CREDICORP LTD
Form 20-F/A
January 23, 2006

As filed with the Securities and Exchange Commission on January 20, 2006.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2004
OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_____ to _____
OR
SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number: 1-14014

CREDICORP LTD.

(Exact name of registrant as specified in its charter)

BERMUDA
(Jurisdiction of incorporation or organization)

Calle Centenario 156
La Molina
Lima 12, Perú

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value $5.00 per share	The New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None
Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Common Shares, par value $5.00 per share...94,382,317

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes No

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow:
Item 17 Item 18

EXPLANATORY NOTE

Credicorp Ltd. is filing this amendment to its Form 20-F for the year ended December 31, 2004 in order to address comments received from the Securities and Exchange Commission to the original Form 20-F filed on June 30, 2005 (the Original Filing).

This amendment amends and restates the following Items of Credicorp s Form 20-F:

- Item 3 "Key Information"
- Item 4 "Information on the Company"
- Item 5 "Operating and Financial Review and Prospects"

This amendment and the Original Filing continue to speak as of June 30, 2005, the date on which the Original Filing was made. Except as described above, this amendment does not, and does not purport to, amend or restate the information in any other Item of the Original Filing, or update the disclosure for or on account of any events that have occurred after the date on which the Original Filing was made.

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PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise specified or the context otherwise requires, references in this Form 20-F (the Annual Report) to $, US$, Dollars and U.S. Dollars are to United States dollars and references to S/., Nuevo Sol or Nuevos So Peruvian Nuevos Soles. Each Nuevo Sol is divided into 100 céntimos (cents).

Credicorp Ltd., a Bermuda limited liability company (Credicorp as a separate entity or together with its consolidated subsidiaries, as the context may require), maintains its financial books and records in U.S. Dollars and presents its financial statements in accordance with International Financial Reporting Standards (IFRS). IFRS vary in certain respects from United States generally accepted accounting principles (U.S. GAAP). For a discussion of significant differences between IFRS and U.S. GAAP, together with a reconciliation of net income and shareholders equity to U.S. GAAP for Credicorp, see Note 26 to Credicorp s consolidated financial statements for the years ended December 31, 2002, 2003 and 2004 (the Credicorp Consolidated Financial Statements) included elsewhere herein.

Credicorp operates primarily through its three principal subsidiaries, Banco de Crédito del Perú (together with its consolidated subsidiaries, BCP), Atlantic Security Holding Corporation (together with its consolidated subsidiaries, ASHC), and El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (together with its consolidated subsidiaries, PPS). BCP s activities include commercial banking, investment banking activities, and retail banking. As of and for the year ended December 31, 2004, BCP accounted for 79.4% of Credicorp s total revenues, 77.5% of total assets, 85.2% of net income and 69.1% of shareholders equity. Unless otherwise specified, the individual financial information for BCP, ASHC and PPS included herein has been derived from the audited consolidated financial statements of each such entity. See Item 3. Key Information (A) Selected Financial Data and Item 4. Information on the Company (A) History and Development of the Company.

In addition to the Nuevo Sol amounts translated into U.S. Dollars for the purpose of preparing the Credicorp Consolidated Financial Statements (see Note 23 to the Credicorp Consolidated Financial Statements and Item 3. Key Information (A) Selected Financial Data), this Annual Report contains certain Nuevo Sol amounts translated into U.S. Dollars at specified rates solely for the convenience of the reader. None of these translations should be construed as representations that the Nuevo Sol amounts actually represent such equivalent U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated as of the dates mentioned herein or at all. Unless otherwise indicated (see Note 23 to the Credicorp Consolidated Financial Statements and Item 3. Key Information (A) Selected Financial Data), such U.S. Dollar amounts have been translated from Nuevos Soles at an exchange rate of S/.3.282 = US$1.00, the December 31, 2004 exchange rate set by the Peruvian *Superintendencia de Banca, Seguros y AFP* (the Superintendency of Banks, Insurance and Pension Funds, or SBS). The average of the bid and offered free market exchange rates published by SBS for June 10, 2005 was S/.3.252 per US$1.00. The translation of amounts expressed in nominal or constant Nuevos Soles with purchasing power as of a specified date by the then prevailing exchange rate may result in presentation of U.S. Dollar amounts that differ from the U.S. Dollar amounts that would have been obtained by translating nominal or constant Nuevos Soles with purchasing power as of another specified date by the prevailing exchange rate on that specified date. The translation procedure may also differ from the amounts included in the Credicorp Consolidated Financial Statements (see Note 3(c) to the Credicorp Consolidated Financial Statements). See Item 3. Key Information (A) Selected Financial Data Exchange Rates for information regarding the average rates of exchange between the Nuevo Sol and the U.S. Dollar for the periods specified therein. The Federal Reserve Bank of New York does not publish a noon buying rate for Nuevos Soles.

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CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this Annual Report that are not historical facts, including, without limitation, certain statements made in the sections hereof entitled Item 3. Key Information, Item 4. Information on the Company, Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures about Market Risk are forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934 (the Exchange Act). These forward-looking statements are based on management s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation:

- general economic conditions, including in particular economic conditions in Perú;
- performance of financial markets, including emerging markets;
- the frequency and severity of insured loss events;
- interest rate levels;
- currency exchange rates, including the Nuevo Sol/U.S. Dollar exchange rate;
- increasing levels of competition in Perú and other emerging markets;
- changes in laws and regulations;
- changes in the policies of central banks and/or foreign governments; and
- general competitive factors, in each case on a global, regional and/or national basis.

See Item 3. Key Information (D) Risk Factors, and Item 5. Operating and Financial Review and Prospects.

Credicorp is not under any obligation to, and expressly disclaims any such obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

(A) Selected Financial Data

The following table presents summary consolidated financial information for Credicorp at the dates and for the periods indicated. This selected financial data is presented in U.S. Dollars. This information should be read in conjunction with, and is qualified in its entirety by reference to, the Credicorp Consolidated Financial Statements, also presented in U.S. Dollars.

The summary consolidated financial data as of, and for the years ended, December 31, 2000, 2001 and 2002 are derived from the Credicorp Consolidated Financial Statements audited by Dongo-Soria Gaveglio y Asociados, a member firm of PricewaterhouseCoopers, independent auditors. The summary consolidated financial data as of, and for the years ended, December 31, 2003 and 2004 are derived from the Credicorp Consolidated Financial Statements audited by Medina, Zaldívar, Paredes & Asociados, members of Ernst & Young Global, independent accountants.

The report of Dongo-Soria Gaveglio y Asociados on the Credicorp Consolidated Financial Statements as of December 31, 2002 and for the year ended December 31, 2002, appears elsewhere in this Annual Report. The report of Medina, Zaldívar, Paredes & Asociados on the Credicorp Consolidated Financial Statements as of December 31, 2003 and 2004 and for the years ended December 31, 2003 and 2004, appears elsewhere in this Annual Report.

The summary consolidated financial information presented below and the Credicorp Consolidated Financial Statements are prepared and presented in accordance with IFRS, which differ in certain respects from U.S. GAAP. See Note 26 to the Credicorp Consolidated Financial Statements, which provides a description of the significant differences between IFRS and U.S. GAAP, as they relate to Credicorp, and a reconciliation to U.S. GAAP of Credicorp s net income and shareholders equity.

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SELECTED FINANCIAL DATA

	Year ended December 31,				
	2000	2001	2002	2003	2004
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
INCOME STATEMENT DATA:					
IFRS:					
Interest income	US$763,535	US$694,772	US$531,874	US$548,285	US$ 542,842
Interest expense	(389,748)	(318,542)	(178,070)	(163,580)	(160,298)
Net interest income	373,787	376,230	353,804	384,705	382,544
Provision for loan losses (1)(2)	(170,102)	(119,422)	(99,596)	(66,421)	(16,131)
Net interest income after provision for loan losses	203,685	256,808	254,208	318,284	366,413
Fees and commissions from banking services	144,001	155,030	177,305	189,472	201,474
Net gains (loss) from sales of securities	8,954	31,737	(1,097)	3,235	10,135
Net gains on foreign exchange transactions	23,625	17,549	22,582	23,681	24,165
Net premiums earned	113,395	112,204	125,218	125,115	192,672
Other income	28,003	12,530	11,651	23,227	8,105
Claims on insurance activities	(92,261)	(97,017)	(97,901)	(99,774)	(154,325)
Operating expenses	(391,529)	(390,779)	(404,186)	(430,373)	(459,928)
Merger costs	0	0	0	(18,587)	(3,742)
Income before translation result, income tax, and minority interest	37,873	98,062	87,780	134,280	184,969
Translation result	(8,500)	(2,575)	(2,482)	(3,675)	2,040
Income tax	(6,124)	(25,135)	(32,628)	(39,695)	(45,497)
Minority interest	(5,553)	(15,839)	(10,287)	(10,303)	(10,675)
Net income	17,696	54,513	42,383	80,607	130,747
Net income per Common Share (2)	0.22	0.69	0.53	1.01	1.64
Cash dividends declared per Common Share	0.10	0.40	0.30	0.40	0.80
U.S. GAAP:					
Net income	15,836	55,851	45,416	84,830	135,600
Net income per Common Share (2)	0.20	0.70	0.57	1.06	1.70

BALANCE SHEET DATA:					
IFRS:					
Total assets	7,623,470	7,581,841	8,629,631	8,321,783	9,087,560
Total loans (3)	4,454,085	4,064,479	4,817,663	4,481,496	4,559,018
Reserves for loan losses (1)	(341,487)	(344,433)	(424,031)	(326,677)	(271,873)
Total deposits	5,506,439	5,543,358	6,381,200	5,976,506	6,270,972
Shareholders equity	782,730	796,773	823,800	910,730	1,065,197
U.S. GAAP:					
Shareholders equity	785,853	796,773	826,833	917,986	1,077,306
SELECTED RATIOS:					
IFRS:					
Net interest margin (4)	5.45%	5.28%	5.07%	5.15%	4.85%
Return on average total assets (5)	0.23	0.72	0.52	0.95	1.50
Return on average shareholders equity (6)	2.27	6.90	5.23	9.29	13.23
Operating expenses as a percentage of net interest and non-interest income (7)	56.60	55.41	58.62	57.43	56.15
Operating expenses as a percentage of average assets	5.14	5.14	4.99	5.09	5.29
Shareholders equity as a percentage of period end total assets	10.27	10.51	9.56	10.98	11.72
Regulatory capital as a percentage of risk-weighted assets (8)	11.84	11.77	11.52	13.26	12.84
Total past due loan amounts as a percentage of total loans (9)	8.44	8.63	8.43	5.72	3.49
Reserves for loan losses as a percentage of total loans	7.67	8.47	8.80	7.29	5.96
Reserves for loan losses as a percentage of total loans and other contingent credits (10)	6.40	6.62	6.57	5.38	4.22
Reserves for loan losses as a percentage of total past due loans (11)	90.80	98.18	104.41	127.50	170.93
Reserves for loan losses as a percentage of substandard loans (12)	39.25	45.38	51.81	50.26	54.11

(1) Provision for loan losses and reserve for loan losses include provisions and reserves with respect to total loans, contingent credits and other credits.

(2) Credicorp has 100 million authorized common shares (Common Shares). As of December 31, 2004, Credicorp had issued 94.4 million Common Shares, of which 14.6 million are held by BCP, ASHC and PPS. Per Common Share data presented assumes net

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outstanding shares (Common Shares net of shares held by BCP, ASHC and PPS) of 80.1 million in 2000, 79.5 million in 2001, and 79.7 million in 2002, 2003 and 2004. See Notes 15 and 21 to the Credicorp Consolidated Financial Statements.

(3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, Credicorp had contingent loans of US$761.6 million, US$940.9 million, US$1,425.6 million, US$1,586.9 million and US$1,882.4 million, as of December 31, 2000, 2001, 2002, 2003 and 2004, respectively. See Note 18 to the Credicorp Consolidated Financial Statements.

(4) Net interest income as a percentage of average interest-earning assets, computed as the average of period-beginning and period-ending balances on a quarterly basis.

(5) Net income as a percentage of average total assets, computed as the average of period-beginning and period-ending balances.

(6) Net income as a percentage of average shareholders equity, computed as the average of period-beginning and period-ending balances.

(7) Operating expenses as a percentage of the sum of net interest income and noninterest income.

(8) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (the BIS I Accord) as adopted by the SBS. Atlantic Security Bank, a subsidiary of ASHC, determines risk-weighted assets in accordance with the BIS I Accord as adopted in the Cayman Islands. See Item 5. Operating and Financial Review and Prospects (B) Liquidity and Capital Resources Regulatory Capital and Capital Adequacy Ratios.

(9) BCP considers loans past due after 15 days, except for installment loans, which include mortgage loans but excludes consumer loans, which are considered past due after 90 days. ASHC considers past due all overdue loans except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio Based on the Borrower s Payment Performance.

(10) Other contingent credits primarily consist of guarantees, letters of credit and responsibilities under credit line agreements. See Note 18 to the Credicorp Consolidated Financial Statements.

(11) Reserves for loan losses, including contingent credits, as a percentage of all past due loans, with no reduction for collateral securing such loans. Reserves for loan losses includes reserves with respect to total loans and other credits.

(12) Reserves for loan losses, including contingent credits, as a percentage of loans classified in categories C, D or E. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio.

Exchange Rates

The following table sets forth the high and low month-end rates and the average and the end-of-period rates for the sale of Nuevos Soles for U.S. Dollars for the periods indicated.

Year ended December 31,	**High**(1)	**Low**(1)	**Average**(2)	**Period-end**(3)
	(Nominal Nuevos Soles per U.S. Dollar)			
2000	3.531	3.453	3.495	3.527
2001	3.623	3.435	3.508	3.446

2002	3.644	3.435	3.460	3.520
2003	3.496	3.463	3.477	3.464
2004	3.500	3.283	3.410	3.283
2005 (through June 10)	3.264	3.252	3.259	3.252

Source: SBS

(1) Highest and lowest of the 12 month-end exchange rates for each year based on the offered rate.

(2) Average of month-end exchange rates based on the offered rate.

(3) End of period exchange rates based on the offered rate.

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The following table sets forth the high and low rates for the sale of Nuevos Soles for U.S. Dollars for the indicated months.

	High(1)	Low(1)
	(Nominal Nuevos Soles per U.S. Dollar)	
2004		
December	3.302	3.263
2005		
January	3.284	3.259
February	3.264	3.254
March	3.263	3.257
April	3.262	3.256
May	3.263	3.255
June (through June 10)	3.256	3.252

Source: Economatica
(1) Highest and lowest of the daily closing exchange rates for each month based on the offered rate.

The average of the bid and offered free market exchange rates published by the SBS for June 10, 2005 was S/.3.252 per US$1.00.

(B) Capitalization and Indebtedness

Not applicable.

(C) Reasons for the Offer and Use of Proceeds

Not applicable.

(D) Risk Factors

Credicorp s businesses are affected by a number of external and other factors in the markets in which they operate. Different risk factors can impact Credicorp s businesses and their ability to operate their respective businesses and business strategies effectively. The following risk factors should be considered carefully and read in conjunction with all of the information in this Annual Report.

Peruvian Country Risk

Substantially all of BCP s and PPS s operations and customers are located in Perú. In addition, although ASHC is based outside of Perú, substantially all of its customers are located in Perú. Accordingly, the results of operations and the financial condition of Credicorp will be dependent on the level of economic activity in Perú. Credicorp s results of operations and financial condition could also be affected by changes in economic or other policies of the Peruvian government (which has exercised and continues to exercise a substantial influence over many aspects of the private sector) or other political or economic developments in Perú, including government-induced effects on inflation, devaluation and economic growth.

During the past several decades, Perú has had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation s economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates, local and foreign investment and

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international trade; restricted the ability of companies to dismiss employees; expropriated private sector assets; and prohibited the remittance of profits to foreign investors.

In July 1990, Alberto Fujimori was elected president, and his administration implemented a broad-based reform of Perú s political system and economic and social conditions aimed at and with a focus on stabilizing the economy, restructuring the national government (by reducing bureaucracy), privatizing state-owned companies, promoting private investment, developing and strengthening free markets, institutionalizing democratic representation and enacting programs for the strengthening of basic services related to education, health and infrastructure. After taking office for his third term in July 2000 under extreme protest, President Fujimori was forced to call for general elections due to the outbreak of corruption scandals, and later resigned in favor of a transitory government headed by the president of Congress, Valentín Paniagua.

Mr. Paniagua took office in November 2000 and in July 2001 handed over the presidency to Alejandro Toledo, the winner of the elections decided in the second round held on June 3, 2001, ending two years of political turmoil. Since his election, President Toledo has retained, for the most part, the economic policies of the previous government, focusing on promoting private investment, eliminating tax exemptions, reducing underemployment and unemployment and privatizing state-owned companies in various sectors. President Toledo also implemented fiscal austerity programs, among other proposals, in order to stimulate the economy. Despite Perú s moderate economic growth, the Toledo administration has at times faced public unrest spurred by the high rates of unemployment, underemployment and poverty. President Toledo has been forced to restructure his cabinet on several occasions to quell public unrest and to maintain his political alliances. See Item 4. Information on the Company (B) Business Overview (9) Peruvian Government and Economy (i) Peruvian Government.

Given that the Toledo administration continues to face a fragmented Congress and continuing public unrest, there can be no assurance that the government will continue its current economic policies or that Peru s recent economic growth will be sustained.

Exchange Controls and Devaluation of the Nuevo Sol

Even though Credicorp s financial statements are presented in U.S. Dollars, and its dividends are paid in U.S. Dollars, BCP and PPS will continue to prepare, for local statutory purposes, their financial statements and pay dividends in Nuevos Soles. While the Peruvian government currently imposes no restrictions on a company s ability to transfer U.S. Dollars from Perú to other countries, to convert Peruvian currency into Dollars or to remit dividends abroad, Perú has had restrictive exchange controls in the past and there can be no assurance that the Peruvian government will continue to permit such transfers, remittances or conversion without restriction. See Item 10. Additional Information (D) Exchange Controls. In addition, a devaluation would decrease the Dollar value of any dividends BCP and PPS pay to Credicorp, which would have a negative impact on Credicorp s ability to pay dividends to shareholders.

Although the current level of Perú s foreign reserves compares favorably with those of other Latin American countries, there can be no assurance that Perú will be able to maintain adequate foreign reserves to meet its foreign currency-denominated obligations, or that Perú will not impose exchange controls should its foreign reserves decline. A decline in Peruvian foreign reserves to inadequate levels, among other economic circumstances, could lead to a devaluation. While Credicorp seeks to manage the gap between its foreign currency-denominated assets and liabilities, for instance by matching the volumes and maturities of its U.S. Dollar-denominated loans against its U.S. Dollar-denominated deposits, a sudden and significant devaluation could have a material adverse effect on Credicorp s financial condition and results of operations. See Item 11. Quantitative and Qualitative Disclosures About Market

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Risk Exchange Rate Sensitivity. Also, BCP s borrowers and PPS s insureds typically generate Nuevo Sol revenues from their own clients. Devaluation of the Nuevo Sol against the Dollar could have a negative impact on the ability of BCP s and PPS s clients to repay loans or make premium payments. Despite any devaluation, and absent any change in foreign exchange regulations, BCP and PPS would be expected to continue to repay U.S. Dollar-denominated deposits and U.S. Dollar-denominated insurance benefits in U.S. Dollars. Therefore, any significant devaluation of the Nuevo Sol against the Dollar could have a material adverse effect on Credicorp s results of operations and financial condition.

Enforceability of Civil Liabilities

A significant majority of Credicorp s directors and officers reside outside the United States (principally in Perú). All or a substantial portion of the assets of Credicorp or of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or upon Credicorp or to enforce against them in federal or state courts in the United States judgments predicated upon the civil liability provisions of the federal securities laws of the United States. Credicorp has been advised by its Peruvian counsel that there is uncertainty as to the enforceability, in original actions in Peruvian courts, of liabilities predicated solely under the United States federal securities laws and as to the enforceability in Peruvian courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of the United States federal securities laws. Credicorp has been advised by its Bermudan counsel that uncertainty exists as to whether courts in Bermuda will enforce judgments obtained in other jurisdictions, including the United States, against it or its directors or officers under the securities laws of those jurisdictions or entertain actions in Bermuda against it or its directors or officers under the securities laws of other jurisdictions.

In addition, Credicorp s bye-laws (the Bye-Laws) contain a broad waiver by its shareholders of any claim or right of action, both individually and on Credicorp s behalf, against any of Credicorp s officers or directors. The waiver applies to any action taken by an officer or director, or the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any willful negligence, willful default, fraud or dishonesty on the part of the officer or director. This waiver limits the right of shareholders to assert claims against Credicorp s officers and directors unless the act or failure to act involves willful negligence, willful default, fraud or dishonesty.

Status of Credicorp as a Holding Company

As a holding company, Credicorp's ability to make dividend payments, if any, and to pay corporate expenses will be dependent primarily upon the receipt of dividends and other distributions from its operating subsidiaries. Credicorp's principal subsidiaries are BCP, PPS and ASHC. There are various regulatory restrictions on the ability of Credicorp's subsidiaries to pay dividends or make other payments to Credicorp. To the extent Credicorp s subsidiaries do not have funds available or are otherwise restricted from paying dividends to Credicorp, Credicorp s ability to pay dividends to its shareholders will be adversely affected. Currently, there are no restrictions on the ability of BCP, ASHC or PPS to remit dividends abroad. In addition, the right of Credicorp to participate in any distribution of assets of any subsidiary, including BCP, PPS and ASHC, upon any such subsidiary's liquidation or reorganization or otherwise (and thus the ability of holders of Credicorp securities to benefit indirectly from such distribution), will be subject to the prior claims of creditors of that subsidiary, except to the extent that any claims of Credicorp as a creditor of such subsidiary may be recognized as such. Accordingly, Credicorp s securities will effectively be subordinated to all existing and future liabilities of Credicorp's subsidiaries, and holders of Credicorp s securities should look only to the assets of Credicorp for payments.

Loan Portfolio Quality and Composition

Given that a significant percentage of Credicorp s revenues are related to banking activities, a deterioration of loan quality may have an adverse impact on the financial condition and results of operations of Credicorp. While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies, Credicorp s pursuit of opportunities in which it can charge higher interest rates, thereby increasing revenues, may reduce diversification of the loan portfolio and expose Credicorp to greater credit risk. Credicorp believes that significant opportunities exist in middle market and consumer lending in Perú and that Credicorp can, on average, charge higher interest rates on such loans as compared with interest charged on loans in its core corporate banking business, made primarily to clients that operate in industrial and commercial economic sectors. Accordingly, Credicorp s strategy includes a greater emphasis on middle market and consumer loans, as well as continued growth of its loan portfolio in general. An increase in the portfolio s exposure to these areas could be accompanied by greater credit risk, not only due to the speed and magnitude of the increase, but also due to the shift to lending to the middle market and consumer sectors, which have higher risk profiles compared, particularly, to loans to large corporate customers. Given the changing composition of its loan portfolio, historical loss experience may not be indicative of future loan loss experience.

Bank Regulatory Matters

Credicorp is subject to extensive supervision and regulation through the SBS s consolidated supervision regulations, which oversees all of Credicorp s subsidiaries and offices including those located outside Perú. BCP s operations are supervised and regulated by the SBS and the *Banco Central de Reserva* (Central Bank). Perú s Constitution and the SBS s statutory charter grant the SBS the authority to oversee and control banks and other financial institutions. The SBS and the Central Bank have general administrative responsibilities over BCP, including designation of capitalization and reserve requirements. In past years, the Central Bank has, on numerous occasions, changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Such changes in the supervision and regulation of BCP, if made in the future, may adversely affect the results of operations and financial condition of Credicorp. See Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation (ii) BCP.

Insurance Business and Regulation

Credicorp s insurance business, carried out by its subsidiary PPS, is subject to regulation by the SBS. Insurance regulation in Perú is an area of constant change. New legislation or regulations may adversely affect PPS's ability to underwrite and price risks accurately, which in turn would affect underwriting results and business profitability. PPS is unable to predict whether and to what extent new laws and regulations that would affect its business will be adopted in the future, the timing of any such adoption and what effects any new laws or regulations would have on its operations, profitability and financial condition.

Credicorp's operating performance and financial condition depend on PPS's ability to underwrite and set premium rates accurately for a full spectrum of risks. PPS must generate sufficient premiums to offset losses, loss adjustment expenses and underwriting expenses so it may earn a profit. In order to price premium rates accurately, PPS must collect and analyze a substantial volume of data; develop, test and apply appropriate rating formulae; closely monitor changes in trends in a timely fashion; and project both severity and frequency with reasonable accuracy. If PPS fails to assess accurately the risks that it assumes or does not accurately estimate its retention, it may fail to establish adequate premium rates, which could

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reduce income and have a material adverse effect on its operating results or financial condition. Moreover, there is inherent uncertainty in the process of establishing property and casualty loss reserves. Reserves are estimates based on actuarial and statistical projections at a given point in time of what PPS ultimately expects to pay out on claims and the cost of adjusting those claims, based on the facts and circumstances then known. Factors affecting these projections include, among others, changes in medical costs, repair costs and regulation. Any negative effect on PPS could have a material adverse effect on Credicorp s results of operations and financial condition.

Increased Competition

Despite a recent decrease in interest from major international banks in the Latin American region, BCP has experienced increased competition, including increased pressure on margins, primarily as a result of the presence of highly liquid commercial banks in the market; local and foreign investment banks with substantial capital, technology and marketing resources; and, recently, from local pension funds that lend to BCP s corporate customers through participation in such customers securities issues. Larger Peruvian companies have gained access to new sources of capital, through local and international capital markets, and BCP s existing and new competitors have increasingly made inroads into the higher-margin middle market and retail banking sectors. Such increased competition, with entrants who may have greater access to capital at lower costs, have affected BCP s loan growth as well as reduced the average interest rates that BCP can charge its customers. Competitors may also appropriate greater resources and be more successful in the development of technologically advanced products and services that may compete directly with BCP s products and services, adversely affecting the acceptance of BCP s products and/or leading to adverse changes in spending and saving habits of BCP s customer base. If these entities are successful in developing products and services that are more effective or less costly than the products and services developed by BCP, BCP's products and services may be unable to compete successfully. Even if BCP's products and services prove to be more effective than those developed by other entities, such other entities may be more successful in marketing their products and services than BCP because of their greater financial resources, higher sales and marketing capacity, and other factors. BCP may not be able to maintain its market share if it is not able to match its competitors loan pricing or keep pace with their development of new products and services. Any negative impact on BCP could have a material adverse effect on Credicorp s results of operations and financial condition.

Fluctuation and Volatility of Capital Markets and Interest Rates

Credicorp may suffer losses related to the investments by BCP, ASB, PPS and other subsidiaries in fixed income and equity securities, and to their respective positions in currency markets, because of changes in market prices, defaults, fluctuations in market interest rates, exchange rates or other reasons. A downturn in the capital markets may lead Credicorp to register net losses due to the decline in the value of these positions, in addition to negative net revenues from trading positions caused by volatility in prices in the financial markets, even in the absence of a general downturn.

Fluctuations in market interest rates, or changes in the relative structure between short-term interest rates and long-term interest rates, could cause a decrease in interest rates charged on interest-earning assets, relative to interest rates paid on interest-bearing liabilities. Such an occurrence could adversely affect Credicorp s financial condition by causing a decrease in net interest income.

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ITEM 4. INFORMATION ON THE COMPANY

(A) History and Development of the Company

Credicorp is a limited liability company incorporated in Bermuda in 1995 to act as a holding company, coordinate the policy and administration of its subsidiaries and engage in investing activities. Credicorp s principal activity is to coordinate and manage the business plans of its subsidiaries in an effort to implement universal banking services and develop its insurance business, focusing in Perú and Bolivia and with limited investments in other countries of the region. It conducts its financial services business exclusively through its subsidiaries. Credicorp s address is Calle Centenario 156, La Molina, Lima 12, Perú, and its phone number is 51-1-313-2000.

Credicorp is the largest financial services holding company in Perú and is closely identified with its principal subsidiary, BCP, the country s largest bank and the leading supplier of integrated financial services in Perú. Credicorp is engaged principally in commercial banking (including trade finance, corporate finance and leasing services), insurance (including commercial property, transportation and marine hull, automobile, life, health and pension fund underwriting insurance) and investment banking (including brokerage services, asset management, and trust, custody and securitization services and proprietary trading and investment). As of December 31, 2004, Credicorp s total assets were US$9.1 billion and shareholders equity was US$1.1 billion. Its net income in 2003 and 2004 was US$80.6 million and US$130.7 million, respectively. See Item 3. Key Information (A) Selected Financial Data and Item 5. Operating and Financial Review and Prospects. The following table presents certain financial information for Credicorp by principal business segment as of and for the year ended December 31, 2004 (see Note 22 to the Credicorp Consolidated Financial Statements):

	As of and for the Year ended December 31, 2004		
	Total Revenues	**Operating Income**	**Total Assets**
	(U.S. Dollars in millions)		
Commercial Banking	US$ 671	US$ 346	US$8,083
Insurance	193	73	700
Investment Banking	116	2	305
Credicorp	US$ 980	US$ 421	US$9,088

Credicorp conducts its commercial banking and investment banking activities primarily through BCP, the largest (in terms of total assets, loans, deposits, shareholders equity and net income) full service Peruvian commercial bank (Peruvian commercial bank, Peruvian insurance company and similar terms when used in this Annual Report do not include the assets, results or operations of any foreign parent company of such Peruvian entity or the foreign subsidiaries thereof), and ASHC, a diversified financial services company. Credicorp s insurance activities are conducted through PPS, the largest Peruvian insurance company in terms of premiums, fees and net income.

Credicorp was formed in 1995 for the purpose of acquiring, through an exchange offer (the Exchange Offer), the common shares of BCP, ASHC and PPS. Pursuant to the Exchange Offer, in October 1995, Credicorp acquired 90.1% of BCP; 98.2% of ASHC; and 75.8% of PPS. Credicorp acquired the remaining 1.8% outstanding shares of ASHC in

March 1996, pursuant to a further exchange offer.

In December 1995, Credicorp purchased 99.99% of Inversiones Crédito, a non-financial entity with assets of US$50.4 million as of December 2004, with principal investments currently in shares of Peruvian electric utilities.

In August 1997, Credicorp acquired 39.5% of Banco de Crédito de Bolivia (BCB) from BCP for US$9.2 million. In July 1998, Credicorp acquired 97% of Banco de La Paz, a Bolivian bank with US$52.1 million in assets, which was subsequently merged with BCB in January 1999, at which time Credicorp also increased its beneficial ownership in BCB to 55.79%, with BCP owning, directly or indirectly, 44.21% . In November 2001, BCP bought back a 53.1% stake from Credicorp for US$30.0 million. As of December 31, 2004, BCB operated 46 branches located throughout Bolivia, together with 125 ATMs. BCB s results have been consolidated in the BCP financial statements since the date of its acquisition in November 1993.

In March 2002, Credicorp made a tender offer for outstanding BCP shares for S/.1.80 per share, approximately equal to the book value of such shares, disbursing directly and through its subsidiary PPS an amount of approximately US$35.3 million. As a result of the tender offer, Credicorp s equity stake in BCP increased from 90.6% to 97.0% (including shares held by PPS).

In December 2002, BCP acquired, for US$50.0 million, Banco Santander Central Hispano-Perú (BSCH-Perú), which is included in BCP s consolidated financial statements since such date. At December 31, 2002, BSCH-Perú had total assets of US$975.2 million, total loans of US$719.4 million and deposits of US$659.0 million. BSCH-Perú was merged into BCP on February 28, 2003.

In March 2003, BCP, adding to its 55% stake, acquired for US$17.0 million the remaining 45% of the equity shares of Solución Financiera de Crédito del Perú S.A. (Solución) from Banco de Crédito e Inversiones de Chile (BCI) and other foreign shareholders, making Solución once again a BCP wholly-owned subsidiary. Substantially all of Solución s assets and liabilities were absorbed into BCP s Peruvian banking operations in March 2004. Solución s net income in 2003 was US$7.6 million, and it had, as of February 28, 2004, a loan portfolio of US$88.4 million, with a 3.0% past-due ratio.

During 2003, BCP converted Banco de Crédito Overseas Limited (BCOL), its offshore bank in the Bahamas, into a vehicle to conduct investments and sold it to ASHC. ASHC subsequently consolidated BCOL into its operations during 2004. Certain long term equity interests, held previously by BCOL, were transferred to BCP which were then transferred to Inversiones Crédito in accordance with Credicorp s policy for holdings of equity interests in non-financial companies. In April 2004, PPS sold substantially all of its holdings of Credicorp s equity shares to ASHC (see Item 7. (A) Major Shareholders).

In March 2004, PPS acquired Novasalud Perú S.A. Entidad Prestadora de Salud (Novasalud EPS), one of three private health insurance providers in Perú, and merged Novasalud EPS with Pacífico S.A. Entidad Prestadora de Salud (Pacífico Salud), a subsidiary of PPS, in August 2004.

In February 2005, Credicorp was authorized by Peruvian regulatory authorities to establish Prima AFP, in which Inversiones Crédito is the main shareholder. Credicorp expects that Prima AFP will begin operations as a private pension fund administrator in the second half of 2005.

Banco Tequendama, a Colombian banking concern acquired by Credicorp in January 1997, was sold in March 2005 to a Colombian bank. This followed the sale by Credicorp in December 2002 of Banco Tequendama s Venezuelan branches. While the sale of Banco Tequendama was publicly announced in October 2004, the sale was not completed until March 2005 when all approvals required from Colombian authorities were obtained. As of December 31, 2004, Credicorp s consolidated financial statements included Banco Tequendama s operations, with US$398.3 million in assets, US$306.7 million of loans and US$290.5 million of deposits.

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The following tables show the organization of Credicorp and its principal subsidiaries as of December 31, 2004 and their relative percentage contribution to Credicorp s total assets, total revenues, net income and shareholders equity at the same date (see (C) Organizational Structure):

	As of and for the Year ended December 31, 2004(2)			
	Total Assets	**Total Revenue**	**Net Income (Loss)**	**Shareholders Equity**
Banco de Crédito del Perú	77.5%	79.4%	85.2%	69.1%
Atlantic Security Holding Corporation	10.5%	3.4%	10.2%	9.9%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros	7.0%	10.9%	7.3%	13.4%
Banco Tequendama(3)	4.4%	4.0%	1.5%	2.9%
Others(4)	0.6%	2.3%	(4.2)%	4.7%

(1) Includes the equity interest held by PPS.
(2) Percentages determined based on the Credicorp Consolidated Financial Statements.
(3) Banco Tequendama was sold in March 2005.
(4) Includes Inversiones Crédito, Credicorp Securities Inc., and others.

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The following tables show the organization of BCP and its principal subsidiaries as of December 31, 2004:

	As of and for the Year ended December 31, 2004(2)			
	Total Assets	**Total Revenue**	**Net Income (Loss)**	**Shareholders Equity**
Banco de Crédito del Perú	89.7%	88.4%	88.8%	84.6%
Banco de Crédito de Bolivia	6.4%	6.4%	4.8%	7.8%
Crédito Leasing S.A.	3.4%	1.4%	1.4%	4.2%
Credifondo S.A.	0.2%	1.6%	3.4%	1.3%
Credibolsa Sociedad Agente de Bolsa S.A.	0.1%	0.7%	1.8%	0.6%
Others(3)	0.2%	1.5%	(0.2)%	1.5%

(1) Credicorp holds an additional 4.08% stake.

(2) Percentages determined based on BCP s consolidated financial statements as of and for the year ended December 31, 2004.

(3) Includes Creditítulos S.A., Inmobiliaria BCP, and others.

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(B) Business Overview

(1) Introduction Review of 2004

Credicorp s results for 2004 maintained their positive trend from the two previous years and showed significant improvement due to a growing Peruvian economy and a favorable international environment. Net income increased substantially and the quality of the loan portfolio and of investments in other risk assets continued to improve.

During 2004, there was further consolidation in the Peruvian banking system, with resulting improvements in loan quality and profits. Nevertheless, with certain exceptions such as consumer loans and lending to micro-businesses, business volumes remained depressed.

The improvement in Credicorp s results was driven mainly by the higher quality of its loan portfolio, which allowed for a decrease in loan loss provisions, as well as by lower merger costs and increased fees, despite new taxes imposed on financial transactions. In 2004, Credicorp s consolidated net income increased by 62.2% to US$130.7 million from US$80.6 million in 2003. Although profitability levels are not yet at desired levels, improvements are expected to continue in the medium term as a result of the consolidation of Credicorp s businesses. In 2004, Credicorp s return on equity increased to 13.2% from 9.3% in 2003.

Credicorp s total assets and asset quality improved substantially in 2004. Total assets reached US$9.1 billion at December 31, 2004, a 9.3% increase from US$8.3 billion at December 31, 2003. While total loans grew by only 1.7% in 2004, increased liquidity led to an increase in investments of 27.4% in the same period. Allowance for loan losses decreased 17.4% to US$16.1 million in 2004 from US$66.4 million in 2003 due to the higher quality of the loan portfolio. In addition, past due loans decreased to 3.5% of the total loan portfolio at year-end 2004 from 5.7% of the total loan portfolio at year-end 2003, while past due loan coverage by provisions increased to 170.9% at year-end 2004 from 127.5% at year-end 2003.

The net interest margin (net interest income over average interest earning assets) was 4.85% in 2004, down from 5.15% in 2003. The net interest margin decreased primarily due to market conditions driving down loan rates, which were not fully offset by lower funding costs.

Revenue from fees for banking services continued to grow in 2004, although at a slower pace than in prior years due to the implementation of new taxes on financial transactions. As a result, revenue from fees for banking services in 2004 increased by 6.3% to US$201.5 million from US$189.5 million in 2003. The increase is primarily due to growth in credit card fees and fund transfer and collection fees.

ASHC continued to grow its managed funds business and developing investment products in 2004. Total managed funds, deposits and assets under management were US$1.4 billion in 2004, an 11.7% increase from US$1.3 billion in 2003, representing a significant volume that Credicorp expects will permit ASHC to generate a stable and diversified revenue stream. ASHC s net income increased by 75.2% in 2004 to US$19.1 million from US$10.9 million in 2003, with lower returns from decreased interest margins and investment concentration on low risk segments being offset by reduced provision charges and higher fee revenue.

BCB continued to report positive results mainly due to the improvement in the quality of its loan portfolio, which allowed for a decrease in loan loss provisions, and the application of strict cost controls. Past due loans fell from 20.7% of BCB s total loan portfolio in 2003 to 10.9% in 2004, while past due loan coverage by provisions grew from 76.8% in 2003 to 100.6% in 2004. To offset the negative effect of the new financial transactions tax, BCB improved its delivery channels for banking services.

In Credicorp s insurance business, net premiums increased to US$192.7 million in 2004 from US$125.1 million in 2003, primarily due to continued growth in the life insurance business line and the acquisition of Novasalud EPS in March 2004. PPS contributed US$9.6 million to Credicorp s earnings in 2004, a 191% increase from the US$3.3 million contributed by PPS in 2003.

Banco Tequendama s contribution was positive in 2004. Banco Tequendama contributed net income of US$1.9 million in 2004 compared to a net loss of US$5.5 million in 2003. The improved results at Banco Tequendama were due to restructured operations and changes in the business model, which resulted in increases in lending in the personal banking segment. On October 26, 2004, Credicorp announced an agreement to sell its interest in Banco Tequendama to a Colombian bank. The sale was completed in March 2005.

On November 25, 2004, Credicorp announced its plans to enter the private pension fund administration business. In February 2005, Credicorp received the authorization from the Peruvian regulatory authorities to establish Prima AFP. Credicorp expects that Prima AFP will begin operations as a private pension fund administrator in the second half of 2005.

In January 2005, Credicorp announced the purchase of Bank Boston s Peruvian subsidiary s onshore and offshore loan portfolio. The acquisition increased Credicorp s total loans by approximately US$353 million. Particularly important components of the portfolio include medium-term commercial loans (approximately US$115 million), premium housing mortgages (approximately US$47 million) and leasing loans (approximately US$45 million). The payment for and transfer of this portfolio took place in February 2005.

(2) Strategy

During 2005, Credicorp intends to continue with its key business strategies implemented in 2004, and will focus its initiatives on:

- increasing profitability;
- maintaining the highest quality of customer service;
- improving efficiency through reductions in operating costs and more aggressive use of electronic channels;
- diversifying the client base by developing under-banked segments, which involve small companies and low-income individuals, through specially tailored loans, cash management services and transactional products;
- increasing funds under management through focus on wealth management services;
- reducing net income volatility and further strengthening the balance sheet;
- reducing the rate of claims in the insurance business; and
- limiting international expansion.

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In 2005, BCP will continue its strategy of increasing lending in the personal banking segment, which continues to show a high growth rate but is also an area where competition from various financial and non-financial credit providers has intensified. In past years, growth in this segment has offset declining loans to large corporate customers.

A significant factor in BCP s drive towards growing its personal banking business was the change in the corporate image of BCP in 2002. BCP modernized its corporate image to make it more appealing to a wider and younger segment of the public. Also as part of this strategy, BCP is promoting a friendlier and more efficient banking experience.

In 2004, BCP continued its strategy to expand its branch network, with four out of ten new offices located in under-banked districts of the city of Lima, where high demand for banking services is expected. In 2005, BCP will continue to focus on serving emerging areas of the principal urban centers in Peru as well as on lending to small and micro-businesses, which are segments that are expected to continue to grow at above average rates.

Although the loan and risk assets volume has not grown in recent years, the number of banking transactions has increased significantly, a trend that supports Credicorp s strategy of focusing on developing transactional business services for which fees are charged. Fees on banking services generate stable, diversified and low risk revenues that offset declining net interest income.

During 2004, Credicorp s efficiency ratio was 50.4%, which showed no improvement compared to 2003, and remains substantially higher than the 45% target set for 2005. Credicorp intends to renew efforts to reach this target without sacrificing the quality of its customer service, which Credicorp will continue to monitor closely.

In 2005, ASHC will continue its strategy of concentrating its investment portfolio in low risk investments to reduce exposure to market volatility while sustaining growth in the management of third-party funds. ASHC expects to improve client service through improved international investment products, which will span a wider risk and return offer.

Credicorp expects its insurance business, carried out by its subsidiary PPS, to further increase its profitability in 2005 through increased premiums in its health and life insurance businesses, and through synergies from the acquisition and merger of Novasalud EPS.

In 2005, BCB will focus on consistently applying corporate guidelines, consolidating changes in its organizational structure and improving credit management and portfolio quality. BCB s profitability is expected to improve through increased mortgage loans, lending to small and micro-businesses and service fee income.

In March 2005, Banco Tequendama was sold to a Colombian bank, which completed Credicorp s exit strategy for the Colombian market. Credicorp s subsidiaries will continue operating offices in Perú, Bolivia, Miami and Panama.

On November 25, 2004, Credicorp announced its plans to enter the private pension fund administration business. In February 2005, Credicorp received the authorization from the Peruvian regulatory authorities to establish Prima AFP. Credicorp expects that Prima AFP will begin operations as a private pension fund administrator in the second half of 2005. Credicorp considers that it has competitive advantages in the private pension fund administration business, given its knowledge of the market and of its client base, and due to its financial strength, credibility and service quality.

(3) Commercial Banking

The majority of Credicorp s commercial banking business is carried out through BCP, Credicorp s largest subsidiary and the largest and oldest bank in Perú. As of December 31, 2004, BCP ranked first among Peruvian banks with S/.23.5 billion (US$7.2 billion) in total assets, S/.13.6 billion (US$4.1 billion) in total loans, S/.18.2 billion (US$5.6 billion) in deposits and S/.2.4 billion (US$737 million) of shareholders equity. BCP s net income for 2003 and 2004 was S/.323.9 million (US$98.7 million) and S/.319.3 million (US$97.3 million), respectively. As of December 31, 2004, BCP s loans in the Peruvian banking system represented approximately 33.0% of the system s total, and BCP s deposits represented approximately 35.6% of total deposits in the Peruvian banking system, decreasing from 34.4% and 36.1%, respectively, as of December 31, 2003.

At December 31, 2004, BCP had the largest branch network of any commercial bank in Perú with 207 branches, including 126 in Lima and the adjoining city of Callao. BCP operates an agency in Miami and a foreign branch in Panama.

A portion of Credicorp s commercial banking business is also carried out by ASHC, which principally serves Peruvian private banking customers through offices in Panama. At December 31, 2004, ASHC had total assets of US$880.3 million and shareholders equity of US$151.0 million (compared with US$776.3 million and US$112.9 million, respectively, as of December 31, 2003). ASHC s net income was US$19.1 million in 2004 and US$10.9 million in 2003. The increase in income from 2003 to 2004 was principally the result of increased gains on its investment portfolio, which required lower risk provisions.

Total loans outstanding in ASHC s portfolio totaled US$157.1 million and US$152.3 million at December 31, 2003, and 2004, respectively, representing a decrease of 3.1% . Deposits increased 9.0% to US$686.1 million at December 31, 2004 from US$629.4 million at December 31, 2003. Third party assets under management increased 29.2% from US$664.1 million in 2003 to US$758.5 million in 2004, principally due to low interest rates paid on deposits and to the introduction of new products, notably mutual funds. ASHC s past due loans as a percentage of total loans was 0.0% from 1996 through 2002, but reached 2.3% as of December 2003, and declined back to 0.0% at December 31, 2004. Reserves for probable loan losses decreased to US$3.2 million in 2004 from US$4.8 million in 2003.

Credicorp conducts commercial banking activities in Bolivia through BCB, a full service commercial bank with, as of December 31, 2004, US$333.1 million in deposits, US$457.4 million in assets and US$320.8 million in loans. As of December 31, 2004, BCB was the fourth largest Bolivian bank in terms of loans, with a 13.1% market share, and the fifth largest in terms of deposits, with a 12.5% market share.

During 2004, Credicorp carried out commercial banking operations in Colombia through Banco Tequendama, which as of December 31, 2004 had US$290.5 million in deposits, US$398.3 million in assets and US$306.7 million in loans. In March 2005, Banco Tequendama was sold to a Colombian bank.

Credicorp s commercial banking business is organized into wholesale banking activities, which are carried out by BCP s Wholesale Banking division (which includes the Corporate Banking operations of ASHC) and retail banking activities, which are carried out by BCP s Personal Banking and Service Banking divisions. Wholesale Banking is responsible for (i) corporate banking, (ii) middle market banking, (iii) international trade finance, (iv) corporate finance, (v) business finance, (vi) institutional banking, and (vii) business services. Retail banking activities include (i) exclusive banking, (ii) small and micro business lending, (iii) mortgage lending, (iv) credit cards, and (v) consumer finance. Although attracting deposits is a function of all of the banking areas, Credicorp s deposit-taking activities are

concentrated primarily in the Consumer and Personal retail banking areas of BCP and the Private Banking division of ASHC.

In 2002, Credicorp s total loan portfolio increased by 18.5%, but declined by 7.0% during 2003, and grew 1.7% in 2004. These changes, together with changes in its client mix, could be accompanied by increased risk, not only due to the speed and magnitude of the increases, but also due to the shift to middle market, small business and consumer lending sectors, and away from corporate lending. Given the changing composition of Credicorp s loan portfolio, Credicorp s historical loan loss experience may not be indicative of future loan losses.

(i) Wholesale Banking

Credicorp conducts wholesale banking primarily through BCP s Wholesale Banking division and ASHC s Corporate Banking division. Given the modernization and internationalization of Peruvian financial markets, BCP s Wholesale Banking division not only competes with local banks but also with international banks offering very competitive rates. BCP s traditional relationships continue, however, to provide the Wholesale Banking division with a competitive advantage.

BCP s Wholesale Banking division has traditionally generated the majority of BCP s loans. BCP estimates that approximately 66.7% of its loans and 95.3% of its other extensions of credit (primarily guarantees and letters of credit) at December 31, 2004 were to customers in its Wholesale Banking division. BCP has the largest capital base of any Peruvian bank, which provides it with more resources than any other Peruvian bank to meet the financing needs of its corporate clients. See (8) Competition. Because Peruvian companies were not able to access international sources of credit until the mid-1990 s, BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Perú. BCP s Wholesale Banking division provides its customers with short and medium term, local and foreign currency loans; foreign trade-related financing; and lease financing. BCP s Wholesale Banking division is divided into:

- corporate banking, which provides loans and other credit services to companies with annual revenues in excess of US$15 million;
- middle market banking, which serves mid-sized companies;
- international trade finance, which manages BCP s relationship with financial institutions abroad;
- corporate finance, which provides underwriting and financial advisory services to corporate and middle market clients;
- business finance, which finances business projects and manages the financial leasing product;
- institutional banking, which focuses principally on serving non-profit organizations, state- owned companies and other major institutions; and
- business services, which develops transactional services.

Although state-controlled corporations are served by BCP s Wholesale Banking division, mostly in connection with international trade finance, BCP does not regularly extend loans directly to the Peruvian government or to regional or municipal governments.

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Corporate Banking

Credicorp conducts its corporate banking activities primarily through BCP and to a lesser extent ASHC. BCP s Corporate Banking area has been the traditional strength of BCP s lending business, providing banking services to virtually all of the major industrial and commercial enterprises in Perú. BCP believes that it has an advantage in servicing the larger corporations in Perú because of its strong capital base and relative size compared to other Peruvian banks. BCP s Corporate Banking area primarily provides its customers with local and foreign currency loans and has primary responsibility for maintaining client relationships with BCP s largest banking clients. In addition, BCP s Corporate Banking area provides services such as letters of credit and standby letters of credit, domestic collections and nationwide fund transfers, payments through BCP s Miami agency and foreign exchange facilities.

Loan contribution for this area represented 40% of total BCP loans in 2004. The composition of these loans was approximately 80% foreign currency-denominated (primarily U.S. dollar-denominated) and 20% Nuevo Sol-denominated. During 2004, corporate loans continued their declining margins due to excess liquidity and the competition from financing through capital market issues, which was partly offset by the increase in local currency lending, which has higher rates and spreads.

ASHC s Corporate Banking division makes working capital and bridge loans. As of December 31, 2004, approximately 67.8% of ASHC s loans were to Peruvian companies, 6.3% were to companies in Bolivia, 4.8% were to companies in Colombia, 3.9% were to companies in Nicaragua, and the remainder were to borrowers in other Latin American countries.

Middle Market Banking

BCP s Middle Market Banking division generally serves the same industries and offers the same products as the Corporate Banking area. Its focus, however, is on providing its customers with working capital loans, primarily secured by accounts receivable. This is accomplished by arranging financing for medium and long-term investment programs, including leasing services offered through Crédito Leasing (Credileasing), a subsidiary of BCP.

Credicorp conducts middle market lending primarily through BCP, and, to a much lesser extent, through ASHC. The loan portfolio of the Middle Market Banking division of BCP grew to US$1.2 billion in 2002, decreased to US$1.0 billion in 2003 and grew to US$1.1 billion in 2004, while stringent credit quality requirements continued to be enforced. Credicorp expects this sector to grow and increase in relative importance as the Peruvian economy grows.

Credicorp sees significant opportunities in lending to middle market businesses, particularly in Perú s agriculture, fishing and construction industries, where special emphasis has been placed and specific task units have been created to attend to the needs of these economic groups.

BCP s medium-term financing products, which include structured loans, project financing and syndicated transactions, are designed to accommodate specific clients needs. Through these products, BCP has been an active lender and financial advisor to Perú s mining, technology and energy sectors. In addition to its regular sources of funds, BCP is an intermediary in several medium-term credit lines for project financings in certain sectors for *Corporación Financiera de Desarrollo* (Development Finance Corporation or COFIDE) and such international financial institutions as *Corporación Andina de Fomento* (Andean Development Corporation or CAF), the International Finance Corporation (IFC) and the Inter-American Development Bank.

Credicorp performs its leasing operations either directly through BCP or through Credileasing. At December 31, 2004, Credicorp s leasing operations totaled US$393.5 million, 58.3% (US$229.3 million) of which were recorded on the books of Credileasing. BCP s lease finance business is currently estimated to be the largest in Perú, with a market share of approximately 37.3% at December 31, 2004. The principal means of financing for Credileasing is through the issuance of specific leasing bonds, of which a total of S/.517.7 million (US$157.7 million) were outstanding as of December 31, 2004, while Credicorp has a total outstanding of US$227.8 million, with the difference being issued by BCP. Management estimates that Credileasing s market share among specialized leasing companies was 56.9% at December 31, 2004. Leasing customers are primarily companies engaged in manufacturing, communications, commerce and fishing that lease such items as machinery, equipment and vehicles.

The agricultural loan portfolio, with a balance of approximately US$160.2 million at year-end 2004, has a professional team of specialists that provide technical and financial assistance to other business units in assessing companies with operations in this sector. The unit collects and maintains an up-to-date database of valuable information that permits an accurate understanding of markets as well as forecasting. It also carries out feasibility studies and comparative analysis to which clients have access. Working in conjunction with organizations that represent the sector, management also offers training and specialist consultancy services to companies in the agricultural sector.

At the end of 2004, approximately US$130.0 million of agricultural loans were structured under the Peruvian government-sponsored program of *Programa de Rescate Financiero Agropecuario* (Agricultural Financial Relief or RFA), which represented an opportunity to improve the solvency of Credicorp s clients and the quality of the portfolio. The RFA program will be available through December 2005.

Financial margins in the middle market continue to be attractive. Because of their size, middle market companies in Perú generally do not have access to the local or international capital markets or to credit from foreign banks. In addition, Credicorp believes that middle market companies have benefited significantly from the overall economic improvements in Perú over the past few years. Loan quality problems have been addressed through procedures and organizational changes that have focused on improving the loan approval and credit-risk assessment processes. See (iii) Credit Policy and Review.

International Trade Finance

BCP s international trade finance operations are focused primarily on providing short-term credit for international trade, funded with internal resources or with credit lines from foreign banks and institutions. Medium-term lines of credit funded by international commercial banks and other countries governmental institutions are also provided. In addition, BCP s International Trade Finance area earns fees by providing customers with letters of credit or international collections and providing foreign exchange services to clients. The International Trade Finance area also promotes international trade activities by structuring Peruvian overseas commercial missions and introducing Peruvian businesses to potential foreign clients and vice versa.

In 2004, Peruvian exports increased 39.6% to US$12.5 billion from US$8.9 billion in 2003, principally due to increased exports of mining products and of manufactured goods. During the same year, BCP s export facilities volume increased 38.0% to US$5.3 billion, amounting to 42.4% of total Peruvian exports (42.7% in 2003). Total Peruvian imports were US$9.8 billion in 2004, increasing 18.9% from US$8.3 billion in 2003, principally due to higher demand for capital goods and raw materials. BCP s import letters of credit, collections and transfers amounted to US$1.0 billion in 2004, increasing from US$967 million in 2003.

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BCP has a direct presence abroad through an agency in Miami and a branch in Panama, and has access to a wide network of foreign correspondent banks, to offer several internationally competitive products to its customers. ASHC s trade finance activities are conducted by its Corporate Banking division. ASHC has concentrated its extensions of credit on short-term trade transactions with Latin American countries other than Perú.

BCP carries out business with more than 1,000 correspondent banks, development organizations, multilateral financial bodies, and foreign government export promotion agencies. BCP has correspondent banking relationships and uncommitted credit lines with more than 80 banks for foreign trade operations, financing of working capital and medium and long-term investment projects. During 2004, BCP s significant surplus of liquidity allowed it to maintain a very low use of foreign lines of credit.

Corporate Finance

BCP s Corporate Finance area provides a wide range of underwriting and financial advisory services to corporate clients and middle market businesses and has a leading position in the local market. The Corporate Finance area was incorporated into BCP s Wholesale Banking division in the first quarter of 1996 in order to enhance its effectiveness as the demands of Perú s larger corporations move away from loan-based operations toward capital markets-based operations. This area focuses its transactions in the capital markets, primarily debt and equity issues, project financing, corporate financing, financial restructurings and mergers and acquisitions.

In 2004, BCP s share of the market for structuring fixed-income instruments increased to 47% from 37% in the previous year. Private debt placements, after increasing 55% in 2003, to US$1.5 billion, declined 15% in 2004 to US$1.2 billion. The Corporate Finance area had a significant role in the placement of the First and Fourth Issues of the TGP First Corporate Bond program, of Transportadora de Gas del Perú S.A. The amount placed in the First Issue was US$200 million with a 15 year maturity and in the Fourth Issue S/.236.6 million (approximately US$70 million) with a 25 year maturity.

In operations related to project financing and structured loans, BCP s Corporate Finance area structured transactions during 2004 worth a total of US$219 million, of which BCP participated in US$130 million. Funding for important Peruvian companies spanned different sectors such as electricity generation, mining, oil and gas, and for the Municipality of the city of Lima. Significant syndicated loan structuring projects included the financing of Minera Ares S.A.C. for US$70 million, Pluspetrol S.A. for US$60 million, and Eléctrica Cahuas for US$37 million.

Additionally, BCP s Corporate Finance area structures short-term instruments, mostly commercial paper and certificates of deposit, and offers financial consultancy services focused on restructuring debt, appraisals and evaluations of payment capacity for companies from several sectors, such as paper, manufacturing, sugar, food, real estate and construction.

Business Finance

The Business Finance area specializes in funding investment projects, focusing its efforts on developing the financial leasing business. Thus, its principal activity is to structure, negotiate and disburse funds for leasing operations. It also carries out medium-term operations, principally for small and medium-sized companies.

The financial leasing business continued its recovery during 2004. Credicorp s leasing loan balances showed a 5.6% growth in 2004, after being affected in prior years by declining market demand due to the co-existence of two tax systems applicable to leasing operations, which put BCP at a disadvantage in relation to certain competing banks, but which were unified in 2003.

Growth during 2004 was driven by business loans in sectors requiring natural gas produced in the Camisea fields, mainly energy generation and manufacturing. Energy generation and manufacturing companies invested in the conversion of their equipment and processes to use natural gas as their primary energy source. Loan demand also increased in the fishing and telecommunications sectors.

Institutional Banking

The Institutional Banking area was moved from the Personal to the Wholesale Banking division in 2004, since most of its clients have a significant volume. This area serves non-profit organizations, whether public or private, including approximately 4,800 state and local government entities, international bodies, educational institutions and non-governmental organizations among others. The client base has grown significantly since 2002 due to a market re-segmentation effort. These clients are served by specialized teams in both the Wholesale Banking and Personal Banking divisions.

The Institutional Banking area is strategically important due to the business potential its clients, which demand diverse products and services, and the opportunities its clients present for generating income from fees and cross-selling of services. The Institutional Banking area s clients are principally users of transactional products and require consultancy for investment management. BCP s strategy in this segment is focused on building customer loyalty by offering customized services at relatively low competitive rates and outstanding service quality. At December 31, 2004, the Institutional Banking area s clients deposits and shares in Credicorp s mutual funds reached approximately US$700 million, while their loans amounted to US$31 million. The Institutional Banking clients use of services offered by BCP include remote office banking, collections and automated payroll payment.

Business Services

This unit is responsible for both the development and marketing of transactional, or cash management, services for BCP s corporate and institutional clients. Services offered, grouped into more than thirty products, are aimed at strengthening ties with clients, assuring their loyalty and reciprocity in the business carried out with BCP, as well as reducing costs using electronic channels and increasing fee income.

Services managed by this unit include collections (automated trade bill collection and electronic factoring), automated payments (direct credits to personnel and suppliers accounts and money transfers), electronic office banking and cash management through checking accounts with special features.

In 2004, BCP continued its efforts to increase revenue from transactional services, primarily through the improvement of the operating efficiency of the office banking service Telecrédito . The transaction volume in the office banking service continued to grow in 2004 (67% compared to 48% in 2003) and fee revenue continued to increase (10%). In 2004, revenue from fees on money transfers received from other countries grew by 23% and transaction volume increased 13% (19% in 2003). Approximately 1,000 entities, mainly public utilities, municipalities, insurance companies, among others, use BCP s automated bill payment service, which processed an average of 700,000 payments per month during 2004.

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(ii) Retail Banking

Credicorp s retail banking activities are conducted by BCP and, to a much lesser extent, by BCB in Bolivia. Retail banking-related loans accounted for approximately 33.4% of BCP s total loans in 2004 compared to 32.0% in 2003 and 30.3% in 2002.

After several years of declining loan volumes of BCP s retail units, volumes grew in 2002, particularly in loans to small businesses and home mortgages, but decreased again in 2003, and had a modest 4.4% increase in 2004. Nevertheless, within retail lending, home mortgages and micro-business loans continued to show strong growth in 2004. In 2004, home mortgages grew 21.1% to US$696.1 million, while micro-business loans grew 20.7% to US$169.8 million.

With the segmentation of its retail client base, BCP is able to focus on the cross-selling of products and on improving per-client profitability. Credicorp expects the retail banking businesses to be one of the principal growth areas for BCP s lending activities.

At BCP, retail banking operations are divided into two divisions, Service Banking and Personal Banking, the latter of which is further subdivided into Exclusive Banking, Small Business Banking, Consumer Banking, and Micro-business Banking, which was instituted after the merger of Solución in March 2004.

The Service Banking division carries out personal loan authorization and collection and has invested substantially during the past few years to improve delivery channels in order to provide better quality and more efficient service. It is also responsible for the development and sales of third-party processing services that generate fee income from transactions and mass processing to meet the needs of our clients. In 2004, Service Banking continued focusing on increasing transaction volume from under-banked segments of the population.

The Exclusive Banking area principally serves a select number of high-income customers with the most profitable personal accounts and specializes in offering personalized service. Consumer Banking is in charge of servicing BCP s traditional retail client base, and is also in charge of mortgage lending and credit cards. Small Business Banking targets companies with annual revenue of more than US$300,000 and less than US$1 million, while the Micro-business Banking area primarily manages individuals who run small independent businesses, requiring small loans of up to US$20,000.

Each of the units offer clients diverse credit alternatives, transactional services and deposits. Products include Visa and American Express credit cards, mortgage loans, car loans, consumer credits, credits for small and medium-sized companies and payroll payment services, in addition to different types of deposits. The sale of processing services is offered through Servicorp , which is the brand name of Soluciones en Procesamiento S.A., a 99.98% owned subsidiary of Inversiones Crédito. Servicorp s lines of business include the sale of processing solutions to third parties to increase the use of available capacity in distribution channels.

Exclusive Banking

Exclusive Banking is BCP s private banking area, and manages a select number of individual customers who are key to BCP because of the high volume of loan and deposit business they generate, and their attractive profitability.

In 2004, this unit continued to retain and increase ties with its customers, as well as to add new ones, for which sophisticated commercial plans were developed. This segment has 48,000 customers,

with total deposits of US$1.1 billion and US$470 million in loans. Belonging to this segment gives customers the advantage of preferential interest rates for loans and deposits and personalized service through an assigned official. During 2004, Exclusive Banking customers were advised of savings alternatives using capital markets products, including investments in mutual funds, given the continuing low levels of interest rates paid on banking deposits.

Small Business Lending

Small business lending is carried out by the Small Business Banking and Micro-business Banking areas. These areas serve 120,000 corporate and individual customers with annual sales of less than US$1 million, which are served primarily with sales and inventory financing and working capital loans, complemented by cash credits through overdrafts. During 2000 and 2001, loans to this segment contracted because of decreased demand for small business products and services due to the poor development of the Peruvian economy. In particular, lower consumer demand negatively affected this segment s loan quality and loan growth. After several years of continuous growth, loans decreased 19.4% in 1999, again 17.7% in 2000, and a further 11.9% in 2001, but grew 38.4% in 2002, only to fall 21.9% in 2003 and a further 14.6% in 2004 to US$340 million at year-end. The decrease experienced in 2003 and 2004 was mainly due to an increase in overdue loan charge-offs and the reclassification of loans acquired by subsidiaries in 2002 to other market segments.

Small Business Banking has divided its clients into different areas: Small Businesses, which have annual sales of less than US$300,000; and Consolidated Businesses, which have annual sales between US$300,000 and US$1 million. These businesses benefit from products specially designed for their needs, such as the Cash Credit for Businesses, a revolving credit line repaid in installments, as well as the usual credit products: discounted notes, letters of credit, guarantees and stand-by credits.

Micro-business Banking concentrates its efforts in small loans to individuals who primarily derive their income from small family-run business activities. BCP s loans to micro-businesses as of December 31, 2004 amounted to US$170 million, representing a 21% increase from 2003, and constituted a 16% estimated market share.

Mortgage Lending

BCP was the largest mortgage lender in Perú with a market share of 37% of total mortgage loans in the Peruvian banking system as of December 31, 2004. This was to a large extent the result of campaigns aimed at clients with the highest demand for these types of loans and improvements in the quality of procedures followed in extending credit and establishing guarantees.

Credicorp expects BCP s mortgage lending business to continue to grow given the low levels of penetration in the financial market, the increasing demand for housing, the availability of funds for the Peruvian government s *MiVivienda* low-income housing program, and the current economic outlook for controlled inflation and renewed gross domestic product (GDP) growth in Perú. BCP has been able to become the largest issuer of *MiVivienda* credits, increasing its market share of outstanding loans from 6% in 2002 to 23% in 2004.

BCP had US$696.1 million of outstanding mortgage loans at December 31, 2004 compared to US$574.8 million at the end of 2003. Additionally, BCB s mortgage loans reached US$81.7 million at December 31, 2004, representing 20.6% of the Bolivian mortgage loans at such date.

Mortgage financing is available only to customers with minimum monthly income in excess of US$900 and of US$400 in the case of the *MiVivienda* program. The *MiVivienda* program, however, limits

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the value of the house to be purchased to US$30,000. BCP will finance up to 75% of the appraised value of a property where monthly mortgage payments do not exceed 30% of the client s stable net income. The maximum maturity of the mortgage loans BCP offers is 25 years. Within the mortgage lending business, BCP offers variable and fixed interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles; however, BCP s mortgage portfolio is almost exclusively variable rate and U.S. Dollar-denominated.

Credit Cards

The market for credit cards in Perú has grown significantly as improving economic conditions have led to increased consumer spending, with credit cards increasingly being seen as a convenient way to make payments. BCP expects strong demand for credit cards to continue. In addition to interest income, BCP derives fee income from customer application and maintenance fees, retailer transaction fees, merchant processing fees and finance and penalty charges on credit cards.

The number of active credit cards issued by BCP increased from 28,840 as of December 31, 1990 to 158,000 in 2001, to 186,000 in 2002, to 249,000 in 2003, and to 258,000 at year-end 2004. BCB has issued approximately 23,000 credit cards in Bolivia.

BCP s credit cards are primarily, and have been historically, issued through Visa, but in May 2000 BCP began offering American Express cards. BCP estimates that its credit cards account for 16% of the credit cards issued by the banking system in Perú as of December 31, 2004. The estimated total number of credit cards issued in Perú as of December 31, 2004 was approximately 4.1 million, of which approximately 46% were issued by non-banking entities or department stores.

In 1997, VISANET was established in Perú to process transactions involving credit and debit card transactions and to widen their acceptance, with the participation of major local banks and Visa International. BCP is the largest shareholder of VISANET, holding approximately 36% of its total shares. In 1997, the number of electronic payment terminals was approximately 1,500, increasing to 8,415 as of December 2001, to 11,645 at December 2002, to 14,031 in 2003, and further to 15,741 terminals at year-end 2004. At the end of 2004, the number of Visa cards issued in Perú, including credit and debit cards, stood at approximately 3.5 million, while the number of transactions processed during the year grew 7.9% to 28.6 million, and purchases grew 12.1% to US$925 million.

BCP s total credit card purchases during 2004 were US$254.8 million (US$238.9 million in 2003), and the credit balance as of December 31, 2004 was US$159.9 million, representing 3.9% of total loans. In 2004, BCP s market share of total purchases made with Visa credit cards was 35.9%, compared to 38.4% in 2003 and 36.7% in 2002. These numbers reflect BCP s strategy of seeking more widespread use of the cards at the lower end of the consumer market. As part of this strategy, financing with fixed installment payments using the Visa credit card has been offered since the last quarter of 2001. As of December 31, 2004, BCP s credit card portfolio had balances past due of approximately 3.1% . BCP is taking steps to improve its card approval and collection process. These measures include issuing cards only to persons with stable net monthly incomes above US$400 and developing better methods for verifying applicants information and credit history. Additionally, BCP has developed a mathematical scoring system to better assess the risk-reward variables associated with consumer lending.

In the segment of clients who do not regularly have access to credit cards, campaigns were launched to increase the use of the Credimás debit card as a form of payment. This resulted in a year-on-year increase of 16% in the use of this card (19% in 2003), with total billings of US$194 million (US$167 million in 2003). See ¯ (iii) Credit Policy and Review.

Consumer Finance

Consumer finance services offered by the Consumer Banking unit at BCP are currently provided to approximately 1.5 million customers, who account for 44% of deposits and 16% of Retail Banking loans, and contribute 46% of operating net revenue. Consumer finance revenues from fees on banking services account for 54% of revenues, which decreased 13% compared to fee revenues in 2003, mainly due to lower demand after financial transaction taxes began to be applied. Nevertheless, high returns were maintained from increased net interest income resulting from higher loan volumes. Consumer lending products offered include cash consumer loans, payroll loans and loans for specific purposes like automobile purchases, travel and education.

(iii) Credit Policy and Review

Credicorp applies uniform credit policies and approval and review procedures, which are based on conservative criteria adopted by BCP, to all of its subsidiaries. Credicorp s General Manager is in charge of setting the general credit policies for the different business areas of Credicorp. These policies are set within the guidelines established by Peruvian financial sector laws and SBS regulations (see ¯(11) Supervision and Regulation (ii) BCP), and the guidelines set forth by Credicorp s Board of Directors.

The credit approval process is based primarily on an evaluation of the borrower s repayment capacity and on commercial and banking references. A corporate borrower s repayment capacity is determined by analyzing the historical and projected financial condition of the company and of the industry in which it operates. An analysis of the company s current management, banking references and past experiences in similar transactions as well as the collateral to be provided, are other important factors in the credit approval process. For BCP s individual borrowers, the information that is presented by the prospective borrower is evaluated by a credit officer and the application is passed through a scoring program for approval by a centralized credit unit.

Credit risk in retail banking involves the assessment of the client s financial track record and other aspects in order to determine its ability to repay debt. Additionally, in each case, loan approval is subject to a number of credit scoring models, which assign loan-loss probabilities that relate to expected returns of each market segment.

Success in the small business and personal lending areas depends largely on BCP s ability to obtain reliable credit information about prospective borrowers. In this regard, BCP, together with several partners, formed a credit research company called Infocorp in November 1995. In addition, the SBS has expanded its credit exposure database service to cover all businesses or individuals with any amount borrowed from a Peruvian financial institution, including information on the loan risk category in which the borrowers are classified.

Credicorp has a strictly enforced policy with respect to the lending authority of its loan officers and has in place procedures to ensure that these limits have been adhered to before a loan is disbursed. Under BCP s credit approval process, the lending authority for middle market and small business loans is centralized into a specialized credit risk analysis unit, whose officers have been granted lending limits, thus allowing middle market and small business loan officers to concentrate on their client relations. To ensure that loan officers and credit analysis officers are complying with their lending authority, the credit department and BCP s internal auditors regularly examine credit approvals.

The following table briefly summarizes BCP s policy on lending limits for loan officers and credit risk analysis officers. Requests for credit facilities in excess of the limits set forth below are

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reviewed by Credicorp s General Manager, Executive Committee or, if the amount of the proposed facility is sufficiently large, the Board of Directors.

	Wholesale	Personal and Small Business
	(U.S. Dollars)	
Loans supported by liquid collateral or not exceeding two years(1)		
Loan Officer and Credit Analysis Officer	US$ 300,000	US$ 50,000
Chief Lending and Chief Credit Analysis Officer	1,350,000	100,000
Area Manager	4,500,000	400,000
Senior Credit Officer	7,500,000	1,000,000
Loans supported by other collateral or exceeding two years(2)		
Loan Officer and Credit Analysis Officer	100,000	25,000
Chief Lending and Chief Credit Analysis Officer	450,000	50,000
Area Manager	1,500,000	200,000
Senior Credit Officer	2,500,000	400,000

(1) Liquid collateral includes cash deposits, stand-by letters of credit, securities or other liquid assets with market price and accepted drafts.

(2) Other collateral includes securities with no market value, non-accepted drafts, real estate, mortgages, security interests on equipment or crops, and assets involved in leasing operations.

Credicorp believes that an important factor for maintaining the quality of its loan portfolio is the selection and training of its loan officers. Credicorp requires loan officers to have degrees in economics, accounting or business administration from competitive local or foreign universities. In addition, the training program consists of a six-month rotation through all of the business-related areas of Credicorp and the credit risk analysis area. After the training period is over, trainees are assigned as assistants to loan officers for a period of at least one year before they can be promoted to loan officers. Loan officers also receive additional training throughout their careers at Credicorp. Laterally hired officers are generally required to have held previous positions as loan officers.

In general, except for Corporate Banking loans, Credicorp is a secured lender. As of December 31, 2004, approximately US$1.9 billion of the loan portfolio and contingent credits were secured by preferred collateral. See (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio. Liquid collateral is a small portion of the total collateral. In general, if Credicorp requires collateral for the extension of credit, it requires collateral valued at between 10% and 50% above the facilities granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons. BCP s policy generally is to require that the appraised value of illiquid collateral exceed the loan amount by at least 25%. In cases where a borrower encounters difficulties, Credicorp seeks to obtain additional collateral.

The existence of collateral does not affect the loan classification process according to regulations in effect as of December 1998. Pursuant to the *Ley General del Sistema Financiero y del Sistema de Seguros y Orgánica de la Superintendencia de Banca y Seguros* (the General Law of the Financial System, the Insurance System and Organic Law of the Superintendency of Banking and Insurance, or Law 26702), secured loans, or the portion thereof covered by collateral, classified in Class B, C, or D risk categories have a lower loan loss provision requirement. If a borrower is classified as substandard or below, then Credicorp s entire credit exposure to that borrower is so classified. See (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio.

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Credicorp conducts unannounced internal audits as well as an annual audit by external auditors on the financial statements, consistent with bank regulatory practice in the respective jurisdictions in which it operates.

ASHC s policy is to provide funding to customers on the basis of approved lines of credit. ASHC s Credit Committee meets weekly to discuss the entire credit risk inherent in the risk portfolio, composed by loans and trading securities, and to review facilities approved by the committee charged with overseeing extensions of credit by ASHC s Panama branch. ASHC s loan officers operate within established credit limits ranging from US$50,000 to US$500,000. Regardless of whether an approved facility exists for a client, any transaction in excess of US$500,000 requires the approval of senior management. In addition, all credit extensions are monitored by ASHC s General Manager and reviewed and approved quarterly in their entirety by the Credit Committee of the Board of Directors of ASHC.

(iv) Deposits

Credicorp s deposit-taking operations are principally managed by BCP s Personal Banking division and ASHC s Private Banking division. See ¯(12) Selected Statistical Information (iv) Deposits.

The main objective of BCP s retail banking operations has historically been to develop a diversified and stable deposit base in order to provide a low cost source of funding. This deposit base has traditionally been one of BCP s greatest strengths. At December 31, 2004, BCP s deposits amounted to US$5.6 billion, increasing 3.8% compared to the December 2003 balance, translated at the same date s exchange rate. BCP has historically relied on the more traditional, low cost deposit sources, which it considers to be its core deposits: demand deposits, savings and CTS deposits. CTS deposits, or Severance Indemnity Deposits, are made by companies in the name of their employees, amounting to one month s salary per year, and may be withdrawn by the employee only upon termination of employment or upon transfer to another bank, subject to certain exceptions. At December 31, 2004, these core deposits represented 66.4% of BCP s total deposits, and 61.6% of Credicorp s total deposits. BCP s extensive branch network facilitates access to this type of stable and low cost source of funding. At the same time, market conditions led to continued excess liquid funds. Additionally, BCP s corporate clients are an important source of funding for BCP. As of December 31, 2004, BCP s Wholesale Banking division accounted for approximately 44.4% of total deposits, of which 54.6% were demand deposits, 40.2% time deposits, and 5.2% savings. Of all deposits from BCP s Wholesale Banking division, most (68.4%) were foreign currency-denominated (almost entirely U.S. Dollars) and the balance (31.6%) were Nuevo Sol-denominated.

ASHC s Private Banking division s clients have traditionally provided a stable funding source for ASHC, as many are long-time clients who maintain their deposits with ASHC. As of December 31, 2004, ASHC had approximately 3,000 customers. Currently, about 95% of ASHC s private banking clients are Peruvian. ASHC s total deposit base increased to US$686.1 million as of December 31, 2004 from US$629.4 million as of December 31, 2003.

All Credicorp subsidiaries have programs in place to comply with the know your customer regulations in the countries in which they operate. In addition to complying with the provisions of Peruvian law described below, BCP has had internal know your customer policies since 1995. As an additional precaution, ASHC will open accounts only for individuals or entities that are recommended by senior officers of ASHC or BCP.

Perú has long-standing laws criminalizing money laundering activities, and such laws were further strengthened in 1996 with the adoption of Law 26702, which incorporated the guidelines of the

Organization of American States directly into Peruvian law, and Law 28306 which revised functions assigned to the Financial Intelligence Unit, a public entity in charge of directing anti-money laundering actions and monitoring information that public and private companies are required to provide. The Financial Intelligence Unit has the authority to request detailed reports with respect to the movement of funds and the identity of depositors. According to recently enacted regulations, mainly Law 28306 and SBS Regulation 1725-2003, financial institutions must adopt internal mechanisms, appoint a full-time compliance officer reporting directly to the Board of Directors and conduct special personnel training programs and procedures to detect and report unusual or suspicious transactions as defined therein. See (iii) Credit Policy and Review.

(4) Investment Banking

Credicorp s investment banking businesses include:

- trading and brokerage services;
- treasury, foreign exchange and proprietary trading;
- asset management;
- trust, custody and securitization services; and
- investments by PPS.

BCP has the largest capital markets/brokerage distribution system in Perú, offering such services through 14 of its branches, all of which are interconnected with its brokerage subsidiary and have access to current market information. Management estimates that, with the expected growth and restructuring of the Peruvian business sector, the market for trading and brokerage services will increase significantly. The majority of Credicorp s trading and brokerage activities are conducted through BCP, ASHC and, since January 2003, through Credicorp Securities Inc. (Credicorp Securities), a wholly-owned subsidiary of Credicorp. Credicorp Securities is a U.S. registered broker-dealer with its offices in Miami.

(i) Trading and Brokerage Services

The majority of Credicorp s trading and brokerage activities are conducted primarily through BCP and, to a lesser extent, through ASHC and Credicorp Securities.

BCP s subsidiary, Credibolsa Sociedad Agente de Bolsa S.A. (Credibolsa), is the leading brokerage house on the Lima Stock Exchange. During 2004, Credibolsa had a total trading volume of US$1.7 billion, increasing from US$1.6 billion in 2003. Credibolsa had 14% of the total trading volume in variable return instruments and 64% of the volume in trading of fixed income instruments on the Lima Stock Exchange in 2004, compared to 15% and 53% in 2003, respectively. Credibolsa s trading volume was generated by domestic customers, both retail and institutional, and by foreign institutional clients as well as by Credicorp s proprietary trading.

In an environment of low profitability and high competition over the past few years, Credibolsa has been able to increase its profitability by expanding its sources of revenue. In addition to providing basic brokerage services, Credibolsa serves as a local market advisor for specialized stock market transactions and is one of the principal agents in the equity offerings of recently privatized companies in Perú. See (3) Commercial Banking¯(i) Wholesale Banking¯Corporate Finance.

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(ii) Treasury, Foreign Exchange and Proprietary Trading

BCP s treasury and foreign exchange groups are active participants in money market and foreign exchange trading. These groups manage BCP s foreign exchange positions and reserves and are also involved in analyzing liquidity and other asset/liability matters. The trading desk plays an important role in short-term money markets in Nuevos Soles and in foreign currencies and has been active in the auctions of certificates of deposit by Perú s Central Bank and in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments. Its foreign exchange transaction volume was US$17.3 billion in 2004, increasing from US$16.6 billion in 2003, while its foreign exchange trading services market share was approximately 24% (23% in 2003).

BCP s proprietary trading consists of trading and short-term investments in securities, which include instruments from various countries. These short-term investments are primarily made to facilitate its treasury management and corporate finance efforts. This has become an increasingly important part of BCP s business, as BCP seeks returns on excess liquidity pending improved lending conditions.

ASHC trades on its own account primarily by making medium-term investments in fixed income securities, equity securities, sovereign debt and purchased loans. The portfolio includes investment grade and non-investment grade debt securities of public companies and, to a much lesser extent, private U.S. debt and equity issues. Such securities are subject to substantial volatility and there can be no assurance as to their future performance. As of December 31, 2004, ASHC had approximately US$453.2 million, at fair values, invested in these types of securities (US$398.3 million in 2003). ASHC generally utilizes its own funds for these activities rather than borrowings. ASHC also holds an equity investment in Credicorp and an affiliate with a fair value of approximately US$234.8 million at December 31, 2004 (US$153.4 million at December 31, 2003), increasing during 2004 due in part to shares acquired from PPS. ASHC s investment portfolio, as well as future purchases, sales, overall investment strategy and the general profile of the trading portfolio are reviewed on a monthly basis by an investment committee comprised of members of its senior management. The Board of Directors of ASHC reviews and approves exposure limits for countries with transfer risk on a quarterly basis. The credit risk by counterparty is evaluated on a consolidated basis, including direct and indirect risk, such as interbank placements, loans, commitments, guarantees received, and trading securities purchased in the secondary market.

(iii) Asset Management

Credicorp s asset management business is carried out by BCP in Perú and to a lesser extent in Bolivia, and by ASHC.

In June 1994, BCP created Credifondo S.A., Sociedad Administradora de Fondos Mutuos de Inversión en Valores (Credifondo) to establish, provide advice to and operate mutual funds in Perú. In 2004 it continued to be the largest mutual fund manager in Perú with 51.6% of the market at year-end, as compared to 50.3% in 2003. At December 31, 2004, total Peruvian funds in the mutual funds system amounted to US$1.8 billion, decreasing 12% from US$2.0 billion in 2003, primarily due to the volatility of interest rates.

As of December 31, 2004, Credifondo managed six separate funds, with a total of 45,727 participants (55.4% of total participants) compared to 36,867 (55.3% of total participants in 2003). Among the securities in which the different funds specialize are: equities, U.S. Dollar-denominated bonds, Nuevo Sol-denominated bonds, U.S. Dollar-denominated short-term securities and U.S. Dollar-denominated real estate securities. As of December 31, 2004, the total amount of funds managed by Credifondo was US$912 million, decreasing from US$1.0 billion at December 31, 2003.

As of December 31, 2004, the Bolivian fund administrator managed a total of US$41.8 million of third-party funds (US$25.1 million in 2003).

ASHC s Asset Management group, created in 1989, conducts ASHC s management of third-party funds which, including the aggregate of third-party assets, had total assets under management of US$758.5 million as of December 31, 2004, compared to US$664.1 million as of December 31, 2003. This increase was principally due to continued low levels of interest rates paid on banking deposits, which led clients to transfer their funds from deposits to investment products, and the introduction of new products, including outsourced mutual funds managed by specialized fund administrators. Investment decisions for funds, except for outsourced funds, are made by senior officers within ASHC, in accordance with guidelines of the Investment Committee.

(iv) Trust, Custody and Securitization Services

BCP s Trust and Custody unit holds US$8.4 billion in securities for over 107,000 domestic and foreign clients. Custody services provided by BCP include the physical keeping of securities and the payment of dividends and interest. In addition, BCP acts as paying agent for securities of which it does not keep custody. BCP is one of the few banks in Perú qualified to serve as a foreign custodian for U.S. mutual funds. Trust services include escrow, administration and representation services, supervision of transactions done for its clients and transfer settlement and payment services for local securities issues, allowing clients to be adequately represented in their activities in the local and international securities markets.

During 2000, BCP formed La Fiduciaria S.A. (Fiduciaria), the first specialized trust services company in Perú, in which Credicorp holds a 45% interest. In its fourth year of existence, Fiduciaria manages trusts for a majority of institutions in the national financial system, putting itself at the forefront of fiduciary services in the country. Operations encompassed sectors including energy, communications, mining, tourism, fishing, education and construction. Fiduciaria ended 2004 with 90 outstanding operations (70 in 2003) which have a cumulative discounted funds flow of more than US$2.8 billion (US$1.8 billion in 2003).

(v) Investments by PPS

PPS s investments are made primarily to meet its solvency equity ratio and to provide reserves for claims. PPS manages its investments under two distinct portfolios. The first portfolio is designed to match the liabilities of property, automobile and health lines, and the second portfolio is designed to match the liabilities of life and annuities lines. Each portfolio is managed under the authority of its own committee, which reviews portfolio strategy on a monthly basis. PPS invests in foreign markets, emphasizing investments in U.S. and European sovereign debt. PPS has adopted strict policies related to investment decisions. PPS s investment strategies and portfolio generally are reviewed and approved monthly by its Board of Directors. Senior management does have investment authority, however, with respect to temporary investments using cash surpluses. For a discussion of PPS s investment activities, see (5) Insurance (iii) Investment Portfolio.

(5) Insurance

Credicorp conducts its insurance operations exclusively through PPS, which provides a broad range of insurance products. In 2004, the six most significant lines together constituted 81.8% of total premiums written by PPS. These are commercial property damage (including fire, earthquake and related coverage but not personal injury, tort or other liability risk), automobile, health, life and pension fund underwriting and life annuities. PPS is the leading Peruvian insurance company including private health companies, with a market share of 34.7% based on net premiums earned and fees in 2004.

PPS s consolidated net income in 2004 was S/.86.8 million (US$26.4 million), an increase of 115.5% from S/.40.3 million (US$12.3 million) in 2003. Operating expenses during 2004 were 21.7% of net premiums earned, lower than 24.3% in 2003.

PPS s net underwriting results increased 54.1% to S/.107.5 million (US$32.7 million) in 2004 mainly due to higher premiums and fee revenue. The ratio of net underwriting results to net premiums increased from 6.6% during 2003 to 9.1% in 2004, also mainly due to premium growth. Total premiums increased 13.0% to S/.1,187.2 million (US$361.7 million) during 2004 from S/.1,050.7 million (US$320.2 million) in 2003. Net premiums earned, net of reinsured premiums and of technical reserves (as defined below in (ii) Claims and Reserves), were S/.706.0 million (US$215.1 million) in 2004, increasing 39.4% as compared to the previous year.

PPS s business is highly concentrated: its client base consists of over 23,000 companies and over 111,000 individuals, not including those affiliated with group health insurance programs through the companies by which they are employed. PPS s property lines are distributed through agents and brokers, while life insurance is sold by PPS s own sales force. Revenues from policies written for the three largest and twenty largest customers represented 9.5% and 22.3% of total premiums, respectively, as of December 31, 2004, and 12.8% and 27.3%, respectively, as of December 31, 2003. The ten largest brokers accounted for approximately 21.6% of total premiums as of December 31, 2004 (25.1% in 2003). This concentration is attributable primarily to the relatively low premium levels of its personal insurance products compared to that of the commercial property line (where PPS traditionally has ceded to reinsurers substantially all premiums written). Accordingly, although PPS cedes to reinsurers a substantial portion of its commercial property-casualty premiums, significant losses by one or more major customers could nevertheless result in significant claims for PPS due to the uncovered portion of claims.

El Pacífico Vida (Pacífico Vida), PPS s life insurance subsidiary since 1997, is 38%-owned by a subsidiary of American International Group (AIG). Pacífico Vida had total premiums of S/.374.5 million (US$114.1 million) in 2004, 4.1% over premiums in 2003, which in turn increased 42.3% over 2002. Growth in 2004 and 2003 was primarily driven by a 136.6% increase in premiums in the life annuity business line in such years. PPS expects to increase its life insurance sales in Perú in the next few years and believes that AIG s participation in Pacífico Vida will provide the company with an advantage in competing for market share, which stood at 29.7% of the individual life and at 39.0% of the legal life segments in 2004, compared to 31.3% and 30.4% in 2003, respectively. The individual life insurance and the life annuities markets are expected to have the highest growth rates. Credicorp, through BCP s branch network, during 2004 sold 10,000 term life insurance policies covering accident and natural causes.

In 1999, PPS formed Pacífico Salud, becoming one of only three private health insurance providers at that time to offer an alternative to public social security. In March 2004, PPS acquired Novasalud EPS for US$6.5 million, and merged it with Pacífico Salud in August 2004. Pacífico Salud had total revenue of US$55.1 million in 2004 and US$23.9 million in 2003, with net income of US$1.2 million in 2004 and US$0.7 million in 2003.

(i) Underwriting, Clients and Reinsurance

Underwriting decisions for substantially all of PPS s insurance risks are made through its central underwriting office, although certain smaller local risks are underwritten at PPS s two regional offices. PPS s own underwriting staff inspects all larger commercial properties prior to the underwriting of commercial property or other risks related thereto with agents and brokers inspecting properties for smaller risks.

PPS utilizes reinsurance to limit its maximum aggregate losses and minimize exposure on large risks. Reinsurance is placed with reinsurance companies based on evaluation of the financial security of the reinsurer, terms of coverage and price. PPS s principal reinsurers in 2004 were Lloyd s, New Hampshire (an AIG company), Swiss Re, Everest Re, Munchener Ruck, Hannover AG and London Re. Premiums ceded to reinsurers represented 26.2%, 25.0% and 21.0% of premiums written in 2002, 2003 and 2004, respectively. PPS acts as a reinsurer on a very limited basis, providing its excess reinsurance capacity to other Peruvian insurers who are unable to satisfy their reinsurance requirements. As of December 31, 2004, premiums for reinsurance written by PPS totaled S/.9.7 million (US$3.0 million).

Although PPS historically has obtained reinsurance for a substantial portion of its earthquake-related risks and maintains catastrophe reserves, there can be no assurance that a major catastrophe would not have a material adverse impact on its results of operations or financial condition.

(ii) Claims and Reserves

Net claims paid as a percent of net premiums written (*i.e.*, the net loss ratio) increased to 53.4% in 2004 from 48.7% in 2003 and 58.6% in 2002. The net loss ratio from the health and medical assistance insurance line, which represented 30.5% and 18.0% of total premiums in 2004 and 2003, respectively, decreased to 81.8% from 83.5% in 2003. Automobile risks, 4.8% of PPS s premiums in 2004 (5.6% in 2003), decreased to 60.5% in 2004 from 60.7% in 2003. The property casualty line, 16.0% of total premiums in 2004 (23.5% in 2003), increased to 19.4% from 13.4% in 2003. Marine hull insurance claims, 3.4% of premiums, increased to 72.1% from 71.1% in 2003. The net loss ratio from private pension fund insurance, 6.1% of total premiums in 2004 (7.7% in 2003), decreased from 109.8% in 2003 to 78.0% in 2004.

PPS is required to establish claims reserves in respect of pending claims in its property-casualty business, reserves for future benefit obligations under its in-force life and accident insurance policies, and unearned premium reserves in respect of that portion of premiums written that is allocable to the unexpired portion of the related policy periods (collectively, Technical Reserves).

PPS establishes claims reserves with respect to claims when reported, as well as for incurred but not reported (IBNR) claims. Such reserves are reflected as liabilities in PPS s financial statements, net of any related reinsurance recoverable. Reserves for IBNR claims are estimated using generally accepted actuarial reserving methods.

Pursuant to SBS regulations, PPS establishes pre-event reserves for catastrophic risks with respect to earthquake coverage, including since 2003 unearned premiums, in the commercial property, business interruption, and engineering lines. According to IFRS principles, income charges for catastrophic reserves are reversed for Credicorp s financial statements.

PPS records as liabilities in its financial statements actuarially determined reserves calculated to meet its obligations under its life and accident policies and its pension fund underwriting business. These reserves are determined using mortality tables, morbidity assumptions, interest rates and methods of calculation in accordance with international practice. PPS also establishes premium deficiency reserves to cover the risks, in future periods, of policy lapse or termination prior to the end of the policy period.

There can be no assurance that ultimate claims will not exceed PPS s reserves.

(iii) Investment Portfolio

PPS s net investment income and realized capital gains on invested assets together accounted for 13.2% and 13.9% of PPS s revenues for the years ending December 31, 2004 and 2003, respectively.

As of December 31, 2004, the book value of PPS s trading securities was S/.75.5 million (US$23.0 million) while the investment portfolio, after the sale of the equity stake in Credicorp, as discussed below, was S/.1,463.2 million (US$445.8 million), which included:

- S/.102.5 million (US$31.2 million) invested in equity securities;
- S/.1,290.7 million (US$393.3 million) invested primarily in bonds and net of S/.65.4 million (US$19.9 million) of provisions for lower market value; and
- S/.22.9 million (US$7.0 million) invested in real estate and other assets, net of S/.26.2 million (US$8.0 million) in depreciation charges and provisions for lower market value assessment.

In April 2004, PPS sold Common Shares to ASHC. The sale amounted to S/.115.9 million (US$33.5 million) and resulted in a net gain of S/.75.5 million (US$21.7 million), which is not subject to income taxes, in PPS s local records. In Credicorp s consolidated financial statements, these Common Shares were included in the treasury shares equity account. In Credicorp s records, all the effects of the transfer of these Common Shares, including the gains, were eliminated in the consolidation process. See (12) Selected Statistical Information (iii) Loan Portfolio Concentrations of Loan Portfolio and Lending Limits.

PPS s investment portfolio, before the sale of its Common Shares to ASHC in April 2004, and of Backus in 2001, was highly concentrated in equity securities which, combined with limited investments in fixed income securities, made both the value and the income of the investment portfolio vulnerable to extreme volatility. With part of the proceeds from these sales, additional investments have been primarily made in fixed income securities. Because the investments in specific securities are large, there can be no assurance that PPS could readily dispose of significant portions of its securities portfolio at market values. Accordingly, there are risks associated with the potential illiquidity of PPS s securities holdings in the event that significant claims give rise to the need to liquidate rapidly a portion of such holdings.

Part of PPS s strategy is to maintain an adequate foreign exchange position in U.S. Dollars, since a significant portion of its premiums are denominated, and much of its operations are conducted, in U.S. Dollars. In 2004, 66.2% of the gross premiums received by PPS were denominated in U.S. Dollars (71.0% in 2003). As of December 31, 2004, PPS had US$42.0 million in short and medium-term U.S. Dollar-denominated deposits and U.S. Dollar-denominated bonds (primarily issued by Peruvian companies) (US$37.3 million as of December 2003).

(6) Distribution Network

(i) Commercial Banking

As of December 31, 2004, BCP s branch network consisted of 126 branches in Greater Lima and 81 branches in the provinces of Perú, the largest number of branches, with the most extensive country coverage, of any privately held bank in Perú. Credicorp believes that BCP s branch network has been largely responsible for BCP s success in attracting stable, relatively low-cost deposits. BCP has installed the most extensive network of ATMs in Perú, currently consisting of 526 ATMs, increasing from 507 at

year-end 2003, in addition to other electronic channels, including the Internet, that provide clients with a wider array of services and reduce congestion in the branches. During 2002, BCP began operations of an agency in Miami and a branch in Panama, and closed its branches in Nassau and New York. During 2003, BCP converted BCOL, its offshore bank in the Bahamas, into a vehicle to conduct investments and sold it to ASHC. ASHC subsequently consolidated BCOL into its operations during 2004.

ASHC keeps an office in Panama and a representative office in Lima.

BCB has 46 branches located throughout Bolivia, together with 125 ATMs, which is the largest ATM network in Bolivia.

(ii) Investment Banking

Credicorp offers investment banking products and services through BCP and ASHC. BCP offers clients a wide range of such products and services, such as brokerage, mutual fund and custody services through its branch network in Lima and, on a more limited basis, throughout the rest of Perú. In addition, Credicorp also distributes such products through ASHC.

(iii) Insurance

PPS, like other major Peruvian insurance companies, sells its products both directly and through independent brokers and agents. Directly written policies tend to be for large commercial clients, as well as for life and health insurance lines.

Credicorp is attempting to expand PPS s sales network, which currently has 20 offices throughout Perú, by selling certain insurance products through BCP s branch network. PPS offers, in collaboration with BCP, a life and health insurance product called Segurimax as well as a personal life insurance product that combines accidental death coverage with renewable term life insurance.

(7) Operations Support

Credicorp s operations are primarily conducted by BCP s support departments. Commercial Banking operations are supported by BCP s Credit division, which evaluates and helps administer credit relationships, establishes credit policies and monitors credit risk. See (3) Commercial Banking (iii) Credit Policy and Review. BCP s Planning and Finance division is responsible for planning, accounting and investor relations functions. Planning and Finance is also responsible for analyzing the economic, business and competitive environment in order to provide the necessary feedback for senior management s decision-making. BCP s Administration division has responsibility for systems, institutional and public relations, human resources, the legal department, security, maintenance and supplies.

The Banking Services division is in charge of managing distribution channels, as well as procedures aimed at satisfying requirements of retail banking, while the Systems and Organization division is responsible for processes and information regarding technological and organizational matters. The Distribution Channels unit operates BCP s branch network. BCP continually evaluates its branch network to monitor branch profitability in order to improve operating efficiency.

During 2004, the Banking Services division s goals included increasing income, reducing expenses and increasing the number of customers, particularly in under-banked segments of the population. The Banking Services division is the principal channel for the sale of several products offered by Personal Banking, among which credit and debit cards, insurance policies, cash management, and deposits are the most noteworthy. To reach the goal of expanding into new areas, four out of ten new

branches opened during 2004 were on the outskirts of Lima where population is dense and there are many small and micro businesses. The number of transactions nationally grew 5.9% in 2004, after a 19.4% increase in 2003.

In 2004, BCP continued to introduce important technological developments, expanding its service to customers who engage in a high number of transactions as well as making improvements in quality and lowering costs. BCP has 1.7 million customers who carried out 18.4 million transactions per month in 2004, increasing from 17.2 million per month in 2003, and have access to the largest and most varied distribution network in Perú. Towards the end of 2004, 61% of customer transactions were carried out via self-service, having increased from only 25% in 1996. Of total customer transactions, 17% were performed in ATMs, 14% by the call center and self-service terminals, 15% on the Internet and 9% through remote banking at companies.

This level of self-service activity reflects an increase in BCP s use of new technologies to improve its services to its customers. These technologies include a network of 526 ATMs available to 1.8 million bank card holders, the phone banking service Comunica-T, which has increased the capacity of its automated Call Center, receiving up to 600,000 calls per month, Saldomatic terminals, which are specialized devices placed in the branches for self-service access to account balances and transactions, and Internet banking. To improve the efficiency of these processes, BCP maintained the policy of encouraging the use of electronic distribution channels by applying more attractive rates than those charged at its branch offices.

During 2004, investment in technology, information systems, equipment and programs reached US$18 million, increasing from US$13 million in 2003. In 2004, major stages of development of the umbrella T-3 project of technological transformation were completed, including the implementation of applications specific to operations in Bolivia, and Credicorp continued its strategy of simplifying its systems and reducing costs. Client service standards have been re-defined, setting new standards and indicators to increase the coordination of all units participating in a given project. As a result, several key applications have been improved, particularly the disbursement of loans and discounted trade bills, the opening of new checking accounts, and the issuing of mortgage loans and small and micro-business loans. In addition, new procedures allowing for the use of computer generated documents are reducing costs and increasing efficiency.

PPS has an independent operations support department. Credicorp s current strategy is to integrate the operations support departments of its subsidiaries.

In 2005, the Systems division will concentrate on three areas: cost reduction, improving development processes and increasing service availability through all delivery channels. Cost reductions are being implemented by reference to both internal and external benchmarks, for which international consultants have been engaged. Development processes are being reviewed within the context of a company-wide systems architecture framework. The number of application systems is being reduced and simplified, concentrating on middleware systems, and targeting reduced development time of new products. Investments are being made to enhance continuity of service according to expected targets, which requires additional operating capacity in certain channels.

(8) Competition

(i) Banking

The Peruvian banking sector is currently comprised of 14 commercial banking institutions. As of December 31, 2004, BCP ranked first among all Peruvian banks in terms of assets, deposits and loans, representing approximately 34.2%, 35.6% and 33.0%, respectively, of the total of all Peruvian banks, compared to market shares of 34.4%, 36.1% and 34.4%, respectively, at December 31, 2003. As of December 31, 2004, the next four largest banks in terms of deposits (Banco Continental, Banco Wiese Sudameris, Interbank and Sudamericano) had deposits representing 24.6%, 15.7%, 9.2% and 2.9%, respectively, and loans representing 20.2%, 14.4%, 10.0%, and 4.4%, respectively, of the total of all Peruvian banks.

The Peruvian banking industry experienced consolidation following the economic downturn in 1998, with the number of institutions declining from a peak of 25 banks. During 1999, Banco de Lima merged with Wiese, Banco Sur merged with BSCH-Perú, Banco del País merged with Nuevo Mundo and Progreso merged with Norbank, while Banex was liquidated and Solventa was turned into a finance company. During 2000, Orion and Serbanco were liquidated. In 2001, Interbank and Latino agreed to merge, NBK Bank merged with Banco Financiero and Nuevo Mundo was liquidated. In December 2002, BCP acquired BSCH-Perú and merged it into BCP in March 2003. In the first quarter of 2005, BCP acquired the onshore and offshore loan portfolio of Bank Boston s Peruvian subsidiary, which amounted to approximately US$353 million.

Credicorp believes that the Peruvian banking industry will continue to face an increasingly competitive environment within a generalized excess liquidity situation. Such increased competition may in the future affect Credicorp s loan growth and reduce the average interest rates that it may charge its customers, as well as reduce fee income. Certain foreign banks have either reduced or liquidated their Peruvian operations in recent years, reducing competition to some extent from such competitors.

Since 1999, excess liquidity at major Peruvian banks has put pressure on margins. Credicorp does not intend to pursue corporate lending opportunities that are unprofitable solely in order to maintain market share. As a result, Credicorp does not expect Corporate Banking to grow at levels experienced in the past. However, Credicorp will seek to maintain its close relationships with corporate customers, focusing on providing prompt responses to their requirements and setting competitive prices. To this end, Credicorp is currently updating its information systems to improve customer service and to allow management to obtain information on customer and business profitability more efficiently. Credicorp also intends to expand the range of BCP s investment banking and cash management products.

In its core corporate lending and trade finance businesses, ASHC principally competes with larger international institutions. ASHC attributes its ability to compete effectively with larger lending institutions to its aggressive marketing efforts, its ability as a smaller, more flexible institution, to make decisions quickly and respond rapidly to customer needs, its association with BCP, and its superior knowledge of the region, particularly the Peruvian market.

(ii) Capital Markets

In the Wholesale Banking division, BCP s Corporate Banking area has experienced increased competition and pressure on margins over the last few years. This is primarily the result of new entrants into the market, including foreign and privatized commercial banks, as well as local and foreign investment banks and non-bank credit providers, such as pension fund administrators (AFP) and mutual fund companies.

In addition, Peruvian companies have gained access to new sources of capital through the local and international capital markets. In recent years the AFP s and mutual funds-managed assets have increased at rates over those experienced by the banking system. The private pension fund assets reached US$7.8 billion as of December 31, 2004, increasing 24% since December 31, 2003, with a return of 5.6%

in real terms in the year. Total mutual funds amounted to US$1.8 billion, with a 2.9% return (in U.S. Dollar terms) in 2004, a 10.0% decrease from US$2.0 billion in 2003.

(iii) Other Financial Institutions

Other institutions in the Peruvian financial system tend to specialize in a given market segment. Such institutions include finance companies, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives that mainly issue retail loans to small and micro-businesses and consumer and mortgage loans to individuals, markets which have shown substantial increases in recent years. BCP is facing strong competition from these credit providers, primarily in respect of micro-business loans, where such providers lent US$629.3 million as of December 31, 2004, or 57.3% of the total in the financial system, and in consumer loans, where such providers lent US$633.5 million, or 30.0% of the total in the financial system. BCP also faces strong competition in its credit card operations from credit cards issued by retail stores.

In retail banking, Credicorp has found that small businesses are able to borrow from banks at better rates than those provided by suppliers and that the rates offered by BCP are competitive with those of other banks and other types of financial institutions.

Credicorp believes that BCP s reputation as a sound institution, together with its nationwide branch network coverage, provides it with an advantage over its principal competitors.

(iv) Insurance

Peruvian insurance companies compete principally on the basis of price and also on the basis of name recognition, customer service and product features. PPS believes that its competitive pricing, solid image, and quality of customer service are significant aspects of its overall competitiveness. In addition, PPS believes that its long relationship with AIG provides PPS with competitive advantages through access to AIG s expertise in underwriting, claims management and other business areas. While increased foreign entry into the Peruvian insurance market may put additional pressure on premium rates, particularly for commercial coverage, PPS believes that in the long term foreign competition will increase the quality and strength of the industry. PPS believes that its size and its extensive experience in the Peruvian insurance market provide it with a competitive advantage over foreign competitors.

However, competition in the Peruvian insurance industry has increased substantially since the industry was deregulated in 1991, with particularly strong competition in the area of large commercial policies, for which rates and coverage typically are negotiated individually. The loss by PPS to competitors of even a small number of major customers or brokers could have a material impact on PPS s premium levels and market share.

(9) Peruvian Government and Economy

While Credicorp is incorporated in Bermuda, substantially all of BCP s and PPS s operations and customers are located in Perú. Although ASHC is based outside of Perú, a substantial number of its customers are also located in Perú. Accordingly, the results of operations and financial condition of Credicorp could be affected by changes in economic or other policies of the Peruvian government (which has exercised and continues to exercise a substantial influence over many aspects of the private sector) or other political or economic developments in Perú, including a devaluation of the Nuevo Sol relative to the U.S. Dollar or the imposition of exchange controls by the Peruvian government. See Item 10. Additional Information (D) Exchange Controls. Credicorp s results of operations and financial condition are dependent on the level of economic activity in Perú.

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(i) Peruvian Government

During the past several decades, Perú has had a history of political instability that has included military *coups d état* and different governmental regimes. Past governments have frequently intervened in the nation s economy and social structure. Among other things, past governments have imposed controls on prices, exchange rates, local and foreign investment, and international trade; have restricted the ability of companies to dismiss employees; and have expropriated private sector assets. In 1987, the administration of President Alan García attempted to nationalize the banking system. Facing an attempt by the state to control BCP, the majority shareholders of BCP at that time sold a controlling interest in BCP to its employees, which prevented the government from gaining control of BCP. See (C) Organizational Structure.

In the past, Perú experienced significant levels of terrorist activity, with *Sendero Luminoso* (the Shining Path) and the *Movimiento Revolucionario Tupac Amaru* (the MRTA) having escalated their acts of violence against the government and the private sector in the late 1980s and early 1990s. Upon being elected to office in 1990, President Alberto Fujimori s government made substantial progress in suppressing Shining Path and MRTA terrorist activity, including the arrest of the leader and the principal second level of leadership in each terrorist group and approximately 2,000 others. In addition, approximately 3,000 additional persons surrendered to and aided the government under an amnesty law. Despite the success achieved, some isolated incidents of terrorist activity continue to occur, such as the seizure in December 1996 by the MRTA of the Japanese ambassador s residence in Lima.

Over the course of his government, President Fujimori implemented a broad-based reform of Perú s political system, economy and social conditions, aimed at stabilizing the economy, reducing bureaucracy, eradicating corruption and bribery in the judicial system, promoting private investment, developing and strengthening free markets, strengthening education, health, housing and infrastructure and suppressing terrorism. In 2000, President Fujimori won a third five-year term in a controversial two round election. In the April 2000 presidential election, Fujimori s 49.9% victory was short of gaining a first round majority vote, forcing a second round election in May which was boycotted by the opposition candidate. After taking office for his third term in July 2000 under extreme protest, President Fujimori was forced to call for general elections due to the outbreak of corruption scandals, and later resigned in favor of a transitory government headed by the president of Congress, Valentín Paniagua.

Mr. Paniagua took office in November 2000 and in July 2001 handed over the presidency to Alejandro Toledo, the winner of the elections decided in the second round held on June 3, 2001, ending two years of political turmoil.

Toledo assumed the presidency against a backdrop of high unemployment and underemployment, economic recession and social need. Despite the economic strides achieved between 1990 and 2000, poverty remains a persistent problem in Perú, with more than half of the population living below the poverty line, which the World Bank defines as monthly income of less than US$60 per capita, adjusted to reflect differences in purchasing power. A significant number of Peruvians live on an income of less than US$30 per capita per month.

Perú has experienced continuous economic growth since the second half of 2001. President Toledo has retained, for the most part, the economic policies of the previous government, focusing on achieving sustained economic growth by: increasing exports, reducing unemployment, reforming the tax system (primarily by increasing the tax base and improving tax collection), fostering private investment by promoting concessions, maintaining low inflation and the floating exchange rate, improving oversight, transparency guidelines and requirements in regulated sectors of the economy, improving the efficiency of the public sector, and maintaining open trade policies.

Nevertheless, the Toledo administration faces public unrest spurred by disappointment that its policies have not immediately led to a significant reduction in the high rates of unemployment, underemployment and poverty. President Toledo has restructured his cabinet on various occasions in an effort to maintain his political alliances and quell public unrest. President Toledo has also taken informal steps to delegate greater responsibility for governance to the cabinet. However, return of investor and consumer confidence has been slow and there are lingering doubts about whether the government of President Toledo will be able to achieve the consensus needed to govern and promote sustained growth.

Because President Toledo s political party, Perú Posible, does not have an absolute majority in Congress, the Toledo administration must seek alliances with members of other parties to enact its policies. Accordingly, the government cannot ensure that its policies will be enacted or implemented.

(ii) Peruvian Economy

At the beginning of the 1990s, President Fujimori liberalized price and wage controls in the private sector, eliminated all restrictions on capital flows, instituted emergency taxes to reduce the fiscal deficit, and liberalized interest rates. Furthermore, his government established an agenda to institute a wide-ranging privatization plan and re-establish relations with the international financial community. President Toledo has continued these market-oriented policies but, facing opposition from a fragmented Congress and social pressures from unions and regional movements, he has passed some interventionist measures.

In the late 1980s and early 1990s, the Peruvian economy was volatile, with the country s GDP contracting by 11.7% in 1989 and by 5.2% in 1990, growing by 2.2% in 1991, and contracting by 0.4% in 1992. The results of stabilization plans resulted in GDP increasing 4.8% in 1993, 12.8% in 1994, 8.6% in 1995, 2.5% in 1996, 6.7% in 1997. The El Niño and other adverse economic conditions led to a drop of -0.5% in 1998, but recovered 0.9% in 1999, 2.9% in 2000, 0.2% in 2001, 4.9% in 2002, by 4.0% in 2003 and by 4.8% in 2004. It should be noted that GDP growth figures for some years were revised downwards by the national statistical institute, the INEI, in 2000, which recalculated Perú s GDP in 1999 at around $52 billion using a 1994 base year, some 10% below the previous estimate based on 1979 figures.

In 2004, the Peruvian economy benefited from increased international demand for exports, which drove growth in the construction and manufacturing sectors, as well as in private investment, and more recently in consumption. The continued growth in GDP since the second half of 2001 evidences the strength of Perú s economy in the face of adverse external and internal factors. In 2002 and 2003, unlike other Latin American countries, Perú managed to resist the effects of on-going internal political unrest, the Argentine crisis, the climate of uncertainty that surrounded the presidential elections in Brazil and a greater reluctance among investors to take on risks in Latin America.

One of the principal factors that contributed to the improvement of economic expectations was the 40% increase in exports in 2004. In particular, there was continued high foreign demand for minerals and raw materials and manufacturers benefited from the Andean Trade Promotion and Drug Eradication Act (ATPDEA) tariff preferences. However, production was uneven, with investment still at low levels, and sectors such as oil and gas, mining (particularly mining of precious metals), non-primary manufacturing and fishing registered gains, while agriculture registered only minimal growth.

The decision of the United States in August 2002 to renew and expand tax benefits through the ATPDEA for certain Latin American exports was very beneficial to the manufacturing sector because of its inclusion of Peruvian textiles. These incentives are expected to stimulate exports over the next two years. In May 2004, a free trade agreement began to be negotiated with the United States, together with Colombia and Ecuador, which is expected to extend the favorable tariff status beyond 2006.

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The government-backed initiative to encourage mortgage loans and the construction of low-cost housing through the *MiVivienda* program continued to stimulate significant volumes of construction in 2004, aiding expansion of mortgages. As part of the *MiVivienda* program, US$170 million in loans were granted in 2004, compared to US$134 million in 2003, and US$72 million in 2002.

Since 1991, the government has privatized most of its assets in the finance, fishing and telecommunications sectors. The government made significant progress in privatizing the mining and hydrocarbons, manufacturing, electricity and agriculture sectors. The more than 220 privatizations that have been completed in Peru since 1991 have generated revenues of approximately US$8.2 billion.

The privatization program, which had been expected to raise US$700 million during 2002, encountered problems in June 2002 with public protests against the sale of two electricity generating companies in the south of Perú. This caused the virtual suspension of the program, which obtained income of only US$355 million in 2002, and almost negligible amounts in 2003. The government successfully relaunched its concessions program in 2004, generating revenue in excess of US$200 million. Some of the noteworthy transactions include the Las Bambas copper mine exploration, the Olmos hydro and irrigation project, the Bayóvar phosphates extraction project, the concession for the Yuncan hydroelectric plant and several highway concessions. The outlook for the sale of other assets remains uncertain, but the government expects to continue the concession program in 2005.

Perú s trade deficit decreased from US$600 million in 1999 to US$300 million in 2000 and US$90 million in 2001. Perú registered a US$210 million surplus in 2002, which grew to US$731 million in 2003, and further to US$2.7 billion in 2004, principally due to continued exports growth. Exports climbed to US$12.5 billion in 2004, 40% higher than the US$9.0 billion registered in 2003, driven by the greater volume of traditional exports, in particular minerals. Imports rose to US$9.8 billion, with increases mainly in raw materials and capital goods.

Perú registered a current account deficit of US$1.8 billion in 1999, which decreased to US$1.6 billion in 2000, and further to US$1.2 billion in 2001, to US$1.1 billion in 2002 and in 2003, and to US$71 million in 2004. Perú s financial account had a surplus of US$1.1 billion in 1999 and 2000, declined to US$1.0 billion in 2001, grew to US$1.8 billion in 2002 as a result of increased public sector capital inflows, was US$0.9 billion in 2003, and grew to US$2.3 billion in 2004. The flow of direct foreign investment into Perú was US$433 million in 2000, US$803 million in 2001, US$2.2 billion in 2002, US$1.3 billion in 2003, and US$1.8 billion in 2004.

The inflation rate in Perú, as measured by the Lima consumer price index, has fallen from 7,650.0% in 1990 to 139.2% in 1991, 56.7% in 1992, 39.5% in 1993, 15.4% in 1994, 10.2% in 1995, 11.8% in 1996, 6.5% in 1997, 6.0% in 1998, and 3.7% in both 1999 and 2000, turning into deflation of 0.1% in 2001, and back to inflation of 1.5% in 2002, 2.5% in 2003, and 3.5% in 2004.

The average bank market exchange rate for Nuevos Soles in Perú was S/.3.282 per US$1.00 at December 31, 2004, a 5.2% decrease from S/.3.463 per US$1.00 as of December 31, 2003, which followed a 1.5% decrease in 2003 from S/.3.514 per US$1.00 as of December 31, 2002. The strengthening of the Nuevo Sol relative to the U.S. Dollar was consistent with the pattern for other Latin American currencies, which resulted from higher exports and the weakening of the U.S. Dollar.

Although BCP and PPS both earn much of their revenue in U.S. Dollars, if the rate of inflation exceeds the rate of devaluation of the Nuevo Sol relative to the U.S. Dollar, as in the more recent strengthening of the Nuevo Sol, profitability will be negatively impacted because revenues, expressed in Nuevos Soles, generally will not increase in line with Nuevo Sol-denominated expenses.

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Interest rates have behaved erratically since 1995 but fell gradually over this period until September 1998, at which point the trend reversed due to liquidity constraints brought on by the international financial crisis. The nominal annual interest rate on loans in Nuevos Soles was 37.1% in December 1998, decreasing to 32.0% in December 1999, to 26.5% in December 2000, to 23.0% in December 2001, to 20.7% in December 2002, before increasing to 22.3% in December 2003, and further to 25.4% in December 2004.

Perú s recent economic reforms have also caused a decrease in the fiscal deficit. Perú had a deficit of 3.1% in 1999 and 3.2% in 2000. The deficit declined to 2.5% in 2001, principally due to lower public investment, declined again to 2.3% in 2002, in line with the goal agreed upon with the International Monetary Fund (the IMF), continued to decline to 1.9% in 2003, and further to 1.1% in 2004. In addition, efforts to increase tax revenues have been successful, due in part to administrative measures and increased taxes, one of which is the new tax on financial transactions introduced in 2004. Tax collections increased from 6.7% of GDP in 1989 to 12.3% of GDP in 2001, 12.1% in 2002, 13.0% in 2003 and 13.3% in 2004. In order to meet fiscal needs, in 2004 Perú accessed the international capitals markets by closing bond offerings for a total of US$1.3 billion, compared to US$1.25 billion in 2003.

In July 1996 Perú reached an agreement with the Paris Club countries, resulting in the rescheduling of 1996-1998 maturities. High loan principal amortizations due in 2005 and 2006 will be subject to an additional operation to reduce cash requirements in these years involving the pre-payment of US$2 billion of outstanding debt to be replaced by new debt.

In 1999, Perú signed a three-year extended fund facility accord with the IMF, the third consecutive IMF program it has followed, giving the country a stable framework for macroeconomic planning. However, the fall in tax revenue and increased spending in 1999 caused Perú to fail to fulfill the fiscal goal agreed upon with the IMF of a primary fiscal surplus of 0.5%, which is the public sector s result before capital costs or gains, debt servicing and privatization income. In fact, Perú reported a primary sector deficit of 0.1% in 1999 and of 0.2% in 2000. Perú renegotiated economic targets of its 2000 three-year program, and the IMF approved a new one-year program in March 2001, a second agreement in February 2002 and a follow-up accord in March 2003 with a 1.9% fiscal deficit target for 2003, which was achieved.

The current Stand-By Agreement was approved by the IMF on June 9, 2004, and covers years 2004 to 2006. The macro-economic framework of the agreement stresses the consolidation of recent year-on-year gains due to the low inflation rate and continued improvements in the public sector deficit, tax reform, current account deficit, level of foreign reserves, and other variables, in order to seek higher GDP growth. The program focuses on, among other points, reducing the public sector deficit to 1.4% of GDP in 2004 and to 1% per year in each of 2005 and 2006, and on lowering the debt-to-GDP ratio from 47.5% in 2003 to 41.0% in 2006.

There can be no assurance that economic growth will be sustained in the future or that inflation in Perú will not increase (whether as a result of an overheating of the Peruvian economy, an increase in the foreign trade deficit, or otherwise). Such events may have an adverse effect on the business, financial condition, results of operations and prospects of Credicorp and adversely affect the market price of Credicorp s Common Shares. In addition, deposits in the Peruvian financial system are currently much higher than in the late 1980 s when hyperinflation caused a lack of confidence in the financial system. A return to high levels of inflation could cause a lack of confidence in the financial system, resulting in widespread withdrawal of deposits.

(10) The Peruvian Financial System

As Credicorp s activities are conducted primarily through banking and insurance subsidiaries operating in Perú, a summary of the Peruvian financial system is set forth below.

(i) General

At December 31, 2004, the Peruvian financial system consisted of the following principal participants: the Central Bank, the SBS, 14 banking institutions (not including Banco de la Nación), three finance companies, and six leasing companies. In addition, Perú has various mutual mortgage associations, municipal and rural savings and credit associations, municipal public credit associations, and savings and credit cooperatives.

The present text of Law 26702 was passed in December 1996. Law 26702 regulates Peruvian financial and insurance companies. In general, it provides for tighter loan loss reserve standards, brings asset risk weighting in line with Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (the Basel Accord) guidelines, broadens supervision of financial institutions by the SBS to include holding companies, and includes specific treatment of a series of recently developed products in the capital markets and derivatives areas. The primary law governing the Peruvian financial system before the enactment of Law 26702 was Legislative Decree 637, passed in 1991 and amended by Legislative Decree 770, which substantially reformed the Peruvian financial system, modifying regulations initially issued in 1930.

(ii) Central Bank

The Central Bank was created in 1931. Pursuant to the Peruvian Constitution, its primary role is to ensure the stability of the Peruvian monetary system. The Central Bank regulates Perú s money supply, administers international reserves, issues currency, determines Perú s balance of payments and other monetary accounts, and furnishes information regarding the country s financial situation. It also represents the government of Perú before the IMF and the Latin American Reserve Fund.

The highest decision-making authority within the Central Bank is the seven member Board of Directors. Each Director serves a five-year term. Of the seven Directors, four are selected by the executive branch and three are selected by the Congress. The Chairman is one of the executive branch nominees, but must be approved by the Congress.

The Board of Directors develops and oversees monetary policy, establishes reserve requirements for entities within the financial system, and approves guidelines for the management of international reserves. All entities within the financial system are required to comply with the decisions of the Central Bank.

(iii) SBS

The SBS, whose authority and activities are discussed in (11) Supervision and Regulation, is the regulatory authority charged with implementation and enforcement of the norms contained in Law 26702 and, more generally, with the supervision and regulation of all financial institutions in Perú.

(iv) Financial System Institutions

Under Peruvian law, financial system institutions are classified as banks, financing companies, other non-banking institutions, specialized companies, and investment banks. BCP is classified as a bank.

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Banks

A bank is defined by Law 26702 as an enterprise whose principal business consists of the receipt of monies from the public, whether in deposits or under any other contractual form, and the use of such monies (together with its own capital and funds obtained from other sources) to grant loans or discount documents, or in operations subject to market risks.

Banks are permitted to carry out various types of financial operations, including the following: (i) receiving demand deposits, time deposits, savings deposits and deposits in trust; (ii) granting direct loans; (iii) discounting or advancing funds against bills of exchange, promissory notes, and other credit instruments; (iv) granting mortgage loans and accepting bills of exchange in connection therewith; (v) granting conditional and unconditional guaranties; (vi) issuing, confirming, receiving and discounting letters of credit; (vii) acquiring and discounting certificates of deposit, warehouse receipts, bills of exchange and invoices of commercial transactions; (viii) performing credit operations with local and foreign banks, as well as making deposits in such institutions; (ix) issuing and placing local currency and foreign currency bonds, as well as promissory notes and negotiable certificates of deposits; (x) issuing certificates in foreign currency and entering into foreign exchange transactions; (xi) purchasing banks and non-Peruvian institutions which conduct financial intermediation or securities exchange transactions, in order to maintain an international presence; (xii) purchasing, holding and selling gold and silver as well as stocks and bonds listed on one of the Peruvian stock exchanges and issued by companies incorporated in Perú; (xiii) acting as financial agent for investments in Perú for external parties; (xiv) purchasing, holding and selling instruments evidencing public debt, whether internal or external, as well as obligations of the Central Bank; (xv) making collections, payments and transfers of funds; (xvi) receiving securities and other assets in trust and leasing safety deposit boxes; and (xvii) issuing and administering credit cards and accepting and performing trust functions.

In addition, banks may carry out financial leasing operations by forming separate departments or subsidiaries and may also promote and direct operations in foreign commerce, underwrite initial public offerings, and provide financial advisory services apart from the administration of their clients investment portfolios. By forming a separate department within the bank, universal banks may also act as trustees in trust agreements.

Law 26702 authorizes banks to operate, through their subsidiaries, warehouse companies, securities brokerage companies and leasing companies, and to establish and administer mutual funds.

Branches of foreign banks enjoy the same rights and are subject to the same obligations as branches of Peruvian banks. Multinational banks, with operations in various countries, may engage in the same activities as Peruvian banks, although their foreign activities are not subject to Peruvian regulations. To carry out banking operations in the local market, such banks must maintain a certain portion of their capital in Perú, in an amount not less than the minimum amount required of Peruvian banks.

Finance Companies

Under Law 26702, finance companies are authorized to carry out the same operations as banks, with the exception of (i) issuing loans as overdrafts in checking accounts, (ii) engaging in certain derivative operations, (iii) originating securitization operations, and (iv) establishing subsidiaries in certain specialized fields, such as bonded warehouses, currency transportation and custody, among others.

Other Financial Institutions

The Peruvian financial system has a number of less significant entities which may provide credit, accept deposits or otherwise act as financial intermediaries on a limited basis. Leasing companies specialize in financial leasing operations by which goods are leased over the term of the contract with the option of purchasing such goods at a predetermined price. Savings and loans associations or cooperatives may accept certain types of savings deposits and provide other similar financial services.

Perú also has numerous mutual housing associations, municipal savings and credit associations, savings and credit cooperatives and municipal credit bureaus. The impact of these institutions on the financial system in Perú has not been significant.

Insurance Companies

Since the deregulation of the Peruvian insurance industry in 1991, insurance companies are authorized to conduct all types of operations and to enter into all forms of agreements necessary to offer risk coverage to customers. Insurance companies may also invest assets, subject to the regulations on investment limits and reserves established in Law 26702 and the regulations issued by the SBS.

Law 26702 is the principal law governing insurance companies in Perú. The SBS is charged with the supervision and regulation of all insurance companies, and the formation of a corporation as an insurance company requires prior authorization of the SBS.

Prior to 1991, all reinsurance activities were conducted through Reaseguradora Peruana S.A., an entity controlled by the Peruvian government, which is currently in liquidation. Today, Peruvian insurance companies are permitted to seek reinsurance from other sources.

The insurance industry has experienced consolidation in recent years with the number of companies decreasing from 19 in 1991 to 12 in 1996, increased to 16 in 2002, as new insurance companies specializing in life insurance were created, but declined to 14 in 2003 and further to 12 in 2004.

(11) Supervision and Regulation

(i) Credicorp

Currently, there are no applicable regulatory controls under the laws of Bermuda that are likely to have a material impact upon Credicorp s operations as currently structured. Under Bermuda law, there is no regulation applicable to Credicorp, as a holding company, that would require Credicorp to separate the operations of its subsidiaries incorporated and existing outside Bermuda. Since Credicorp s activities will be conducted primarily through subsidiaries in Perú, the Cayman Islands and Bolivia, a summary of Peruvian banking and insurance regulations and Cayman Islands banking regulations is set forth below.

Certain requirements set forth in Law 26702 and certain SBS regulations, including SBS Resolution No.0446-2000, enacted in June 2000, which approved the Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates, are applicable to Credicorp and BCP. These regulations affect Credicorp and BCP primarily in the areas of reporting and risk control guidelines, limitations, ratios, and capital requirements.

Since Credicorp s Common Shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, Credicorp is subject to certain reporting requirements of the *Comision Nacional Supervisora de Empresas* *y Valores* (CONASEV), the securities market regulator, and the Lima Stock

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Exchange. See Item 9. The Offer and Listings (C) Markets The Lima Stock Exchange (ii) Market Regulation.

(ii) BCP

Overview

The operations of BCP are regulated by Peruvian law. The regulatory framework for the operations of the Peruvian financial sector is set forth in Law 26702. Implementation and enforcement of Law 26702 are effected by periodic resolutions issued by the SBS. See (10) The Peruvian Financial System. The SBS, under the direction of the Superintendent of Banks and Insurance Companies, supervises and regulates those entities that Law 26702 classifies as financial institutions, including commercial banks, finance companies, small business finance companies, savings and loan corporations, financial services companies such as trust companies and investment banks, and insurance companies. Financial institutions must seek the authorization of the SBS before initiating new operations.

BCP s operations are supervised and regulated by the SBS and the Central Bank. Violators of specified provisions of Law 26702 and its underlying regulations are subject to administrative sanctions and criminal penalties. Additionally, the SBS and the Central Bank have the authority to fine financial institutions and their directors and officers if they violate Peruvian laws, regulations or their own institutions bye-laws.

CONASEV is the Peruvian government institution charged with promoting the securities markets, ensuring fair competition in the markets, supervising the proper management of businesses that trade in the markets and regulating their activities and accounting practices. BCP must inform CONASEV of significant events affecting its business and is required to provide financial statements to the Lima Stock Exchange on a quarterly basis. BCP is regulated by CONASEV through Credibolsa, BCP s wholly-owned brokerage house, and Credifondo, BCP s wholly-owned mutual fund administration company. CONASEV examines Credibolsa and Credifondo on a regular basis.

Under Peruvian law, banks are permitted to conduct brokerage operations and administer mutual funds, but must conduct such operations through subsidiaries. Bank employees, however, may market the financial products of the bank s brokerage and mutual fund subsidiaries. Banks are prohibited from issuing insurance policies, but are not prohibited from distributing insurance policies issued by insurance companies.

Authority of the SBS

Perú s Constitution and Law 26702 (which contains the statutory charter of the SBS) grant the SBS the authority to oversee and control banks and financial institutions (with the exception of brokerage firms), insurance and reinsurance companies, companies that receive deposits from the general public and other similar entities as defined by the law. The SBS is also responsible for supervising the Central Bank to ensure that it abides by its statutory charter and bye-laws. Law 27328, enacted in July 2000, transferred to the SBS the supervision and regulation of the private pension fund companies (AFPs) which had been supervised and regulated by a specialized superintendency since the inception of the system in 1992.

The SBS is granted administrative, financial and operating autonomy. Its objectives include protecting the public interest, ensuring the financial stability of the institutions over which it has authority, and punishing violators of its regulations. Its responsibilities include: (i) reviewing and approving, with the assistance of the Central Bank, the establishment and organization of subsidiaries of the institutions it regulates; (ii) overseeing mergers, dissolution, and reorganization of banks, financial institutions, and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as Credicorp); (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; and (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers overall exposure to Perú s banks). In addition to supervising BCP, the SBS supervises Credicorp on the basis that it is a financial conglomerate conducting the majority of its operations in Perú.

Management of Operational Risk

SBS Resolution No. 006, enacted in January 2002, approved guidelines for the management of operational risk, which includes a broad range of risks. Resolution No. 006 defines operational risks as those dealing with the possibility of suffering financial losses due to deficiencies in internal procedures, information technology or personnel, or the occurrence of adverse external events. It also establishes responsibilities for developing policies and procedures to identify, measure, control and report such risks. Banks are required to adequately manage risks involved in the performance of their operations and services in order to minimize possible financial losses due to inadequate or non-existent policies or procedures.

Credicorp, following these SBS guidelines as well as guidelines issued by the Basel Committee on Banking Supervision and the advice of international consultants, has set up at BCP a specialized unit in charge of introducing advanced operational risk control procedures and created a new Operational Risk Committee. Credicorp intends to be guided by the risk control standards of international financial institutions noted for their leadership in this field, with the overall objective of implementing an efficient and permanent monitoring system for the control of operational risks, while actual management of risk control procedures is conducted by the areas that carry out critical activities. There are ongoing initiatives for the establishment of operational risk management procedures at other Credicorp subsidiaries.

During 2004, the identification, analysis and documentation of the most significant processes at BCP and other subsidiaries was completed. The application of new operational risk control models has been successful in mitigating high risk situations by focusing on the effectiveness of controls and prevention. Additionally, procedures that will allow Credicorp to comply specifically with internal controls over financial reporting requirements under Section 404 of the U.S. Sarbanes-Oxley Act of 2002 have been substantially completed at BCP. See Item 15. Controls and Procedures.

Capital Adequacy Requirements

Since the approval of Legislative Decree 637 in 1991, the SBS has issued capital adequacy requirements for credit institutions, adopting a framework structurally similar to that proposed by the Basel Accord. Weights assigned to various classes of assets and the contents of the classifications were initially more stringent under Legislative Decrees 637 and 770 than under the Basel Accord. Law 26702 has adopted criteria similar to the Basel Accord and provides for five categories of assets, with different risk weights assigned to each category. The categories range from risk-free assets, to which a weighting of 0% is assigned, to assets, which require a weighing of 100%. Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report analyzing the bank s assets for the previous month and totaling the bank s regulatory capital. Foreign currency-denominated assets are valued in Nuevos Soles at the SBS average exchange rate in effect as of the date of each such report.

According to Article 184 of Law 26702, regulatory capital consists of the sum of (i) paid-in capital, legal reserves, discretionary reserves (if any), generic reserves for losses in the loan portfolio or other indirect credit exposure (up to 1% of the total value of both) and a percentage of certain subordinated bonds issued by the bank, less (ii) equity investments in all consolidated subsidiaries. The resulting amount is adjusted to reflect profits or losses from previous years and for the current year, as well as to reflect adjustments for exposure to inflation and for the deficit in the reserves, less the balance, if any, of the reserve for asset revaluation. According to Article 184, regulatory capital can be segmented and applied to cover credit risks and market risks. Beginning in March 1999, the SBS issued regulations requiring the segregation of regulatory capital to cover foreign exchange risk exposure, and, starting in June 30, 2000, to cover risk related to investments in equity shares.

Law 26702 requires that the total amount of risk-weighted assets not exceed 11 times the regulatory capital of the bank, meaning that BCP must maintain regulatory capital at a level of at least 9.09% of its total risk-weighted assets. The limit of 11 times risk-weighted assets to regulatory capital was phased in, becoming effective in December 1999. Any bank that is not in compliance with the capital adequacy requirements of Law 26702 is required to post a special deposit with the Central Bank, which is frozen until such bank is within the capital adequacy requirements. Regulatory capital in excess of credit risk requirements may be applied to cover market risks. In general, foreign exchange risk positions require a coverage of 9.09% of regulatory capital. As of December 31, 2004, BCP s unconsolidated amount of risk-weighted assets was 7.7 times regulatory capital, or regulatory capital was 13.0% of risk-weighted assets which included US$220.7 million of market risk assets.

Regulations for the supervision of market risks, enacted in May 1998, require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. Regulations define market risks as the probable loss derived from exposure to various classes of commodities, securities, foreign exchange, derivative operations or commercial assets that banks may hold, that could be registered or not in their balance sheets.

Legal Reserve Requirements

Pursuant to Article 67 of Law 26702, all banks must create a legal reserve. Each year a bank must allocate 10% of its net income to its legal reserve until its legal reserve is equal to 35% of its paid-in capital stock. Any subsequent increases in paid-in capital will imply a corresponding increase in the required level of the legal reserves to be funded as described above. As of December 31, 2004, BCP s unconsolidated legal reserve was S/.546.50 million (US$166.5 million), equivalent to 42.5% of BCP s paid-in capital as of such date.

Provisions for Loan Losses

Guidelines for the establishment of provisions for loan losses by Peruvian credit institutions, including commercial banks, are set by the SBS. Law 26702 grants authority to the SBS to establish loan reserves and does not allow for the inclusion of collateral in determining the net amount of outstanding credit risk subject to provision. Starting in July 2006, SBS s Resolution No. 41-2005, enacted in January 2005, will require additional provisions for credits subject to foreign exchange risk, which are recorded for local purposes. See (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio. Credicorp estimates and records its allowance for loan losses according to the criteria set out in IAS 39, adjusting the local provisions as necessary. See Note 3(f) to the Credicorp Consolidated Financial Statements.

Provisions for Country Risk

SBS Resolution No. 505, enacted in June 2002, requires the establishment of provisions for exposure to country risk, which is defined as including sovereign risk, transfer risk and expropriation or nationalization risk, that may affect operations with companies or individuals in foreign countries. The SBS has also established guidelines for the procedures and responsibilities for the management of country risk. Credicorp estimates and records its allowance for country risk according to the criteria set out in IAS 39. See Note 3(f) to the Credicorp Consolidated Financial Statements. As of December 2004, Credicorp was in full compliance with all required provisions.

Central Bank Reserve Requirements

Under Law 26702, banks and finance companies are required to maintain an *encaje* (legal reserve) for certain obligations. The Central Bank may require additional and marginal reserves. The exact level and method of calculation of the reserve requirement is set by the Central Bank. For purposes of calculating the required legal reserve, the following, pursuant to regulations issued by the SBS, are obligations: demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Starting in April 2004, the Central Bank requires reserves on amounts due to foreign banks and other foreign financial companies, which were not previously considered obligations. The regulation excludes funding from other central banks, governments or multilateral lending agencies.

Since August 2000 the rate of the legal reserve has been 6% (formerly 7%) of the obligations described above. The reserve may be kept in cash by the corresponding bank or finance company, with a minimum of 1% held in deposits in current accounts in the Central Bank. Additional reserves for obligations in foreign currency are determined in two steps. First, foreign currency obligations exceeding the base amount, set as the average daily balance during September 2004 (previously February 2004), are subject to a 30% reserve requirement (45% during 1997). In the second step, the obligations equal to or less than the base amount average balance are subject to a reserve requirement average rate of approximately 33% since August 2000. This average rate was approximately 43% during 1997, decreasing 4.5 percentage points in the last months of 1998, and again by 3 percentage points in August 2000. The legal reserve (6%) and the additional reserve must be calculated in Nuevos Soles for obligations in local currency and in U.S. Dollars for obligations in foreign currency. The Central Bank oversees compliance with the reserve requirements.

The Central Bank also establishes the interest rate payable on the reserves that exceed the legal 6% requirement, which are mainly on foreign currency deposits. The Central Bank periodically reduced the applicable interest rate during 2004, from U.S. Dollars 3-month Libor less 0.125%, to Libor less 0.25%, and to Libor less 0.75% . The applicable interest rate will be fixed at 2.25% starting in June 2005. The applicable interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives.

In the past few years, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks and both the rate of interest paid on deposit reserves and the amount of deposit reserves on which no interest is payable by the Central Bank. Changes in the supervision and regulation of BCP, such as changes in deposit reserve requirements or in the amount of interest payable on deposit reserve requirements, may adversely affect the business, financial condition and results of operations of Credicorp.

Lending Activities

Law 26702 sets maximum amounts of credit that each financial institution may extend to a single borrower. For purposes of Law 26702, a single borrower includes an individual or an economic group. An economic group constituting a single or common risk, according to Law 26702, includes a person, such person s close relatives and companies in which such person or close relatives have significant share ownership or decision-making capability. According to current regulations, shareholders who own or control directly or indirectly at least one-tenth of a company s shares are considered significant shareholders. Significant decision-making capability is deemed to be present when, among other factors, a person or group can exercise material and continuous influence upon the decisions of a company, when a person or company holds seats on the Board of Directors or has principal officers in another company, or when it can be assumed that one company or person is the beneficial recipient of credit facilities granted to another company.

The limits for credit extended to one borrower vary according to the type of borrower and the collateral received. The limit applicable to credit for any Peruvian borrower is 10% of the bank s regulatory capital, applied to both unconsolidated and consolidated records, which may be increased to up to 30% if the loan is collateralized in a manner acceptable under Law 26702. As of December 31, 2004, the 10.0% credit limit per borrower of BCP, unconsolidated, was S/.185.8 million (US$56.6 million) for unsecured loans, and the 30.0% limit amounted to S/.557.5 million (US$169.9 million) for secured loans. If a financial institution exceeds these limits, the SBS may impose a fine on the institution.

In certain limited circumstances, the Central Bank has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans pursuant to Article 52 of the organic law of the Central Bank. No such limits are currently in place. However, there can be no assurance that in the future the Central Bank will not establish maximum limits on the interest rates that commercial banks or other financial institutions may charge.

Related Party Transactions

Law 26702 regulates and limits transactions with related parties and affiliates of financial institutions. In 1997, the SBS and CONASEV enacted regulations with precise definitions of indirect ownership, related parties and economic groups, which serve as the basis for determining limits on transactions with related parties and affiliates. These regulations also provide the basis for the subsequent development of specific standards for the supervision of financial and mixed conglomerates formed by financial institutions.

The total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank s paid-in capital in the aggregate. All loans made to any single related party borrower may not exceed 0.35% of paid-in capital (*i.e.*, 5% of the overall 7% limit).

In addition, under Law 26702, as amended by Law 27102, the aggregate amount of loans to related party borrowers considered to be an economic group may not exceed 30% (previously 75%) of a bank s regulatory capital. For purposes of this test, related party borrowers include any corporation holding, directly or indirectly, 4% or more of a bank s shares, directors, certain of a bank s principal executive officers or persons affiliated with the administrators of the bank. See Lending Activities above for the meaning of economic group under Law 26702. Loans to individual related party borrowers are also subject to the limits on lending to a single borrower described under Lending Activities above. All loans to related parties must be made on terms no more favorable than the best terms that the bank offers to the public.

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Ownership Restrictions

Law 26702 establishes certain restrictions on the ownership of a bank s shares. Banks must have at least two unrelated shareholders at all times. Restrictions are placed on the ownership of shares of any bank by persons that have committed certain crimes, as well as by public officials who have supervisory powers over banks or who are majority shareholders of an enterprise of a similar nature. All transfers of shares in a bank must be reported after the fact to the SBS by the bank. Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank s capital stock must receive prior authorization from the SBS. The SBS may deny authorization to such transfer of shares if the purchasers (or their shareholders in the case of juridical persons) are legally disabled, have engaged in illegal activity in the areas of banking, finance, insurance or reinsurance, or if objections are raised on the basis of the purchaser s moral fitness or economic solvency. The decision of the SBS on this matter is final, and cannot be overturned in the courts. If a transfer is effected without obtaining the prior approval of the SBS, the purchaser may be fined an amount equivalent to the value of the securities transferred. In addition, the purchaser will be required to sell the securities within thirty days, or the fine will double, and the purchaser is disqualified from exercising its voting rights at shareholders meetings. Foreign investors receive the same treatment as Peruvian nationals and are subject to the limitations described above.

Risk Rating

Law 26702 and SBS Resolution No. 672, enacted in October 1997, require that all financial companies be rated by at least two risk rating companies on a semi-annual basis (updated in March and September), in addition to the SBS s own assessment. Criteria to be considered in the rating include risk management and control procedures, loan quality, financial strength, profitability, liquidity and financial efficiency. Five risk categories are assigned, from A , lowest risk, to E , highest risk, allowing for subcategories within each letter. As of September 2004, BCP was assigned the A risk category by its two rating agencies.

Deposit Fund

Law 26702 provides for mandatory deposit insurance to protect all types of deposits of financial institutions by establishing the *Fondo de Seguro de Depósitos* (Deposit Insurance Fund, or the Fund) for individuals, associations, not-for-profit companies, and demand deposits of non-financial companies. Financial institutions must pay an annual premium calculated on the basis of the type of deposits accepted by the entity and the risk classification of such entity, made by the SBS and at least two independent risk-rating agencies. The annual premiums begin at 0.45% of total funds on deposit under the coverage of the Fund, if the bank is classified in the lowest risk category, and increase to 1.45% applicable to banks in the highest risk category. The maximum amount that a customer is entitled to recover from the Fund is S/.72,290 from March through May 2005.

Intervention by the SBS

Pursuant to Law 26702, as amended by Law 27102, the SBS has the power to seize the operations and assets of a bank. These laws provide for three levels of intervention by the SBS: a supervisory regime, an intervention regime and the liquidation of the bank. Any of these actions may be taken upon the occurrence of certain events, including if such bank: (i) interrupts payments on its liabilities; (ii) repeatedly fails to comply with the instructions of the SBS or the Central Bank; (iii) repeatedly violates the law or the provisions of the bank s by-laws; (iv) repeatedly manages its operations in an unauthorized or unsound manner; or (v) its regulatory capital falls or is reduced by more than 50%. Rather than seizing the operations and assets of a bank, the SBS may adopt other measures, including (i) placing additional

requirements on a commercial bank, (ii) ordering it to increase its capital stock or divest certain or all of its assets, or (iii) imposing a special supervision regime during which the bank must adhere to a financial restructuring plan.

The SBS intervention regime halts a bank s operations and may last for a maximum of 45 days, which may be extended for a second period of up to 45 additional days, during which time the SBS may institute measures such as: (i) canceling losses by reducing reserves, capital and subordinated debt; (ii) segregating certain assets and liabilities for transfer to another financial institution; and (iii) merging the intervened bank with another acquiring institution according to the program established by Urgent Decree No. 108-2000, enacted in November 2000. After the intervention, the SBS will proceed to liquidate the bank except if the preceding option (iii) was applied.

(iii) ASHC

General

ASB, a subsidiary of ASHC, is a Cayman Islands bank with a branch in Panama. ASB is regulated by the regulatory authorities of the Cayman Islands and the Panama branch is regulated by the banking authorities of Panama. The supervision of ASB by Cayman Islands and Panamanian regulatory authorities is less extensive than the supervision and regulation of U.S. banks by U.S. banking authorities. In particular, ASB does not have a lender of last resort and its deposits are not guaranteed by any government agency.

ASB is registered as an exempted company and licensed in the Cayman Islands pursuant to the Banks and Trust Companies Law (2003 Revision) (the Cayman Banking Law). ASB holds an unrestricted Category B Banking License and a Trust License. As a holder of a Category B License, ASB may not take deposits from any person resident in the Cayman Islands other than another licensee or an exempted or an ordinary non-resident company which is not carrying on business in the Cayman Islands.

ASB also may not invest in any asset which represents a claim on any person resident in the Cayman Islands except a claim resulting from: (i) a loan to an exempted or an ordinary non-resident company not carrying on business in the Cayman Islands; (ii) a loan by way of mortgage to a member of its staff or to a person possessing or being deemed to possess Caymanian status under the Immigration Law, for the purchase or construction of a residence in the Cayman Islands to be owner-occupied; (iii) a transaction with another licensee; or (iv) the purchase of bonds or other securities issued by the government of the Cayman Islands, a body incorporated by statute, or a company in which the government is the sole or majority beneficial owner. In addition, ASB may not, without the written approval of the Cayman Islands Monetary Authority (the Authority), carry on any business in the Cayman Islands other than for which the B license has been obtained.

There are no specified ratio or liquidity requirements under the Cayman Banking Law, but the Authority expects observance of prudent banking practices. As a matter of general practice, the ratio of liabilities to capital and surplus should not exceed 40-to-1 and the ratio of risk-weighted assets to capital and surplus should not exceed 8.33 -to-1 (12%). There is a statutory minimum net worth requirement of US$480,000, but, in the normal course of events, the Authority will require a bank or trust company to maintain a higher paid-in capital appropriate to its business. It is the practice of the Authority to require compliance with the guidelines promulgated by the Basel Accord on Banking Regulations and Supervisory Practices although, in special circumstances, different gearing and/or capital risk asset ratios may be negotiated. Monitoring of compliance with the Cayman Banking Law is the responsibility of the Authority.

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Continuing Requirements

Under the law of the Cayman Islands, ASB is subject to the following continuing requirements: (i) to ensure good standing under the Cayman Islands Companies Law, including the filing of annual and other returns and the payment of annual fees; (ii) to file with the Registrar of Companies particulars of any change in the information or documents required to be supplied to him and to pay annual fees; (iii) to file quarterly with the Authority certain prescribed forms; (iv) to file with the Authority audited accounts within three months of each financial year, in the case of a locally incorporated bank which is not part of a substantial international banking group, current practice is also to request a senior officer or board member to discuss these accounts each year personally at a meeting with the Authority; and (v) to file an annual questionnaire.

ASB is required by the Cayman Banking Law to have at least two directors. Additionally, ASB must receive prior approval from the Authority (i) for any proposed change in the directors or senior officers, though in exceptional cases a waiver can be obtained enabling changes to be reported after the event or even annually in the case of a branch of a substantial international bank, (ii) for the issue, transfer or other disposal of shares (it is rare for a waiver to be granted in respect of shares except in the case of a branch of a substantial international bank and where the shares are widely held and publicly traded), (iii) for any significant change in the business plan filed on the filing of the original License application, or (iv) to open a subsidiary, branch, agency or representative office outside the Cayman Islands. Finally, ASB must obtain the prior approval of the Authority to change its name and must also notify the Authority of any change in the principal office and authorized agents in the Cayman Islands.

(iv) BCB

The Bolivian banking system operates under the *Ley de Bancos y Entidades Financieras* (the Law of Banks and Financial Entities) No. 1488, enacted on April 14, 1993, and modified by Law 2297, of December 20, 2001, which grants supervisory powers to the Superintendency of Banks and Financial Entities. Additionally, Banco Central de Bolivia (the Central Bank of Bolivia) regulates financial intermediation and deposit gathering activities, determines monetary and foreign exchange policies, and establishes reserve requirements on deposits and capital adequacy guidelines that banks and financial companies must follow. The *Superintendencia de Pensiones, Valores y Seguros* (the Pensions, Securities and Insurance Superintendency) supervises brokerage activities and mutual funds management, as conducted through BCB s subsidiaries Credibolsa S.A. and Credifondo S.A., respectively, which operate under the *Ley del Mercado de Valores* (the Securities Markets Law) No. 1834, enacted on March 31, 1998.

(v) PPS

Overview

The operations of PPS are regulated by Law 26702 and the SBS. Peruvian insurance companies must regularly submit reports to the SBS regarding their operations. In addition, the SBS conducts on-sight examinations of insurance companies at least on an annual basis, primarily to review compliance with the solvency margin and reserve requirements, investment requirements and the rules governing the recognition of premium income. If the SBS determines that a company is unable to meet the solvency margin or technical reserve requirements, or is unable to pay claims as they come due, it may either liquidate the company or permit it to merge with another insurance company.

Under Peruvian law, insurance companies may engage in certain credit risk operations, such as guarantees, bonds and trusteeships, but are prohibited from offering other banking services, operating

mutual funds or offering portfolio management services. In addition, insurance companies may not conduct brokerage operations for third parties.

Peruvian insurance companies are prohibited from having an ownership interest in other insurance or reinsurance companies or in private pension funds.

Establishment of an Insurance Company

Insurance companies must seek the authorization of the SBS before commencing operations. Peruvian law establishes certain minimum capital requirements for insurance and reinsurance companies. These requirements must be met through cash investments in the company. The statutory amounts are expressed in constant value and are adjusted quarterly based on the *Indice de Precios al Por Mayor* (the Wholesale Price Index).

Solvency Requirements

Pursuant to Law 26702, the SBS regulates the solvency margin of Peruvian insurance companies. The solvency margin is based upon calculations that take into account the amount of premiums written and losses incurred during a specified period prior to date on which the calculation is made.

Insurance companies must also maintain solvency equity, which must at least be equal to the highest of (a) the solvency margin, or (b) the minimum capital requirement, as established by law, or (c) the company s overall indebtedness, calculated in accordance with the provisions of Law 26702. The required amount of solvency equity is recalculated at least quarterly and is adjusted for inflation. If the insurance company has outstanding credit risk operations, part of the solvency equity should be segregated for their coverage.

Legal Reserve Requirements

Peruvian law also requires that all insurance companies establish a legal guarantee reserve for policyholders, by setting aside 10% of adjusted income before taxes, until the reserve reaches at least 35% of paid-in capital. For PPS, the minimum capital required as of June 30, 2005 is S/.12.6 million (US$3.8 million).

Reserve Requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish Technical Reserves. See (5) Insurance (ii) Claims and Reserves. Law 26702 also requires insurance companies to create a reserve for IBNR claims, which are reflected as a liability, net of recoveries and reinsurance, in the Credicorp Consolidated Financial Statements, and estimated by using generally accepted actuarial reserving methods. See Note 3(f) to the Credicorp Consolidated Financial Statements. Finally, PPS is required by the SBS to establish pre-event reserves for risk of catastrophes. See (5) Insurance (ii) Claims and Reserves.

Investment Requirements

Pursuant to Law 26702, the total amount of an insurance company s solvency equity and Technical Reserves must be permanently supported by diversified assets, which may not be pledged or otherwise encumbered. The investment regulations further specify that deposits in and bonds of one financial institution together cannot exceed 10% of the total of an insurer s solvency equity and Technical Reserves combined. In general, no more than 20% of an insurance company s solvency equity and Technical Reserves combined may be invested in instruments (including stocks and bonds)

issued by a company or group of companies. In addition, in order for an insurance company to invest in non-Peruvian securities, such securities must be rated by an internationally recognized credit rating company. Securities owned by insurance companies must be registered in the Public Registry of Securities of Perú or the analogous registry of their respective country.

Related Party Transactions

Law 26702 generally provides that insurance companies may not extend credit to or guarantee the obligations of employees or members of the Board of Directors, except for home mortgage loans to employees.

Ownership Restrictions

Law 26702 establishes the same types of restrictions with respect to the ownership and transfer of insurance company shares as it does with respect to the ownership and transfer of shares in banks. See (11) Supervision and Regulation (ii) BCP Overview.

(12) Selected Statistical Information

The following tables present certain selected statistical information and ratios for Credicorp for the periods indicated. The selected statistical information should be read in conjunction with the information included in Item 5. Operating and Financial Review and Prospects (A) Operating Results and the Credicorp Consolidated Financial Statements and the notes thereto. The statistical information and discussion and analysis presented below for 2000, 2001, 2002, 2003 and 2004 reflect the consolidated financial position of Credicorp and its subsidiaries, including BCP, ASHC, PPS and Banco Tequendama, as of December 31, 2000, 2001, 2002, 2003 and 2004 and the results of operations for 2000, 2001, 2002, 2003 and 2004.

(i) Average Balance Sheets and Income from Interest-Earning Assets

The tables below set forth selected statistical information based on Credicorp s average balance sheets prepared on a consolidated basis. Except as otherwise indicated, average balances, when used, have been classified by currency (Nuevos Soles or foreign currency (primarily U.S. Dollars)), rather than by the domestic or international nature of the balance. In addition, except where noted, such average balances are based on the quarterly ending balances in each year, with any such quarter-end balance denominated in Nuevos Soles having been converted into U.S. Dollars using the applicable SBS exchange rate as of the date of such balance. Nominal average interest rates have, in certain cases, been restated as real average interest rates using the formula described below. Management believes that adjusting average balances and average interest rates for inflation in this manner provides more meaningful information for investors than unadjusted average balances and rates and does not believe that the quarterly averages present trends materially different from those that would be presented by daily averages.

Real Average Interest Rates

The real average interest rates set forth in the tables below have been calculated by adjusting the nominal average interest rates on Nuevo Sol-denominated and foreign currency-denominated assets and liabilities using the following respective formulas:

$$R(s) = \frac{[\,1 + N(s)\,]}{[\,1+I\,]} - 1 \qquad R(d) = \frac{[(1 + N(d))(1 + D)]}{[1 + I\,]} - 1$$

Where:
R(s) = real average interest rate on Nuevo Sol-denominated assets and liabilities for the period.
R(d) = real average interest rate on foreign currency-denominated assets and liabilities for the period.
N(s) = nominal average interest rate on Nuevo Sol-denominated assets and liabilities for the period.
N(d)= nominal average interest rate on foreign currency-denominated assets and liabilities for the period.
D = devaluation rate of the Nuevo Sol relative to the U.S. Dollar for the period.
I = inflation rate in Perú for the period (based on the Peruvian wholesale inflation rate).

Under these adjustment formulas, assuming positive nominal average interest rates, the real average interest rate on a portfolio of Nuevo Sol-denominated assets or liabilities would be equal to the nominal average interest rate on that portfolio if the inflation rate were zero. The real average interest rate would be less than the nominal average interest rate if the inflation rate were positive, and the real average interest rate would be greater than the nominal average interest rate if the inflation rate were negative (*i.e.*, becomes a deflation rate). In addition, the real average interest rate would be negative if the inflation rate were greater than the average nominal interest rate.

Similarly, assuming positive nominal average interest rates, the real average interest rate on a portfolio of foreign currency-denominated assets or liabilities would be equal to the nominal average interest rate on that portfolio if the difference between the inflation rate and the devaluation rate were zero. The real average interest rate would be less than the nominal average interest rate if the inflation rate were greater than the devaluation rate, and the real average interest rate would be greater than the nominal average interest rate if the inflation rate were less than the devaluation rate. In addition, the real average interest rate would be negative if the inflation rate were greater than the sum of (i) the average nominal interest rate, (ii) the devaluation rate, and (iii) the product of (A) the average nominal interest rate and (B) the devaluation rate.

The formula for the real average rate for foreign currency-denominated assets and liabilities (*R(d)*) reflects a gain or loss in purchasing power caused by the difference between the devaluation rate of the Nuevo Sol and the inflation rate in Perú during the relevant period.

The following example illustrates the calculation of the real average interest rate for a foreign currency-denominated asset during a particular period bearing a nominal average interest rate of 20% per year (*N(d)* = 0.20) during the period, assuming a 15% annual devaluation rate (*D* = 0.15) and a 25% annual inflation rate (*I* = 0.25) during the period:

The real average interest rate is less than the nominal average interest rate in this example because the inflation rate is greater than the devaluation rate. If the inflation rate had been less than the devaluation rate (e.g., 25% and 40%, respectively), the real average interest rate would have been greater than the nominal average interest rate. If the inflation rate had been equal to the devaluation rate (e.g., 25% and 25%, respectively), the real average interest rate would have been equal to the nominal average interest rate. At any annual inflation rate above 38% in the original example (which is equal to the sum of *N(d)*, *D*, and the product of *N(d)* and *D* in that example), the real average interest rate would be negative.

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The following tables show quarterly average balances for all of Credicorp s assets and liabilities, interest earned and paid amounts, and nominal rates and real rates for Credicorp s interest-earning assets and interest-bearing liabilities, all for the years ended December 31, 2002, 2003 and 2004. Loan fees, which are not material, are included in the tables as interest earned.

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Average Balance Sheets
Assets, Interest Earned and Average Interest Rates
Year ended December 31,

ASSETS: (1)	2002 Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	2003 Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	200 Average Balance	Interest Earned
Interest-earning assets:					*(U.S. Dollars in thousands, except percentages)*					
Deposits in Central Bank										
Nuevos Soles	US$	US$	-1.48%	0.00%	US$	US$	-2.44%	0.00%	US$	US$
Foreign Currency	1,161,511	20,752	2.32	1.79	1,193,120	13,748	-2.75	1.15	1,037,518	15,357
Total	1,161,511	20,752	2.32	1.79	1,193,120	13,748	-2.75	1.15	1,037,518	15,357
Deposits in other banks										
Nuevos Soles	23,589	2,805	10.24	11.89	17,475	1,989	8.67	11.38	17,895	791
Foreign Currency	467,546	12,959	3.31	2.77	389,137	3,089	-3.09	0.79	416,413	3,998
Total	491,135	15,764	3.64	3.21	406,612	5,078	-2.59	1.25	434,308	4,789
Investment securities										
Nuevos Soles	195,829	9,775	3.44	4.99	273,416	13,388	2.34	4.90	560,910	21,547
Foreign Currency	711,860	62,949	9.41	8.84	1,062,548	47,067	0.40	4.43	1,186,002	72,356
Total	907,689	72,724	8.13	8.01	1,335,964	60,455	0.80	4.53	1,746,912	93,903
Total loans (2)										
Nuevos Soles	560,090	114,509	18.66	20.44	692,580	127,774	15.56	18.45	691,749	131,892
Foreign Currency	3,595,232	305,832	9.08	8.51	3,755,212	330,052	4.60	8.79	3,823,383	294,645
Total	4,155,322	420,341	10.37	10.12	4,447,792	457,826	6.30	10.29	4,515,132	426,537
Total dividend-earning assets (3)										
Nuevos Soles	104,523	439	-1.06	0.42	42,164	330	-1.68	0.78	99,098	833
Foreign Currency	155,536	1,854	1.72	1.19	75,766	10,848	9.91	14.32	62,237	1,423
Total	260,059	2,293	0.60	0.88	117,930	11,178	5.77	9.48	161,335	2,256
Total interest-earning assets										
Nuevos Soles	884,031	127,528	12.73	14.43	1,025,636	143,486	11.21	13.99	1,369,651	155,063
Foreign Currency	6,091,685	404,346	7.20	6.64	6,475,784	404,799	2.16	6.25	6,525,552	387,779
Total	6,975,716	531,874	7.90	7.62	7,501,420	548,285	3.39	7.31	7,895,203	542,842
Noninterest-earning assets:										
Cash and due from banks										
Nuevos Soles	112,584				95,264				98,764	

Foreign Currency	156,748				157,670				161,976	
Total	269,332				252,934				260,740	
Reserves for loan losses										
Nuevos Soles	(27,897)				(53,333)				(40,008)	
Foreign Currency	(318,030)				(326,019)				(242,115)	
Total	(345,927)				(379,352)				(282,123)	
Premises and equipment										
Nuevos Soles	160,807				192,912				195,230	
Foreign Currency	97,861				77,983				57,960	
Total	258,668				270,895				253,190	
Other non-interest-earning assets										
Nuevos Soles	134,430				167,981				175,316	
Foreign Currency	435,540				452,646				261,810	
Total	569,970				620,627				437,126	
Total non-interest-earning assets										
Nuevos Soles	379,924				402,824				429,302	
Foreign Currency	372,119				362,279				239,631	
Total	752,043				765,103				668,933	
Total average assets										
Nuevos Soles	1,263,955	127,528	8.46	10.09	1,428,460	143,486	7.36	10.04	1,798,953	155,063
Foreign Currency	6,463,804	404,346	6.81	6.26	6,838,063	404,799	1.84	5.92	6,765,184	387,779
Total	7,727,759	531,874	7.08	6.88	8,266,523	548,285	2.79	6.63	8,564,137	542,842

(1) Does not include out-of-period adjustments.

(2) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.

(3) As per IFRS, dividends are considered interest income.

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Average Balance Sheets
Liabilities, Interest Paid and Average Interest Rates
Year ended December 31,

	2002				**2003**				**2004**		
LIABILITIES (1)	**Average Balance**	**Interest Paid**	**Real Avg. Rate**	**Nominal Avg. Rate**	**Average Balance**	**Interest Paid**	**Real Avg. Rate**	**Nominal Avg. Rate**	**Average Balance**	**Interest Paid**	**Rea Avg Rat**
	(U.S. Dollars in thousands, except percentages)										
Interest-bearing liabilities:											
Demand deposits											
Nuevos Soles	US$222,701	US$ 2,003	-0.59%	0.90%	US$ 319,417	2,704	-1.61%	0.85%	US$349,584	2,911	-2.58
Foreign Currency	596,031	2,735	0.99	0.46	919,963	1,825	-3.66	0.20	758,990	1,873	-8.
Total	818,732	4,738	0.56	0.58	1,239,380	4,529	-3.14	0.37	1,108,574	4,784	-6.
Savings deposits											
Nuevos Soles (2)	262,468	3,461	-0.18	1.32	301,734	2,753	-1.55	0.91	277,051	2,476	-2.
Foreign Currency	1,083,712	5,897	1.07	0.54	1,223,843	3,575	-3.57	0.29	1,024,073	3,740	-8.
Total	1,346,180	9,358	0.83	0.70	1,525,577	6,328	-3.17	0.41	1,301,124	6,216	-6.
Time deposits											
Nuevos Soles	426,783	13,287	1.59	3.11	474,175	10,845	-0.21	3.29	487,556	17,094	0.
Foreign Currency	2,261,487	80,835	4.12	3.57	2,352,399	78,253	-0.66	3.33	2,471,813	67,871	-5.
Total	2,688,270	94,122	3.72	3.50	2,826,574	89,098	-0.58	3.15	2,959,369	84,965	-4.
Due to banks and correspondents and issued bonds (3)											
Nuevos Soles	103,602	5,531	3.78	5.34	124,852	12,085	7.00	9.68	134,280	11,257	4.
Foreign Currency	795,039	64,320	8.66	8.09	532,183	51,540	5.23	9.45	539,268	53,076	0.
Total	898,641	69,851	8.10	7.77	657,035	63,625	5.57	9.49	673,548	64,333	1.
Total interest-bearing liabilities											
Nuevos Soles	1,015,554	24,282	0.88	2.39	1,220,177	28,387	-0.17	2.33	1,248,471	33,738	-0.

Foreign Currency	4,736,269	153,787	3.79	3.25	5,028,388	135,193	-1.29	2.66	4,794,144	126,560	-6.
Total	5,751,823	178,069	3.27	3.10	6,248,565	163,580	-1.07	2.60	6,042,615	160,298	-4.
Non-interest-bearing liabilities and shareholders equity:											
Other liabilities											
Nuevos Soles	85,261				45,045				45,773		
Foreign Currency	1,086,284				1,120,185				1,508,460		
Total	1,171,545				1,165,230				1,554,233		
Shareholders equity											
Nuevos Soles	517,518				538,479				579,279		
Foreign Currency	286,873				314,249				388,009		
Total	804,391				852,728				967,288		
Total non-interest-bearing liabilities and shareholders equity											
Nuevos Soles	602,779				583,524				625,052		
Foreign Currency	1,373,157				1,434,433				1,896,469		
Total	1,975,936				2,017,957				2,521,521		
Total average liabilities and shareholders equity											
Nuevos Soles	1,618,333	24,282	0.00	1.50	1,803,702	28,387	-0.90	1.57	1,873,523	33,738	-1.
Foreign Currency	6,109,426	153,787	3.06	2.52	6,462,822	135,193	-1.86	2.07	6,690,613	126,560	-6.
Total	7,727,759	178,069	2.42	2.30	8,266,524	163,580	-1.65	1.96	8,564,137	160,298	-5.

(1) Does not include out-of-period adjustments.
(2) Includes the amount paid to Central Bank for deposit insurance fund.
(3) Issued bonds were included in prior reports under the *Time deposits* caption.

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Changes in Net Interest Income and Expense: Volume and Rate Analysis

	2003/2002			2004/2003		
	Increase/(Decrease) due to changes in:			Increase/(Decrease) due to changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(U.S. Dollars in thousands)					
Interest Income:						
Interest-earning deposits in Central Bank						
Nuevos Soles		6	6	--	--	--
Foreign Currency	565	(7,575)	(7,010)	(1,798)	3,407	1,609
Total	565	(7,569)	(7,004)	(1,798)	3,407	1,609
Deposits in other banks						
Nuevos Soles	(727)	(89)	(816)	48	(1,246)	(1,198)
Foreign Currency	(2,173)	(7,697)	(9,870)	217	692	909
Total	(2,900)	(7,786)	(10,686)	264	(553)	(289)
Investment securities						
Nuevos Soles	3,873	(261)	3,612	14,077	(5,918)	8,159
Foreign Currency	31,011	(46,892)	(15,881)	5,469	19,820	25,289
Total	34,884	(47,153)	(12,269)	19,546	13,902	33,448
Total loans(1)						
Nuevos Soles	27,087	(13,823)	13,264	(153)	4,271	4,118
Foreign Currency	13,609	10,612	24,221	5,992	(41,399)	(35,407)
Total	40,696	(3,211)	37,485	5,838	(37,127)	(31,289)
Total dividend-earning assets						
Nuevos Soles	(262)	153	(109)	446	57	503
Foreign Currency	(951)	9,945	8,994	(1,937)	(7,488)	(9,425)
Total	(1,213)	10,098	8,885	(1,492)	(7,430)	(8,922)
Total interest-earning assets						