market risk only. Tier 3 exists since 1Q10.
(5) It includes capital requirement to cover price and rate risk.
(6) Regulatory Capital / Risk-weighted assets (legal minimum = 10% since July 2011)
(7) Since July 2009 and until June 2011, Risk-weighted assets = Credit risk-weighted assets * 0.96 + Capital requirement to cover market risk * 10.5 + Capital requirement to cover operational risk * 10.5.
Since July 2011, Risk-weighted assets = Credit risk-weighted assets * 0.98 + Capital requirement to cover market risk * 10 + Capital requirement to cover operational risk * 10.

III. Banco de Crédito de Bolivia

Results

In 3Q11, BCP Bolivia reported US$ 5.5 million in net income, which represents a 66.4% increase QoQ. This was due primarily to:

(i) Higher NII (+16.4%) due to an increase in interest income, which was in turn reflected in growth in loans (+6.7%); all of these factors offset the decline in investment income (primarily for instruments from the Central Bank of Bolivia); and

(ii) A decrease in the specific and cyclical provisions for loan losses (-62.0%) due to an improvement in the portfolio's quality.

It is important to point out that net interest income has increased for the second consecutive quarter (+11% in 2Q11) due to loan expansion; nevertheless, this is not reflected in net income in the previous quarter given that its effect was offset by higher net provisions for loan losses and income-tax provision.

Net income increased 60.7% YoY due to higher net interest income (+45.0% YoY).

A conservative approach to loan risk management helped the bank lock in a past due ratio of 1.2% in 3Q11 (1.2% in 2Q11 and 1.4% in 3Q10) and a coverage rate of 332.0% (328.6% in 2Q11 and 304.5% in 3Q10). With these indicators, BCP Bolivia is one of the top performers in the Bolivian banking system, which posted ratios of 1.9% and 259.6%, respectively at the end of 3Q11. BCP Bolivia's ROAE was 19.3%, which tops the 18.0% reported in 2Q11 and the 18.3% posted in 3Q10.

Assets and Liabilities

BCP Bolivia's loan balance at the end of September 2011 was US$ 727.3 million, which represents a 6.7% increase over the US$ 681.4 million reported in June 2011 and tops September 2010's result by 27.4%. Loan growth in the third quarter was attributable to dynamism in Wholesale Banking, whose portfolio grew +8.2% QoQ and +28.3% YoY. It is important to stress that this portfolio represents 44.0% of BCP Bolivia's total loans.

Retail Banking, which represents 53.4% of the loan portfolio, also posted a positive variation of 5.7% QoQ and 27.6% YoY. Particularly noteworthy this quarter was growth in the PYME segment (+7.9% QoQ and +47.9% YoY), which represents 27.5% of the retail banking portfolio, and an increase in dynamism in the home mortgage segment (+4.5% QoQ and 20.8% YoY), which accounts for 42.5% of the same portfolio.

In terms of liabilities, BCP Bolivia's deposits contracted 1.3% QoQ, which is primarily due to a 5.0% decrease in time deposits. This decrease was associated with a drop in the Bolivian banking system's liquidity in 3Q11 due to the fact that the stock market offered better investment opportunities. Nevertheless, an inter-annual comparison shows an increase of 10.5%, which was attributable to 20.3% and 6.7% growth in demand deposits and time deposits, respectively.

Net shareholder's equity grew 5.1% QoQ and 11.3% YoY due to higher earnings this quarter.

Finally, BCP Bolivia maintained an 11.4% market share of current loans and 11.6% of total deposits, which situates it in third place in terms of loans and fourth with regard to deposits in the banking system. BCP Bolivia continues to position itself as a bank on the move that provides simple and efficient transactional products and increasingly sophisticated on-line tools.

Banco de Crédito de Bolivia		Quarter		Change %		Year ended		Change %
US$ millions	3Q11	2Q11	3Q10	QoQ	YoY	Sep 11	Sep 10	Sep 11 / Sep 10
Net interest income	11.1	9.6	7.7	16.4 %	45.0 %	29.3	24.6	19.1 %
Net provisions for loan losses	-1.1	-2.9	-1.3	-62.0 %	-15.1 %	-5.4	-3.4	60.4 %
Non financial income	8.5	9.5	9.4	-10.3 %	-9.4 %	26.8	26.8	0.0 %
Operating expenses	-12.3	-12.3	-11.6	-0.3 %	6.1 %	-36.6	-33.6	8.8 %
Translation result	0.1	0.2	0.1	-64.9 %	3.5 %	0.7	0.0	9053.2 %
Income tax	-0.8	-0.7	-0.8	12.5 %	-2.8 %	-0.8	-2.1	-64.2 %
Net Income	5.5	3.3	3.4	66.4 %	60.7 %	14.1	12.4	14.2 %
Total loans	727.3	681.4	570.7	6.7 %	27.4 %			
Past due loans	8.5	8.5	7.9	0.7 %	8.5 %			
Net provisions for possible loan losses	-27.4	-26.8	-23.1	2.0 %	18.6 %			
Total investments	168.1	250.7	224.5	-32.9 %	-25.1 %			
Total assets	1,107.7	1,127.0	1,014.2	-1.7 %	9.2 %			
Total deposits	981.8	994.3	888.2	-1.3 %	10.5 %			
Net shareholders' equity	103.1	98.1	92.6	5.1 %	11.3 %			
PDL / total loans	1.18 %	1.25 %	1.39 %					
Coverage ratio of PDLs	332.0 %	328.6 %	304.5 %					
ROAE*	19.3 %	18.0 %	18.3 %					
Branches	44	65	65					
Agentes	35	34	35					
ATMs	198	194	172					
Employees	1,340	1,386	1,396					

(1) ROAE = (Acumulated net income / average monthly equity (from dec. to date))/ (number of months)*12.

IV. Financiera Edyficar

Edyficar		Quarter		Change %		Year ended		Change %
US$ 000	3Q11	2Q11	3Q10	QoQ	YoY	2011	2010	2011 / 2010
Net financial income	29,239	25,905	21,571	12.9 %	35.5 %	80,779	58,371	38.4 %
Total provisions for loan loasses	(3,785)	(4,693)	(1,887)	-19.3 %	100.6 %	(10,939)	(2,988)	266.2 %
Non financial income	115	282	223	-59.2 %	-48.5 %	584	533	9.4 %
Operating expenses	(15,894)	(14,891)	(13,147)	6.7 %	20.9 %	(45,450)	(33,905)	34.1 %
Operating Income	9,675	6,604	6,761	46.5 %	43.1 %	24,973	22,012	13.5 %
Translation results	(934)	2,190	1,138	-142.7 %	182.1 %	1,318	2,968	-55.6 %
Employees' profit sharing (1)	-	-	(364)	0.0 %	-100.0 %	-	(1,106)	-100.0 %
Income taxes	(2,611)	(2,241)	(2,076)	16.5 %	25.8 %	(7,620)	(6,302)	20.9 %
Net income	6,130	6,552	5,459	-6.4 %	12.3 %	18,671	17,572	6.3 %
Contribution to BCP	6,117	6,538	5,448	-6.4 %	112.3 %	18,632	17,535	6.3 %
Total loans	440,593	413,566	318,708	6.5 %	38.2 %	440,593	318,708	38.2 %
Past due loans	18,099	16,877	13,352	7.2 %	35.6 %	18,099	13,352	35.6 %
Net provisions for possible loan losses	(31,020)	(29,152)	(24,987)	6.4 %	24.1 %	(31,020)	(24,987)	24.1 %
Total assets	500,038	479,458	375,773	4.3 %	33.1 %	500,038	375,773	33.1 %
Deposits and obligations	164,722	147,685	74,271	11.5 %				