CREDICORP LTD
Form 20-F
June 18, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

¨ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report ______________

For the transition period from to

Commission file number 1-14014

CREDICORP LTD.
(Exact name of registrant as specified in its charter)
BERMUDA
(Jurisdiction of incorporation or organization)

Of our subsidiary
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
(Address of principal executive offices)

Alvaro Correa
Chief Financial Officer
Credicorp Ltd
Banco de Crédito del Perú:
Calle Centenario 156
La Molina
Lima 12, Perú
Phone (+511) 313 2140
Facsimile (+511) 313 2121
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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 | 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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer ¨ Non-accelerated filer o
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:
U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board x Other ¨
If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
Item 17 ¨ Item 18 x

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 x

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## PRESENTATION OF FINANCIAL INFORMATION

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

Credicorp Ltd. is a Bermuda limited liability company (and is referred to in this Annual Report as Credicorp, we, or us, and means either Credicorp as a separate entity or as an entity together with our consolidated subsidiaries, as the context may require). We maintain our financial books and records in U.S. Dollars and present our financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). IFRS differ in certain respects from United States Generally Accepted Accounting Principles (U.S. GAAP).

We operate primarily through our four operating segments: banking (including commercial and investment banking), insurance, pension funds, and brokerage and other. See information about operating segments in "Item 4.-Information on the Company: (A) History and Development of the Company, and (B) Business Overview".

Our four principal subsidiaries are Banco de Crédito del Perú (which, together with its consolidated subsidiaries, is referred to as BCP), Atlantic Security Holding Corporation (which, together with its consolidated subsidiaries, is referred to as ASHC), El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (which, together with its consolidated subsidiaries, is referred to as Pacífico Peruano Suiza or PPS) and Grupo Crédito S.A. (which, together with its consolidated subsidiaries, including the main subsidiary Prima AFP, is referred to as Grupo Crédito). BCP's activities include commercial banking, investment banking and retail banking. As of and for the year ended December 31, 2009, BCP accounted for 72.8% of our total revenues, 87.2% of our total assets, 84.6% of our net income and 70.6% of our net equity. Unless otherwise specified, the individual financial information for BCP, ASHC, PPS and Grupo Crédito included in this Annual Report 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."

"Item 3. Key Information—(A) Selected Financial Data" contains key information related to our performance. This information was obtained mainly from our consolidated financial statements as of December 31, 2005, 2006, 2007, 2008 and 2009.

Our management's criteria on foreign currency translation, for the purpose of preparing the Credicorp Consolidated Financial Statements, is described in "Item 5. Operating and Financial Review and Prospects—(A) Operating Results—(1) Critical Accounting Policies—Foreign Currency Translation."

Some of our subsidiaries maintain their operations and balances in Nuevos Soles. As a result, this Annual Report contains certain Nuevo Sol amounts translated into U.S. Dollars which is solely for the convenience of the reader. You should not construe any of these translations 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, these U.S. Dollar amounts have been translated from Nuevos Soles at an exchange rate of S/.2.89 = US$1.00, which is the December 31, 2009 exchange rate set by the Peruvian Superintendencia de Banca, Seguros y AFP (the Superintendency of Banks, Insurance and Pension Funds, or the SBS). The average of the bid and offered free market exchange rates published by the SBS for June 14, 2010 was S/.2.843 per US$1.00. Translating amounts expressed in Nuevos Soles on a specified date (at the prevailing exchange rate on that date) may result in the presentation of U.S. Dollar amounts that are different from the U.S. Dollar amounts that would have been obtained by translating Nuevos Soles on another specified date (at the prevailing exchange rate on that different specified date). See also "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.

## CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report are not historical facts, including, without limitation, certain statements made in the sections 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,” which 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 (or the Exchange Act). These forward-looking statements are based on our 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 the forward-looking statements. Therefore, actual results, performance or events may be materially different from those in the forward-looking statements due to, without limitation:

- general economic conditions, including in particular economic conditions in Peru;
- 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 Peru 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.”

We are not under any obligation to, and we expressly disclaim any such obligation to, update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

# 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 a summary of our consolidated financial information at the dates and for the periods indicated. This selected financial data is presented in U.S. Dollars. You should read this information in conjunction with, and qualify this information in its entirety by reference to, the Credicorp Consolidated Financial Statements, which are also presented in U.S. Dollars.

The summary of our consolidated financial data as of, and for the years ended, December 31, 2005, 2006, 2007, 2008 and 2009 is derived from the Credicorp Consolidated Financial Statements audited by Medina, Zaldívar, Paredes & Asociados S.C.R.L, member of Ernst & Young Global, independent registered public accountants.

The report of Medina, Zaldívar, Paredes & Asociados S.C.R.L on the Credicorp Consolidated Financial Statements as of December 31, 2008 and 2009 and for the years ended December 31, 2007, 2008 and 2009 appears elsewhere in this Annual Report.

SELECTED FINANCIAL DATA

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands, except percentages, ratios, and per common share data) | | | | |
| INCOME STATEMENT DATA: | | | | | |
| IFRS: | | | | | |
| Interest income | US$ 612,432 | US$ 782,002 | US$ 1,065,339 | US$ 1,382,844 | US$ 1,312,925 |
| Interest expense | (173,159) | (283,478) | (431,365) | (561,617) | (420,564) |
| Net Interest income | 439,273 | 498,524 | 633,974 | 821,227 | 892,361 |
| Provision for loan losses (1) | 6,356 | 4,243 | (28,439) | (48,760) | (163,392) |
| Net interest income after provision for loan losses | 445,629 | 502,767 | 605,535 | 772,467 | 728,969 |
| Fees and commissions from banking services | 206,163 | 243,778 | 324,761 | 394,247 | 436,819 |
| Net gains (loss) from sales of securities | 8,965 | 27,281 | 46,376 | 51,936 | 120,932 |
| Net gains on foreign exchange transactions | 29,286 | 41,638 | 61,778 | 108,709 | 87,944 |
| Net premiums earned | 218,955 | 251,261 | 297,272 | 393,903 | 424,682 |
| Other income | 21,571 | 26,197 | 90,022 | 37,672 | 74,936 |
| Claims on insurance activities | (175,500) | (186,522) | (238,600) | (341,910) | (286,458) |
| Operating expenses | (477,073) | (585,058) | (747,089) | (920,603) | (957,110) |
| Merger costs | 0 | (5,706) | 0 | 0 | 0 |
| Income before translation result and income tax | 277,996 | 315,636 | 440,055 | 496,421 | 630,714 |
| Translation result | (9,597) | 15,216 | 34,627 | (17,650) | 12,222 |
| Income tax | (73,546) | (83,587) | (102,287) | (109,508) | (138,500) |
| Net income | 194,853 | 247,265 | 372,395 | 369,263 | 504,436 |
| Attributable to: | | | | | |
| Net income attributable to Credicorp's equity holders | 181,885 | 230,013 | 350,735 | 357,756 | 469,785 |
| Minority interest | 12,968 | 17,252 | 21,660 | 11,507 | 34,651 |
| Number of shares as adjusted to reflect changes in capital | 79,761,475 | 79,761,475 | 79,761,475 | 79,761,475 | 79,591,225 |
| Net income per common share attributable to Credicorp´s equity holders (2) | 2.28 | 2.88 | 4.40 | 4.49 | 5.90 |
| Diluted net income per share | 2.28 | 2.88 | 4.40 | 4.49 | 5.90 |

| | | | | | |
|---|---|---|---|---|---|
| Cash dividends declared per common share | 1.10 | 1.30 | 1.50 | 1.50 | 1.70 |
| BALANCE SHEET DATA: | | | | | |
| IFRS: | | | | | |
| Total assets | 11,036,075 | 12,881,529 | 17,705,898 | 20,821,069 | 22,028,107 |
| Total loans (3) | 4,972,975 | 5,877,361 | 8,183,845 | 10,456,284 | 11,505,319 |
| Reserves for loan losses (1) | (218,636) | (210,586) | (229,700) | (248,063) | (376,049) |
| Total deposits | 7,067,754 | 8,799,134 | 11,299,671 | 13,877,028 | 14,038,710 |
| Equity attributable to Credicorp's equity holders | 1,190,440 | 1,396,822 | 1,676,009 | 1,689,172 | 2,316,856 |
| Minority interest | 101,515 | 136,946 | 139,264 | 106,933 | 186,496 |
| Net Equity | 1,291,955 | 1,533,768 | 1,815,273 | 1,796,105 | 2,503,352 |

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands, except percentages, ratios, and per common share data) | | | | |
| SELECTED RATIOS | | | | | |
| IFRS: | | | | | |
| Net interest margin (4) | 4.90% | 4.64% | 4.50% | 4.46% | 4.70% |
| Return on average total assets (5) | 1.81% | 1.92% | 2.29% | 1.86% | 2.19% |
| Return on average equity attributable to Credicorp's equity holders (6) | 16.39% | 18.44% | 22.67% | 20.21% | 23.72% |
| Operating expenses as a percentage of net interest and non-interest income (7) | 46.25% | 50.26% | 50.62% | 40.27% | 46.18% |
| Operating expenses as a percentage of average assets | 4.74% | 4.89% | 4.88% | 4.78% | 4.47% |
| Equity attributable to Credicorp's equity holders as a percentage of period end total assets | 10.79% | 10.84% | 9.47% | 8.11% | 10.52% |
| Regulatory capital as a percentage of risk weighted assets (8) | 13.10% | 11.98% | 12.80% | 12.33% | 14.32% |
| Total past-due loan amounts as a percentage of total loans (9) | 1.93% | 1.31% | 0.75% | 0.79% | 1.60% |
| Reserves for loan losses as a percentage of total loans | 3.97% | 3.24% | 2.58% | 2.15% | 3.08% |
| Reserves for loan losses as a percentage of total loans and other contingent credits (10) | 3.19% | 2.59% | 2.17% | 1.84% | 2.53% |
| Reserves for loan losses as a percentage of total past-due loans (11) | 206.22% | 247.85% | 343.68% | 270.72% | 191.99% |
| Reserves for loan losses as a percentage of substandard loans (12) | 65.42% | 78.24% | 100.45% | 112.26% | 99.45% |

(1) Provision for loan losses and reserve for loan losses include provisions and reserves with respect to total loans and contingent credits, net of write-off recoveries.

(2) We have 100 million authorized common shares. As of December 31, 2009, we had issued 94.4 million common shares, of which 14.6 million were held by ASHC. The per common share data given considers net outstanding shares (common shares net of shares held by BCP, ASHC and PPS) of 79.7 million in 2002 to 2009. See Notes 16 and 25 to the Credicorp Consolidated Financial Statements.

(3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, we had contingent loans of US$1,220.9 million, US$1,455.4 million, US$1,564.5 million, US$1,755.9 million and US$2,528.1 million, as of December 31, 2005, 2006, 2007, 2008 and 2009, respectively. See Note 19 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 monthly 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 equity attributable to our equity holders, computed as the average of period-beginning and period-ending balances, and calculated on a monthly basis.

(7) Sum of the salaries and employee's benefits, administrative expenses, depreciation and amortization, as a percentage of the sum of net interest income and non-interest income, less net gains from sales of securities and other income.

(8) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the BIS I Accord) as adopted by the SBS. 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 90 days for installment loans, which include mortgage loans but exclude consumer loans. 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. For IFRS 7 disclosure requirements on past-due loans, See Note 29.1 to the Credicorp Consolidated Financial Statements. 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, stand-by letters and letters of credit. See Note 19 to the Credicorp Consolidated Financial Statements.

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

(12) Reserves for loan and contingent credit losses 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 Loan Portfolio."

Exchange Rates

The following table sets forth the high and low month-end rates and the average and 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) | | | |
| 2005 | 3.440 | 3.249 | 3.295 | 3.420 |
| 2006 | 3.455 | 3.195 | 3.274 | 3.195 |
| 2007 | 3.197 | 2.998 | 3.125 | 2.998 |
| 2008 | 3.135 | 2.751 | 2.939 | 3.135 |
| 2009 | 3.258 | 2.853 | 3.010 | 2.889 |

Source: Bloomberg

(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.

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) | |
| 2009 | | |
| December | 2.889 | 2.863 |
| 2010 | | |
| January | 2.889 | 2.845 |
| February | 2.871 | 2.845 |
| March | 2.846 | 2.837 |
| April | 2.848 | 2.836 |
| May | 2.855 | 2.836 |
| June (through June 14) | 2.851 | 2.844 |

Source: Bloomberg

(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 14, 2010 was S/. 2.843 per US$1.00.

## (B) Capitalization and Indebtedness

Not applicable.

## (C) Reasons for the Offer and Use of Proceeds

Not applicable.

(D) Risk Factors

Our businesses are affected by many external and other factors in the markets in which we operate. Different risk factors can impact our businesses, our ability to effectively operate and our business strategies. You should consider the risk factors carefully and read them in conjunction with all the information in this document.

Our geographic location exposes us to risk related to Peruvian political and economic conditions.

Most of BCP's, PPS's and Prima AFP's operations and customers are located in Peru. In addition, although ASHC is based outside of Peru, most of its customers are located in Peru. Accordingly, our results of operations and financial conditions will be dependent on the level of economic activity in Peru. 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, could affect our results of operations and financial condition. Similarly, other political or economic developments in Peru, including government-induced effects on inflation, devaluation and economic growth could affect our operations and financial condition.

For several decades, Peru 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 international trade. Past governments have also restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the payment of profits to foreign investors.

During the 1980s and the early 1990s, the Sendero Luminoso (Shining Path) and the Movimiento Revolucionario Tupac Amaru (MRTA) terrorist organizations were particularly active in Peru. Although the Shining Path and MRTA were almost de-activated in the 1990s, any resumption of activities by these or other terrorist organizations may adversely affect our operations.

In July 1990, Alberto Fujimori was elected President and implemented a broad-based reform of Peru's political system and economic and social conditions. The reform was aimed at stabilizing the economy, restructuring the national government (by reducing bureaucracy), privatizing state-owned companies, promoting private investment, eradicating corruption and bribery in the judicial system, developing and strengthening free markets, institutionalizing democratic representation, and enacting programs designed to strengthen basic services related to education, health, housing and infrastructure. After taking office for his third term in July 2000, under extreme protest, President Fujimori was forced to call for general elections when corruption in his government was exposed to the public. Fujimori later resigned in favor of a transitory government.

In 2001, Alejandro Toledo became President, ending two years of political turmoil. President Toledo retained, for the most part, the economic policies of the previous government. He focused on promoting private investment, eliminating tax exemptions, and reducing underemployment and unemployment. President Toledo also implemented fiscal austerity programs, among other proposals, in order to stimulate the economy. Despite Peru's moderate economic growth, the Toledo administration faced public unrest spurred by high rates of unemployment, underemployment and poverty.

In the elections held in April 2006, no presidential candidate received the required 50% or more of the votes. As a result, a second round election between the top two presidential candidates, Ollanta Humala Tasso from the Partido Unión por el Peru, or the UPP, and Alan García Pérez of the Partido Alianza Popular Revolucionaria, or APRA, was held on June 4, 2006. Although Alan García Pérez was elected and currently serves as President, he has no majority in Congress. President García had previously served as President of Peru from 1985 to 1990, a period which was marked by a severe economic crisis. He is following conservative economic policies and has indicated a desire to avoid the mistakes of his past government. The García administration has followed economic policies similar to those of the Toledo administration, which included achieving sustained economic growth, increasing exports of Peruvian goods, reducing unemployment, underemployment and poverty, reforming the tax system, fostering private investment and increasing public investment in education, public health and other social programs, while reducing overall public spending.

The Peruvian government's economic policies during the last decade have provided the appropriate fundamentals to support positive performance by the Peruvian economy. As a result, the international financial crisis did not impact Peru as severely as other countries. In addition, the current government has also implemented a US$3 billion anti-crisis program to alleviate any effects from the crisis.  However, while the economic policies of recent Peruvian governments have been relatively stable, we cannot assure that future governments will maintain favorable economic policies.

Foreign exchange fluctuations and exchange controls may adversely affect our financial condition and results of operations.

Even though the functional currency of our financial statements is U.S. Dollars and our dividends are paid in U.S. Dollars, BCP, PPS and Prima AFP for local statutory purposes, prepare their financial statements and pay dividends in Nuevos Soles. The Peruvian government does not currently impose restrictions on a company's ability to transfer U.S. Dollars from Peru to other countries, to convert Peruvian currency into U.S. Dollars or to pay dividends abroad. Nevertheless, Peru has had restrictive exchange controls in the past, and there can be no assurance that the Peruvian government will continue to permit such transfers, payments or conversions without any restrictions. See "Item 10. Additional Information—(D) Exchange Controls."  In addition, depreciation of the Nuevo Sol against the U.S. Dollar would decrease the U.S. Dollar value of any dividends BCP, PPS and Prima AFP pay us, which would have a negative impact on our ability to pay dividends to shareholders.

Although Peru's foreign reserves currently compare favorably with those of many other Latin American countries, we cannot assure you that Peru will be able to maintain adequate foreign reserves to meet its foreign currency-denominated obligations. Similarly, we cannot assure you that Peru 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 currency devaluation or a volatility of short-term capital inflows. We have taken steps to manage the gap between our foreign currency-denominated assets and liabilities in several ways, including closely matching the volumes and maturities of our Nuevo Sol-denominated assets against our Nuevo Sol-denominated liabilities. Nevertheless, a sudden and significant devaluation of the Nuevo Sol could have a material adverse effect on our financial condition and results of operations. See "Item 11. Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk."

Also, a significant group of BCP's borrowers and PPS's insureds generate Nuevo Sol revenues from their own clients. Devaluation of the Nuevo Sol against the U.S. Dollar could negatively impact BCP's and PPS's clients' ability 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 U.S. Dollar could have a material adverse effect on our results of operations and financial condition.

It may be difficult to serve process on or enforce judgments against us or our principals residing outside of the United States.

A significant majority of our directors and officers live outside the United States (principally in Peru). All or most of our assets and those of our principals 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 us or our principals to bring forth a civil suit under the United States securities laws in United States courts. We have been advised by our Peruvian counsel that liability under the United States federal securities laws may not be enforceable in original actions in Peruvian courts. Also, judgments of United States courts obtained in actions under the United States federal securities laws may not be enforceable. Similarly, Bermudan counsel advised us that courts in Bermuda may not enforce judgments obtained in other jurisdictions, or entertain actions in Bermuda, against us or our directors or officers under the securities laws of those jurisdictions.

In addition, our bye-laws contain a broad waiver by shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. This waiver limits the rights of shareholders to assert claims against our officers and directors for any action taken by an officer or director. It also limits the rights of shareholders to assert claims against officers for 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.

Our ability to pay dividends to shareholders and to pay corporate expenses may be adversely affected by the ability of our subsidiaries to pay dividends to us.

As a holding company, our ability to make dividend payments, if any, and to pay corporate expenses will depend upon the receipt of dividends and other distributions from our operating subsidiaries. Our principal subsidiaries are BCP, PPS, ASHC and Grupo Crédito, which is Prima AFP's owner. If our subsidiaries do not have funds available, or are otherwise restricted from paying us dividends, we may be limited in our ability to pay dividends to shareholders. Currently, there are no restrictions on the ability of BCP, ASHC, PPS or Grupo Crédito to pay dividends abroad. In addition, our right to participate in the distribution of assets of any subsidiary, upon any subsidiary's liquidation or reorganization (and thus the ability of holders of our securities to benefit indirectly from such distribution), is subject to the prior claims of creditors of that subsidiary, except where we are considered a creditor of the subsidiary. Accordingly, our securities will effectively be subordinated to all existing and future liabilities of our subsidiaries, and holders of our securities should look only to our assets for payments.

A deterioration in the quality of our loan portfolio may adversely affect our results of operations.

Given that a significant percentage of our revenues are related to banking activities, a deterioration of loan quality may have an adverse impact on our financial condition and results of operations. On the one hand, loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification policies. On the other hand, our pursuit of opportunities in which we can charge higher interest rates, thereby increasing revenues, may reduce diversification of the loan portfolio and expose us to greater credit risk. We believe that significant opportunities exist in middle market, consumer lending and microfinance in Peru. We also believe that we can, on average, charge higher interest rates on such loans as compared with interest charged on loans in our core corporate banking business, made primarily to clients that operate in industrial and commercial economic sectors.

Accordingly, our strategy includes a greater emphasis on middle market, consumer loans and microfinance, as well as continued growth of our loan portfolio in general. An increase in the portfolio's exposure to these areas could be accompanied by greater credit risk. The greater credit risk is not only due to the speed and magnitude of the increase, but also to the shift to lending to these sectors, which have higher risk profiles compared with loans to large corporate customers. Given the changing composition of our loan portfolio, historical loss experience may not be indicative of future loan loss experience.

Because we are subject to regulation and supervision in Peru, Bolivia, the Cayman Islands, the United States and Panama, changes to the regulatory framework in any of these countries could adversely affect our business.

We are mainly subject to extensive supervision and regulation through the SBS's consolidated supervision regulations, which oversee all of our subsidiaries and offices including those located outside Peru. The SBS and the Banco Central de Reserva, or the Central Bank, supervise and regulate BCP's operations. Peru'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 as well as 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 may adversely affect our results of operations and financial condition. See "Item 4. Information on the Company—(B) Business Overview—(11) Supervision and Regulation—(ii) BCP." Furthermore, changes in regulation related to consumer protection may also affect our business.

We are also regulated by the United States Federal Reserve System, which shares its regulatory responsibility with the State of Florida Department of Banking and Finance - Office of Financial Regulation. Similarly, we are regulated by other governmental entities in other jurisdictions. In the Cayman Islands, we are subject to the supervision and regulation of the Cayman Islands Monetary Authority, or CIMA, while in Bolivia, we are subject to the supervision of the Superintendency of Banks and Financial Entities and regulations established by the Central Bank of Bolivia. In Panama, we are subject to the supervision of the Superintendency of Banks and the regulatory framework set forth in the Decree Law 9 of February 25, 1998. Changes in the supervision and regulation of our subsidiaries in other countries may adversely affect our results of operations and financial condition.

Our banking operations in Bolivia expose us to risk related to Bolivian political and economic conditions.

Most of BCP Bolivia’s operations and customers are located in Bolivia. Accordingly, our results of operations and financial conditions depend on the level of economic activity in Bolivia. Bolivia’s macroeconomic indicators show positive performance by the country over the last several years:

- Bolivia has reached a steady GDP growth rate that was not affected by the international financial crisis;
- In 2009, Bolivia’s international reserve registered its highest level in Bolivian history;
- The country’s inflation rate decreased to 0.3% and external debt was at its lowest level in 2009;
- The Central Government also maintained a significant fiscal surplus, and Bolivia’s domestic currency has strengthened, causing an important de-dollarization of the national economy.

While we expect this economic stability to continue in the short-term, there is no assurance of continued stability and Bolivia’s long-term economic performance remains a concern. Bolivia has a high dependence on commodities exports and needs to generate larger local and foreign investment. These long-term concerns could adversely affect BCP Bolivia’s income and results of operation.

Changes to insurance regulations in Peru may impact the ability of our insurance subsidiary to underwrite and price risk effectively, and may adversely affect our operating performance and financial condition.

Our insurance business is carried out by our subsidiary PPS. The insurance business is subject to regulation by the SBS. Insurance regulations in Peru frequently 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. PPS is also unable to predict the timing of any such adoption and the effects any new laws or regulations would have on its operations, profitability and financial condition.

Our 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 to be profitable. 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. Failure to establish adequate premium rates could reduce income and have a materially 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 our results of operations and financial condition.

Regulatory changes to the private pension fund system in Peru could impact our earnings and adversely affect our operating performance.

Prima AFP manages our Pension Fund Administration business. In Peru, private pension fund managers are closely regulated by the SBS. Under the current regulatory framework, we collect commissions based on the salary of each subscriber to our pension funds. This commission-based system could be modified or eliminated by regulations that require pension fund managers to charge fees based on the balance of funds under their control. Any regulations requiring us to use a different methodology to calculate fees could negatively impact our performance.

We are facing increased competition that may impede our growth.

BCP has experienced increased competition, including increased pressure on margins. This is primarily a result of the presence of the following:

- Highly liquid commercial banks in the market;
- Local and foreign investment banks with substantial capital, technology, and marketing resources; and
- Local pension funds that lend to BCP's corporate customers through participation in those 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, has affected BCP's loan growth as well as reduced the average interest rates that BCP can charge its customers.

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Competitors may also appropriate greater resources to, and be more successful in, the development of technologically advanced products and services that may compete directly with BCP's products and services. Such competition would adversely affect the acceptance of BCP's products and/or lead to adverse changes in the spending and saving habits of BCP's customer base. If competing 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. 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. 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 or other similar factors. Any negative impact on BCP could have a materially adverse effect on our results of operations and financial condition.

Fluctuation and volatility of capital markets and interest rates may decrease our net income.

We may suffer losses related to the investments by BCP, ASCH, PPS, Grupo Crédito 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 or exchange rates or other reasons. A downturn in capital markets may result in a decline in the value of our positions and lead us to register net losses. In addition, a downturn in capital markets could also lead to volatile prices and negative net revenues from trading positions, even in the absence of a general economic 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 our financial condition by causing a decrease in net interest income.

## ITEM 4. INFORMATION ON THE COMPANY

### (A) History and Development of the Company

We are a limited liability company that was incorporated in Bermuda on October 20, 1995 to act as a holding company, coordinate the policy and administration of our subsidiaries, and engage in investing activities. Our principal activity is to coordinate and manage the business plans of our subsidiaries in an effort to implement universal banking services and develop our insurance business, focusing on Peru and Bolivia along with limited investments in other countries of the region. Our registered address is Clarendon House, 2 Church Street, Bermuda. The management and administrative office (i.e., principal place of business) in Peru of our subsidiary, Banco de Crédito del Perú, is located at Calle Centenario 156, La Molina, Lima 12, Peru, and the phone number is 51-1-313-2000.

We are the largest financial services holding company in Peru and are closely identified with our principal subsidiary, BCP, the country's largest bank and the leading supplier of integrated financial services in Peru.

We are engaged principally in banking (including commercial and investment banking), insurance (including commercial property, transportation and marine hull, automobile, life, health and underwriting insurance), pension funds (including private pension fund management services), and brokerage and other (including brokerage, trust, custody and securitization services, asset management and proprietary trading and investment). As of December 31, 2009, our total assets were US$22.0 billion and our net equity was US$2.5 billion. Our net income attributable to our equity holders in 2008 and 2009 was US$357.8 million and US$469.8 million, respectively. See "Item 3. Key

Information—(A) Selected Financial Data" and "Item 5. Operating and Financial Review and Prospects."

For management purposes, the Group is organized into four operating segments based on products and services. In according to IFRS, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's chief who makes decisions about resources allocation for the segment and assesses its performance; and for which discrete financial information is available. We conduct our financial services business through our operating segments as follows:

Banking: principally handling loans, credit facilities, deposits and current accounts, and providing investment banking services, including corporate finance, both for corporate and institutional customers. Banking also includes handling deposits consumer loans and credit cards facilities for individual customers.

Insurance: including commercial property, transportation and marine hull, automobile, life, health and pension fund underwriting insurance.

Pension funds: providing private pension fund management services to contributors.

Brokerage and others: including the structuring and placement of primary market issues and the execution and trading of secondary market transactions. This segment also includes offers of local securitization structuring to corporate entities, management of mutual funds and other services.

The following table gives certain financial information about us by principal business segments as of and for the year ended December 31, 2009 (See Note 26 to the Credicorp Consolidated Financial Statements):

| | As of and for the Year ended December 31, 2009 | | |
|---|---|---|---|
| | Total Revenues | Operating Income | Total Assets |
| | | (U.S. Dollars in millions) | |
| Banking | US$ 1,820 | US$ 831 | US$ 20,120 |
| Insurance | 518 | 192 | 1,457 |
| Pension fund | 80 | 0 | 237 |
| Brokerage and others | 40 | 8 | 214 |
| Credicorp | US$ 2,458 | US$ 1,031 | US$ 22,028 |

We conduct our commercial banking and investment banking activities primarily through BCP, the largest (in terms of total assets, loans, deposits, net equity and net income) full-service Peruvian commercial bank, and ASHC, a diversified financial services company. We conduct our pension fund business through Prima AFP and our insurance activities through PPS, which is the second largest Peruvian insurance company in terms of premiums, fees and net income. You should note that the term “Peruvian commercial bank,” “Peruvian insurance company” and other similar terms used in this Annual Report do not include the assets, results or operations of any foreign parent company or foreign subsidiary of such Peruvian company.

We were formed in 1995 for the purpose of acquiring, through an exchange offer, the common shares of BCP, ASHC and PPS. Pursuant to this exchange offer, in October 1995 we acquired 90.1% of BCP, 98.2% of ASHC and 75.8% of PPS. We acquired the remaining 1.8% outstanding shares of ASHC in March 1996, pursuant to another exchange offer. See “Item 4. Information on the Company—(C) Organizational Structure.”

In December 1995, we purchased 99.99% of Inversiones Crédito (whose name has changed to Grupo de Crédito), a non-financial entity with assets of US$376.9 million as of December 2009. Grupo de Crédito’s main subsidiary is Prima AFP.

In August 1997, we acquired 39.5% of BCB from BCP for US$9.2 million. In July 1998, we acquired 94.86% of Banco de La Paz, a Bolivian bank with US$52.1 million in assets, which we subsequently merged with BCB in January 1999. During this time, we also increased our beneficial ownership in BCB to 55.79%, which left BCP with ownership of the remaining 44.21%. In November 2001, however, BCP bought back 55.53% of our interest in BCB for US$31.5 million. As of December 31, 2009, BCB operated 65 branches and 172 ATMs located throughout Bolivia. BCB's results have been consolidated in the BCP financial statements since the date of its acquisition by BCP in November 1993.

In 1997, we acquired Banco Tequendama, a Colombian banking enterprise. In 2002, we sold Banco Tequendama's Venezuelan branches. In March 2005, we then sold Banco Tequendama to a Colombian bank. While this sale was publicly announced in October 2004 and became effective on January 1, 2005, it was not completed until March 2005 after all required approvals were obtained from the Colombian authorities. We did not record any significant gain or loss as a result of this transaction.

In March 2002, we 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 our subsidiary PPS an amount of approximately US$35.3 million. As a result of the tender offer, our equity stake in BCP increased from 90.6% to 97.0% (including shares held by PPS).

In December 2002, BCP acquired Banco Santander Central Hispano-Perú (BSCH-Perú) for US$50.0 million. Since that date, BSCH-Perú has been included in BCP's consolidated financial statements. On 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 added to its 55% stake by acquiring 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. As a result, Solución once again became a BCP wholly-owned subsidiary. In March 2004, substantially all of Solución's assets and liabilities were absorbed into BCP's Peruvian banking operations. 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.

In 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 then consolidated BCOL into its operations during 2004. In accordance with our policy regarding holdings of equity interests in non-financial companies, we then caused certain long-term equity interests that were previously held by BCOL to be transferred to BCP and then in turn transferred to Grupo Crédito. In April 2004, PPS sold substantially all of its holdings of our equity shares to ASHC (See "Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders").

In March 2004, PPS acquired 100% of Novasalud Perú S.A. – Entidad Prestadora de Salud (Novasalud EPS), which is one of three private health insurance providers in Peru, for US$6.5 million. PPS then merged Novasalud EPS with Pacífico S.A. Entidad Prestadora de Salud (Pacífico Salud), a subsidiary of PPS.

In January 2005, BCP and Bank of America, which is the principal shareholder of Fleet Boston N.A., agreed to engage in a buy-sale transaction of the loan portfolio of the Peruvian branch of Bank Boston N.A. BCP paid approximately US$353.8 million in cash for the loan portfolio, which included commercial loans, mortgage and leasing operations. The transaction was recorded at acquisition cost.

In February 2005, we were authorized by Peruvian regulatory authorities to establish Prima AFP, of which Grupo Crédito is the main shareholder. Prima AFP started operations in August 2005.

In August 2006, Prima AFP acquired Unión Vida AFP, which is a pension fund operating in the Peruvian market. Prima AFP's acquisition of Unión Vida AFP, which was formerly held by Grupo Santander Perú S.A., was a strategic move toward consolidation as part of its efforts to gain a leading position in the pension fund market. This acquisition enabled Prima AFP to position itself as the second ranking company in terms of market share terms (defined as the amount of affiliates and assets under corporate management), with the second highest returns and the lowest commission for affiliates (who invest a portion of their salary each month). The merger between Prima AFP and Unión Vida AFP was consummated in December 2006.

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In 2006, Prima AFP incurred significant merger expenses relative to its size, reaching the end of the year with losses of US$20.7 million. However, Prima AFP had a net income of US$20.8 million during 2009, with 1,078,317 affiliates and US$6,583 million of funds under its management.

In November 2006, we bought PPS's remaining 1.02% of BCP shares, generating goodwill, valued at approximately US$7.2 million, from to the minority interest we acquired (0.25%).

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned of Empresa Financiera Edyficar S.A. (Edyficar), representing 77.12% of Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public offering to Edyficar's minority shareholders to acquire the remaining 22.66% of the company's stock. At the end of both processes, BCP owned 99.78% of Edyficar. The total purchase price for the acquisition was US$96.1 million, including related direct acquisition costs.

The following tables show our organization and the organization of our principal subsidiaries as of December 31, 2009 and their relative percentage contribution to our total assets, total revenues, net income and net equity at the same date (see "—(C) Organizational Structure"):

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(1) Includes Prima AFP and others.

| | As of and for the Year ended December 31, 2009 (1) | | | |
|---|---|---|---|---|
| | Total Assets | Total Revenue | Net Income (Loss) | Net Equity |
| Banco de Crédito del Perú | 87.2% | 72.8% | 84.6% | 70.6% |
| Atlantic Security Holding Corporation | 4.6% | 2.3% | 6.3% | 9.3% |
| El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (2) | 6.6% | 21.3% | 10.5% | 8.2% |
| Grupo Crédito (3) | 1.3% | 3.5% | 5.7% | 9.4% |
| Others (4) | 0.3% | 0.1% | -7.1% | 2.5% |

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(1) Percentages determined based on the Credicorp Consolidated Financial Statements.
(2) Includes PPS and Pacífico Vida.
(3) Includes Prima AFP and others.
(4) Includes Credicorp Ltd., CCR Inc., Credicorp Securities Inc. and others.

The following tables show the organization of BCP and its principal subsidiaries as of December 31, 2009:

| | As of and for the Year ended December 31, 2009 (2) | | | |
|---|---|---|---|---|
| | Total Assets | Total Revenue | Net Income (Loss) | Net Equity |
| Banco de Crédito del Perú | 92.0% | 90.6% | 86.5% | 83.3% |
| Banco de Crédito de Bolivia | 5.6% | 5.8% | 8.9% | 6.2% |
| Empresa Financiera Edyficar S.A. | 1.4% | 1.1% | 0.3% | 2.4% |
| Financiera de Crédito Solución | 0.3% | 0.3% | 0.3% | 0.4% |
| Credifondo S.A. | 0.1% | 1.2% | 3.0% | 1.5% |
| Credibolsa Sociedad Agente de Bolsa S.A. | 0.1% | 0.3% | -0.1% | 0.6% |
| Others (3) | 0.5% | 0.7% | 1.1% | 5.6% |

(1) We hold an additional 4.08% stake.
(2) Percentages determined based on BCP's consolidated financial statements as of and for the year ended December 31, 2009.
(3) Includes Creditítulos S.A., Inmobiliaria BCP and others.

## (B) Business Overview

### (1) Introduction – Review of 2009

General

We conduct our business operations through four different operating segments: Banking (which includes BCP, ASHC, BCB, Edyficar, and other minor financial subsidiaries), Insurance (which includes Pacífico Peruano Suiza and its subsidiaries), Pension funds (which includes Prima AFP, main subsidiary of Grupo Crédito), and Brokerage and other (which include principally Credifondo, Credibolsa, and others).

Despite the persistent weakness in global financial markets and the contraction of the real economy at the beginning of the year, in 2009 we recorded net income after minority interests of US$469.8 million, which was 31.3% higher than our net earnings in 2008. This result reflected the strong performance of our subsidiaries, led by our non-banking, insurance and asset management businesses, which recovered from the international financial crisis that began in 2007.

Our total assets grew to US$22.0 billion as of December 31, 2009, a 5.8% increase from the US$20.8 billion in assets we held as of December 31, 2008. Our increase in total assets was a result of our modest loan growth. Loans grew by 9.9% in 2009 (compared to 27.8% in 2008 and 39.2% in 2007), following the slowdown of the Peruvian economy (which had a GDP growth rate of 9.8% in 2008 and a GDP growth rate of 0.9% in 2009). As a result of the world recession, which had a greater impact on the Peruvian market than we expected, provision for loan losses net of recoveries increased by 235.1% to US$163.4 million (compared to US$48.8 million in 2008). Our past-due and under legal collection loan ratio increased to 1.60% by the end of 2009 (compared to a ratio of 0.79% at the end of 2008), reflecting the effects of the international financial crisis on the Peruvian domestic economy. We had a coverage ratio of 192.0% (i.e., reserves for loans as a percentage of past-due loans), and our return on average net equity increased to 23.7% in 2009 (compared to 20.2% in 2008).

Banking segment

BCP

In 2009, we received an earnings contribution of US$388.5 million resulting from BCP’s year-end 2009 net profit that totaled US$397.4 million. This earnings contribution was 5.4% lower than last year’s contribution (US$410.9 million) and was a product of the general contraction in demand for loans caused by the global economic downturn. As a result, BCP’s average return on net equity (ROE) decreased to 26.7%.

Despite the troubled economy, BCP remained profitable. The main drivers behind the company’s performance were: i) the 7.4% growth in its operating income that resulted from strong financial management and a 9.3% increase in banking fees; ii) the 147.9% increase in income the company realized from the sale of securities resulting from sound decisions by BCP’s treasury managers, which identified a profitable opportunity to participate in the purchase-sale of sovereign and global bonds; and iii) the significant rise in translation gains from a loss of US$12.2 million in 2008 to a gain of US$7.7 million in 2009.

Performance in these areas enabled BCP to offset the company’s steep 222% increase in provisions and 15.6% increase in operating expenses. The higher operating expenses were a result of BCP’s aggressive network expansion during the previous two years and the initial cost of its initiatives to improve long-term efficiency. These higher operating expenses were exacerbated by the 8.0% appreciation of the Nuevo Sol against the U.S. dollar over the year, as a significant portion of BCP’s operating expenses are denominated in local currency.

BCP’s total assets reached US$19.6 billion at the end of 2009, representing an increase of 7.1% over the previous year (US$18.3 billion). This increase in total assets was a result of the 9.8% expansion of BCP’s loan portfolio, which totaled US$11.2 billion at the end of 2009. The loan portfolio constituted 57.4% of BCP’s total assets at the end of 2009, up from 55.9% in 2008. BCP’s total past-due loans reached US$183.8 million (123.9% higher than the US$82.1 million registered in 2008) while refinanced and restructured loans increased by 7.8%, from US$53.7 million in 2008 to US$58.2 million at the end of 2009. The composition of BCP’s loan portfolio in 2009 did not change significantly—wholesale banking and retail banking accounted for 60% and 40% of its total portfolio, respectively (similar to the levels registered in 2008 (62% and 38%)).

The average daily balances of BCP’s wholesale banking loans grew by 8.3% in 2009, exceeding our expectations in light of the economic slowdown, the high frequency of postponed corporate investment plans and the reduced level of corporate inventories in Peru. As a result, BCP continued to lead the Peruvian financial system with a market share of 46.0% for the corporate segment and 33.3% for the middle market.

BCP's retail banking portfolio continued its upward trend and grew 17.5% in 2009, reaching an average daily balance of US$3,985. In terms of growth and yields, BCP's consumer loans were its best performing product, reaching 25.9% growth (measured in average daily balances) to a total volume of US$779 million, followed by credit cards which grew 17.7% to US$453 million. SME loans grew 16.1% to US$1,309 million, while mortgage credits expanded 14.6%, totaling US$1,444 million.

On the liabilities side, BCP's deposits reached US$14,466 million on December 31, 2009 (a 2.9% increase from the previous year). This increase in deposits not only continues to reinforce BCP's funding structure as deposits account for 74.9% of all funding sources, but it also serves to maintain BCP's status as an industry leader with a market share of 34.2%. Time deposits continued to be BCP's largest deposit type, totaling US$5,361 million as of December 31, 2009. Demand deposits, BCP's second-largest deposit type, reached US$4,495 million. Savings deposits totaled US$3,540 million while Severance Accounts, or CTS, totaled US$1,070 million.

BCP's bonds gained greater relevance within the funding structure and, at year end, accounted for 13.8% of the total funds of the bank. In 2009, BCP completed two successful issues, one debt issue and one capital issue.

A first issue, in the form of debt, was made through BCP Emisiones LATAM 1 (a subsidiary of Credicorp) and offered an equivalent of US$107 million (UF 2.7 million) in five year bonds for sale in Chilean markets. The demand for these bonds was high, and the offering exceeded our expectations as a cross-section of institutional investors (including pension fund administration companies, mutual funds and banks) purchased the bonds. This issue enabled us to not only diversify our funding sources, but also secure a favorable interest rate.

The capital issue was the first of its kind for BCP. It involved the successful placement of hybrid bonds, instruments possessing equity characteristics that enable them to be included in the regulatory capital of the bank. The hybrid bond issue was for US$250 million at 60 years, with a coupon rate of 9.75% per year. Demand for the hybrid bonds was more than four times the offer. The purpose of this issue was to strengthen BCP's regulatory capital, an important part of BCP's strategy to absorb the financial growth it anticipates the company will experience as a result of both increased market penetration and economic expansion.

BCP has conservative provisioning and long-term risk management policies, however, its coverage ratio decreased from 271.98% in 2008 to 192.3% in 2009. Total cumulative provisions reached US$353.3 million as of December 31, 2009, which is 58.3% higher than provisions in the previous year.

In 2009, BCP continued to focus its strategy on strengthening its customer service, which is related to its goal of providing quality and widespread customer access to the financial system and thereby increasing the company's penetration into the market. In following its network expansion plan, BCP focused on cost-efficient channels, opening ATMs and Agente BCP, which grew 11.9% and 51.3%, respectively. By the end of 2009, BCP had a total of 996 ATMs and 2,801 Agentes BCP. As a result of this strategy, BCP's average number of transactions in 2009 increased 18.3% from 2008 and its transactional business was therefore able to generate higher income from fees and commissions.

Overall, BCP's results met our expectations and remained profitable despite the global recession.

BCP Bolivia

In 2009, Banco de Crédito de Bolivia (BCP Bolivia) had a net income of US$30.4 million, a 29% decline from its 2008 net income of US$42.9 million. The bank's performance was the result of its lower net financial income due to smaller loan growth and a tighter interest margin on investments. BCP Bolivia also incurred higher operating expenses and generated lower non financial income due to regulatory changes that increased salaries and eliminated certain banking commissions. The earnings that BCP Bolivia reported in 2008 were also higher because they incorporated a translation gain from the appreciation of Bolivia's domestic currency against the U.S. Dollar. In contrast, the translation gain for 2009 was essentially zero, as the exchange rate remained flat.

In 2009, BCP Bolivia maintained its status as one of the top banks in Bolivia. In each of the following categories, the bank outperformed the industry average in the Bolivian banking system: return on equity (30.4%), past-due loan ratio

(1.8%) and coverage ratio (257.9%) (as compared to industry averages of 21.8%, 3.5% and 167.5%, respectively).

BCP Bolivia's loan portfolio expanded by 0.8% from 2008, totaling US$460.2 million in 2009. This expansion was mainly due to a 4.5% growth in retail banking.

Although BCP Bolivia made a positive contribution to our results in 2009, the country of Bolivia still experiences a volatile political environment and shows evidence of significant stagnation in private investment activity.

Edyficar

Since BCP acquired Edyficar in October 2009, the consolidation of Edyficar's results into BCP's financial statements resulted in a total contribution of US$1.1 million (representing Edyficar's net income from the fourth quarter of 2009). As of December 31, 2009, Edyficar registered total assets of US$275.3 million which consisted of US$229.2 million from the company's net loan portfolio, its main asset. Total liabilities increased to US$233.9 million, which included US$179.5 million from banking activities. Net shareholders' equity reached US$41.4 million at the end of 2009.

Edyficar focuses on SME lending and, together with BCP, it held a 20.0% market share in terms of loans at the end of 2009 (compared to a market share of 17.9% held by its closest competitor). As of December 31, 2009, its client base registered 213 thousand clients, a base 17.9% larger than in 2008. The average amount of an Edyficar loan in 2009 was S/. 3,380 (approximately US$1,170). Edyficar registered a PDL ratio of 3.9% at the end of 2009, a reflection if its portfolio quality. In local accounting Edyficar reached a return on equity of 21.7% and an efficiency ratio of 43.8%.

The acquisition of Edyficar was part of BCP's strategy to capture most of the SME segment's growth, which is expected to expand significantly over the next several years. BCP intends to support Edyficar's growth and development by improving its funding cost and structure and providing the capital and technology that Edyficar needs.

ASHC

Of all our subsidiaries, ASHC experienced the most severe effects from the global financial crisis. In the year since then, ASHC has recovered substantially. The company's net earnings for 2009 amounted to US$54.1 million, reversing the loss of US$22.4 million reported the previous year. As a result, the contribution of ASHC to Credicorp, net of dividends received, amounted to US$29.7 million, a significant improvement over the US$50.4 million loss reported in 2008.

Net income from interest in 2009 totaled US$52.4 million (including the US$21.9 million dividends received from Credicorp Ltd.), which represented an increase of 11% from the previous year. This rise in net income was primarily due to the company's greater financial margin, which in turn was a result of the company's lower funding cost (the 2009 cost was 16% below the cost in 2008). This lower funding cost reflected the steady decline of LIBOR rates during the year, a favorable scenario for the bank given the short-term structure of its customers' deposits and their fast re-pricing, in contrast to assets engaged for longer terms and at higher interest rates. Non-financial income reached US$20.8 million and included income from fees, the sale of securities and foreign exchange operations.

ASHC's total assets were US$1,484.8 million as of December 31, 2009, an increase of 2% from 2008. This increase in total assets was primarily a result of the appreciation in value of ASHC's Investments Available for Sale account. That account recovered approximately US$70 million of its value, which in turn produced unrealized gains of US$23.3 million in 2009. In contrast, that same account produced an unrealized loss of US$46.7 million in 2008.

Finally, at the end of 2009, assets under ASHC's management totaled US$2,177 million, compared to US$1,639 million in 2008. This growth was primarily a result of the increase in the market value of our portfolio that followed the larger recovery in global financial markets.

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Insurance segment

PPS

In 2009, PPS, which encompasses Pacífico Seguros, Pacífico Vida and Pacífico Salud EPS, reported a net income of US$49.2 million (compared to a US$15.0 million net loss in 2008). As a result, the contribution we received from PPS increased considerably, from a loss of US$15.9 million in 2008 to a gain of US$37.4 million in 2009. This record high contribution from PPS was primarily attributable to a significant reduction in the claims rate by customers of Pacifico General Insurance, a rate which dropped from 87.2% to 53.3%. The lower claims rate for the year was in turn the result of on-going efforts, which began in 2006, to improve the company's risk diversification strategy and lower the concentration of the company's portfolio.

The technical result PPS obtained in 2009, which reflects the company's core business performance for the year, was US$79.9 million, a significant improvement over the 2008 result. This improved technical result followed a reduction in the overall claims rate, which went from 84.3% in 2008 to 65.2% in 2009, and was the product of changes and improvements that PPS implemented over the last several years through underwriting management and operating controls.

In 2010, PPS will continue to focus on its retail business by developing products to introduce customers to the advantages of insurance. There is enormous growth potential in Peru's insurance market, given the industry's weak market penetration. Efficiency and risk management will continue to be key indicators in measuring PPS's performance. Efficiently utilizing the BCP network is an essential component of PPS's growth strategy for 2010 since capitalizing on synergies between the insurance business and the distribution channels of the banking business may lead PPS to greater penetration in the insurance market.

Pension fund segment

Prima AFP

Peruvian pension funds experienced a better year in 2009. The financial markets stabilized and continued a trend toward recovery. These favorable economic conditions led to an increase in the market value of funds under Prima AFP's management, a value that reached US$23.9 billion on December 31, 2009 and represented a 51% year-over-year increase.

Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality services and timely and transparent information to its clients. As a result, the contribution we received from Prima AFP in 2009 reached US$20.8 million, as compared to US$11.2 million in 2008.

Funds under management of Prima AFP increased 47.6% from US$4.9 billion in 2008 to US$6.6 billion as of December 31, 2009. By year-end 2009, Prima AFP's share of total funds under management was 30.6%, unchanged from 2008, making Prima AFP the second largest fund management company in Peru.

Prima AFP's revenues from commissions in 2009 reached US$78.8 million, an 11.4% increase from 2008. This improvement in performance was a result of a stable and improved portfolio of contributing members that was supported by the increase of administration fee from 1.50% to 1.75% since January 200. Unlike the revenues Prima AFP reported in 2008, Prima AFP's revenues in 2009 included 13, rather than 14, contribution periods because the Peruvian government, as part of its anti-crisis plan, exempted affiliates from deductions on additional salaries that must be paid in July and December under Peruvian labor law.

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In 2010 Prima AFP plans to maximize its contribution to us by obtaining moderate growth in its client base, a goal consistent with our expectation that the Peruvian economy will expand over the next year. Prima AFP also plans to continue to reinforce its position in the market, strengthen its affiliate base and progressively incorporate independent workers into pension plans designed specifically for that segment of the labor market.

To improve its operating results, Prima AFP will continue to focus on increasing efficiency and reducing costs. Emphasis will also be placed on improving Prima AFP's long-term stability through better risk management, one of the company's highest priorities.

The following table sets forth the contribution to the consolidated net income attributable to our equity holders by each of our principal subsidiaries:

| | 2007 | 2008 | 2009 | Variation 2009/2008 |
|---|---|---|---|---|
| | (U.S. Dollars in millions, except percentages) | | | |
| BCP (1) | 322.5 | 410.9 | 388.5 | -5% |
| ASCH | 20.5 | (50.4) | 29.7 | 159% |
| PPS | 9.4 | (15.9) | 37.4 | 335% |
| Grupo Crédito (2) | (1.7) | 13.2 | 14.2 | 8% |
| Total | 350.7 | 357.8 | 469.8 | 31% |

(1) Includes Banco de Crédito de Bolivia, which contributed US$30.3 million in 2009, US$42.9 million in 2008 and US$27.0 million in 2007.

(2) Includes Prima AFP (which recorded a net income of US$20.8 million in 2009, US$11.2 million in 2008 and US$3.0 million in 2007), Credicorp Securities, Credicorp Ltd. (which mainly includes expenses and the tax withheld in connection with the estimation of the dividends to be distributed to us by our Peruvian subsidiaries (BCP and PPS)) and others.

(2) Strategy

Credicorp was established to create a financial group that would benefit from the synergies among the group's companies and would become a leader within each business market in which the companies operate. In moving steadily toward achieving these strategic goals, we have become a leading financial group. However, we do not operate in a static environment and the last two years have demonstrated how quickly and dramatically the world can change. Peru's economic growth slowed significantly in 2009 as a result of the international recession. This led us to take steps toward improving our long-term sustainability and positioning our companies for growth as Peru's needs evolve.

The Peruvian market offers one of the greatest growth opportunities in South America. In the banking, insurance and pension fund industries, market penetration by service providers remains low. Accordingly, we have revisited our business plans, incorporating strategies that will enable us to reach underserved segments of the Peruvian population and achieve higher returns on our capital. As our businesses expand, it becomes increasingly important for us to maximize efficiencies and control risk. Strength in these areas will be the cornerstone of a healthy, sustained and profitable growth.

The growth strategies we have adopted for each of our companies contain a focus on retail markets. Using our collective resources, we are developing information systems that can collect commercial sales information and provide us with the data we need to process scoring models by segment. This will enhance our ability to assess and control risk.

We also continue to makes strides toward greater integration of our companies by more extensively sharing our talents, intelligence, and experience. Two examples of our most successful integrations, involved gains in our ability to manage assets and provide insurance products:

Asset Management

The success of our growth strategy depends on our ability to effectively manage our assets and the assets of our clients. In 2009, we undertook a comprehensive review of our asset management systems. As a result of our review, we adopted a new asset management strategy, based on international best practices, in all the areas of the corporation that manage investment funds. We also adopted a unified set of standards and policies designed to protect the interests of our investors and ultimately maximize our profitability.

We also streamlined our asset management systems by making greater use of technology. Our new tools will allow us to access risk more effectively and tailor our products to meet the specific needs of our customers. In addition, we adopted new service models that will enable us to continue to provide quality service as our company continues to grow.

Insurance Business

We made significant changes to our insurance business in 2009. Encouraging our subsidiaries to work together, we created new distribution channels for our insurance products. For example, we now offer our insurance products through the BCP network, which has historically focused on the commercial and retail banking markets. This more integrated approach has enabled us to expand our insurance customer base and increase our profitability.

We also implemented several changes to our managerial structure. We now rotate our managers among our primary subsidiaries. This practice prevents entrenchment, giving our managers a better understanding of our operations across markets. We also established new management committees, comprised of representatives from each of our primary subsidiaries. These committees have already proven to be a value resource, offering effective problem-solving strategies and spurring innovation.

Outlook for 2010

We expect economic conditions in Peru to continue to improve in 2010. Throughout the year, we will continue to take a development-oriented approach, preparing for changes in the Peruvian market, which is expected to have high growth rates in the upcoming years. Given the low levels of competition in Peru’s banking and insurance markets, our subsidiaries will be well positioned to expand. Our high equity, sound levels of technical and professional expertise, and strong relationships built on the trust of our customers, are all signals indicating a positive outlook for the Company.

(3) Credicorp Operating Segments

Banking

The majority of our banking business is carried out through BCP, which is our largest subsidiary and the oldest bank in Peru. A portion of our banking business is also carried out by ASHC, which principally serves Peruvian private banking customers through offices in Panama. We conduct banking activities in Bolivia through BCB, a full service commercial bank and the fourth largest Bolivian bank in terms of loans and deposits, with 11.8% and 13.0% market share, respectively.

Our banking business is organized into wholesale banking activities, which are carried out by BCP's wholesale banking group (which includes the corporate banking operations of ASHC), and retail banking activities, which are carried out by BCP's retail banking group. To increase our visibility and raise our market share in the retail banking industry, BCP bought Edyficar, which is a scaled, high-growth and highly profitable microfinance business. Edyficar has a solid risk management strategy and a proven track record in both loan portfolio growth and social impact. The company provides financial services for low-income micro-entrepreneurs and unbanked communities.

We apply uniform credit policies and approval and review procedures, which are based on conservative criteria adopted by BCP, to all of BCP's subsidiaries. Our general manager is in charge of setting the general credit policies for our different business areas. 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 our Board of Directors.

Our deposit-taking operations are principally managed by BCP's retail banking group and ASHC's private banking group. See "—(12) Selected Statistical Information—(iv) Deposits."

Pension funds, brokerage and others

The majority of our trading and brokerage activities are conducted through BCP, ASHC and Credicorp Securities Inc. (also referred to as Credicorp Securities), which is one of our wholly-owned subsidiaries. Credicorp Securities is a U.S. registered broker-dealer with its offices in Miami. Our asset management business is carried out by BCP in Peru, through its subsidiary Credifondo, by ASHC and by Prima AFP, the pension fund administrator.

We offer Brokerage and other services through BCP and ASHC. BCP offers clients a wide range of such products and services, such as brokerage, mutual funds and custody services through its branch network in Lima and, on a more limited basis, throughout the rest of Peru. In addition, we also distribute such products through ASHC.

In the last few years, we have consolidated an important line of business, asset management, for our customers. As of December 31, 2009 our assets under management totaled US$11.1 billion, an increase of 56.8% from 2008, which was mainly due to the market recovery after a drastic drop in the market values of securities caused by the international financial crisis. The majority of our asset management business is performed through our subsidiary, Prima AFP.

Mutual funds represent another important contributor to our asset management business, carried out through BCP's mutual funds subsidiary, Credifondo Sociedad Administradora de Fondos Mutuos (or Credifondo). Credifondo leads the Peruvian market with a share of 45.2% of the total assets currently under management. Finally, BCP's affiliate, Atlantic Security Bank, offers the international mutual funds and financial advisory services to BCP's private banking customers.

We established a corporate supervision project entitled "Asset Management" due to the size of these businesses, the importance of the commissions they generate and, above all, the fiduciary responsibility they entail. The main objectives of the project are to establish homogeneous risk control and investment policies based on best international practices. The Asset Management business has four main components:

- Portfolio Management: We seek to consolidate the good performance of our portfolios and funds through strict risk control and an appropriate level of diversification. To achieve this, we focus on improving three key aspects: investment policies, investment processes and management metrics.

- Financial Management: We focus on providing quality financial advisory services, building customer loyalty, and encouraging customers to invest in a diverse combination of securities according to their risk profile. Our objective is to improve the standards of the advisory services that our commercial bank offers and to distinguish between the levels of advisory services provided to different sectors.

- Brokerage: We attempt to provide a timely and high quality service, offering competitive execution costs, channeling a greater proportion of the assets traded by our companies to profitable investments and identifying opportunities for joint action (resulting in better prices), in addition to improving controls aimed at avoiding possible conflicts of interest.

- Risk Analysis: We seek to identify, quantify, regulate and, ultimately, minimize the risks associated with operations, credit, market, liquidity, legal contingencies, conflict of interests and other risks. Another objective of our risk analysis is setting corporate investment limits, creating a portfolio investments risk manual, and ensuring strict compliance with risk control rules.

Insurance

We conduct our insurance operations exclusively through PPS and its subsidiaries, which provide a broad range of insurance products. PPS focuses on three business areas, general insurance through Pacífico Seguros, life and pension insurance through Pacífico Vida, and health care insurance through Pacífico Salud EPS. 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.

(4) BCP and Subsidiaries

(i) General

BCP's activities include commercial banking, investment banking and retail banking. As of December 31, 2009, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets of US$19.6 billion, total loans of US$11.2 billion, deposits of US$14.5 billion and net equity of US$1.7 billion. At the end of 2009, BCP's loans, on an unconsolidated basis, represented approximately 33.4% and the deposits represented approximately 34.2% of the total Peruvian banking system, respectively.

As of December 31, 2009, BCP had the largest branch network of any commercial bank in Peru with 334 branches. BCP operates an agency in Miami and a branch in Panama. In addition, as of December 31, 2009 Edyficar had 96 offices through which it serves its clients.

As of and for the year ended December 31, 2009, BCP accounted for 72.8% of our total revenues, 87.2% of total assets, 84.6% of net income and 70.6% of net equity. BCP's operations are supervised and regulated by the SBS and the Central Bank.

BCP groups its client base according to the following criteria:

Client Segmentation

| Group | Sales (US$MM) |
|---|---|
| Micro-business | Up to 0.5 or total debt of 0.2 |
| Small Business | From 0.5 to 6.6 or total debt of 1.0 |
| Middle market | From 6.7 to 30 |
| Corporate | Higher than 30 |

The grouping was a result of an analysis which addressed factors beyond the simple size and volume of activity for each client, such as clients' affiliation with other companies or groups, the degree of follow-up required, and their credit ratings.

Subsidiaries

BCP's corporate structure consists of a group of local subsidiaries offering specialized financial services, which complement BCP's commercial banking activities. In addition to its local subsidiaries, BCP has an agency in Miami and a branch in Panama, a subsidiary in Bolivia and an affiliate bank, Atlantic Security Bank, in the Cayman Islands.

BCP and its principal subsidiaries as of December 31, 2009 are as follows:

- Banco de Crédito de Bolivia, or BCB, is BCP's commercial bank in Bolivia. BCP owns 95.92% of BCB and we hold the remaining interest. Currently, BCB is the fourth largest bank in Bolivia in terms of deposits and loans market share and has a network of 65 offices located throughout Bolivia. BCB owns one of Bolivia's largest brokerage houses, Credibolsa S.A. Agente de Bolsa, and this subsidiary owns Credifondo SAFI Bolivia, a mutual fund company. BCP targets middle- and small-sized clients and offers a broad range of corporate, personal banking and leasing products. BCB's results are consolidated in BCP's financial statements.

- Empresa Financiera Edyficar S.A. was acquired in October 2009 and is 99.78% owned by BCP. It is engaged in micro finance in Peru.

- Credibolsa Sociedad Agente de Bolsa, or Credibolsa, was established in June 1991 and is 100% owned by BCP. It is engaged in portfolio advisory and brokerage activities in the Lima Stock Exchange.

- Credifondo Sociedad Administradora de Fondos Mutuos, or Credifondo, is a mutual fund management company that was established in 1994. Credifondo is 100% owned by BCP.

- Creditítulos S.A., or Creditítulos was established in 1997 and is 100% owned by BCP. Creditítulos serves as an asset securitization entity.

- Inmobiliaria BCP is the real estate subsidiary of BCP. It manages and promotes the sale of real estate that has been foreclosed or received in payment by BCP. Inmobiliaria BCP is 100% owned by BCP.

- Solución Financiera de Crédito del Perú S.A. was established in 1979 and is 100% owned by BCP. Its business includes mortgage lending, consumer lending and SME financing. In the company's shareholders meeting on November 19, 2009, Solución Financiera de Crédito del Perú S.A.'s shareholders decided to change the company from a finance company to a mortgage administrator company and to change the company's name to Solución Empresa Administradora Hipotecaria S.A. These changes were necessary because, according to Peruvian Law, no person is allowed to be the owner of two financial institutions of the same type. As a result, the company will primarily engage in the administration of mortgage portfolios. These changes were submitted to the SBS for approval and are still under evaluation.

(ii) Wholesale Banking Group

BCP's wholesale banking group (Wholesale Banking Group), which competes with local and foreign banks, has traditionally represented the majority of BCP's loans. BCP's traditional relationships provide its Wholesale Banking Group with a competitive advantage.

In spite of the international recession, BCP's Wholesale Banking Group maintained its positive trend in loan placements, posting average portfolio levels of US$5,881 million (8.2% higher than in 2008). It also maintained its leadership in the wholesale banking market with a 40% stake in placements. BCP has the largest capital base among Peruvian banks, which provides it with more resources to meet the financing needs of its corporate clients. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The Wholesale Banking Group provides its customers with short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease financing.

The Wholesale Banking Group is divided into the following areas:

- Corporate Banking, which provides loans and other credit services to companies with annual revenues in excess of US$30 million;
- Middle Market Banking, which serves mid-sized companies;
- International Banking, which manages BCP's relationship with financial institutions locally and abroad, trade products and international operations services;
- 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 profit and non-profit organizations, state-owned companies and other major institutions; and
- Business Services, which develops transactional services.

Net interest income from the wholesale banking sector reached US$146 million in 2009 (compared to US$141 million in 2008). This growth was a result of the higher interest rates BCP charged during the first half of 2009 due to the increased risks associated with lending to it customers. These higher interest rates helped to offset the reduction in business volume BCP experienced in 2009. Income from financial services accounted for 48% of the total revenue generated by the wholesale banking sector.

Corporate Banking

Despite a difficult financial environment, BCP continued to meet the needs of its corporate clients, helping them meet their short- and medium-term financing needs. As a result, BCP's direct credits grew slightly from US$3,928 million to US$4,058 million, and income from financial services increased 19%, from US$47 million to US$56 million. These increases, coupled with a very low default ratio (less than 0.1%), enabled the Corporate Banking Area to meet its financial targets with a net profit US$94 million, an increase of 38% over the US$68 million achieved in 2008.

Client Profile: The Corporate Banking Area is focused on serving large-sized companies that have an annual turnover of over US$30 million, audited financial statements and dominant market positions in their particular products or brands. Even if they do not meet the above criteria, BCP may classify other firms in this category if they belong to very large economic groups from industries that are important to the country's economy.

Products: The Corporate Banking Area offers a broad range of products and tailors its product offerings to meet each client's unique requirements. In general, this area is expected to offer high-value-added products and services, particularly cash management services, at competitive prices.

The majority the Corporate Banking Area's financing is provided to fund sales, international trade and inventories. In general, the Corporate Banking Area grants short-term financing. However, it can provide longer term financing for companies in need of financing capital expenditures and fixed assets, among other purposes. The Area also offers term financing (in all cases backed by real guarantees), financial leasing, factoring, and domestic collections and nationwide fund transfers.

Additionally, Corporate Banking clients can obtain investment banking, advisory and financing services through the Corporate Finance Area, which operates as part of the Wholesale Banking Group and also serves major middle market clients.

Guarantees received by this area consist of (i) receivables in the case of sales financing, (ii) warrants or pledges on inventory in the case of inventory financing and (iii) real guarantees, in the case of financing for fixed asset acquisitions and improvements to their infrastructure.

There is a limited growth prospect in this business due to high market penetration and competition from capital markets in loans.

Middle Market Banking

BCP's middle market banking area provides banking services tailored to medium-sized companies located in a variety of markets. The products offered to middle market clients resemble those offered to corporate banking clients. The three major types of products are:

- Revolving credit lines to finance inventories and sales, as well as stand-by letters of credit and international trade financing;

- Financing for short-term requirements such as current account credits and temporary account advances (overdrafts); and

- Financing for medium and long-term requirements using intermediation resources (term deposits) and various types of financial leasing financing.

BCP has identified several opportunities to engage middle market companies, particularly in Peru's manufacturing, wholesale, retail, fishing and construction industries, where special emphasis has been placed and specific task areas have been created to attend to the needs of these economic groups. BCP has a middle market client portfolio of approximately 7,000 companies, including 1,069 economic groups. Generally, these clients are not listed on the stock exchange but, in some cases, are capable of issuing financial obligations or commercial papers. Their financial information is reliable and audited. These companies are typically family-controlled but professionally managed.

During 2009, the middle market banking area revised its customer segmentation policies. The area now includes established (but growing) companies that will eventually become part of our corporate segment, traditional mid-size companies and a group of growing small cap companies. Inselecting which small companies are best suited for service by our middle market banking area, we consider a mix of different characteristics; such as annual revenues, financial leverage, overall debt and product penetration and complexity. BCP's middle market customers are distributed among nine regional managers nationwide and have annual revenues that vary from US$1.5 million to US$50 million.

Last year, the middle market banking area made significant progress toward implementing its strategic goals by:

- Creating hubs to meet the needs of its customers more efficiently

BCP now has a customer redistribution hub in Lima, where a new business area was created;

- Streamlining its lending process to provide middle market customers with prompt service;

- Introducing new electronic financial products to make its services more accessible to customers;
- Incorporating sophisticated technical tools that assist it in analyzing risk-based pricing and profitability; and
- Focusing on risk based financial services revenues, which account for 50% of the total income generated by the middle market banking area

According to internal reports, in 2009 net income from the middle market banking area remained at US$63 million, essentially unchanged from 2008. This business segment managed to maintain its income base in a difficult economic environment by actively managing its loan spread, achieving a spread of US$78 million (34% higher than in 2008). The middle market area's annual average loan portfolio had 32.4% of market share, (US$1,904 million), making BCP the leading bank in its segment.

Because of their size, middle market companies in Peru generally do not have access to the local or international capital markets or to credit from foreign banks. In addition, we believe that middle market companies have benefited significantly from the overall economic improvements in Peru 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.

Institutional Banking

BCP's Institutional Banking Area serves for-profit and non-profit organizations, including 600 clients in Lima and 300 clients in provinces. In Lima, a specialized team in wholesale banking serves governmental entities, educational institutions, religious organizations, international bodies, non-governmental organizations, and microfinance institutions. In provinces, a specialized remote wholesale banking team partners with BCP's retail banking area to serve clients.

The annual average deposit amount in BCP's Institutional Banking Area (Lima and Provinces) reached US$1.6 billion in 2009. The Institutional Banking Area is strategically important because of the opportunities its clients present for generating income from fees and cross-selling opportunities. BCP's strategy in this area is focused on building customer loyalty by offering customized services at competitive rates and providing outstanding service quality. The institutional banking clients mainly require remote office banking, collections and automated payroll payment services

International Banking

BCP's international banking area is focused primarily on providing short-term credit for international trade, which is 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 to clients. In addition, this area earns fees by confirming guarantees issued by international banks and other fees as a result of the international payment business. The International Banking Area also promotes international trade activities with its local clients by structuring trade products and services, establishing conferences and assessing the customer in a wide range of trade products.

Since September 2008, the International Banking Area has also been supervising the trade Back Office Unit (International Operations). BCP maintains business relations with correspondent banks, development banks, multilateral and export credit agencies in countries around the world. At present, BCP manages credit lines for foreign trade transactions, working capital and medium- and long-term investment projects.

The international market volatility during 2009 affected Peruvian trading volume, which fell 30% compared to volume in 2008. The volume of trades managed by BCP was similarly affected and its trade fee income fell 12.1%. Although volumes declined, BCP's trade market share increased from 36.5% to 41.5% due to a shift in the usage of trade tools from open accounts to guarantees, were BCP is a recognized leader.

According to the Central Bank, in 2009 Peruvian exports decreased 14.6% to US$26.9 billion (compared to US$31.5 billion in 2008). This result was principally due to decreased exports of commodities (gold, silver and iron) and of manufactured goods (textiles, basic metals and chemicals). During the same year (based on BCP's internal report), BCP's exports volume decreased 10.1% to US$11.6 billion (compared to US$12.9 billion in 2008), which amounted to 43.1% of total Peruvian exports.

Total Peruvian imports were US$21.0 billion in 2009, decreasing -26.1% from US$28.4 billion in 2008, which was primarily due to a lower demand for capital goods (industry, construction and transportation), raw materials for industry, and consumer goods. BCP's import letters of credit, collections and transfers amounted to US$6.5 billion in 2009, increasing 6.6 % from US$6.1 billion in 2008, which amounted to 31.0% of total Peruvian imports.

BCP has a direct presence abroad through its agency in Miami and its branch in Panama. It has access to a wide network of foreign correspondent banks and can offer several internationally competitive products to its customers.

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.

In line with trade trends, China has become the second largest trade partner for Peru. In light of China's growing influence, BCP has visited several banks and corporations in China to explore a possible alternative to intermediate trade flows, assess Peruvian exporters and importers and to facilitate Chinese investment in Peru through direct investment and trade development.

Corporate Finance

BCP's Corporate Finance Area is a leading advisor to corporate, middle market and institutional clients in Peru. Our Corporate Finance team composed of over 20 executives based in Peru is the largest team of its kind in the marketplace. BCP's Corporate Finance Area provides a wide range of investment banking and corporate finance advisory services, including structured financings, capital raisings, initial public offerings, mergers and acquisitions and corporate restructurings. In 2009, the Corporate Finance Area focused on investment banking and structured financing for projects in Peruvian economic sectors that remained strong despite the global financial crisis, such as construction, energy and mining. The main projects in 2009 included:

- A leasing arrangement for US$162 million for Cemento Andino to expand their cement plant, representing the largest leasing transaction that has been structured and paid by a local bank;

- A medium-term leaseback facility to Votorantim Metais Cajamarquilla for US$120 million to expand their zinc refinery capacity to 320 Tons per year.

- A leaseback facility to Empresa de Generación Huanza for US$119 million to finance the construction of their 91.2MW hydroelectric plant.

- A syndicated leasing to Compañia Electrica el Platanal, or CELEPSA, for US$60 million to complete the construction of their 220MW hydroelectric plant.

As the global economy started showing signs of recovery and the Peruvian capital market started to open late in the second half of 2009, BCP´s Corporate Finance Area was in charge of leading the US$200 million bond placement to complete the financing of Peru LNG's natural gas liquefaction plant and the US$172 million bond placement to finance Kallpa Generación's combined cycle power plant. In addition, the Corporate Finance Area acted as financial advisor to Credicorp in its acquisition of 99.34% of the stock of Edyficar.

During 2009, the Corporate Finance Area generated income in excess of US$14.0 million from structuring, advisory and issuance fees.

Leasing

BCP's financial leasing business offers and manages financial leasing operations. It also carries out medium-term operations, principally for small- and medium-sized companies. BCP is the leader with a market share of 36% of total leasing.

The financial leasing business only grew by 13% during 2009 (as compared to a 54% growth in the previous year). BCP's leasing loan balances show a 31% growth in 2009 as a consequence of tax rule stabilization applicable to leasing operations and the growth of the Peruvian economy.

Growth during 2009, like growth in 2008, was driven by business loans in sectors requiring investment in mining, energy generation and manufacturing companies. Loan demand also increased in the telecommunication sector; however, loans to small-sized companies grew at a slower pace as a result of the new risk policies BCP established.

Business Services

BCP's business services area is in charge of developing transactional services that handle the exchange of information and money transfers to corporations, midsize companies, institutions and micro-business companies. This area is responsible for both the development and marketing of transactional (or "cash management") services for BCP's corporate and its institutional clients. The business services area offers more than 30 products, aimed at strengthening ties with clients, assuring their loyalty and reciprocity in the business carried out with BCP, reducing costs using electronic channels, and increasing fee income.

Services managed by the business services area include collections (automated trade bill collection and collection via internet), automated payments (direct credits to personnel and suppliers accounts and money transfers), electronic office banking, electronic lending and cash management through checking accounts with special features.

During 2009, transactional services continued to contribute to BCP's earnings. The monthly average number of current accounts increased by 18% and fee revenues increased by 9.5% compared to those of 2008. This improvement is mainly the result of the dynamism experienced in the small business sector (also referred to as SME). Collection services, such as bills and companies' collections, generated commissions that increased 6.8% and 21.4%, respectively, over the 2008 collections. This improvement is explained, in part, by BCP's strategic decision to offer value to its clients through the implementation of a more efficient mechanism of information related to these services. The higher demand by clients for the remote banking service Telecredito also generated 8.6% more transactions than 2008. Likewise, other commissions generated by remittances abroad grew 9.3% from those generated in 2008, and the transaction volume generated by electronic factoring increased 20.6% in 2008. Finally, the electronic service for invoice financing, recently introduced in the market, grew by 40.5% in volume from 2008.

(iii) Retail Banking Group

According to BCP's internal reports, by the end of 2009, retail banking-related loans represented 40% of BCP's total loans, while retail banking-related deposits accounted for 47% of BCP's total deposits. Retail income from fees constituted 45% of BCP's total income from fees.

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Between 2006 and 2007, the Retail Banking Group's loan volumes increased by 45%, reaching US$2,840 million. During 2008, loans grew again by 30%, reaching US$3,694 million. Throughout 2009, loan balances grew by US$621 million to US$4,315 million. This growth was a result of strong consumer lending, which includes installment loans and credit cards, home mortgages and small and micro business loans. With respect to deposits, BCP's retail banking group has also shown constant growth, by growing 29% between 2006 and 2007, US$1,051 million in 2008 and US$690 million during 2009, reaching a total of US$7,818 million by the end of 2009.

With the segmentation of its retail client base, BCP is able to focus on cross-selling its products and improving per-client profitability. The Retail Banking Group has undertaken several projects to improve one-on-one marketing techniques and tools for the sale of its products to all market segments. BCP's management expects the retail banking business to be one of the principal growth areas for BCP's lending activities.

BCP's retail banking serves individuals and small-sized companies with annual sales levels of up to US$6.6 million. BCP's objective is to establish profitable long-term relationships with its broad client base, using segmentation strategies that satisfy the specific needs of each client type. BCP's retail distribution strategy changed at the beginning of 2007, when BCP started using the branch network as the center for all transactional and commercial activities. BCP now has a commercial division, in charge of all direct sales forces and the branches, which in turn are organized on a geographic level. Each branch is responsible for servicing and selling products to three customers groups: exclusive banking, small business banking and consumer banking. In addition, each branch is responsible for coordinating the different channels offered within the branch, such as account managers, customer service representatives and tellers.

The Marketing Division is responsible for product, channel and segment management. During 2008, BCP saw an unprecedented investment in infrastructure and human resources to support its "banking the unbanked" strategy. As a result, in 2008 and 2009, BCP experienced an explosive growth in channels, including 1,580 new customer contact locations (59 branches, 247 ATMs and 1,580 correspondent banking offices). Demonstrating its leadership in attracting new customers, BCP now services over three million customers with its network of 334 branch offices, 996 ATMs and 2,801 correspondent banking offices (these figures do not include the customer contact locations under Edyficar's management, which are counted separately).

Exclusive Banking

Exclusive banking is BCP's upscale retail banking area which manages a select number of individual customers. These customers are crucial to BCP because of their high loan and deposit volume and their attractive profitability.

The exclusive banking customers receive a differentiated value plan which includes (i) access to innovative products, (ii) dedicated customer services channels such as specialized account managers and/or expert phone banking, (iii) privileged preferential service in the branches at the teller window and (iv) special interest rates on loans. BCP's exclusive customers, totaling about 160,000, must have a good credit record and at least US$20,000 in outstanding loans within the banking system or a US$40,000 balance in deposits with BCP. Approximately 100,000 of the most profitable exclusive clients are serviced through specialized accounts managers responsible for improving per-client profitability and achieving long-term relationships through personalized service, cross-selling and share of wallet strategies. Account managers are also responsible for new customer acquisition, particularly through mortgage loans. The higher end of this segment also has access to investment advisors who prepare customized investment plans consisting of capital market products and mutual funds. The exclusive banking segment is very profitable, generating 36% of the retail banking group's income while managing 5% of the total customer base, 45% of retail group's loan volume and 41% of its deposit volume.

Small Business Banking

BCP's small business segment now accounts for 282,000 clients. Customers are divided into three groups with different business models, services levels, and products access. The first group is top-end small business banking, which serves approximately 7,200 clients with annual sales between US$500,000 and US$6.6 million. The next group of 100,000 small business clients has annual sales up to US$500,000 but has debt, and the third group of approximately 210,000 consists of very small business customers who have only deposit product needs.

In addition to products, such as revolving credit lines repaid in installments, BCP also helps the development of the small and micro (SME lending) business segments, which composed of individuals who primarily derive their income from small, family-run businesses, in two ways: (i) client training programs through seminars and presentations and (ii) formalization programs based upon alliances with government institutions such as Prompyme, the Ministry of Labor and Social Promotion, municipalities and the Peruvian Center for the Promotion of Small Business. BCP's total loans to small businesses as of December 31, 2009 amounted to US$1,065 million, which represented another year of consecutive growth.

According to BCP's internal reports, the Small Business Banking loan portfolio grew from US$1,037 million in 2007 to US$1,345 million in 2008 and reached US$1,546 million by the end of 2009. In terms of deposits, this group increased deposits from US$1,197 million in 2007 to US$1,562 million in 2008 and US$1,698 million by the conclusion of 2009.

Edyficar also serves the microfinance segment, and as of December 31, 2009, it registered 165,345 SME clients with a total loan portfolio equivalent to US$198.8 million (S/. 574.6 million in Nuevos Soles), which represented an increase of 15.1% compared to the level registered at the end of 2008. As of December 31, 2009, Edyficar had a client market share of 9.7%, making it second in terms of market share within the SME segment. Edyficar also had a loan market share of 4.6% in 2009, making it fifth in terms of market share within the SME segment. The aggregate market share of Edyficar and BCP in the SME segment totaled 20.0% at the end of 2009, and combined, they have the highest market share in the SME segment.

Consumer Banking

Consumer banking is in charge of developing strategies for the retail customers not included in exclusive banking or small business banking. Its customer base is approximately 2.7 million medium to low income individuals. Consumer banking focuses its attention on customers who receive their payroll through BCP (which represents slightly more than 1 million clients). Its strategies vary from basic acquisition of new accounts for wage-earners with special terms regarding fees and interest rates, to more sophisticated, aggressive cross-sell and retention programs that expand benefits to non-banking products (i.e., access to discounted products). BCP has continued excelling in expanding its debit card as a form of payment, maintaining more than half of the market share in withdrawals and payments with debit cards, which is a year-to-year increase of 400,000 cards. BCP concluded 2008 with more than 2.7 million cards.

Mortgage Lending

As of December 31, 2009, BCP was the largest mortgage lender in Peru with a market share of 35.5% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements in the quality of procedures for extending credit and establishing guarantees.

BCP expects the mortgage lending business to continue grow because of (i) low levels of penetration in the financial market, (ii) increasing demand for housing, (iii) the availability of funds for the Peruvian government's MiVivienda low-income housing program and (iv) the current economic outlook for controlled inflation and economic growth in

Peru.

BCP had US$1,551 million in outstanding mortgage loans as of December 31, 2009 (as compared to US$1,346 million in 2008, US$1,125 million in 2007 and US$868 million for year-end 2006).

All programs of mortgage financing are available to customers with minimum monthly income of US$400. The MiVivienda program, a program supported by government resources, placed a limit of US$60,000 on the value of the house to be purchased. BCP will finance up to 90% 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, in U.S. Dollars, and 25 years, in local currency. Within the mortgage lending business, BCP offers variable, fixed and Libor-based interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles. However, BCP's mortgage portfolio is predominantly fixed rate and U.S. Dollar-denominated.

In May 2006, the original MiVivienda program was terminated. However, local banks (with government's approval) launched a similar project, known as MiVivienda2, to which proprietary funds contribute. In addition, in March 2007, BCP created a new program financed by the government called Mi Hogar, which targeted persons with a lower income profile. The conditions of the new program are almost identical to those of the first MiVivienda, except that financing is in local currency.

Consumer Lending (Credit Cards and Installment Loans)

Consumer lending, credit cards and installment loans have grown significantly as improving economic conditions have led to increased consumer spending. BCP expects the strong demand for these products to continue. In addition to interest income, BCP derives fee income from customer application and maintenance, retailer transactions, and merchant processing, finance and penalty charges on credit cards.

Peru's economic growth has had a huge impact on the consumer credit market, which grew by a total of 24% during 2008 and 16% between 2008 and 2009. The outstanding balance is US$1,326 million, consisting of US$503 million in credit card loans and US$823 million in installment loans. BCP's market share in consumer lending has consistently increased since 2007, 2008 and 2009 from 17.9% to 19.2% to 20.0%. This growth in consumer lending was achieved while maintaining a ratio of delinquent accounts below 5% (over 30 days).

Between 2007 and 2008, installment loans experienced an unprecedented growth of US$214 million in outstanding balances, a 45% increase, and during 2009 installment loans grew another 19%. This result was due, in part, to BCP's strategic change which was designed to broaden its customer base. Fifty percent of BCP's new loans came from customers with a monthly gross income of less than US$400.

In the credit card business, BCP continued to apply segmented strategies. BCP continues to offer value to its high-end customers through partnerships with the airline LAN and with Primax, a chain of gas stations. These programs, coupled with BCP's own travel program, enabled it to reach record levels, both in point generation and point usage (exchanges). To catch the attention of the lower income segment, BCP worked on streamlining its risk assessment and card delivery process.

In addition, BCP has been continuously improving monitoring and optimizing its scoring models, which includes, among others, behavior, payments and income forecasting. As a result, BCP has achieved a US$58 million yearly increase in outstanding balances during each of 2008 and 2009. According to BCP's internal records, the number of active credit cards has constantly increased from 325,000 in 2006 to 387,000 in 2007 to 430,000 in 2008 and 446,000 by year end 2009. In addition, annual purchases have increased from US$592 million in 2006 to US$868 million in 2007 to US$1,131 million in 2008 and US$1,203 million in 2009.

BCP is also the largest shareholder of VISANET, holding approximately 40% of its total shares. The number of VISANET electronic payment terminals grew to approximately 55,000 in 2009, as compared to 28,000 in 2006.

(iv) Capital Markets Group

In addition to BCP's wholesale and retail banking operations, BCP operates a capital markets group, which currently is the largest capital markets and brokerage distribution system in Peru. The principal activities of the Capital Markets Group include currency transactions (both for clients and on a proprietary basis) as well as treasury, custody and trust, investment advisory services, and general research activities.

BCP's products are distributed through its subsidiaries and branches. BCP's close relationship and coordination with its subsidiaries has established BCP as the market leader in the capital markets business.

Credibolsa is BCP's brokerage subsidiary through which BCP offers a wide variety of variable and fixed-income products and services. Credibolsa's activities include the structuring and placement of primary market issues and the execution and trading of secondary market transactions.

Creditítulos is BCP's asset securitization subsidiary through which BCP offers local securitization structuring to corporate entities.

Credifondo is BCP's fund management subsidiary, which offers investment fund products and services. Fund types offered by Credifondo include short/long term, U.S. Dollar and local currency and fixed/variable income funds.

Trading and Brokerage Services

In 2009, markets recovered strongly after the international financial crisis. The Lima Stock Exchange General Index (IGBVL) experienced an increase of 100.9%, even though trading volume (measured in U.S. Dollars) decreased 22% to US$4,007 million, as compared to 2008. Including fixed income and REPO operations, total trading volume in the Lima Stock Exchange reached US$5,710 million, representing a 28% decline as compared to 2008.

Credibolsa maintained its leadership position in the Lima Stock Exchange with a 24.87% share of the market in equity and 50.77% in fixed income, compared to 19.8% and 49.6% in 2008, respectively. Credibolsa's trading volume was generated by domestic customers (both retail and institutional), by foreign institutional clients and by our proprietary trading. Credibolsa's total trading volume reached US$3,158 million in 2009. Credibolsa was also the number one stock broker for initial offerings, issuing a total of S/. 388 million and US$543 million in fixed income, representing a 46% market share.

BCP's management believes that Credibolsa will continue expanding its business based on its ability to provide appropriate advice to clients while offering various products that meet their requirements. Furthermore, BCP's wholesale banking marketing represents an important strength that allows it to reach main companies in the local market, while BCP's branch network helps to expand its business in the retail banking segment.

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. It has also been active in the auctions of certificates of deposit by Peru's central bank as well as in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

Since 2007, BCP has adhered to the best international cash management practices. BCP created the Assets and Liabilities Management Service (or ALM) which is responsible for managing its balance sheet under the Asset and Liabilities Committee (or ALCO) oversight. ALM is responsible for managing BCP's balance sheet and for accepting reasonable interest rate and liquidity risks through management of the short- and long-term transfer rates.

BCP's proprietary trading consists of trading and short-term investments in securities, which includes 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. During 2008, the investments were mainly oriented to Nuevo Soles-denominated instruments such as BCRP certificates of deposits and government bonds.

Asset Management

Credifondo S.A., Sociedad Administradora de Fondos, or Credifondo, provides advice to and operates mutual funds in Peru. It is the largest mutual fund manager in Peru based upon data from the Peruvian securities market authority, the Comisión Nacional Supervisora de Empresas y Valores (CONASEV). As of December 31, 2009, total Peruvian funds in the mutual funds system amounted to US$4.86 billion, increasing 72.3% from US$2.82 billion in 2008.

According to CONASEV, as of December 31, 2009, Credifondo managed ten separate funds, with a total of 102,211 participants (38.9% of total participants) compared to 78,497 in 2008. Among the securities in which the different funds specialize are: equities, U.S. Dollar-denominated bonds, Nuevo Sol-denominated bonds and U.S. Dollar-denominated short-term securities. As of December 31, 2009, Credifondo's total managed funds amounted to US$1,929 million, increasing from US$1,273 million – 60.4% – as of December 31, 2008. Because these funds are subject to certain volatility, there can be no assurance as to their future performance. As a result, we do not guarantee any return on these investments.

As of December 31, 2009, the Bolivian fund administrator managed a total of US$139.9 million of third-party funds increasing 27.4% as of December 31, 2008.

According to BCP's internal reports, BCP holds US$22.7 billion in securities for over 61,189 domestic and foreign clients. BCP provides custody services that 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 Peru qualified to serve as a foreign custodian for U.S. mutual funds. Trust services include (i) escrow, (ii) administration and representation services, (iii) supervision of transactions completed for its clients and (iv) transfer settlement and payment services for local securities issues. These services allow BCP to adequately represent its clients' activities in the local and international securities markets.

La Fiduciaria S.A., or Fiduciaria, is an associated entity and the first specialized trust services company in Peru. We hold a 45% interest in Fiduciaria. In its eighth year of existence, Fiduciaria has managed trusts for a majority of the institutions in the national financial system, putting itself at the forefront of fiduciary services in Peru. Fiduciaria's operations encompass sectors including energy, communications, mining, tourism, fishing, education and construction. Fiduciaria ended 2009 with 185 outstanding operations.

(v) Lending Policies and Procedures

BCP's uniform credit policies and approval and review procedures are based upon conservative criteria and are uniformly applied to all of its subsidiaries. These policies are in accordance with the guidelines established by Peruvian financial sector laws and SBS regulations. (See "—(11) Supervision and Regulation—(ii) BCP," and the guidelines set forth by our board of directors.)

BCP's credit approval process is based primarily on an evaluation of the borrower's repayment capacity and on commercial and banking references. BCP determines a corporate borrower's repayment capacity by analyzing the historical and projected financial condition of the company and of the industry in which it operates. Other important factors that BCP analyzes include the company's current management, banking references, past experiences in similar transactions, and collateral to be provided.

For the evaluation of BCP's corporate borrowers, credit officers prepare a risk assessment report, which analyzes the client's ability to repay its obligations, determines the probability of default of the client using an internal risk rating model, and defines the maximum credit exposure that the BCP wants to hold with the company.

For BCP's individual and small business borrowers, it evaluates credits based on the client's capacity for repayment, a documented set of policies (regarding the client's financial track record among other issues), and in most cases, credit scores, which assign loan-loss probabilities that relate to expected returns of each market segment. Approximately 80% of BCP's credit card, consumer, mortgage, and small business loan application decisions are made by automatic systems. The complement is decided by credit officers reporting to a centralized unit.

Success in the small business and personal lending areas depends largely on BCP's ability to obtain reliable credit information about prospective borrowers. 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. This database includes information on the loan risk category in which the borrowers are classified: "Normal," "Potential Problem," "Deficient," "Doubtful" and "Loss."

BCP has a strictly enforced policy with respect to the lending authority of its loan officers. It also has procedures to ensure that these limits are adhered to before a loan is disbursed. Under BCP's credit approval process, the lending authority for middle market, small business, and personal loans is centralized into a specialized credit risk analysis area, whose officers have been granted lending limits. 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, in addition to the controls built into the loan approval workflow systems.

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 reviewed by BCP's general manager, executive committee or, if the amount of the proposed facility is sufficiently large, board of directors.

| In US$ thousands | Risk without collateral or with only personal collateral or guarantee | Risk with preferred guarantees (1) |
|---|---|---|
| Board of Directors | Regulatory limit | Regulatory limit |
| Executive Committee | US$ 191,076 | US$ 191,076 |
| General Manager | US$ 35,000 | US$ 30,000 |
| Credit Group Manager | US$ 7,500 | US$ 15,000 |
| Credit Risk Manager | US$ 4,000 | US$ 8,000 |
| Credit Risk Chiefs | US$ 2,000 | US$ 3,000 |
| Retail Credit Risk Manager | US$ 500 | US$ 500 |

(1) Preferred guarantees include deposits in cash, stand-by letters, securities and other liquid assets with market price, mortgages, non-real estate property guarantees and assets generated by leasing operations.

BCP believes that an important factor in maintaining the quality of its loan portfolio is the selection and training of its loan and risk officers. BCP 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 BCP 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 BCP. Laterally-hired officers are generally required to have previously held positions as loan officers.

In general, BCP is a secured lender. As of December 31, 2009, approximately US$6.4 billion of our loan portfolio and contingent credits were secured by collateral, which represents 47.9% of the total loan portfolio based upon our unconsolidated figures, as compared to 41.7% in 2008 and 43.8% in 2007. Liquid collateral is a small portion of the total collateral. In general, if BCP 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.

The existence of collateral does not affect the loan classification process according to regulations in effect as of December 1998. Pursuant to Peruvian banking law, 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 for Peruvian accounting purposes. If a borrower is classified as substandard or below, then BCP's entire credit exposure to that borrower is so classified.

BCP conducts unannounced internal audits on the financial statements, consistent with local banking regulation of the different jurisdictions in which it operates.

(vi) Deposits

Deposits are principally managed by BCP's retail banking group. The main objective of BCP's Retail Banking Group 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. BCP has historically relied on the more traditional, stable, low cost deposit sources, which it considers to be its core deposits: time, demand deposits, savings and CTS deposits. CTS deposits, or Severance Indemnity Deposits, are funded by companies in the name of their employees. CTS deposits amount 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. Exceptions include disposing of 50% of the CTS deposit at any time and disposing of up to 80% at once for home purchase. For the year 2009 and 2010 and as part of the Government program to minimize the impact of the international crisis, individuals may dispose 100% of their CTS deposits.

As of December 31, 2009, deposits represented 74.9% of BCP's total source funding. BCP's extensive branch network facilitates access to this type of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP.

(vii) Support Areas

BCP's commercial banking operations are supported by its risk area, which evaluates and helps administer credit relationships, establishes credit policies and monitors credit risk. See "—(4) BCP and Subsidiaries—(v) Lending Policies and Procedures."

BCP's planning and finance area is in charge of planning, accounting and investor relations functions and is also responsible for analyzing the economic, business and competitive environment in order to provide the information necessary to support senior management's decision-making.

In addition to the above, BCP's administration group is generally responsible for information technology, quality control, institutional and public relations, human resources, the legal department, security, maintenance and supplies.

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Information Technology

BCP is a technology leader in the Peruvian banking sector. All of BCP's retail banking group services and a substantial portion of BCP's corporate banking services are fully computerized. All of BCP's points of service, including branches, ATMs and POS terminals, are linked to BCP's data processing center, which permits BCP to monitor and analyze service while allowing most transactions to be executed on a real-time, online basis.

BCP considers its technology platform to be one of its main competitive strengths and has continued to invest in this area to maintain its competitive position in the banking sector. During 2009, BCP's expenses on systems totaled US$120.7 million, of which US$96.4 million were recurring expenses and US$24.3 million were allocated to specific projects. These totals were higher than those of 2008, which were US$97.9 million, US$79.2 million and US$18.7 million, respectively. BCP's investments totaled US$50.9 million, of which US$14.9 million were for tactical projects, US$22.2 million for core processes, and US$13.8 million for subsistence projects. These amounts were lower than those reported for 2008 (US$60.9 million, US$16.6 million, US$27.5 million and US$16.8 million, respectively).

Furthermore, to continue with the objective of increasing lending in the Retail Banking Group, BCP expanded its "Loans Integrated Model", or MIC, to consumer loans. The Loans Integrated Model, which was started in 2007 for credit cards, provides customers instant reply to credit card applications and approved credit lines. In 2009, the system could be able to mortgage loan screening to give customers point of contact response. Finally in 2010, the system will have a new function, enabling it to buy debt from other financial entities.

BCP continued to align its systems to the technological architecture by building and implementing shared services. In 2008, two modules of SAP were implemented—human resources and procurement. Three other important projects were completed: (i) implementation of the collections management system for retail banking products; (ii) migration of the IVR (interactive voice response) system to a new platform, which is more robust, safe and high availability; and (iii) implementation of a new anti-money laundering system to intercept all suspicious banking transactions. During 2009, BCP started an accounting module that will be completed in 2010.

As part of the "Excellence in Continuous Operations" Program (ECO Program), BCP completed the construction of a new data center at the La Molina headquarters at the end of 2008. In June 2009, also as a part of the ECO Program, BCP started the construction of a world-class data center in Chorrillos to replace its downtown Lima facility. Operations at the data center in Chorrillos are scheduled to lunch in November 2010. The La Molina and Chorrillos data centers will operate in an "active-active" mode, backing-up each other. In parallel, a third project within the ECO Program called "Out-of-Region Disaster Recovery Data Center" (OOR) started in July 2009 at IBM's Brazil Global Delivery Center located in Hortolandia, Sao Paulo. The main objective of the OOR project is to provide remote recovery capabilities of the core banking applications and channels of BCP nationwide in case of a major disruptive event that may affect both data centers in Lima.

Marketing

BCP continually works to protect and strengthen the BCP brand. BCP has a proactive attitude towards competition and is focused on change and innovation. The company promotes its products and services by constantly improving them. In this manner, BCP aims to grow and be a leader in every retail market by offering the highest possible value for its clients and shareholders. In 2009, BCP continued its strategy which was based on two fronts:

Generating Value: In terms of generating value, BCP continues to develop strategies to approach different retail customer groups. BCP's increasing use of Customer Relation Management (CRM) tools across all sectors enables it to proactively reach customers and provide them with personalized offers and terms in a timely manner. In an effort to build long-term relationships, the BCP has heightened its development and training activities. These activities include training programs with small-business owners supported by Universidad del Pacífico, the ExpoNegocios and the Bodegas y Mercados, as well as exhaustive seminars conducted in different cities across the country.

Another key element for BCP to create value is innovation. BCP has launched several innovative products, including new service products for very wealthy customers, new benefits for customers whose wages are paid at their BCP accounts, and the development of the Línea Múltiple de Negocios (Multiple Business Line) that allows its customers to meet their financial needs with a comprehensive, easy-to-use product. BCP also innovates by transforming the way it operates throughout the organization, achieving internally, leaner and more efficient processes and externally, an enhanced experience for our customers. During 2009 leaner processes have been accomplished for branch layout and tellers, ATM cash management and mortgage lending.

Quality in Service: Quality in service is a permanent goal for BCP. BCP has progressed in this area by implementing a new regulation promulgated under the Consumer Protection Law, which included significant investments toward improving service and keeping customers informed about BCP's products and services.

BCP's improved processes and supporting tools have enabled it to leverage growing businesses. BCP successfully implemented its new commercial loan disbursement process (promissory notes, loans, advances and issuing bank guarantees nationwide) by using CAPS as a tool. The result was an improvement in BCP's customer service timing and to reduction in its business consultants' and assistants' workload.

Operations

Achieving greater operational efficiency is an essential part of BCP's s growth strategy, and BCP is committed to improving efficiency by streamlining its processes. One of the main initiatives the company advanced in 2009 was "Lean Project", which aimed at increasing the satisfaction of BCP's clients by enhancing business-origination processes based on the "Lean" methodology. In 2009, the redesign of the processes occurred in three "waves":

Wave 1 - New branch model

The new model seeks to offer better service to BCP's clients in each branch, and turn the branches into commercial points rather than transactional centers. The most relevant achievements in 2009 included: operating 41 offices under the new model; reducing the waiting time at BCP offices by 48%; increasing the productivity of teller promoters by 20%; and migrating 6% of the transactions handled by tellers to electronic channels. BPC expects that by April 2011, approximately 279 offices out of a total of 334 will operate under the new model.

Wave 2 - Post-sales and cash management

The purpose of Wave 2 is to improve BCP's post-sale service and cash logistics management. On the post-sales side, BCP began by conducting an initial process review of its claims attention service. The company then extended its review, examining how it processes requests from current clients (including requests to update of client information or requests for copies of credit card statements). The main achievements in this process review included: reducing the claim response time from 9 days to 2 days; and increasing the company's productivity in responding to applications by an average of 160%.

On the cash management side, BCP sought to improve efficiency in its management of cash logistics. Cash logistics management includes facilitating the movement of cash among in and among BCP's branch offices, vaults and ATMs. The most relevant achievements in this wave were: reducing the cash transportation expenses (remittance and pick up) by 24% and reducing expensed for cash processing by 57%. Overall, the office logistics expenses were cut 29%.

Wave 3 - Commercial loans, mortgage loans and leasing

For Wave 3, BCP undertook an exhaustive review of its commercial lending, mortgage lending and leasing processes. The review tracked loans from the time a client submitted a loan application until the loan was disbursed. They examined the work structure used to handle these loan applications, the quality of customer service, the information provided to the client and the celerity of the overall service, in order to propose systems that might enable BCP to better serve its clients and improve its sales process. The main achievements in Wave 3 were: reducing the renewal cycle time for credit lines extended through BCP's Corporate Banking Area by 47%, reducing the same renewal cycle time for loans extended through BCP's Middle Market Banking by 14%, reducing the renewal cycle time for loans in BCP's Corporate Finance Area by 15%; increasing productivity in the risk area by 53% in Corporate Banking Area, increasing productivity in the risk area by 24% in Middle Market Banking and increasing productivity in the risk area by 24% in BCP's Corporate Finance Area. BCP also reduced its mortgage loan cycle time from 47 days to 14 business days for 75% of its mortgage loans; and reduced its application-to-disbursement time on leases from more than 21 days to just 15 days for 83% of its leases.

(viii) Anti-Money Laundering Policies

As part of our enterprise wide compliance program, BCP and all the companies under our group have adopted policies and procedures for "know your customer," "know your market," "know your correspondent bank" and "know your employee" as an integral part of our anti-money laundering program. These policies and procedures are required to be followed by all employees corporate wide and is under the responsibility of the Board of Directors, the Chief Executive Officer and the Corporate Compliance Officer.

Credicorp's corporate compliance officer is responsible for the monitoring and oversight of the program and coordinates with the compliance officers of each of the foreign branches (BCP Panama and BCP Miami), affiliates (PPS, Atlantic Security Bank and Credicorp Securities) and foreign subsidiaries (BCP Bolivia). These institutions must comply with all regulatory laws established in the countries in which they operate, in addition to corporate policies and procedures and GAFI recommendations. Under Peruvian law, BCP must notify the SBS if any of its branches, affiliates or subsidiaries abroad are unable to meet any requirements imposed by the aforementioned entities.

The Financial Intelligence Unit is the governmental entity responsible for receiving, analyzing and disseminating suspicious transaction reports filed by obligated entities. It was created under Law 27693 in April of 2002, as amended by Laws 28009 and 28306, and incorporated under Law 29038 in June 2007 as a specialized unit of the SBS. The Financial Intelligence Unit is autonomous, both functionally and technically.

One of the main banking regulations, Law 838-2008, requires that all financial institutions supervised by the SBS have an anti-money laundering and terrorist financing compliance program that includes adequate policies, monitoring of client operations, evaluation of red flags, registration of all cash operations and a training program for all staff.

(ix) Employees

As of December 31, 2009, BCP had 16,748 employees (including 1,247 employees from Edyficar) compared to 15,969 employees as of December 31, 2008 and 12,667 employees as of December 31, 2007. All employees of banks in Peru are given the option of belonging to an employee union. These employee unions are collectively represented by the Federación de Empleados Bancarios (Federation of Banking Employees or FEB).

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(5) Atlantic Security Holding Corporation

ASHC is a holding corporation that engages in private banking, asset management and proprietary investment. ASHC was incorporated in December 1981 in the Cayman Islands and principally serves Peruvian-based customers through Atlantic Security Bank (ASB), a wholly-owned subsidiary. ASB is a Cayman Islands licensed bank with offices in Panama through which ASHC conducts all commercial business. ASHC's balance sheet is virtually identical to ASB's, with the exception of approximately 14.6 million Credicorp shares directly held by ASHC.

As of December 31, 2009, ASHC had total assets of US$1,484.8 million and shareholders' equity of US$239.8 million (compared with US$1,454.2 million and US$115.7 million, respectively, as of December 31, 2008). ASHC reported a net profit of US$54.1 million in 2009, compared with a net loss of US$22.4 million in 2008. Adjusting for dividend income from Credicorp that is not reflected in consolidated results, ASHC's net income contribution increased from a negative US$50.4 million in 2008 to US$29.7 in 2009. All income other than Credicorp dividends was generated by ASB.

ASB's clients have traditionally provided a stable funding source, as many are long-time clients who roll-over deposits on a permanent basis. As of December 31, 2009, ASB had approximately 4,000 clients, 95% of whom are Peruvian. ASB deposits at year-end 2009 reached US$1,230.4 million, down slightly from US$1,283.6 million as of December 31, 2008.

ASB trades on its own account primarily by making medium-term investments in investment grade fixed-income securities and sovereign debt. Non-investment grade fixed-income securities represent a distant second in terms of portfolio allocation, while equity and hedge-fund positions, though present, are even less relevant. As of December 31, 2009, ASB had US$797.2 million at fair value, compared to US$594.9 million in 2008. In addition to ASB's portfolio, ASHC also holds an equity investment in Credicorp with a fair value of approximately US$1,124.2 million as of December 31, 2009 (compared to US$730.5 million as of December 31, 2008).

Third-party Asset management is an important activity for ASB. Total assets under management reached US$2,177.0 million as of December 31, 2009, compared to US$1,639.4 million as of December 31, 2008. These assets cover the range from direct unsolicited securities to ASB managed mutual funds.

ASB also maintains a sizable loan portfolio. Total loans outstanding were US$525.5 million and US$560.1 million for 2009 and 2008, respectively. Between 85% and 95% of these loans were guaranteed by client's deposits or investments. For the year-ended 2009, for example, only US$23.4 million were unsecured loans. This high level of securitization is reflected in ASB's low level of non-performing loans, consistently much less than 1% of total loan portfolio. The overwhelming majority of ASB's loans are granted to Peruvian nationals and companies, while those that are not are directed exclusively to Latin American borrowers.

ASB's overall investment strategy, general profile of its investment portfolio and specific investment decisions are reviewed on a weekly basis by an investment committee. Its credit risk by counterparty, including direct and indirect risk, is evaluated on a consolidated basis and covers all activities that generate credit exposure such as interbank placements, commercial loans and securities investment. Market, Liquidity and Operational risks are monitored by ASB's Risk Management Unit, which in turn reports to and is supervised by a Corporate Risk Committee, an Asset-Liability Committee and the Board of Directors.

(6) Pacífico Peruano Suiza

We conduct our insurance activities through Pacifico Peruano Suiza and its subsidiaries, El Pacifico Vida and Pacifico Salud, which together make up Pacifico Grupo Asegurador, providing a broad range of insurance products in the property and casualty, life and health businesses. In 2009, the six most significant business lines collectively generated 82.9% of total premiums written by PPS. These business lines consisted of commercial property damage (including fire, earthquake and allied lines and limited liability risks), automobile, health, life and pension fund underwriting and life annuities. PPS is the second leading Peruvian insurance company, including private health companies, with a market share of 30.9% based on net premiums earned and fees in 2009.

In 2009, we were attributed a consolidated net gain from PPS of US$37.4 million compared to a net loss of US$15.9 million in 2008. PPS's total premiums increased 3.6% to US$608.8 million during 2009 from US$587.6 million in 2008, and net premiums earned, net of reinsured premiums and of technical reserves (as defined below in "  (ii) Claims and Reserves"), were US$439.5 million in 2009, increasing 8.3% compared to 2008.

PPS's net underwriting results increased from a loss of US$7.7 million in 2008 to a gain of US$79.9 million in 2009. This rise in PPS's underwriting results is primarily a due to the decrease of net claims paid as a percentage of net premiums written from 84.3% during 2008 to 65.2% during 2009.

PPS's business in property and casualty and private health is highly concentrated, with a client base of over 28,000 companies and over 417,000 individuals in the property and casualty and health insurance programs, including individuals affiliated with group health insurance programs through the companies by which they are employed. As of December 2009, revenues from policies written for PPS's three largest and 20 largest customers represented 7.5% and 21.6% of total premiums in its property and casualty and health insurance businesses, respectively. PPS's property insurance lines are sold through agents and brokers, while life insurance is sold by its own sales force. The 10 largest brokers in the property and casualty as well as in the private health segment accounted for approximately 43.5% of total premiums as of December 31, 2009 (compared to 41.2% as of December 31, 2008).

El Pacífico Vida (Pacífico Vida), PPS's life insurance subsidiary, is 38%-owned by ALICO, a subsidiary of AIG. In 2009, Pacífico Vida reached total premiums of US$188 million, a 5.9% increase from total premiums of US$178.2 million in 2008.

Pacífico Vida's market share was 27% in 2009 versus 27.6% in 2008. Its individual life and personal accident businesses increased by 14.5%, mainly due to an increase in sales of the company's new products, the improved quality of Pacífico Vida's sales service and the development of its distribution channels, which includes its main channel, the agencies, and its part time channels, such as brokers, BCP (bank-assurance), sponsors, among others. As a result, the market share in individual life market was 35.7% where Pacifico Vida has positioned as the leader.

In 2009, total premiums on Group Life, Group Life Ley and SCTR (limited workers compensation) increased by 12%. This increase was largely the product of a broad based national economic recovery, which spurred the formalization of more companies and the development of the mining and construction sectors. Credit Life, Pacífico Vida's most dynamic product, reached an increase of 14.7% in total premiums over that of 2008 and represented 12% of total direct premiums (compared to 11.2% in 2008). Credit Life's increase was primarily a result of Pacífico Vida's business with BCP, which involved credit cards and mortgage loans. Pacífico Vida's life annuity business decreased 0.3% in total premiums and fell from 19.9% to 17.9% in its market share. This decrease was mainly because we did not take part in the VAC bonds' market ("valor adquisitivo constante" in Spanish, constant acquisition value).

Pacífico Vida's pension fund underwriting business fell 9.9% for the year. This decline was a result of a government program that prohibited the company from assessing pension fees on employee bonuses payable in July 2009 and December 2009.

Pacífico Vida generated financial earnings of US$32.9 million in 2009. Pacífico Salud reported total revenue of US$125.3 million and net gain of US$2.7 million in 2009 mainly due to a decrease in claims. The net loss ratio decreased to 84.6% in 2009 from 90.3% in 2008.

(i) Underwriting, Clients and Reinsurance

Underwriting decisions for substantially all of PPS's insurance (property and casualty) risks are made through its central underwriting office. PPS's own risk management staff inspects most medium and medium-to-large commercial risks prior to their underwriting, whereas third party surveyors are employed to inspect smaller risks. Underwriting standards are approved by the Board of Directors on a yearly basis.

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 capacity of the reinsurer, terms of coverage and price. PPS's principal reinsurers in 2009 were, among others, Lloyd's, Allianz Re, Amlin, Catlin, China Re, Endurance, Everest Re, Flagstone Re, Glacier Re, GIC, Hannover Re, Mapfre Re, MS Frontier, Munich Re, Odyssey Re, Omega, Partner Re, Paris Re, QBE Reinsurance Corp., QBE Europe, R+V, Reaseguradora Patria, Scor, Sirius International, Swiss Re, Validus Re, White Mountain y XL Re. Premiums ceded to reinsurers represented 16.7% in 2009. 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, 2009, premiums for reinsurance written by PPS totaled US$4.8 million. Although PPS historically has obtained reinsurance for a substantial portion of its earthquake-related risks through excess loss contracts, there can be no assurance that a major catastrophe would not have a material adverse impact on its results of operations or financial condition. See "—(ii) Claims and Reserves."

(ii) Claims and Reserves

Net claims paid by PPS as a percentage of net premiums written (i.e., the net loss ratio) reached 65.2% in 2009, down from 84.3% in 2008.

The net loss ratio, in the property and casualty segment, which represented 49.1% of PPS's premiums in 2009 (50.5% in 2008), decreased to 53.3% in 2009 from 87.2% in 2008, mainly due to the improved performance of automobile, fire, medical assistance and allied lines. The net loss ratio from the automobile line, which represented 24% of property and casualty premiums in 2009 (22% in 2008) decreased from 80.8% in 2008 to 52.3% in 2009. The net loss ratio from the fire and allied lines, which represented 19.8% of property and casualty premiums in 2009 (20.1% in 2008) decreased from 105.1% in 2008 to 18.7% in 2009. The net loss ratio of the medical assistance line, which was 19.5% of property and casualty premiums in 2009 (16.4% in 2008) decreased from 107.5% in 2008 to 73.7% in 2009.

The net loss ratio in the life insurance lines decreased from 84% in 2008 to 77% in 2009, due to the low performance of disability and survivor (pension fund) insurance and Group Life claims.

The net loss ratio in the health insurance lines decreased from 90.3% in 2008 to 84.6% in 2009 and represented 20.6% of PPS's premiums in 2009 (19.8% in 2008).

PPS is required to establish (i) claims reserves in respect of pending claims in its property-casualty business, (ii) reserves for future benefit obligations under its in-force life and accident insurance policies, and (iii) 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.

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 practices.

Pursuant to SBS regulations, PPS establishes pre-event reserves for catastrophic risks with respect to earthquake coverage. See "—(11) Supervision and Regulation—(v) PPS—Reserve Requirements." In accordance with IFRS principles, th pre-event reserves and income charges for catastrophic reserves are not considered in Credicorp's consolidated financial statements.

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

(iii) Investment Portfolio

As of December 31, 2009, the book value of PPS's portfolio (which includes Pacífico Seguros, Pacifico Vida and Pacifico Salud) was US$1,057.2 million, which included US$77.4 million in equity securities and US$979.7 million in bonds. The company's real estate investments' gross book value reached US$33.8 million.

Pacifico Seguros had a book value of US$178.2 million in 2009 and mostly included investments of equity and short-term debt instruments. Pacifico Vida's book value was close to US$865.7 million and mainly consisted of long-term debt instruments. Pacifico Salud, on the other hand, had a small portfolio with a book value of US$13.3 million and was mainly invested in short-term debt instruments.

As part of its improvement process, PPS has been adjusting its investment policy in order to apply the best international risk management practices and tools. PPS also incorporated the recommendations of Solvencia II and Basel II, with a view to developing a better match of terms and currencies with the company's liabilities, especially in connection with obligations vis-à-vis PPS's insured customers.

PPS reported financial income in 2009 of US$75.7 million, as compared to US$70.4 million in 2008. This outcome is explained by the growth of PPS's life and property and casualty businesses.

PPS's 2009 financial income grew to US$3.5 million, an increase of 18.3% compared to 2008 and an increase of 81% compared to the company's 2009 forecast. The better performance was mainly due to the capital gains that PPS obtained in the equity market, its use of a barbell strategy in the fixed income portfolio (long-short position in bonds) and the company's increased income from rent fees.

The equity profits that PPS earned during 2009 were higher than those earned in previous years because of a strong recovery in international stock markets. The Peruvian stock market rallied 105% during 2009, as commodities prices recovered (due to higher demand from emerging markets) and the construction and financial sectors improved as demand for housing rose. PPS's portfolio strategy, supported by the recovery of the stock market, generated capital gains of US$6.8 million and a return on equity of 77%.

Despite the strong decline in world interest rates, the company was able to generate US$ 11.9 million in fixed income profits, 29% higher than forecast and only 4.5% below PPS's 2008 earnings. Revenue in this portfolio was higher than forecast because PPS applied a "barbell strategy" to the portfolio at the end of 2008 and the beginning of 2009. The barbell strategy generated a higher return and provided PPS with enough liquidity to cover its obligations. Additional income also came from PPS's real estate investments as a result of higher rental fees. Overall, earnings increased by 14.8% compared to 2008.

PPS's main strategy is to have an appropriate match of currency and term for its assets and liabilities. In this sense, since a significant portion of its premiums is denominated, and much of its operations are conducted, in U.S. Dollars. Most of the company's assets are also invested in this currency. In 2009, 79.4% of the gross premiums received by PPS were denominated in U.S. Dollars (86.4% in 2008).

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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 the company's property, automobile and health lines, and the second portfolio is designed to match the liabilities of the company's 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 policies are reviewed and approved by PPS Board of Directors. However, senior management also has investment authority and decision making authority with respect to investment strategies.

(7) Grupo Crédito/Prima AFP

Continuing to pursue its strategy of fast growth and positioning in the market, on August 24, 2006, Prima AFP reached an agreement with Grupo Santander Perú S.A. for the acquisition of 99.97% of Unión Vida AFP. Prima AFP's acquisition was completed for a total of US$141 million, with the final purchase price being determined by arbitration proceedings between the parties. As a result, we received a reimbursement in an approximate amount of US$4.5 million. Of the US$141 million purchase price, US$112 million came from a capital increase and US$29 million came from a BCP loan. Prima AFP subsequently engaged in a tender offer directed at minority shareholders.

In 2009, the pension fund market was stable with less competition for transfers and increased focus on new recruitments. Prima AFP maintained its leading market position due to a strong value proposal aimed at providing quality information and service to its members.

Strong productivity by Prima AFP's sales management helped Prima AFP preserve a high quality portfolio and obtain growth of its monthly insurable remuneration (or RAM), which is the basis of its revenues. The sales management's strong productivity also contributed to Prima AFP maintaining a robust market share. With regard to contributions collection, Prima AFP maintained the largest market share (31.9% as of December 2009).

In the commercial field, Prima AFP focused on recruiting new affiliates, reducing transfer volumes and maintaining its affiliate portfolio. Pursuant to in-house estimates based on revenues and taking into account the 1.75% administration fee, Prima AFP's basis remuneration for revenues increased in 2009. This increase allowed Prima AFP once again to garner the highest share of the market (31.8%).

With respect to investments, during 2009 the financial markets began a slow recovery process from the losses sustained after the international financial crisis in 2008. As of December 2009, Prima AFP's funds under management reached US$6.6 billion, a 30.6% market share. Given that pension funds are long-term investments, it is best to observe their returns over a long period. Over the last 36 months, Prima AFP's returns were 21.70%, 31.30% and 35.66% for funds 1, 2 and 3 respectively. In 2009, Prima AFP registered total revenues for US$78.8 million and profits of US$20.8 million (IFRS results) through growth of its revenue base and a gradual reduction in operative expenses. The revenues obtained in 2009, unlike those reported in 2008, considered 13 rather than 14 contribution periods. This is due to the fact that the government decided, as part of its anti-crisis plan, to exempt affiliates from deductions on additional salaries that, according to Peruvian law, must be paid in July and December.

Income from administration fees reached US$78.8 million, 11.4% higher than 2008. This increase was made possible by a strong contributing client portfolio, which remained stable throughout 2009, and by Prima AFP's efforts to recruit new affiliates. Prima AFP's personnel expenses reached US$21.3 million, a 17.5% decrease from 2008. This outcome was a result of lower commercial personnel charges stemming from steps taken at the beginning of the year to reduce the sales force.

(8) Competition

(i) Banking

The Peruvian banking sector is currently composed of 15 commercial banking institutions. As of December 31, 2009, BCP ranked first among all Peruvian banks in terms of assets, deposits and loans with a market share of 36.6% of assets, 34.2% of deposits and 33.4% of loans.

| Major Peruvian Banks as of December 31, 2009 | Assets | Deposits | Loans |
|---|---|---|---|
| BCP | 36.6% | 34.2% | 33.4% |
| BBVA Banco Continental | 20.8% | 22.2% | 23.4% |
| Scotiabank Perú | 15.9% | 16.2% | 15.2% |
| Interbank | 11.2% | 11.9% | 11.4% |
| Banco Interamericano de Finanzas | 2.8% | 3.4% | 3.4% |

Source: SBS

We believe that the Peruvian banking industry will continue to be a competitive environment within a generally comfortable liquidity situation. This increased competition may in the future affect our loan growth and reduce the average interest rates that we may charge our customers, as well as reduce our fee income.

Since 1999, excess liquidity at major Peruvian banks has put pressure on margins. We do not intend to pursue corporate lending opportunities that are unprofitable solely in order to maintain market share. We expect BCP's corporate banking to grow at levels similar to GDP growth. We will seek to maintain our close relationships with corporate customers, focusing on providing prompt responses to their requirements and setting competitive prices. To this end, we are currently updating our information systems to improve customer service and to allow management to obtain information on customer and business profitability more efficiently. We also intend 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 (i) aggressive marketing efforts, (ii) ability as a smaller, more flexible institution to make decisions quickly and respond rapidly to customer needs, (iii) association with BCP and (iv) superior knowledge of the region, particularly the Peruvian market.

(ii) Capital Markets

In BCP's wholesale banking group, its 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 (or AFPs) 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 AFPs and mutual funds-managed assets have increased at rates over those experienced by the banking system. The private pension fund assets reached US$23.9 billion as of December 31, 2009, increasing by 51.0% since December 31, 2008 (when funds totaled US$15.9 billion), due to the effect of the international financial crisis on the Peruvian stock market and pension fund system. Total mutual funds reached

US$4.9 billion in 2009, a 72.5% increase from US$2.8 billion in 2008.

(iii) Other Financial Institutions

Other institutions in the Peruvian financial system tend to specialize in a given market sector. These institutions include finance companies, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives. They mainly issue retail loans to small and micro-businesses and consumer and mortgage loans to individuals. These markets have shown substantial increases in recent years. BCP is facing strong competition from these credit providers, primarily with respect to (i) micro-business loans, where such providers lent US$2.4 billion as of December 31, 2009 (50.1% higher than the US$1.6 billion lent in 2008), representing 54.7% of the total in the financial system (compared to 47.2% in 2008); and (ii) consumer loans, where such providers lent US$1.1 billion in 2009 (83.6% higher than US$623.9 million in 2008), representing 15.2% of the total in the financial system (compared to 10.6% in 2008). As part of BCP's strategy to capture the future growth of these segments in 2009, BCP acquired Edyficar, which was rated sixth in terms of loan share and whose mono-line model proved to be successful in the micro finance business.

BCP also faces strong competition in its credit card operations from credit cards issued by retail stores.

(iv) Insurance

Peruvian insurance companies compete principally on the basis of price, as well as 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. 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 we are incorporated in Bermuda, substantially all of BCP's and PPS's operations and customers are located in Peru. Although ASHC is based outside of Peru, a substantial number of its customers are also located in Peru. Accordingly, our results of operations and financial condition 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. Also, our results of operations and financial condition may be affected by other political or economic developments in Peru, such as 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." Our results of operations and financial condition are dependent on the level of economic activity in Peru.

(i) Peruvian Government

During the past several decades, Peru has had a history of political instability that has included military coups d'état and different governmental regimes, which in the past have frequently intervened in the nation's economy and social structure. See “Item 3. Key Information—(D) Risk Factors.” 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, Peru experienced significant levels of terrorist activity, which escalated in the late 1980s and early 1990s. See "Item 3. Key Information—(D) Risk Factors." 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 second level of leadership in each terrorist group, as well as approximately 2,000 others.

Between 1990 and 2000, President Fujimori implemented a broad-based reform of Peru's political system, economy and social conditions. See "Item 3. Key Information—(D) Risk Factors." President Fujimori resigned in 2000 in favor of a transitory government due to an outbreak of corruption scandals. President Toledo then assumed the presidency in 2001 after two years of political turmoil, facing high unemployment and underemployment, an economic recession and social need. In 2006, current president Alan García was elected for a five year-term.

Despite the economic strides achieved since 1990, poverty remains a persistent problem in Peru, with almost 40% 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.

Until the global crisis, Peru had experienced continuous economic growth since the second half of 2001. President Toledo 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.

President Toledo transferred the presidency to Alan García Pérez on July 28, 2006, following Mr. García's victory in the run-off of the presidential elections held on June 4, 2006. Even though Mr. García´s government has mostly retained the economic policies of the previous government, 2009 showed a severe slowdown, due to the impact of the global crisis, which translated to a decrease in the GDP growth rate to 0.9% from 10.0% in the previous year.

## (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, and now President García, continued these market-oriented policies but, facing some populist initiatives from Congress and social pressures from unions and regional movements, they have passed some interventionist measures.

In the late 1980s and early 1990s, the Peruvian economy was very volatile. Since 1999, the Peruvian economy has grown every year. Between 2001 and 2008, each year Peru's economic growth was higher than in the previous year, with a 5.9% annual average. For 2009, the global crisis adversely influenced growth, but within a global comparison, Peru was among the countries with the highest GDP-growth rates: 0.9% in a year when global production decreased 1.1%.

In 2009, despite the impressive growth of public investment (+25.9% after 42.8% in 2008), the main driver of growth came from foreign markets, since domestic demand decreased as a consequence of a severe drop in inventories. However, growth dynamics in the foreign sector was driven not by a growth in exports, but due to an almost 20% decrease in imports. In 2010, an additional increase in public investment is expected, as the government's countercyclical fiscal policy winds down gradually, and regional and local elections approach. Peru will also have a presidential election in 2011, making it less likely that public investment will decline in 2010. However, total economic growth may decline given the status of the world economy and the level of eternal demand for Peruvian products.

The decision by the United States in August 2002 to renew and expand tax benefits through the ATPDEA for certain Latin American export products benefited the manufacturing sector because of its inclusion of Peruvian textiles. In May 2004, negotiations over a free trade agreement with the United States, Colombia and Ecuador began. During 2007, the Free Trade Agreement (FTA) with the United States was signed and the trade deal was put into effect on February 1, 2009, concluding a long process of trade negotiations and goodwill. The FTA made permanent the special access to the U.S. market enjoyed under the Andean Trade Promotion and Drug Eradication Act. The current trade between these countries is about US$11 billion annually (18.5% of total trade). The FTA is expected to encourage higher export growth and diversification, as well as accelerate reforms that will further enhance the investment climate in Peru, which is already benefiting from foreign direct investment at historic highs. During the 2008 APEC Summit, progress was made toward reaching a trade agreement with China. According to the Ministry of Foreign Trade and Tourism, the other Asian countries with which Peru is negotiating free trade agreements are Japan and South Korea, whose negotiations may be closed by mid 2010.

It has taken almost two decades of continued implementation of sound economic policies and a strong political commitment to generate a noticeable improvement in Peru's economic condition. Peru's strong macroeconomic performance was underpinned by wide-ranging structural reforms to improve the functioning of markets, foster private sector participation, and modernize the role of the state. In the early 1990s, Peru was one of the first emerging countries to undertake a simultaneous trade and capital account liberalization, accompanied by a flexible exchange rate regime and a deep reform of the financial system. Among several important transformations aimed at enhancing external competitiveness and investor confidence, Peru modernized the civil service and reformed the labor market. Peru's authorities remain committed to prudent financial policies to preserve the macroeconomic stability and a further deepening of structural reforms to sustain growth and entrench poverty reduction.

Peru's trade surplus in 2009 was US$5.9 billion which was well below its 2006 record (US$9 billion), but it showed signs of a recovery from the US$3.1 billion balance recorded in 2008. In light of the global financial crisis, Peru's trade surplus was based not on a rise in exports, but on a drop in exports. Exports for 2009 decreased 14.7%, but imports dropped 26.1%. The decline in exports has the most severe effect on non-traditional exports, despite the sharp decline in commodity prices. On imports, the most severe impact was on intermediate goods, specially oil and derivatives, following the contraction in the price of crude.

Peru has had a history of high and persistent current account deficits. In 2006, however, Peru had a record surplus of US$2.9 billion, which is equivalent to 3.1% of its GDP. This amount decreased in 2007, with a surplus of US$1.4 billion (1.3% of GDP) and became a deficit again in 2008 (US$4.7 billion, or 3.7% of GDP), turning back to a small surplus in 2009 following the decrease in imports (due to a lower domestic demand) and in investment income (due to lower prices of exported commodities and profits for non-resident companies).

Peru's financial account had a surplus of US$0.7 billion in 2006, due mainly to repayment of external debt made by the public sector. This account grew substantively in 2007 and reached US$8.3 billion due mainly to higher foreign direct investment and long-term loans. The decrease in 2008 was concentrated in the last quarter due mainly to the behavior of foreign direct investment. The flow of foreign direct investment, or FDI, into Peru was US$3.5 billion in 2006 and US$5.3 billion in 2007. Despite the US$4.0 billion in 2008 FDI, the result was not necessarily bad news as during the last quarter of 2008, Peruvian companies increased their participation in other Latin American companies, which resulted in a US$1 billion net outflow. In 2009, the financial account was about a fifth of previous years (US$1.7 billion), but it was enough to reverse the current account deficit. Lower inflows were consequence of outflows in the first half of the year given global uncertainty, but they recovered in the third and specially fourth quarter when investors adjusted their risk appetite and reassessed risks in emerging countries, which demonstrated to have solid foundations during the crisis.

The inflation rate in Peru, as measured by the Lima consumer price index, has fallen from 7,650.0% in 1990 to 1.1% in 2006. However, despite the Peruvian Central Bank's 2% inflation goal, with a +/-1% range, inflation was 3.9% in

2007, 6.7% in 2008, due to higher international commodity prices (with Peru being a net importer of fuel and food), and 0.3% in 2009. This is, the Central Bank has breached the inflation bands for three-years-in-a-row (last year on the downside), but it was a consequence of external shocks. When considering core inflation, it was within the band already in 2009.

The average bank market exchange rate for Nuevos Soles in Peru was S/.2.89 per US$1.00 on December 31, 2009, an 8.0% appreciation considering end-of-year levels, but 11.1% when considering maxima levels reached in February. The Nuevo Sol was getting weaker during the first months of 2009 because of a "flight to quality" process, which favored positions in dollars. This generated an outflow of dollars in emerging markets, including Peru, which was partially countered by the Central Bank selling dollars in the market. Therefore, in 1Q09 Central Bank sold US$1.1 billion, but the gradual recovery of the Peruvian economy, in conjunction with lower risk aversion globally, made possible a slight positive position at the end of the year (US$108 MM).

The sound policy framework put in place in recent years and the build up of international reserves have contributed to significantly reduce Peru's economic vulnerabilities and poverty (even though poverty still affects almost 40% of the population) and enhance its business environment. Peru's strong fiscal surpluses in recent years, the recent moderate deficit due to countercyclical policies notwithstanding, have also supported a significant reduction in public debt and improved maturity structure. In the current uncertain global outlook, these are important fiscal buffers. A sound monetary policy, well-established in a framework that targets inflation, has also been instrumental in helping to maintain macroeconomic stability and reduce dollarization. Structural reforms have reduced Peru's fiscal and financial vulnerabilities. Free trade agreements and the search of new markets to open new trade destinations, lower informality, and improvement in the business climate have helped improve Peru's long-term growth prospects, which are reflected in a higher investment and a higher potential growth.

These achievements have placed Peru in a strong position to face any future deterioration in external conditions, should that be the case. Building on Peru's strong fundamentals, including a resilient financial system, several measures have been appropriately implemented by the authorities that will help to limit spillovers, preserve adequate liquidity conditions in the domestic markets, and bolster domestic confidence. The Peruvian financial system has proven to be strong, despite a moderate impact of the crisis. Credit, which averages a 31.5% growth in 2007 and 2008, lost dynamism, closing 2009 with only a 9.0% growth, albeit amongst the highest in the region.

Peruvian authorities have been implementing reforms to further strengthen its financial system. Large official reserves—currently over US$30 billion, equivalent to 13 months of imports—and strong financial soundness indicators, along with the banks' limited financial reliance on external funding, have helped preserve the system's stability. Peruvian authorities have recently introduced prudential measures, including more restrictive rules for consumer credit and new dynamic provisioning made effective last December, and strengthened banks' minimum capital requirements as Basel II is gradually implemented.

On the fiscal side, Peruvian authorities have announced several measures to shield its economy from the global crisis and enhance confidence. These measures include maintaining a program of public investment as well as maintaining support for construction, micro and small enterprises, exporters, and social programs. To further boost confidence, the authorities have also lined up access to contingent credit lines from official creditors. The total amount of these programs is over US$3 billion, which is financed with the public savings of previous years. The issue is currently not whether the government has enough resources to implement its countercyclical policy, but rather the pace at which it is implementing such policy in the context where central government decisions have lost importance and resources have been increasingly transferred to local and regional governments.

As a result, the near term domestic economic outlook still remains favorable, although if external risks materialize, their impact on the Peruvian economy could be strong. The pace of economic growth is expected to be around 5.0% in 2010, reflecting a moderate global recovery, and a more vigorous domestic demand. With the global demand still contained, inflation should remain around the 2% (+/- 1%) target range. A more severe and prolonged global slowdown, including a new global recession, in a framework of an electoral calendar due to Municipal and Presidential elections in 2010 and 2011, respectively, constitute downside risks to the growth outlook. Peru's medium-term prospects are favorable and require preserving prudent macroeconomic policies and dealing with long-standing structural challenges.

## (10) The Peruvian Financial System

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

### (i) General

On December 31, 2009, the Peruvian financial system consisted of the following principal participants: the Central Bank, the SBS, 15 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), six finance companies, and four leasing companies. In addition, Peru has various mutual mortgage associations, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives, which totaled 34 entities as of December 31, 2009.

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 (or 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 and modified regulations initially issued in 1930.

### (ii) Central Bank

The Central Reserve Bank (or the Central Bank) was established in 1922. Pursuant to the Peruvian Constitution, its primary role is to ensure the stability of the Peruvian monetary system. The Central Bank regulates Peru's money supply, administers international reserves, issues currency, determines Peru's balance of payments and other monetary accounts, and furnishes information regarding the country's financial situation. It also represents the government of Peru before the IMF and the Latin American Reserve Fund (a financial institution whose purpose is to provide balance of payments assistance to its member countries by granting credits or guaranteeing loans to third parties).

The highest decision-making authority within the Central Bank is its 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 of the Central Bank is one of the executive branch nominees but must be approved by Peru's Congress.

The Central Bank's 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 in charge of implementing and enforcing Law 26702 and, more generally, supervising and regulating all financial, insurance and pension fund institutions in Peru.

In June 2008, Law 1028 and 1052 were approved modifying Law 26702 with the following objectives: (i) to strengthen and to increase competitiveness, (ii) to implement Basel II and (iii) to adapt the current regulatory framework to the Agreement of Commercial Promotion, APC, signed between Peru and the United States.

The main amendments defined in Law 1028 were aimed to promote the development of Peruvian capital market by extending the range of financial services that could be offered by microfinance institutions (i.e., non-banks) without requiring SBS permission.

Law 1028 also modified the framework in which the Peruvian financial system is to be harmonized with the new international standards established by the Basel II Accord (which aims to minimize the issues regarding regulatory arbitrage). Starting in July 2009, Peruvian financial institutions will apply the standardized method to calculate their capital requirement related to credit, market and operational risk. Also, from July 2009, the SBS will start receiving applications to use Internal Models Methods for any of these three risks. Meanwhile, if an institution requires lower capital using its internal models than by using the current approach, it will have to maintain between 80% and 95% of the higher amount during the first years.

Law 1052 aims to include and synchronize Law 26702 and the APC's framework, particularly regarding insurance services. The amendments allow offering cross-border services and have simplified the process for international institutions to enter into the Peruvian market by establishing subsidiaries.

(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.

Banks

A bank is defined by Law 26702 as an enterprise whose principal business consists of (i) receiving money from the public, whether by deposits or by any other form of contract, and (ii) using such money (together with the bank's own capital and funds obtained from other sources) to grant loans or discount documents, or in operations that are 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 with the mortgage loans; (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 those 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 Peru; (xiii) acting as financial agent for investments in Peru 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. Banks 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, banks may also act as trustees in trust agreements.

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

Branches of foreign banks enjoy the same rights and are subject to the same obligations as Peruvian banks. Multinational banks, with operations in various countries, may perform 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, multinational banks must maintain a certain portion of their capital in Peru, in at least the minimum amount that is 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 and (ii) participating in derivative operations. These operations can be carried out by finance companies only if they fulfill the requirements stated by the Peruvian Bank Superintendency.

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 where goods are leased over the term of the contract and in which one party has the option of purchasing the goods at a predetermined price. Savings and loans associations or cooperatives may accept certain types of savings deposits and provide other similar financial services.

Peru 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 Peru has not been significant.

Insurance Companies

Since the Peruvian insurance industry was deregulated in 1991, insurance companies have been authorized to conduct all types of operations and to enter into all forms of agreements that are needed to offer risk coverage to customers. Insurance companies may also invest in financial and non-financial assets, although they are subject to the regulations on investments and reserves established in Law 26702 and the regulations issued by the SBS.

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

The insurance industry has experienced consolidation in recent years with the number of companies decreasing from 19 in 1991 to 14 in 2009.

## (11) Supervision and Regulation

### (i) Credicorp

Currently there are no applicable regulations under Bermuda law that are likely to materially impact our operations as they are currently structured. Under Bermuda law, there is no regulation applicable to us, as a holding company that would require that we separate the operations of our subsidiaries incorporated and existing outside Bermuda. Since our activities will be conducted primarily through our subsidiaries in Peru, the Cayman Islands and Bolivia, a summary of Peruvian banking and insurance regulations and Cayman Islands banking regulations is set forth below.

Our common shares are listed on the New York Stock Exchange (NYSE). We are therefore subject to regulation by the NYSE and the Securities and Exchange Commission (SEC) as a "foreign issuer." We also must comply with the Sarbanes-Oxley Act of 2002.

We are, along with BCP, subject to certain requirements set forth in Peruvian Law 26702 ("Peruvian Banking Law" or "Law 26702") as well as certain banking statutes issued by the Peruvian banking regulator, Superintendencia de Banca y Seguros y AFP (SBS), including SBS Resolution No.0446-2000, enacted in June 2000 and which approved the "Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates." These regulations affect BCP and us primarily in the areas of reporting, risk control guidelines, limitations, ratios and capital requirements.

Since our common shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, we are subject to certain reporting requirements to CONASEV, the Peruvian securities market regulator, and the Lima Stock Exchange. See "Item 9. The Offer and Listing—(C) Markets—The Lima Stock Exchange—(ii) Market Regulation."

(ii) BCP

Overview

BCP's operations are regulated by Peruvian law. The regulations for the operation of the Peruvian financial sector are stated in Law 26702. The SBS periodically issues resolutions that cause Law 26702 to be developed. See "—(10) The Peruvian Financial System." The SBS, under the direction of the Superintendency of Banks and Insurance Companies, supervises and regulates entities that Law 26702 classifies as financial institutions. These entities include 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 SBS's authorization before beginning operations.

BCP's operations are supervised and regulated by the SBS and the Central Bank. Those who violate 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 issue fines to financial institutions and their directors and officers if they violate the laws or regulations of Peru, or their own institutions' bye-laws.

CONASEV is the Peruvian government institution in charge of (i) promoting the securities market, (ii) making sure fair competition takes place in the securities markets, (iii) supervising the management of businesses that trade in the securities markets and (iv) regulating their activities and accounting practices. BCP must inform CONASEV of significant events that affect its business and is required to provide financial statements to it and the Lima Stock Exchange each quarter. BCP is also regulated by CONASEV through Credibolsa, which is BCP's wholly-owned brokerage house, and Credifondo, which is BCP's wholly-owned mutual fund administration company. CONASEV examines Credibolsa and Credifondo on a regular basis.

Under Peruvian law, banks may conduct brokerage operations and administer mutual funds but must do so through subsidiaries. However, bank employees 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

Peru'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 pension funds private administrators ("AFPs") which were previously supervised and regulated by a specialized entity.

The SBS has 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, dissolutions 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 us); (iv) reviewing the bye-laws and amendments of bye-laws of these companies; (v) issuing 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 Peru's banks). In addition to them, the SBS is also responsible for stating the criteria relating to the existence of financial or mixed conglomerates in Peru and their supervising.

As a consequence of it, despite its supervising to BCP, the SBS also supervises Credicorp Ltd. on the basis that we are a financial conglomerate conducting the majority of our operations in Peru.

Management of Operational Risk

SBS Resolutions No. 006-2002 and 37-2008 established guidelines for operational risk management, which includes a broad range of risks and 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. Its 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 and continuity of their operations and services in order to minimize possible financial losses and reputation damage due to inadequate or non-existent policies or procedures.

Credicorp, following these SBS guidelines, as well as the guidelines issued by the Basel Committee on Banking Supervision, and the advice of international consultants, has appointed a specialized team that is responsible for operational risk management across our organization. This team reports regularly to our risk committee, top managers and Board of Directors.

We intend to be guided by the risk control standards of international financial institutions that are noted for their leadership in this field. Our overall objective is to implement an efficient and permanent monitoring system to control operational risks, while the actual management of risk control procedures is conducted by the areas that carry out critical activities.

During 2008 and 2009, we broadened the responsibility of our operational risk team. First, along with critical processes and new products risk analysis, we are assessing operational risks related to critical suppliers, critical information assets, and technological components. Secondly, we have also fully developed the business continuity management, or BCM, discipline, which involves the implementation of continuity plans for critical business processes, incident management and training and testing. Thirdly, we implement procedures to register, collect, analyze and report risk operational losses looking forward to advanced models to operational risk capital allocation requirements. Lastly, we formed the monitoring and reporting team, which main objective is to follow up the actions plans, monitor the KRI and other performance indicators.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to make certain certifications regarding our internal controls over financial reporting as of December 31, 2009. We have developed internal methods to evaluate how effective our internal controls are over our financial reporting. In addition, we are implementing computer programs that will allow us to continuously monitor, assess and document our internal controls. During 2009, we completed our evaluation of internal controls over financial reporting and are now able to obtain the attestation of our independent auditors. See "Item 15. Controls and Procedures."

Capital Adequacy Requirements

The capital adequacy requirements are set forth in the Peruvian Banking Law (Law 26702) and monitored and regulated by the Superintendency of Banks, Insurance and Private Pension Funds Administrators (the "SBS"). Law 26702 was enacted in December 1996 and amended in June 2008 through Legislative Decree 1028. The amendment became effective in July 2009 and required the capital guidelines to conform to the standards established by the second Basel Accord (Basel II).

Basel II standards modified the methodology to measure credit, market and operational risks to permit the use of standardized and internal model-based methods. Basel II standards also permit Peruvian financial institutions to request permission from the SBS to implement an internal ratings-based ("IRB") methodology.

Financial institutions that receive approval from the SBS to use the IRB methodology are subject to regulatory capital floors. The amount of required capital may not be less than the percentage of capital required under an alternative methodology.

| | First Year | Second Year | Third Year |
|---|---|---|---|
| Basic IRB and Internal Models of Credit Risk | 95% | 90% | 80% |
| Advanced Models of Credit Risk and/or Operational Risk | 90% | 80% | — |

Prior to June 2009, the capital requirements were based upon the guidelines established by the first Basel Accord (Basel I). Financial institutions were required to limit risk-weighted assets to 11 times their regulatory capital ("patrimonio efectivo"), which is equivalent to a minimum capital ratio of 9.09% of risk-weighted assets. Risk-weighted assets were calculated based upon five risk categories depending on the perceived risk of each asset class.

Pursuant to the Basel II guidelines, financial institutions are required to hold regulatory capital ("patrimonio efectivo") that is greater than or equal to the sum of (i) 10% of credit risk-weighted assets, and (ii) 10 times the amount required to cover market and operational risks. The new minimum capital requirements will be implemented as follows.

| Implementation date | Regulatory capital (% of total weighted assets) | Total risk-weighted assets |
|---|---|---|
| July 1st, 2009 | 9.5% | 10.5 times the regulatory capital needed to cover market risks; plus 10.5 times regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets. |

| | | |
|---|---|---|
| July 1st, 2010 | 9.8% | 10.2 times the regulatory capital needed to cover market risks; plus 10.2 times the regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets. |
| July 1st, 2011 | 10% | 10 times the regulatory capital needed to cover market risks; plus 10 times the regulatory capital needed to cover operational risks; plus Total amount of credit risk-weighted assets. |

Article 184 of Law 26702, as amended by Legislative Decree 1028, provides that regulatory capital may be used to cover credit risk, market risk and operational risk. Regulatory capital is comprised of the sum of basic capital and supplementary capital, and is calculated as follows:

- Basic Capital: Basic Capital or Tier 1 capital is comprised of: (i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock); (ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS; and (iii) unrealized gains in Subsidiaries. Items deducted from Tier 1 capital include: (i) current and past years' unrealized losses; (ii) deficits of loan loss provisions; (iii) goodwill resulting from corporate reorganizations or acquisitions; and (iv) half of the amount referred to in "Deductions" below. Absent any Tier 2 capital, 100% of the amount referred to in "Deductions" below must be deducted from Tier 1 capital. The elements referred to in item (ii) above should not exceed 17.65% of the amount resulting from adding components (i) and (iii) of Tier 1 capital net of the deductions in (i), (ii) and (iii) in this paragraph.

- Supplementary Capital: Supplementary capital is comprised of the sum of certain elements from Tier 2 capital and Tier 3 capital. Tier 2 capital elements include: (i) voluntary reserves that may be reduced without prior consent from the SBS; (ii) the eligible portion of redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS; (iii) for banks using the Standardized Approach Method (SAM), the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the Internal Ratings-Based Method (IRB), the generic loan loss provision up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law); and (iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk, as referred to in Article 233 of the Law.

- Deductions: The following are deducted from Tier 1 and Tier 2 capital: (i) all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies; (ii) all investments in shares and subordinated debt issued by an affiliate with which the bank consolidates its financial statements, including its holding company and such subsidiaries referred to in Articles 34 and 224 of the Law; (iii) the amount in which an investment in shares issued by a company with which the bank does not consolidate its financial statements and which is not part of the bank's negotiable portfolio, exceeds 15% of the bank's regulatory capital; (iv) the aggregate amount of all investments in shares issued by companies with which the bank does not consolidate its financial statements and which are not part of the bank's negotiable portfolio, exceeds 60% of the regulatory capital; (v) when applicable, the amount resulting from the formula prescribed in Article 189 of the Law. For the purposes herein, "regulatory capital" excludes the amounts referred to in (iii), (iv) and (iv) of this paragraph.

Article 185 of the Law 26702 also provides that the following limits apply when calculating regulatory capital: (i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital; (ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 elements net of the deductions in (i), (ii), and (iii) in "Basic Capital" above; (iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 elements net of the deductions (i), (ii), and (iii) in "Basic Capital" above in the amounts assigned to cover market risk.

As of December 31, 2009, BCP's regulatory capital was 14.52% of unconsolidated risk-weighted assets, which is equivalent to having risk-weighted assets that are 6.88 times the amount of regulatory capital.

Legal Reserve Requirements

Pursuant to Article 67 of Law 26702, all banks must maintain legal reserves. Each year a bank must allocate 10% of its net income to its legal reserves until its legal reserves are equal to 35% of its paid-in capital stock. Any subsequent increase in paid-in capital requires a corresponding increase in the amount of legal reserves. As of December 31, 2009, BCP's consolidated legal reserves were S/.546.5 million (US$189 million), equivalent to 21.7% of BCP's paid-in capital as of such date. Paid-in capital increased by S/.720 million during 2009 due to the capitalization of 2008, and paid-in capital is expected to increase by an additional S/.329.5 million in 2010 as a consequence of the capitalization of 2009 earnings. Consequently, BCP has communicated to the SBS that it intends to reclassify S/.348.7 million of voluntary reserves into legal reserves to ensure its legal reserves equal 35% of paid-in capital.

Provisions for Loan Losses

The SBS has authority to establish loan reserves and issue guidelines for the provision of loan losses by Peruvian credit institutions, including commercial banks. SBS Resolution No. 41-2005, enacted in January 2005, requires additional provisions for loans subject to foreign exchange risk, which are recorded for local purposes. Beginning in July 2010, SBS Resolution No. 11356-2008, enacted in November 2008, will require commercial banks to implement a new framework for the assessment and classification of debtors. The SBS Resolution also required the establishment of pro-cyclical provisions starting December 2008. However, given the good evolution of Peruvian GDP in 2009, the "procyclical" provisions were canceled in September 2009. We estimate and record our allowance for loan losses according to the criteria set out in IAS 39, adjusting the local provisions as necessary. See Note 3(f)(ii) and 3(i) to the Credicorp Consolidated Financial Statements.

Provisions for Country Risk

SBS Resolution No. 505-2002 requires the establishment of provisions for exposure to country risk, which includes 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. We estimate and record our allowance for country risk according to the criteria set out in IAS 39. See Note 3(f)(ii) and 3(i) to the Credicorp Consolidated Financial Statements.

Central Bank Reserve Requirements

Under Law 26702, banks and financial institutions are required to maintain legal reserve requirements for certain obligations. In the case of obligations in local currency, the Central Bank requires financial institutions only to comply with the legal reserve requirement. There is no additional reserve for obligations in local currency. In the case of foreign currency obligations, banks are also required to have marginal reserve requirements. The exact level and method of calculation of the reserve requirement is established by the Central Bank. The reserve requirements in Peru apply to obligations such as demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Additionally, the Central Bank requires reserves on amounts due to subsidiaries, foreign banks and other foreign financial institutions. The Central Bank exempts the obligations from any institution subject to reserve requirements in the local financial system. Furthermore, foreign credits with period equal or older than 2 years and funding from the public sector directed to the microfinance sector are not subject to the regulation, among other exemptions

At the beginning of 2009 and as part of the Central Bank´s monetary stimulus to alleviate the impact of the international crisis, the legal reserve rate was reduced to 6.5% in February and then to 6% in April. Since then, the minimum legal rate requirement has not been changed. The reserve funds can be constituted by cash and deposits, with a minimum required of 1% held in deposits in current accounts in the Central Bank. Obligations in foreign currency are subject to a marginal reserve requirement ratio of 30%. In January 2010, the Central Bank set a new marginal reserve requirement to foreign credits with a period less than 2 years, as a way to control the incoming of foreign capital into the economy. Also, the Central Bank establishes a remuneration rate on the marginal reserves, those that exceed the minimum legal requirement (6%), only if it is deposited in its current account. It must be pointed out that foreign currency can not be used as reserve requirements for liability in domestic currency, and vice versa. The Central Bank oversees compliance with the reserve requirements.

The reference interest rate is periodically revised by the Central Bank in accordance with its monetary policy objectives. Every first Thursday of each month the board of directors of the Central Bank approves and announces through press release the Monetary Program for the month. The reference interest rate was increased through 2008 reaching a maximum level of 6.5%. During 2009 the Central Bank started to loose its monetary policy stance as a response to the deceleration of the private spending and deterioration of the economy. In February 2009 the Central Bank started easing its monetary policy reducing the reference interest rate from 6.50% to 6.25%. After that, six consecutive reductions followed reaching the current rate level of 1.25%. The central Bank validated the decision based on the low grow of the economy and the sustained reduction observed in the rate of inflation in the first half of 2009. In its session on May 6, 2010 the Central Bank increased the reference interest rate to 1.50%.

In the past few years, the Central Bank has on numerous occasions changed the reserve requirement rate applicable to Peruvian financial institutions as part of its monetary policy tool. Changes in the reserve requirement regulation may adversely affect the bank´s business, financial condition and results of operations.

Lending Activities

Law 26702 sets the maximum amount of credit that a financial institution may extend to a single borrower. A single borrower includes an individual or an economic group. An economic group constituting a single or common risk includes a person, such person’s close relatives and the 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 limit on credit that may be 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.  If a financial institution exceeds these limits, the SBS may impose a fine on the institution.  As of December 31, 2009, the 10.0% credit limit per borrower of BCP, unconsolidated, was S/. 545.7 million (US$188.8 million) for unsecured loans, and the 30.0% limit was S/.1,637.1 million (US$566.5 million) for secured loans.

Pursuant to Article 52 of the organic law of the Central Bank, in certain circumstances, the Central Bank has the authority to establish limits on interest rates charged by commercial banks and other financial institutions.  No such limits are currently in place; however, there can be no assurance that the Central Bank will not establish such limits on interest rates in the future.

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Related Party Transactions

Law 26702 regulates transactions with related parties and affiliates of financial institutions. SBS and CONASEV have also enacted regulations that define indirect ownership, related parties and economic groups, which serve to limit transactions with related parties and affiliates. These regulations also provide 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 regulatory capital. All loans made to any single related party borrower may not exceed 0.35% of such regulatory capital (i.e., 5% of the overall 7% limit).

Pursuant to Law 26702, as amended by Law 27102, the aggregate amount of loans to related party borrowers considered to be part of an economic group (as defined above) may not exceed 30% (previously 75%) of a bank's regulatory capital. For purposes of this test, related party borrowers include (i) any person holding, directly or indirectly, 4% or more of a bank's shares, (ii) directors, (iii) certain principal executive officers of a bank or (iv) persons affiliated with the administrators of the bank. 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 BCP offers to the public.

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 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 by the bank to the SBS after the transfer. Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank's capital stock require 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 area 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 is final, and cannot be overturned by the courts. If a transfer is made 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 is required to sell the securities within 30 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.

Finally, under Peruvian law, individuals or corporations that acquire more than 3% of a bank's shares or 1% in a period of 12 months are required to provide information to the SBS upon request.

Risk Rating

Law 26702 and SBS Resolution No. 672 require that all financial companies be rated by at least two risk rating companies on a semi-annual basis (in March and September), in addition to the SBS's 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 sub-categories within each category. As of September 2009, BCP was assigned the "A+" risk category by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International.

Deposit Fund

Law 26702 provides for mandatory deposit insurance to protect the 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 premium begins at 0.45% of total funds on deposit under the coverage of the Fund and increases to 1.45% applicable to banks in the highest risk category. BCP is currently classified in the lowest risk category. The maximum amount (defined on a monthly basis) that a customer is entitled to recover from the Fund is S/.83,213 until the end of May 2010.

Intervention by the SBS

Pursuant to Law 26702, as amended by Law 27102, the SBS has the authority to seize the operations and assets of a bank. These laws provide for three levels of action by the SBS: a supervisory regime, an intervention regime and the liquidation of the bank. Any of these actions may be taken if certain events occur, including if the bank: (i) interrupts payments on its liabilities, (ii) repeatedly fails to comply with the regulations of the SBS or the Central Bank, (iii) repeatedly violates the law or the provisions of the bank's bye-laws, (iv) repeatedly manages its operations in an unauthorized or unsound manner or (v) has its regulatory capital fall or be reduced by more than 50%.

During the intervention regime, rather than seizing the operations and assets of a bank, the SBS may adopt other measures, including (i) placing additional requirements on the 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 BCP must adhere to a financial restructuring plan.

The SBS intervention regime stops a bank's operations and may last for a maximum of 45 days, which may be extended for an additional 45 days. During this 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 an acquiring institution according to the program established by Urgent Decree No. 108-2000, enacted in November 2000. After the intervention, the SBS will liquidate the bank unless it is merged with an acquiring institution, as described in (iii) above.

Regulation from the United States Federal Reserve Bank and from the State of Florida Department of Banking and Finance

Banco de Credito del Peru, Miami Agency ("BCP Miami Agency") is licensed to operate as an International Agency in the State of Florida and was authorized to transact business by the Comptroller of Florida on September 3, 2002. The Office of Financial Regulation of the State of Florida shares regulatory responsibility with the Federal Reserve Bank of Atlanta.

Regulation from the Superintendency of Banks in Panama

BCP Panama is a branch of BCP that is registered in the Republic of Panama. It began operating in June 2002 under an International License issued by the Panamanian Superintendence of Banks, in accordance with Law Decree No. 9 of February 26, 1998, as amended. BCP Panama is subject to an inspection every two (2) years made by auditors and inspectors of the Panamanian Superintendence of Banks, to determine, among other things, its compliance with the Decree Law No. 2 and No. 42 Law on the Prevention of Money Laundering.

(iii) ASHC

General

Atlantic Security Bank (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 while its 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 exempt company and is licensed in the Cayman Islands pursuant to the Banks and Trust Companies Law. ASB holds an unrestricted Category B Banking and Trust License, as well as a Mutual Fund Administrator License. As a holder of a Category B License, ASB may not take deposits from any person residing in the Cayman Islands other than another licensee, an exempt company or an ordinary non-resident company which is not carrying on business in the Cayman Islands.

ASB may not invest in any asset which represents a claim on any person residing in the Cayman Islands, except a claim resulting from: (i) a loan to an exempt 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 permitted by the Category B License.

There are no 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 (approximately 12%). There is a statutory minimum net worth requirement of US$480,000, but the Authority generally requires a bank or trust company to maintain a higher paid-in capital appropriate to its business. The Authority requires 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. Compliance with the Cayman Banking Law is monitored by the Authority.

Continuing Requirements

Under the law of the Cayman Islands, ASB is subject to the following continuing requirements: (i) to remain in 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 any change in the information or documents required to be provided and to pay annual fees; (iii) to file certain prescribed forms with the Authority on a quarterly basis; (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, a senior officer or board member discusses these accounts each year 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 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 with respect to 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 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 notify the Authority of any change in the principal office and authorized agent in the Cayman Islands.

(iv) BCB

Until March 2010, the Bolivian banking system operated under the Ley de Bancos y Entidades Financieras (the Law of Banks and Financial Entities) No. 1488, enacted on April 14, 1993, which was modified by Law 3076 of June 20, 2005, which granted supervisory powers to the Superintendency of Banks and Financial Entities (now referred to as the Financial System Supervisory Authority (Autoridad de Supervición del Sistema Financero), pursuant to Supreme Decree 29894). In addition, the law established that Banco Central de Bolivia (the Central Bank of Bolivia) would regulate financial intermediation and deposit activities, determine monetary and foreign exchange policy, and establish reserve requirements on deposits and capital adequacy, which banks and financial companies were required to follow. Also, the Autoridad de Supervición del Sistema Financiero (the Financial System Supervisory Authority) supervised brokerage activities and mutual fund management that was conducted through BCB's subsidiaries Credibolsa S.A. and Credifondo S.A. These subsidiaries operated under the Ley del Mercado de Valores (the Securities Markets Law) No. 1834, enacted on March 31, 1998.

The new constitution of Bolivia, which was approved by referendum in February 2009, established that the Bolivian financial system is to be regulated as follows:

(i) The Central Bank of Bolivia is responsible for maintaining the stability of the internal monetary value and has authority to regulate monetary policy, control foreign exchange policies, regulate the payment system, authorize the issuance of money and administrate international reserves in coordination with the Economic Policy stated by the Public Sector.

(ii) All financial entities (banks, mutual funds, securities, insurance and others) are regulated by the Financial System Supervisory Authority (or FSSA). The FSSA (or ASFI in Spanish) has assumed all regulatory functions held previously be the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance.

The changes to existing laws by the new Bolivian constitution have not materially impacted BCB's business.

(v) PPS

Overview

PPS's operations are regulated by Law 26702 and the SBS. Peruvian insurance companies must submit regular reports to the SBS regarding their operations. In addition, the SBS conducts on-sight reviews on an annual basis. The SBS conducts these reviews primarily to review a company's compliance with solvency margin and reserve requirements, investment requirements and 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 also prohibited from having an ownership interest in other insurance or reinsurance companies of the same class or in private pension funds.

Establishment of an Insurance Company

Insurance companies must be authorized by the SBS to commence operations. Peruvian law establishes certain minimum capital requirements for insurance and reinsurance companies, which must be satisfied by cash investments in the company. The statutory amounts are expressed in constant value.

Solvency Requirements

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

Insurance companies must also maintain solvency equity, which must be the greater of (i) the solvency margin and (ii) the minimum capital requirement, as established by law. The required amount of solvency equity is recalculated at least quarterly. If an insurance company has outstanding credit risk operations, part of the solvency equity must be set aside for its coverage.

Legal Reserve Requirements

Peruvian law also requires that all insurance companies establish a legal guarantee reserve for policyholders by setting aside 10% of income before taxes until the reserve reaches at least 35% of paid-in capital.

Reserve Requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish technical reserves. See "—(6) Pacífico Peruano Suiza—(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. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to the Credicorp Consolidated Financial Statements. Finally, PPS is required by the SBS to establish pre-event reserves for risk of catastrophes, which, in accordance with IFRS principles, are not considered in our financial statements. See "—(6) Pacífico Peruano Suiza—(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 state 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 combined solvency equity and technical reserves may be invested in instruments (including stocks and bonds) issued by a company or group of companies. In order for an insurance company to invest in non-Peruvian securities, the securities must be rated by an internationally recognized credit rating company and the asset class must be authorized by Peruvian SBS regulations. Securities owned by insurance companies must be registered in the Public Registry of Securities of Peru or the comparable 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 certain home mortgage loans to employees.

Ownership Restrictions

Law 26702 sets forth the same types of restrictions regarding the ownership and transfer of insurance company shares as it does regarding the ownership and transfer of shares in banks. See "—(11) Supervision and Regulation—(ii) BCP—Overview."

## (12) Selected Statistical Information

In the following tables, we have set forth certain selected statistical information and ratios regarding our business for the periods indicated. You should read the selected statistical information 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 that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2005, 2006, 2007, 2008 and 2009 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2005, 2006, 2007, 2008 and 2009 and our results of operations for 2005, 2006, 2007, 2008 and 2009.

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

The tables below set forth selected statistical information based on our average balance sheets prepared on a consolidated basis. Except as otherwise indicated, we have classified average balances 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, the average balances are based on the quarterly ending balances in each year. Any of these quarter-end balances that were denominated in Nuevos Soles have been converted into U.S. Dollars using the applicable SBS exchange rate as of the date of such balance. We have in certain cases restated nominal average interest rates as real average interest rates using the formula described below. Our 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 stated averages present trends materially differ from those that would be presented by daily averages.

Real Average Interest Rates

We calculated the real average interest rates set forth in the tables below by adjusting the nominal average interest rates on Nuevo Sol-denominated assets and liabilities using the following formula:

Where:

| | | |
|---|---|---|
| R(s) | = | real average interest rate on Nuevo Sol-denominated assets and liabilities for the period. |
| N(s) | = | nominal average interest rate on Nuevo Sol-denominated assets and liabilities for the period. |
| I | = | inflation rate in Peru for the period (based on the Peruvian consumer price index). |

Under this formula, 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.

The following tables show average balances for all of our assets and liabilities, interest earned and paid amounts, and nominal rates and real rates for our interest-earning assets and interest-bearing liabilities, all for the years ended December 31, 2007, 2008 and 2009.

Average Balance Sheets
Assets, Interest Earned and Average Interest Rates

| | Year ended December 31, 2007 | | | | 2008 | | | | 2009 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average Balance | Interest Earned | Real Avg. Rate | Nominal Avg. Rate | Average Balance | Interest Earned | Real Avg. Rate | Nominal Avg. Rate | Average Balance | Interest Earned | Rea Av Ra |
| | (U.S. Dollars in thousands, except percentages) | | | | | | | | | | |
| | | | | | | | | | | | |
| ral | | | | | | | | | | | |
| | US$ 16,559 | US$ 339 | 1.00% | 2.05% | US$ 221,485 | US$ 10,055 | 3.44% | 4.54% | US$ 64,870 | US$ 1,425 | 1. |
| y | 1,422,395 | 46,582 | 3.27 | 3.27 | 1,737,797 | 27,859 | 1.60 | 1.60 | 2,099,395 | 3,446 | 0. |
| | 1,438,954 | 46,921 | 3.25 | 3.26 | 1,959,282 | 37,914 | 1.81 | 1.94 | 2,164,265 | 4,871 | 0. |
| | 30,337 | 1,224 | 2.96 | 4.04 | 68,990 | 2,821 | 2.99 | 4.09 | 111,006 | 5,733 | 4. |
| y | 1,002,633 | 57,672 | 5.75 | 5.75 | 778,822 | 34,531 | 4.43 | 4.43 | 920,030 | 5,314 | 0. |
| | 1,032,970 | 58,896 | 5.67 | 5.70 | 847,812 | 37,352 | 4.32 | 4.41 | 1,031,036 | 11,047 | 0. |
| | 2,110,943 | 138,028 | 5.44 | 6.54 | 2,453,796 | 187,156 | 6.49 | 7.63 | 1,536,677 | 38,313 | 1.4 |
| y | 2,131,911 | 93,734 | 4.40 | 4.40 | 3,355,232 | 110,865 | 3.30 | 3.30 | 3,288,724 | 148,316 | 4. |
| | 4,242,854 | 231,762 | 4.92 | 5.46 | 5,809,028 | 298,021 | 4.65 | 5.13 | 4,825,401 | 186,629 | 3. |
| | 1,942,261 | 262,401 | 12.34 | 13.51 | 2,987,721 | 400,394 | 12.20 | 13.40 | 3,893,475 | 537,357 | 12. |
| y | 5,101,392 | 439,070 | 8.61 | 8.61 | 6,533,987 | 563,546 | 8.62 | 8.62 | 6,810,072 | 524,689 | 7. |
| | 7,043,653 | 701,471 | 9.64 | 9.96 | 9,521,708 | 963,940 | 9.75 | 10.12 | 10,703,547 | 1,062,046 | 9.4 |
| | 215,100 | 5,791 | 1.64 | 2.69 | 174,356 | 6,672 | 2.73 | 3.83 | 160,185 | 2,057 | 0. |
| y | 118,334 | 3,079 | 2.60 | 2.60 | 107,567 | 5,517 | 5.13 | 5.13 | 114,074 | 7,658 | 6. |
| | 333,434 | 8,870 | 1.98 | 2.66 | 281,923 | 12,189 | 3.65 | 4.32 | 274,259 | 9,715 | 2. |
| | 4,315,200 | 407,783 | 8.32 | 9.45 | 5,906,348 | 607,098 | 9.12 | 10.28 | 5,766,213 | 584,885 | 8. |
| y | 9,776,665 | 640,137 | 6.55 | 6.55 | 12,513,405 | 742,318 | 5.93 | 5.93 | 13,232,295 | 689,423 | 5. |
| | 14,091,865 | 1,047,920 | 7.09 | 7.44 | 18,419,753 | 1,349,416 | 6.95 | 7.33 | 18,998,508 | 1,274,308 | 6. |
| ing | | | | | | | | | | | |
| m | | | | | | | | | | | |
| | 250,118 | | | | 308,321 | | | | 327,127 | | |
| y | 255,715 | | | | 259,761 | | | | 275,276 | | |
| | 505,833 | | | | 568,082 | | | | 602,403 | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| n | | | | | | | | | | | |
| | (37,601) | | | | (68,072) | | | | (133,303) | | |
| y | (154,917) | | | | (156,850) | | | | (156,364) | | |
| | (192,518) | | | | (224,922) | | | | (289,667) | | |
| | | | | | | | | | | | |
| | 182,308 | | | | 269,221 | | | | 303,170 | | |
| y | 73,948 | | | | 26,805 | | | | 19,242 | | |
| | 256,256 | | | | 296,026 | | | | 322,412 | | |
| ing om ome | | | | | | | | | | | |
| | 334,653 | 2,067 | | | 527,364 | 1,193 | | | 820,740 | 12,728 | |
| y | 561,477 | 15,352 | | | 747,978 | 32,235 | | | 814,175 | 25,889 | |
| | 896,130 | 17,419 | | | 1,275,342 | 33,428 | | | 1,634,915 | 38,617 | |
| ing | | | | | | | | | | | |
| | 729,478 | 2,067 | | | 1,036,834 | 1,193 | | | 1,317,734 | 12,728 | |
| y | 736,223 | 15,352 | | | 877,694 | 32,235 | | | 952,329 | 25,889 | |
| | 1,465,701 | 17,419 | | | 1,914,528 | 33,428 | | | 2,270,063 | 38,617 | |
| ets | | | | | | | | | | | |
| | 5,044,678 | 409,850 | 7.01 | 8.12 | 6,943,182 | 608,291 | 7.61 | 8.76 | 7,083,947 | 597,613 | 7. |
| y | 10,512,888 | 655,489 | 6.24 | 6.24 | 13,391,099 | 774,553 | 5.78 | 5.78 | 14,184,624 | 715,312 | 5. |
| | 15,557,566 | 1,065,339 | 6.49 | 6.85 | 20,334,281 | 1,382,844 | 6.41 | 6.80 | 21,268,571 | 1,312,925 | 5. |

(1) 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 interest is included.

Average Balance Sheets
Liabilities, Interest Paid and Average Interest Rates

| | Year ended December 31, | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | | | | 2008 | | | | 2009 | | |
| | Average Balance | Interest Paid | Real Avg. Rate | Nominal Avg. Rate | Average Balance | Interest Paid | Real Avg. Rate | Nominal Avg. Rate | Average Balance | Interest Paid | R A R |
| | (U.S. Dollars in thousands, except percentages) | | | | | | | | | | |
| g | | | | | | | | | | | |
| sits | | | | | | | | | | | |
| 1) | US$1,120,416 | US$12,761 | 0.10% | 1.14% | US$1,685,905 | US$22,986 | 0.29% | 1.36% | US$1,723,108 | US$15,378 | - |
| ncy | | | | | | | | | | | |
| | 2,206,983 | 12,362 | 0.56 | 0.56 | 2,603,193 | 15,099 | 0.58 | 0.58 | 2,685,555 | 6,036 | |
| | 3,327,399 | 25,123 | 0.40 | 0.76 | 4,289,098 | 38,085 | 0.47 | 0.89 | 4,408,663 | 21,414 | |
| ts | | | | | | | | | | | |
| 1) | 711,641 | 8,550 | 0.16 | 1.20 | 1,143,032 | 13,511 | 0.11 | 1.18 | 1,283,529 | 8,610 | - |
| ncy | | | | | | | | | | | |
| | 1,396,318 | 11,319 | 0.81 | 0.81 | 1,560,084 | 13,654 | 0.88 | 0.88 | 1,952,183 | 9,899 | |
| | 2,107,959 | 19,869 | 0.59 | 0.94 | 2,703,116 | 27,165 | 0.55 | 1.00 | 3,235,712 | 18,509 | |
| 1) | 1,440,081 | 82,746 | 4.66 | 5.75 | 2,659,712 | 156,137 | 4.75 | 5.87 | 1,988,784 | 86,312 | |
| ncy | | | | | | | | | | | |
| | 3,613,304 | 180,741 | 5.00 | 5.00 | 3,640,246 | 154,719 | 4.25 | 4.25 | 4,191,628 | 119,806 | |
| | 5,053,385 | 263,487 | 4.90 | 5.21 | 6,299,958 | 310,856 | 4.46 | 4.93 | 6,180,412 | 206,118 | |
| nd | | | | | | | | | | | |
| | 153,258 | 6,033 | 2.87 | 3.94 | 190,227 | 8,763 | 3.50 | 4.61 | 201,718 | 4,851 | |
| ncy | 1,411,710 | 77,037 | 5.46 | 5.46 | 2,341,164 | 96,055 | 4.10 | 4.10 | 1,969,158 | 46,803 | |
| | 1,564,968 | 83,070 | 5.20 | 5.31 | 2,531,391 | 104,818 | 4.06 | 4.14 | 2,170,876 | 51,654 | |
| | 201,787 | 12,954 | 5.33 | 6.42 | 468,265 | 30,864 | 5.47 | 6.59 | 528,565 | 35,133 | |
| ncy | 341,643 | 20,638 | 6.04 | 6.04 | 294,716 | 20,892 | 7.09 | 7.09 | 452,412 | 31,860 | |
| | 543,430 | 33,592 | 5.78 | 6.18 | 762,981 | 51,756 | 6.09 | 6.78 | 980,977 | 66,993 | |
| g | | | | | | | | | | | |
| | 3,627,183 | 123,044 | 2.33 | 3.39 | 6,147,141 | 232,261 | 2.68 | 3.78 | 5,725,704 | 150,284 | |
| ncy | 8,969,958 | 302,097 | 3.37 | 3.37 | 10,439,403 | 300,419 | 2.88 | 2.88 | 11,250,936 | 214,404 | |
| | 12,597,141 | 425,141 | 3.07 | 3.37 | 16,586,544 | 532,680 | 2.81 | 3.21 | 16,976,640 | 364,688 | |
| earing net | | | | | | | | | | | |
| s and atives d | | | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 157,062 | 2,687 | | | 489,502 | 20,850 | | | 676,295 | (11,177) |
| ncy | 1,123,751 | 3,537 | | | 1,363,623 | 8,087 | | | 1,489,528 | 67,053 |
| | 1,280,813 | 6,224 | | | 1,853,125 | 28,937 | | | 2,165,823 | 55,876 |
| able quity | | | | | | | | | | |
| | | | | | | | | | | |
| ncy | 1,547,283 | | | | 1,770,400 | | | | 1,980,856 | |
| | 1,547,283 | | | | 1,770,400 | | | | 1,980,856 | |
| est | | | | | | | | | | |
| | | | | | | | | | | |
| ncy | 132,329 | | | | 124,212 | | | | 145,252 | |
| | 132,329 | | | | 124,212 | | | | 145,252 | |
| aring equity | | | | | | | | | | |
| | 157,062 | 2,687 | | | 489,502 | 20,850 | | | 676,295 | (11,177) |
| ncy | 2,803,363 | 3,537 | | | 3,258,235 | 8,087 | | | 3,615,636 | 67,053 |
| | 2,960,425 | 6,224 | | | 3,747,737 | 28,937 | | | 4,291,931 | 55,876 |
| equity | | | | | | | | | | |
| | 3,784,245 | 125,731 | 2.26 | 3.32 | 6,636,643 | 253,111 | 2.72 | 3.81 | 6,401,999 | 139,107 |
| ncy | 11,773,321 | 305,634 | 2.60 | 2.60 | 13,697,638 | 308,506 | 2.25 | 2.25 | 14,866,572 | 281,457 |
| | 15,557,566 | 431,365 | 2.51 | 2.77 | 20,334,281 | 561,617 | 2.40 | 2.76 | 21,268,571 | 420,564 |

(1) Includes the amount paid to Central Bank for the deposit insurance fund.

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

| | 2008/2007 Increase/(Decrease) due to changes in: | | | 2009/2008 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 | 4,194 | 5,522 | 9,716 | (7,110) | (1,520) | (8,630) |
| Foreign Currency | 10,329 | (29,052) | (18,723) | 5,797 | (30,210) | (24,413) |
| Total | 14,523 | (23,530) | (9,007) | (1,313) | (31,730) | (33,043) |
| Deposits in other banks | | | | | | |
| Nuevos Soles | 1,560 | 37 | 1,597 | 1,718 | 1,194 | 2,912 |
| Foreign Currency | (12,873) | (10,268) | (23,141) | 6,261 | (35,478) | (29,217) |
| Total | (11,313) | (10,231) | (21,544) | 7,979 | (34,284) | (26,305) |
| Investment securities | | | | | | |
| Nuevos Soles | 22,418 | 26,710 | 49,128 | (69,951) | (78,892) | (148,843) |
| Foreign Currency | 53,786 | (36,655) | 17,131 | (2,198) | 39,649 | 37,451 |
| Total | 76,204 | (9,945) | 66,259 | (72,149) | (39,243) | (111,392) |
| Total loans(1) | | | | | | |
| Nuevos Soles | 141,242 | (3,249) | 137,993 | 121,383 | 15,580 | 136,963 |
| Foreign Currency | 123,302 | 1,174 | 124,476 | 23,812 | (62,669) | (38,857) |
| Total | 264,544 | (2,075) | 262,469 | 145,195 | (47,089) | 98,106 |
| Total dividend-earning assets | | | | | | |
| Nuevos Soles | (1,097) | 1,978 | 881 | (542) | (4,073) | (4,615) |
| Foreign Currency | (280) | 2,718 | 2,438 | 334 | 1,807 | 2,141 |
| Total | (1,377) | 4,696 | 3,319 | (208) | (2,266) | (2,474) |
| Total interest-earning assets | | | | | | |
| Nuevos Soles | 150,362 | 48,953 | 199,315 | (14,404)) | (7,809) | (22,213) |
| Foreign Currency | 179,191 | (77,010) | 102,181 | 42,646 | (95,541) | (52,895) |
| Total | 329,553 | (28,057) | 301,496 | 28,242 | (103,350) | (75,108) |
| Interest Expense: | | | | | | |
| Demand deposits | | | | | | |
| Nuevos Soles | 6,441 | 3,784 | 10,225 | 508 | (8,116) | (7,608) |
| Foreign Currency | 2,219 | 518 | 2,737 | 477 | (9,540) | (9,063) |
| Total | 8,660 | 4,302 | 12,962 | 985 | (17,656) | (16,671) |
| Savings deposits | | | | | | |
| Nuevos Soles | 5,183 | (222) | 4,961 | 1,660 | (6,561) | (4,901) |
| Foreign Currency | 1,328 | 1,007 | 2,335 | 3,432 | (7,187) | (3,755) |
| Total | 6,511 | 785 | 7,296 | 5,092 | (13,748) | (8,656) |
| Time deposits | | | | | | |
| Nuevos Soles | 70,079 | 3,312 | 73,391 | (39,387) | (30,438) | (69,825) |
| Foreign Currency | 1,348 | (27,370) | (26,022) | 23,435 | (58,349) | (34,914) |
| Total | 71,427 | (24,058) | 47,369 | (15,952) | (88,787) | (104,739) |
| Due to banks and correspondents and issued bonds | | | | | | |
| Nuevos Soles | 1,455 | 1,275 | 2,730 | 529 | (4,441) | (3,912) |
| Foreign Currency | 50,720 | (31,702) | 19,018 | (15,263) | (33,989) | (49,252) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | 52,175 | (30,427) | 21,748 | (14,734) | (38,430) | (53,164) |
| Bonds | | | | | | |
| Nuevos Soles | 17,107 | 803 | 17,910 | 3,974 | 295 | 4,269 |
| Foreign Currency | (2,835) | 3,089 | 254 | 11,179 | (211) | 10,968 |
| Total | 14,272 | 3,892 | 18,164 | 15,153 | 84 | 15,237 |
| Total interest-bearing liabilities | | | | | | |
| Nuevos Soles | 85,484 | 23,733 | 109,217 | (15,924) | (66,053) | (81,977) |
| Foreign Currency | 49,489 | (51,167) | (1,678) | 23,354 | (109,369) | (86,015) |
| Total | 134,973 | (27,434) | 107,539 | 7,430 | (175,422) | (167,992) |

(1) 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 interest is included.

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Interest-Earning Assets, Net Interest Margin and Yield Spread

The following table shows for each of the periods indicated, by currency, the levels of average interest-earning assets, net interest income, gross yield, net interest margin and yield spread, all on a nominal basis:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands, except percentages) | | |
| Average interest-earning assets | | | |
| Nuevos Soles | 4,315,200 | 5,906,348 | 5,766,213 |
| Foreign Currency | 9,776,665 | 12,513,405 | 13,232,295 |
| Total | 14,091,865 | 18,419,753 | 18,998,508 |
| Net interest income | | | |
| Nuevos Soles | 284,739 | 374,837 | 434,601 |
| Foreign Currency | 338,040 | 441,899 | 475,019 |
| Total | 622,779 | 816,736 | 909,620 |
| Gross yield (1) | | | |
| Nuevos Soles | 9.45% | 10.28% | 10.14% |
| Foreign Currency | 6.55% | 5.93% | 5.21% |
| Weighted-average rate | 7.44% | 7.33% | 6.71% |
| Net interest margin (2) | | | |
| Nuevos Soles | 6.60% | 6.35% | 7.54% |
| Foreign Currency | 3.46% | 3.53% | 3.59% |
| Weighted-average rate | 4.42% | 4.43% | 4.79% |
| Yield spread (3) | | | |
| Nuevos Soles | 6.06% | 6.50% | 7.52% |
| Foreign Currency | 3.18% | 3.05% | 3.30% |
| Weighted-average rate | 4.06% | 4.11% | 4.56% |

(1) Gross yield is interest income divided by average interest-earning assets.
(2) Net interest margin represents net interest income divided by average interest-earning assets.
(3) Yield spread, on a nominal basis, represents the difference between gross yield on average interest-earning assets and average cost of interest-bearing liabilities.

Interest-Earning Deposits With Other Banks

The following table shows the short-term funds deposited with other banks. These deposits are denominated by currency as of the dates indicated. Deposits held in countries other than Peru are denominated in several currencies; however, the majority of these deposits are denominated in U.S. Dollars. These currencies were converted to U.S. Dollars using the applicable SBS exchange rate as of the dates indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands) | | |
| Nuevo Sol-denominated: | | | |
| Peruvian Central Bank | US$ - | US$ 1,601,574 | US$ 56,753 |
| Commercial banks | 41,826 | 36,184 | 43,982 |
| Total Nuevo Sol-denominated | US$ 41,826 | US$ 1,637,758 | US$ 100,735 |
| Foreign Currency-denominated: | | | |
| Peruvian Central Bank (U.S. Dollars) | US$ 1,000,000 | US$ - | US$ 2,033,290 |
| U.S. Dollars, other | 1,360,649 | 1,030,665 | 763,631 |
| Other | 50,472 | 40,332 | 516 |
| Total Foreign Currency-denominated | US$ 2,411,121 | US$ 1,070,997 | US$ 2,797,437 |
| Total | US$ 2,452,947 | US$ 2,708,755 | US$ 2,898,172 |

(ii) Investment Portfolio

The following table shows the fair value of our trading and available-for-sale investment securities designated by type of security at the dates indicated (see Note 5 to the Credicorp Consolidated Financial Statements):

| | On December 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | (U.S. Dollars in Thousands) | | |
| Nuevo Sol-denominated: | | | |
| Peruvian government bonds | US$ 274,391 | US$ 244,037 | US$ 170,811 |
| Equity securities | 227,751 | 119,481 | 199,410 |
| Bonds | 110,916 | 115,232 | 150,917 |
| Peruvian Central Bank certif. notes | 2,407,005 | 1,138,214 | 1,548,715 |
| Other investments | 132,788 | 117,766 | 149,591 |
| Total Nuevo Sol-denominated | 3,152,851 | 1,734,730 | 2,219,444 |
| Foreign Currency-denominated: | | | |
| Equity securities | US$ 118,313 | US$ 93,208 | US$ 131,327 |
| Bonds | 1,198,073 | 1,030,151 | 1,634,708 |
| Investment in Peruvian Government Bonds | 362,603 | 562,438 | 669,056 |
| Peruvian Central Bank certif. notes | - | 1,070,728 | - |
| Other investment | 406,262 | 452,347 | 443,493 |
| Total Foreign Currency-denominated | US$ 2,085,251 | US$ 3,208,872 | US$ 2,878,584 |
| Total securities holdings: | US$ 5,238,102 | US$ 4,943,602 | US$ 5,098,028 |

The allowance for decline in value of marketable securities is debited from the value of each individual security.

The weighted-average yield on our Nuevo Sol-denominated interest-earning investment securities was 6.5% in 2007, 7.6% in 2008 and 2.5% in 2009. The weighted-average yield on our foreign currency-denominated portfolio was 4.4% in 2007, 3.3% in 2008 and 4.5% in 2009. The total weighted-average yield of our investment securities was 5.4% in 2007, 5.1% in 2008 and 3.5% in 2009.

The weighted-average yield on our Nuevo Sol-denominated dividend-earning assets was 2.7% in 2007, 3.8% in 2008 and 1.2% in 2009. The weighted-average yield on our foreign currency-denominated portfolio was 2.6% in 2007, 5.1% in 2008 and 6.7% in 2009. The total weighted-average yield of our dividend-earning assets was 2.7% in 2007, 4.3% in 2008 and 3.5% in 2009.

The following table shows the maturities of our trading and available-for-sale investment securities designated by type of security on December 31, 2009:

| | Within 1 year | After 1 year but within 3 years | Maturing After 3 years but within 5 years | Maturing After 5 years but within 10 years | After 10 years | Total |
|---|---|---|---|---|---|---|
| | | | (U.S. Dollars in thousands) | | | |
| Nuevo Sol-denominated: (1) | | | | | | |
| Peruvian government bonds | US$ 10,782 | US$ 19,810 | US$ 18,843 | US$ 4,961 | US$ 116,415 | US$ 170,811 |
| Equity securities (1) | 199,410 | - | - | - | - | 199,410 |
| Bonds and debentures | 16,699 | 17,735 | 21,722 | 29,729 | 65,032 | 150,917 |
| Peruvian Central Bank certif. notes | 1,548,715 | - | - | - | - | 1,548,715 |
| Other investments | 126,322 | - | 9,661 | 2,486 | 11,122 | 149,591 |
| Total Nuevo Sol-denominated | US$ 1,901,928 | US$ 37,545 | US$ 50,226 | US$ 37,176 | US$ 192,569 | US$ 2,219,444 |
| Foreign Currency-denominated: (1) | | | | | | |
| Peruvian government bonds | 47,612 | 24,990 | 364,413 | 57,954 | 174,087 | 669,056 |
| Equity securities | 131,327 | - | - | - | - | 131,327 |
| Bonds | 336,380 | 457,315 | 298,994 | 224,011 | 318,008 | 1,634,708 |
| Peruvian Central Bank certif. notes | - | - | - | - | - | - |
| Other investments | 357,284 | 4,288 | 8,915 | 3,255 | 69,751 | 443,493 |
| Total Foreign Currency-denominated | US$ 872,603 | US$ 486,593 | US$ 672,322 | US$ 285,220 | US$ 561,846 | US$ 2,878,584 |
| Total securities holdings: | US$ 2,774,531 | US$ 524,138 | US$ 722,548 | US$ 322,396 | US$ 754,415 | US$ 5,098,028 |
| Weighted-average yield | | | | | | 3.49% |

(1) Equity securities in our account are categorized as maturing within one year.

The maturities of our investment securities classified by trading and available-for-sale, as of December 31, 2009, are described in "Item 11. Quantitative and Qualitative Disclosures about Market Risk.".

Pursuant to the criteria described below, our management has determined that the unrealized losses as of December 31, 2009 and 2008 were temporary and intends to hold each investment for a sufficient period of time to allow for a potential recovery in fair value. This holding period will last until the earlier of the investment's recovery or maturity.

For equity investments (shares), management considers the following criteria to determine whether a loss is temporary:

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer; and

- Activity in the market of the issuer which may indicate adverse credit conditions.

For debt investments (fixed maturity), management considers the following criteria to determine whether a loss is temporary:

- Management assesses the probability that the company will receive all amounts due (principal and interest) under the contract of the security. It considers a number of factors in identifying a credit-impaired security, including: (i) the nature of the security and the underlying collateral, (ii) the amount of subordination or credit enhancement supporting the security, (iii) the published credit rating and (iv) other analyses of the probable cash flows from the security. If recovery of all amounts due is not likely, management may determine that credit impairment exists and record unrealized losses in our consolidated income statement. The unrealized loss recorded in income represents the security's decline in fair value, which includes the decline due to forecasted cash flow shortfalls as well as widening market spread.

- For securities with unrealized losses not identified as a credit impairment, management determines whether it is desirable to hold the security for a period of time to allow for a potential recovery in the security's amortized cost. Management estimates a security's forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). Management considers a number of factors to determine whether to hold an investment, including (i) a quantitative estimate of the expected recovery period (which may extend to maturity), (ii) the severity of the impairment and (iii) its strategy with respect to the security or portfolio. If management determines it is not desirable to hold the security for a sufficient period of time to allow for a potential recovery in the security's amortized cost, we record the unrealized loss in our consolidated income statement.

## (iii) Loan Portfolio

Loans by Type of Loan

The following table shows our loans by type of loan, at the dates indicated:

| | On December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands) | | | | |
| Loans | US$ 3,865,643 | US$ 4,662,730 | US$ 6,520,116 | US$ 8,179,453 | US$ 8,986,884 |
| Leasing transactions | 564,575 | 675,804 | 1,118,301 | 1,792,827 | 1,997,562 |
| Discounted notes | 213,232 | 256,534 | 325,047 | 368,648 | 349,126 |
| Factoring | 87,757 | 89,171 | 109,928 | 124,537 | 163,443 |
| Advances and overdrafts | 49,283 | 84,262 | 127,486 | 102,687 | 47,147 |
| Refinanced loans | 175,211 | 126,006 | 88,451 | 55,179 | 59,459 |
| Past-due loans | 95,769 | 76,770 | 61,488 | 82,867 | 184,567 |
| Unearned interest | (78,495) | (93,916) | (166,972) | (249,914) | (282,869) |
| Total loans: | US$ 4,972,975 | US$ 5,877,361 | US$ 8,183,845 | US$ 10,456,284 | US$ 11,505,319 |
| Total past-due loans amounts | (95,769) | (76,770) | (61,488) | (82,867) | (184,567) |
| Total performing loans | US$ 4,877,206 | US$ 5,800,591 | US$ 8,122,357 | US$ 10,373,417 | US$ 11,320,752 |

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The loan portfolio categories set forth in the table above are based on SBS regulations, which apply to loans generated by BCP and ASHC. Pursuant to SBS guidelines, we categorize loans as follows:

- Loans: Basic term loans documented by promissory notes and other extensions of credit, such as mortgage loans, credit cards and other consumer loans in various forms, including trade finance loans to importers and exporters on specialized terms adapted to the needs of the international trade transaction.

- Leasing Transactions: Transactions that involve our acquisition of an asset and the leasing of that asset to a client.

- Discounted Notes: Loans discounted at the outset (the client signs a promissory note or other evidence of indebtedness for the principal amount payable at a future date). Discounted loans also include discounting of drafts, where we make a loan supported by a draft signed by one party and discounted by another party, with recourse to both parties.

- Factoring: The sale of title to a company's accounts receivables to a bank (or financial company). The receivables are sold without recourse, and the bank cannot recover from the seller in the event that the accounts are uncollectible. Under factoring loans, the seller receives funds from the bank prior to the average maturity date based on the invoice amount of the receivable, less cash discounts and allowances for estimated claims and returns, among other items.

- Advances and Overdrafts: Extensions of credit to clients by way of an overdraft facility in the client's checking account. This category also includes secured short-term advances.

- Refinanced Loans: Loans that were refinanced because the client was unable to pay at maturity. A loan is categorized as a refinanced loan when a debtor is experiencing payment problems, unless the debtor is current on all interest payments and pays down at least 20% of the principal amount of the original loan. We have distinguished a sub-group titled "Restructured Loans," which is defined as loans extended under the bankruptcy protection procedures established in the Equity Restructuring Law.

- Past-Due Loans: Includes overdue loans. See "—Past-Due Loan Portfolio" for further detail.

Loans by Economic Activity

The following table shows our total loan portfolio composition, net of unearned interest, based on the borrower's principal economic activity:

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| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | 2006 | | 2007 | |
| | (U.S. Dollars in thousands, except percentages) | | | | | |
| | Amount | % Total | Amount | % Total | Amount | % Total |
| Economic Activity | | | | | | |
| Manufacturing | US$ 1,430,559 | 28.77% | US$ 1,624,765 | 27.64% | US$ 2,204,481 | 26.94% |
| Consumer Loans (1) | 1,364,910 | 27.45 | 1,729,682 | 29.43 | 2,480,916 | 30.31 |
| Commerce | 625,908 | 12.59 | 686,291 | 11.68 | 884,253 | 10.80 |
| Realty Business and Leasing Services | 216,095 | 4.35 | 236,445 | 4.02 | 387,180 | 4.73 |
| Mining | 223,156 | 4.49 | 303,238 | 5.16 | 463,577 | 5.66 |
| Communication, Storage and Transportation | 210,002 | 4.22 | 255,730 | 4.35 | 394,986 | 4.83 |
| Electricity, Gas and Water | 192,096 | 3.86 | 256,541 | 4.36 | 341,718 | 4.18 |
| Agriculture | 153,410 | 3.08 | 150,020 | 2.55 | 179,509 | 2.19 |
| Fishing | 117,104 | 2.35 | 152,538 | 2.60 | 134,235 | 1.64 |
| Financial Services | 105,484 | 2.12 | 163,946 | 2.79 | 219,850 | 2.69 |
| Education, Health and Other Services | 69,468 | 1.40 | 75,376 | 1.28 | 106,423 | 1.30 |
| Construction | 68,217 | 1.37 | 74,482 | 1.27 | 201,298 | 2.46 |
| Others (2) | 275,061 | 5.53 | 262,223 | 4.46 | 352,391 | 4.31 |
| Sub total | 5,051,470 | 101.58 | 5,971,277 | 101.59 | 8,350,817 | 102.04 |
| Unearned interest | (78,495) | (1.58) | (93,916) | (1.59) | (166,972) | (2.04) |
| Total | US$ 4,972,975 | 100.00% | US$ 5,877,361 | 100.00% | US$ 8,183,845 | 100.00% |

(1) Includes credit card and mortgage loans, other consumer loans and small business.
(2) Includes personal banking and small business loans and other sectors.

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| | At December 31, | | | |
|---|---|---|---|---|
| | 2008 | | 2009 | |
| | (U.S. Dollars in thousands, except percentages) | | | |
| | Amount | % Total | Amount | % Total |
| Economic Activity | | | | |
| Manufacturing | US$ 2,535,326 | 24.25% | US$ 2,557,847 | 22.23% |
| Consumer Loans (1) | 3,146,698 | 30.09 | 3,963,449 | 34.45 |
| Commerce | 1,344,921 | 12.86 | 1,330,023 | 11.56 |
| Realty Business and Leasing Services | 488,202 | 4.67 | 489,614 | 4.26 |
| Mining | 675,460 | 6.46 | 692,579 | 6.02 |
| Communication, Storage and Transportation | 515,412 | 4.93 | 559,025 | 4.86 |
| Electricity, Gas and Water | 546,014 | 5.22 | 782,289 | 6.80 |
| Agriculture | 228,623 | 2.19 | 271,912 | 2.36 |
| Fishing | 77,060 | 0.74 | 121,162 | 1.05 |
| Financial Services | 439,234 | 4.20 | 175,071 | 1.52 |
| Education, Health and Other Services | 128,527 | 1.23 | 156,496 | 1.36 |
| Construction | 229,667 | 2.20 | 175,508 | 1.53 |
| Others (2) | 351,054 | 3.36 | 513,213 | 4.46 |
| Sub total | 10,706,198 | 102.40 | 11,788,188 | 102.46 |
| Unearned interest | (249,914) | (2.40) | (282,869) | (2.46) |
| Total | US$ 10,456,284 | 100.00% | US$ 11,505,319 | 100.00% |

(1) Includes credit card and mortgage loans, other consumer loans and small business.
(2) Includes personal banking and small business loans and other sectors.

As of December 31, 2009, 71.6% of the loan portfolio was concentrated in Lima, 93.40% was concentrated in Peru, and 4.1% of the loan portfolio was concentrated in Bolivia.

Concentrations of Loan Portfolio and Lending Limits

We have loans and other contingent credits with 20 customers (considered economic groups), which, as of December 31, 2009, was US$2,549.5 million. The amount of outstanding loans, US$2,549.5 million, represents 23.2% of the total loan portfolio. See "—(11) Supervision and Regulation—(ii) BCP—Lending Activities" for the definition of "econon group." Our total loans and other contingent credits outstanding to these customers ranged from US$260.9 million to US$85.1 million, including 18 customers with over US$90.2 million. Total loans and other contingent credits outstanding to our 20 largest customers were ranked in the following risk categories as of December 31, 2009: Class A (normal)—99.8%; Class B (potential problems)—0.2%; Class C (substandard)—0%; Class D (doubtful)—0%; and Class (loss)—0%. See "—Classification of the Loan Portfolio."

BCP's loans to a single borrower are subject to lending limits imposed by Law 26702. See "—(11) Supervision and Regulation—(ii) BCP—Lending Activities." The lending limits depend on the nature of the borrower involved and the type of collateral received. The sum of BCP's loans to and deposits in either another Peruvian universal bank or Peruvian financial institution, plus any guarantees of third party performance received by BCP from such institution, may not exceed 30% of BCP's regulatory capital (as defined by the SBS). The sum of BCP's loans to and deposits in non-Peruvian financial institutions, plus any guarantees of third party performance received by BCP from such institutions, are limited to 5%, 10% or 30% of BCP's regulatory capital, depending upon the level of government supervision of the institution and whether the institution is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increases to 50% of BCP's regulatory capital if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

BCP's loans to directors and employees and their relatives have a global limit of 7% of capital stock and reserves and an individual limit of 5% of such global limit.

Loans to non-Peruvian individuals or companies that are not financial institutions have a limit of 5% of BCP's regulatory capital. However, this limit increases to 10% if the additional 5% is guaranteed by a mortgage or certain publicly-traded securities. The limit rises to 30% if the additional amount is guaranteed by certain banks or by cash deposits in BCP. Lending on an unsecured basis to individuals or companies residing in Peru that are not financial institutions is limited to 10% of BCP's regulatory capital. This limit rises to 15% if the additional 5% is guaranteed by a mortgage, certain securities, equipment or other collateral, and to 20% if the additional amount is either backed by certain debt instruments guaranteed by other local banks or a foreign bank determined by the Central Bank to be of prime credit quality, or by other highly liquid securities at market value. The single borrower lending limit for loans backed by a cash deposit at BCP or by debt obligations of the Central Bank is 30% of BCP's regulatory capital.

With an unconsolidated regulatory capital of S/.5,457.1 million (US$1,888.3 million) on December 31, 2009, BCP's legal lending limits varied from S/.545.7 million (US$188.8 million) to S/.2,728.6 million (US$944.1 million). Our consolidated lending limits, based on its regulatory capital on a consolidated basis of US$2,221.1 million on December 31, 2009, ranged from US$111.1 million to US$1,110.6 million. As of December 31, 2009, BCP was in compliance with Law 26702 lending limits.

As of December 31, 2009, we complied with the applicable legal lending limits in each of the jurisdictions in which we operate. These limits are calculated quarterly based upon our consolidated equity plus reserves for impaired loans not specifically identified at quarter-end. A limited number of exceptions to our internal limits have been authorized by our board of directors based on the credit quality of the borrower, the term of the loan, and the amount and quality of collateral provided. We may, in appropriate and limited circumstances, increase or choose to exceed this limit.

We may experience an adverse impact on our financial condition and results of operations if (i) customers to which we have significant credit exposure are not able to satisfy their obligations to us, and any related collateral is not sufficient to cover these obligations, or (ii) a reclassification of one or more of these loans or other contingent credits results in an increase in provisions for loan losses.

Loan Portfolio Denomination

The following table presents our Nuevo Sol and foreign currency-denominated loan portfolio at the dates indicated:

| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | 2006 | | 2007 | |
| | (U.S. Dollars in thousands, except percentages) | | | | | |
| Total loan portfolio: | | | | | | |
| Nuevo Sol-denominated | US$ 1,032,481 | 20.76% | US$ 1,503,306 | 25.58% | US$ 2,461,787 | 30.08% |
| Foreign Currency-denominated | 3,940,494 | 79.24% | 4,374,055 | 74.42% | 5,722,058 | 69.92% |
| Total loans (1) | US$ 4,972,975 | 100.00% | US$ 5,877,361 | 100.00% | US$ 8,183,845 | 100.00% |

| | At December 31, | |
|---|---|---|
| | 2008 | 2009 |
| | (U.S. Dollars in thousands, except percentages) | |
| Total loan portfolio: | | |

| | | | | |
|---|---|---|---|---|
| | US$ | | US$ | |
| Nuevo Sol-denominated | 3,351,720 | 32.05% | 4,385,965 | 38.12% |
| Foreign Currency-denominated | 7,104,564 | 67.95% | 7,119,354 | 61.88% |
| | US$ | | US$ | |
| Total loans (1) | 10,456,284 | 100.00% | 11,505,319 | 100.00% |

(1) Net of unearned interest.

Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of our performing loan portfolio on December 31, 2009, by type and by time remaining to maturity. Loans are stated before deduction of the reserves for loan losses.

| | Amount at December 31, 2009 | Maturing Within 3 months | After 3 months but within 12 months | After 1 year but within 3 years | After 3 years but within 5 years | After 5 years |
|---|---|---|---|---|---|---|
| | (U.S. Dollars in thousands, except percentages) | | | | | |
| Loans | US$ 8,986,884 | US$ 2,476,635 | US$ 2,159,197 | US$ 1,456,366 | US$ 922,486 | US$ 1,972,200 |
| Leasing transactions | 1,997,562 | 398,187 | 651,697 | 609,942 | 286,742 | 50,994 |
| Discounted notes | 349,126 | 331,771 | 17,316 | 13 | 9 | 17 |
| Refinanced loans | 59,459 | 10,675 | 13,742 | 11,629 | 9,003 | 14,410 |
| Factoring | 163,443 | 140,530 | 22,913 | - | - | - |
| Advances and overdrafts | 47,147 | 47,147 | - | - | - | - |
| Total. | US$ 11,603,621 | US$ 3,404,945 | US$ 2,864,865 | US$ 2,077,950 | US$ 1,218,240 | US$ 2,037,621 |
| % of total performing loan portfolio | 100.00% | 29.34% | 24.69% | 17.91% | 10.50% | 17.56% |

Interest Rate Sensitivity of the Loan Portfolio

The following table sets forth the interest rate sensitivity of our loan portfolio on December 31, 2009, by currency and by the time remaining to maturity over one year:

| | Amount at December 31, 2009 | Maturing After 1 year |
|---|---|---|
| | (U.S. Dollars in thousands) | |
| Variable Rate | | |
| Nuevo Sol-denominated | US$ 624,400 | US$ 595,639 |
| Foreign Currency-denominated | 991,712 | 637,874 |
| Total | 1,616,112 | 1,233,513 |
| | | |
| Fixed Rate (2) | | |
| Nuevo Sol-denominated | 3,761,565 | 1,211,264 |
| Foreign Currency-denominated | 6,127,642 | 2,889,032 |
| Total | 9,889,207 | 4,100,296 |
| | | |
| Total (1) | US$ 11,505,319 | US$ 5,333,809 |

(1) Net of unearned interest.

(2) Most of the financial products with fixed rates can be switched to variable rates according to market conditions as specified on the contracts with clients.

Classification of the Loan Portfolio

We classify BCP's loan portfolio (which includes the loan portfolio of BCB) and ASHC's loan portfolio in accordance with SBS regulations. According to SBS Resolution No. 808-2003, banks must classify all loans and other credits into one of four categories based upon the purpose of the loan. These categories are commercial, micro-business, consumer and residential mortgage. Commercial loans are generally those that finance the production and sale of goods and services, including commercial leases, as well as credit card debt on cards held by business entities. Micro-business loans, which are exclusively targeted for the production and sale of goods and services, are made to individuals or companies with no more than S/.300,000 in total loans received from the financial system (excluding mortgage loans). Consumer loans are generally loans granted to individuals, including credit card transactions, overdrafts on personal demand deposit accounts, leases, and financing goods or services not related to a business activity. Residential mortgage loans are all loans to individuals for the purchase, construction, remodeling, subdivision or improvement of the individual's home, in each case backed by a mortgage. Mortgage loans made to directors and employees of a company are also considered residential mortgage loans. Mortgage-backed loans are considered commercial loans. The classification of the loan determines the amount the bank is required to reserve should the borrower fail to make payments as they become due.

Regulations promulgated by the SBS also require Peruvian banks to classify all loans into one of five categories depending upon each loan's degree of risk of nonpayment. We review our loan portfolio on a continuing basis, while the SBS reviews our portfolio as it deems necessary or prudent. In compliance with SBS guidelines, we classify our loans based upon risk of nonpayment by assessing the following factors: (i) the payment history of the particular loans, (ii) the history of our dealings with the borrower, (iii) the borrower's management, (iv) the borrower's operating history, (v) the borrower's repayment capability, (vi) the borrower's availability of funds, (vii) the status of any collateral or guarantee, (viii) the borrower's financial statements, (iv) the general risk of the sector in which the borrower operates, (x) the borrower's risk classification made by other financial institutions and (xi) other relevant factors. The classification of the loan determines the amount of the required loan loss provision.

The following table sets forth our loan portfolio by class at the date indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands) | | | | |
| Commercial loans | US$ 3,771,488 | US$ 4,390,547 | US$ 6,055,206 | US$ 7,808,671 | US$ 8,283,790 |
| Consumer loans | 356,595 | 506,184 | 874,804 | 1,162,399 | 1,467,793 |
| Residential mortgage loans | 844,892 | 980,630 | 1,253,835 | 1,485,214 | 1,753,736 |
| Total performing loans (1) | US$ 4,972,975 | US$ 5,877,361 | US$ 8,183,845 | US$ 10,456,284 | US$ 11,505,319 |

(1) Net of unearned interest.

We employ a range of policies and practices to mitigate credit risk. Our most traditional practice is taking security for fund advances. We implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are mortgages over residential properties, liens over business assets (such as premises, inventory and accounts receivable), and liens over financial instruments (such as debt securities and equities).

Long term finance and lending to corporate entities are generally secured, while revolving individual credit facilities are generally unsecured. In order to minimize credit loss, we seek additional collateral as soon as impairment indicators become apparent.

We determine the appropriate collateral to hold as security for financial assets (other than loans) according to the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and other similar instruments, which are secured by portfolios of financial instruments.

Our management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of the additional collateral obtained during its review of the allowance for impairment losses. Our policy is to dispose of repossessed properties in an orderly manner. We use the proceeds to reduce or repay the outstanding claim. In general, we do not use repossessed properties for our own business.

We classify our loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. These categories are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss. The categories have the following characteristics:

Normal (Class A): Debtors with commercial loans in this category have complied on a timely basis with their obligations under the loan. At the time of evaluation, there is no reason to doubt the debtor's ability to repay interest and principal on the agreed dates, and there is no reason to believe that the status will change before the next evaluation. Before we place a loan in Class A, we must have a clear understanding of the use of the funds and the origin of the cash flows to be used by the debtor to repay the loan. Consumer loans are categorized as Class A when payments are current or up to eight days past due. Residential mortgage loans are categorized as Class A when payments are current or up to 30 days past due.

Potential problems (Class B): Debtors with commercial loans in this category demonstrate certain deficiencies at the time of evaluation, which, if not corrected in a timely manner, imply risks regarding the recovery of the loan. Common characteristics of loans or credits in this category include: (i) delays in loan payments which are promptly covered, (ii) a general lack of information required to analyze the credit, (iii) out-of-date financial information, (iv) temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, (v) market conditions that could affect the economic sector in which the debtor is active. Consumer loans are categorized as Class B when payments are between nine and 30 days past due. Residential mortgage loans are categorized as Class B when payments are between 31 and 90 days past due.

Substandard (Class C): Debtors with commercial loans in this category demonstrate serious financial weakness. They often do not have sufficient operating results or available income to cover their financial obligations, and do not have reasonable short-term prospects for strengthening their financial capacity. Debtors demonstrating the same deficiencies that warrant Class B classification will warrant Class C classification if those deficiencies are such that if not corrected in the near term, they could impede the recovery of principal and interest on the loan on the agreed-upon terms. Commercial loans are classified in this category when payments are between 61 and 120 days past due. Consumer loans are categorized as Class C when payments are between 31 and 60 days past due. Residential mortgage loans are categorized as Class C when payments are between 91 and 120 days past due.

Doubtful (Class D): Debtors with commercial loans in this category demonstrate characteristics that make it doubtful that the loan will be recovered. Although recovery is doubtful, if there is a reasonable possibility that the creditworthiness of the debtor might improve in the near future, it is appropriate to categorize the loan as Class D. These loans are distinguished from Class E loans by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, even if the payments are less than those required by the contract. Commercial loans are categorized as Class D if payments are between 121 and 365 days past due. Consumer loans are categorized as Class D when payments are between 61 and 120 days past due. Residential mortgage loans are categorized as Class D when payments are between 121 and 365 days past due.

Loss credits (Class E): Commercial loans or credits are categorized as Class E if the loans are considered unrecoverable or for any other reason the loans should not appear on our books as an asset based on the originally contracted terms. Commercial loans are categorized as Class E when payments are more than 365 days past due. Consumer loans are categorized as Class E when payments are more than 120 days past due. Residential mortgage loans are categorized as Class E when payments are more than 365 days past due.

We continually review our loan portfolio to assess the completion and accuracy of the grades awarded.

All loans considered impaired (those classified as substandard, doubtful or loss) are analyzed by management. Management will address the impairment in two areas, individually assessed allowances and collectively assessed allowances, as follows:

Individually Assessed Allowance

We determine the appropriate allowances for each individually significant loan or advance on an individual basis. In determining the allowance, we consider items such as (i) the sustainability of the party's business plan, (ii) its ability to improve performance once a financial difficulty has arisen, (iii) projected receipts and the expected dividend payout should bankruptcy ensue, (iv) the availability of other financial support and the potential realized value of collateral, and (v) the timing of the expected cash flows. Impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more attention.

Collectively Assessed Allowance

We assess allowances collectively for (i) losses on loans and advances that are not individually significant (including consumer and residential mortgages) and (ii) individually significant loans and advances where there is not yet objective evidence of individual impairment (the Class A and B loans). We evaluate allowances on each reporting date, and each portfolio receives a separate review.

Our collective assessment takes into account an impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. We estimate impairment losses by considering the following information: (i) historical losses on the portfolio, (ii) current economic conditions, (iii) the approximate delay between the time a loss is likely to be incurred and the time it will be identified as requiring an individually assessed impairment allowance and (iv) expected receipts and recoveries once the impairment occurs. Local management is responsible for deciding the appropriate length of time, which can extend as long as one year. The impairment allowance is then reviewed by credit management to ensure it aligns with our overall policy.

We assess financial guarantees and letters of credit in the same way we assess loans.

When the borrower is located in a country where there is an increased risk of difficulty servicing external debt, we assess the political and economic situation, and an additional country risk provision is provided.

When we determine a loan is uncollectible, it is written off against the provision for loan impairment. We write off these loans after all necessary procedures are completed and the amount of the loss is determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in our consolidated income statements.

The following table shows our direct loan portfolio at the dates indicated:

| | At December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2005 | | 2006 | | 2007 | |
| | (U.S. Dollars in thousands, except percentages) | | | | | |
| Level of Risk Classification | Amount | % Total | Amount | % Total | Amount | % Total |
| A: Normal | US$ 4,273,719 | 85.9% | US$ 5,296,653 | 90.1% | US$ 7,602,347 | 92.9% |
| B: Potential Problems | US$ 397,387 | 8.0% | US$ 337,497 | 5.7% | US$ 371,119 | 4.5% |
| C: Substandard | US$ 82,858 | 1.7% | US$ 62,192 | 1.1% | US$ 71,340 | 0.9% |
| D: Doubtful | US$ 146,898 | 3.0% | US$ 122,215 | 2.1% | US$ 88,540 | 1.1% |
| E: Loss | US$ 72,113 | 1.4% | US$ 58,804 | 1.0% | US$ 50,499 | 0.6% |
| Total (1) | US$ 4,972,975 | 100.0% | US$ 5,877,361 | 100.0% | US$ 8,183,845 | 100.0% |
| C+D+E | US$ 301,869 | 6.1% | US$ 243,211 | 4.2% | US$ 210,379 | 2.6% |

| | At December 31, | | | |
|---|---|---|---|---|
| | 2008 | | 2009 | |
| | (U.S. Dollars in thousands, except percentages) | | | |
| Level of Risk Classification | Amount | % Total | Amount | % Total |
| A: Normal | US$ 9,991,559 | 95.5% | US$ 10,717,658 | 93.2% |
| B: Potential Problems | US$ 264,890 | 2.5% | US$ 431,356 | 3.7% |
| C: Substandard | US$ 70,268 | 0.7% | US$ 115,629 | 1.0% |
| D: Doubtful | US$ 79,394 | 0.8% | US$ 139,389 | 1.2% |
| E: Loss | US$ 50,173 | 0.5% | US$ 101,287 | 0.9% |
| Total (1) | US$ 10,456,284 | 100.0% | US$ 11,505,319 | 100.0% |
| C+D+E | US$ 199,835 | 2.0% | US$ 356,305 | 3.1% |

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(1) Net of unearned interest.

All of our Class E loans and substantially all of our Class D loans are past due. Class C loans, although generally not past due, have demonstrated credit deterioration such that management has serious doubts as to the ability of the borrower to comply with the loan repayment terms. The majority of our Class C loans are to companies in the Peruvian manufacturing sector and, to a lesser extent, the agricultural sector. Our manufacturing sector loans are primarily secured by warrants and liens on goods or by mortgages, and our agricultural loans tend to be secured by trade bills and marketable securities. The Class C loans reflect the financial weakness of the individual borrower rather than any trend in the Peruvian manufacturing or agricultural industries in general.

Classification of the Loan Portfolio Based on the Borrower’s Payment Performance

We consider loans to be past due depending on their type. BCP considers loans past due for consumer mortgage, leasing loans, and loans to micro-businesses after 90 days. On January 1, 2001, the SBS issued accounting rules that require Peruvian banks to consider overdrafts past due after 30 days. ASHC considers all overdue loans past due, except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. BCB considers loans past due after 30 days. For IFRS 7 disclosure requirements on past-due loans, see Note 29.1 to the Credicorp Consolidated Financial Statements.

Interest income is suspended when the collection of loans is doubtful, such as when overdue by more than 90 days. When a borrower or securities issuer defaults earlier than 90 days, the income is excluded from interest income until it is received. Uncollected income on these loans is applied against income. When management determines that the debtor’s financial condition has improved, we continue recording interest on an accrual basis. Therefore, we do not accrue interest on past-due loans, but interest on past-due loans is recognized only when and to the extent received.

Over the past five years, we have recognized interest income on these loans of US$5.5 million in 2005, US$4.8 million in 2006, US$3.6 million in 2007, US$5.2 million in 2008 and US$7.2 million in 2009. With the exception of discounted notes and overdrafts, accrued but unpaid interest is reversed for past-due loans.

The following table sets forth the repayment status of our loan portfolio as of the date indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands, except percentages) | | | | |
| Current | US$ 4,877,206 | US$ 5,800,591 | US$ 8,122,357 | US$ 10,373,417 | US$ 11,320,752 |
| Past due: | | | | | |
| Overdue 16 - 119 days | 10,860 | 20,655 | 20,825 | 34,955 | 70,602 |
| Overdue 120 days or more | 84,909 | 56,115 | 40,663 | 47,912 | 113,965 |
| Subtotal | US$ 95,769 | US$ 76,770 | US$ 61,488 | US$ 82,867 | US$ 184,567 |
| Total loans | US$ 4,972,975 | US$ 5,877,361 | US$ 8,183,845 | US$ 10,456,284 | US$ 11,505,319 |
| Past-due loan amounts as % of total loans | 1.93% | 1.31% | 0.75% | 0.79% | 1.60% |

With respect to consumer, mortgage and leasing loans, BCP (in accordance with SBS regulations) only recognizes payments as past-due installments if the loan is less than 90 days past due. The entire amount of the loans is considered past due if any amount is past due more than 90 days. For IFRS 7 disclosure requirements on past-due loans, see Note 29.1 to the Credicorp Consolidated Financial Statements.

Past-Due Loan Portfolio

The following table analyzes our past-due loan portfolio by the type of loan at the dates indicated.

| | At December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| Past-due loan amounts: | (U.S. Dollars in thousands) | | | | |
| Loans | US$ 63,889 | US$ 57,345 | US$ 48,088 | US$ 65,947 | US$ 153,112 |
| Discounted notes | 1,124 | 596 | 636 | 1,242 | 2,151 |
| Advances and overdrafts in demand deposits | 3,412 | 1,844 | 3,974 | 2,112 | 4,015 |
| Leasing transactions | 6,412 | 5,237 | 2,110 | 3,468 | 9,653 |
| Refinanced loans | 20,932 | 11,748 | 6,680 | 10,098 | 15,636 |
| Total past-due portfolio | US$ 95,769 | US$ 76,770 | US$ 61,488 | US$ 82,867 | US$ 184,567 |
| Less: Reserves for loan losses (1) | US$ 218,636 | US$ 210,586 | US$ 229,700 | US$ 248,063 | US$ 376,049 |
| Total past-due portfolio net of reserves | US$ (122,867) | US$ (133,816) | US$ (168,212) | US$ (165,196) | US$ (191,482) |

(1) Includes reserves for indirect credits (see "—Loan Loss Reserves").

We recognize interest on past-due loans and loans in legal collection when the loans are collected. The interest income that would have been recorded for these credits in accordance with the terms of the original contract is approximately US$27.9 million and US$17.0 million as of December 31, 2009 and 2008, respectively.

Loan Loss Reserves

The following table shows the changes in our reserves for loan losses and movements at the dates indicated.

| | Year ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands) | | | | |
| Reserves for loan losses at the beginning of the year | US$ 271,873 | US$ 218,636 | US$ 210,586 | US$ 229,700 | US$ 248,063 |
| Additional provisions (reversals) | (6,356) | (4,243) | 28,439 | 48,760 | 163,392 |
| Acquisitions and transfers | (9,024) | - | - | - | 20,905 |
| Recoveries of write-offs | 35,032 | 44,284 | 34,084 | 31,279 | 23,928 |
| Write-offs | (71,405) | (49,859) | (47,266) | (59,308) | (87,927) |
| Monetary correction and other | (1,484) | 1,768 | 3,857 | (2,368) | 7,688 |
| Total reserves for loan losses at the end of the year | US$ 218,636 | US$ 210,586 | US$ 229,700 | US$ 248,063 | US$ 376,049 |

For a discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of specific reserves, See "—Classification of the Loan Portfolio." Also, as required by IFRS 7, the balance of the reserve for loan losses for the years 2007, 2008 and 2009 are included in Note 6(d) to the Credicorp Consolidated Financial Statements.

Our reserves for loan losses, as of December 31, 2009, included US$354.4 million for credit losses and US$21.7 million for indirect or contingent credit losses (US$224.3 million and US$23.7 million as of December 31, 2008, respectively). Our reserves for indirect credit losses are included in the "Other liabilities" caption of our consolidated balance sheet (see Notes 6(d) and 11(a) to the Credicorp Consolidated Financial Statements).

The charge-off process is performed with prior approval of our board of directors and the SBS.  Potential charge-offs are considered by the board of directors and the SBS on a case-by-case basis.

We sell some of our fully provisioned past-due loans to wholly-owned subsidiaries (Soluciónes en Procesamiento) for a nominal amount with the same effect as if the loans had been charged off. Accordingly, we believe that our past-due loan amounts are not materially different from what they would be if we were permitted to charge-off loans prior to demonstrating the absolute non-collectability of the loan.  BCP also sells employees' mortgage loans to its subsidiary Financiera de Crédito Solución.

Allocation of Loan Loss Reserves

The following table sets forth the amounts of our reserves for loan losses attributable to commercial, consumer and residential mortgage loans at the dates indicated (see also Note 6(d) to the Credicorp Consolidated Financial Statements):

At December 31,

| | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (U.S. Dollars in thousands) | | | | | | | | | |
| Commercial loans | US$ | 195,699 | US$ | 183,374 | US$ | 184,584 | US$ | 161,170 | US$ | 243,796 |
| Consumer loans | | 14,409 | | 17,959 | | 30,662 | | 56,061 | | 90,782 |
| Residential mortgage loans | | 8,528 | | 9,253 | | 14,454 | | 30,832 | | 41,471 |
| Total reserves | US$ | 218,636 | US$ | 210,586 | US$ | 229,700 | US$ | 248,063 | US$ | 376,049 |

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(iv) Deposits

The following table presents the components of our deposit base at the dates indicated:

| | At December 31, 2007 | | 2008 | | 2009 | |
|---|---|---|---|---|---|---|
| | (U.S. Dollars in thousands) | | | | | |
| Demand deposits: | | | | | | |
| Nuevo Sol-denominated | US$ | 1,457,155 | US$ | 1,735,869 | US$ | 1,944,404 |
| Foreign Currency-denominated | | 2,507,346 | | 3,136,408 | | 2,612,342 |
| Total | US$ | 3,964,501 | US$ | 4,872,277 | US$ | 4,556,746 |
| Savings deposits: | | | | | | |
| Nuevo Sol-denominated | US$ | 877,205 | US$ | 1,193,639 | US$ | 1,505,994 |
| Foreign Currency-denominated | | 1,503,699 | | 1,775,100 | | 2,033,671 |
| Total | US$ | 2,380,904 | US$ | 2,968,739 | US$ | 3,539,665 |
| Time deposits: | | | | | | |
| Nuevo Sol-denominated | US$ | 1,391,008 | US$ | 1,768,893 | US$ | 1,662,941 |
| Foreign Currency-denominated | | 2,576,856 | | 3,087,219 | | 3,088,920 |
| Total | US$ | 3,967,864 | US$ | 4,856,112 | US$ | 4,751,861 |
| Foreign Currency Bank Certificates | | | | | | |
| Foreign Currency-denominated | US$ | 90,119 | US$ | 140,013 | US$ | 120,932 |
| Severance Indemnity Deposits (CTS): | | | | | | |
| Nuevo Sol-denominated | US$ | 149,308 | US$ | 229,716 | US$ | 256,761 |
| Foreign Currency-denominated | | 746,975 | | 810,171 | | 812,745 |
| Total | US$ | 896,283 | US$ | 1,039,887 | US$ | 1,069,506 |
| Total deposits: | | | | | | |
| Nuevo Sol-denominated | US$ | 3,874,676 | US$ | 4,928,117 | US$ | 5,370,100 |
| Foreign Currency-denominated | | 7,424,995 | | 8,948,911 | | 8,668,610 |
| Total | US$ | 11,299,671 | US$ | 13,877,028 | US$ | 14,038,710 |

The following table sets forth information regarding the maturity of our time deposits in denominations of US$100,000 or more on December 31, 2009:

| | At December 31, 2009 (U.S. Dollars in thousands) | |
|---|---|---|
| Certificates of deposit: | | |
| Maturing within 30 days | US$ | 714 |
| Maturing after 30 but within 60 days | | 2,165 |
| Maturing after 60 but within 90 days | | - |
| Maturing after 90 but within 180 days | | 5,146 |
| | | 173 |

| | | |
|---|---|---|
| Maturing after 180 but within 360 days | | |
| Maturing after 360 days | | 21,558 |
| Total certificates of deposits | US$ | 29,756 |
| Time deposits: | | |
| Maturing within 30 days | US$ | 2,397,794 |
| Maturing after 30 but within 60 days | | 329,612 |
| Maturing after 60 but within 90 days | | 232,021 |
| Maturing after 90 but within 180 days | | 453,219 |
| Maturing after 180 but within 360 days | | 381,610 |
| Maturing after 360 days | | 234,768 |
| Total time deposits | | 4,029,024 |
| Total | US$ | 4,058,780 |

(v) Return on Equity and Assets

| | At December 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| Return on assets (1) | 2.29% | 1.86% | 2.19% |
| Return on equity (2) | 22.87% | 22.31% | 24.07% |
| Dividend payout ratio (3) | 34.11% | 33.44% | 28.81% |
| Equity to assets ratio (4) | 10.80% | 9.32% | 10.00% |
| Shareholders' equity to assets ratio (5) | 9.95% | 8.71% | 9.31% |

(1) Net income attributable to our equity holders as a percentage of average total assets, computed as the average of period beginning and period ending balances.
(2) Net income attributable to our equity holders as a percentage of average net equity attributable to our equity holders, computed as the average of monthly balances.
(3) Dividends declared per share divided by net income attributable to our equity holders per share.
(4) Average equity attributable to our equity holders divided by average total assets, both averages computed as the average of month-ending balances.
(5) Average equity attributable to our equity shareholders divided by average total assets, both averages computed as the average of month-ending balances.

(vi) Short-Term Borrowing

Our short-term borrowing, other than deposits, amounted to US$878.2 million and US$601.5 million and US$673.2 million as of December 31, 2007, 2008 and 2009, respectively. Our average balances of borrowed amounts decreased in 2008 due to receiving smaller promotional credit lines. As of December 31, 2007, 2008 and 2009, no BCRP-Repo transactions exist in the outstanding balance.

The following table sets forth our short-term borrowing:

| | At December 31, | | |
|---|---|---|---|
| | 2007 | 2008 | 2009 |
| | (U.S. Dollars in thousands) | | |
| Year-end balance | 878,183 | 601,464 | 673,234 |
| Average balance | 742,310 | 935,460 | 641,177 |
| Maximum quarter-end balance | 1,105,704 | 1,197,637 | 1,141,131 |
| Weighted-average nominal year-end interest rate | 4.70% | 4.47% | 2.83% |
| Weighted-average nominal interest rate | 4.72% | 4.22% | 3.40% |

## (C) Organizational Structure

Historically, the shareholders of BCP, ASHC and PPS have overlapped. Due to reasons related to the regulatory, political and economic environment in Peru, however, they have been managed independently from one another. We were formed in 1995 by the management of BCP of a potential exchange offer for the purpose of acquiring the common shares of BCP, ASHC and PPS. In the exchange offer in October 1995, we acquired 90.1% of BCP (391,973,951 shares), 98.2% of ASHC (39,346,169 shares), and 75.8% of PPS (5,537,474 shares) in exchange for 60,815,152 of our common shares at a ratio of 0.10401, 0.33708 and 1.2249 of our common shares per common share of BCP, ASHC and PPS, respectively. Our common shares commenced trading on the New York Stock Exchange immediately upon consummation of the exchange offer, with a closing price on that day of US$11.61 (adjusted to reflect stock dividends through May 1999).

On March 19, 1996, pursuant to an exchange offer, we acquired the remaining 1.8% of the outstanding shares of ASHC (702,674 shares) in exchange for 237,859 of our common shares at a ratio of 0.33708 of our common shares per common share of ASHC. The closing price of our common shares on the New York Stock Exchange on the date that exchange offer was completed was US$10.98 (adjusted to reflect stock dividends). See "Item 9. The Offer and Listing—(A) Offer and Listing Details—Price History of Credicorp's Stock" and "Item 8. Financial Information—Consolidat Statements and Other Financial Information—Dividend Policy."

Our management consists of certain principal executive officers of BCP, ASHC and PPS. It believes that a unified financial group with a coordinated strategy is best able to take advantage of growth in the Peruvian economy and deregulation of the financial services sector as well as to achieve synergies from cross-selling financial services and products (e.g., through BCP's extensive branch network). Through our subsidiaries, we are the largest Peruvian provider of financial services in Peru.

BCP began operations in 1889 as Banco Italiano and changed its name to Banco de Crédito del Perú in 1941. BCP has been the largest commercial bank in Peru since the 1920s. Members of the Romero family have been shareholders of BCP since 1918 and became the controlling shareholders in 1979. Mr. Dionisio Romero Seminario, who was our Chairman of the Board of Directors and Chief Executive Officer, was a member of the Board of Directors of BCP from 1966 to 1987, becoming BCP's Chairman in 1979. In response to former President Alan García's attempt to nationalize the Peruvian banking industry in 1987, the majority shareholders of BCP, including Mr. Romero S., sold a controlling interest in BCP and transferred management to its employees. The sale successfully prevented the government from gaining control of BCP. Upon the election of Alberto Fujimori as President of Peru in 1990 and the introduction of market reforms, the Romero family reestablished its holdings in BCP, and Mr. Romero S. and several former key managers returned to BCP. See "—(9) Peruvian Government and Economy—(i) Peruvian Government." Members of the Romero family exchanged their BCP shares in the October 1995 exchange offer, and now hold 15.85% of our common shares. As of December 31, 2008, we hold 97.41% of BCP's total shares. See "Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders."

ASHC was incorporated in the Cayman Islands in December 1981 as a wholly-owned subsidiary of BCP, under the name Crédito del Perú Holding Corporation or BCP International. It became the first Peruvian bank to establish an offshore banking presence to serve its Peruvian customers. In 1983, BCP distributed its shares of BCP International to its shareholders as dividends to protect its privately held status in the event that BCP was nationalized. BCP International established its first physical presence offshore (previously having been operated through BCP's corporate offices) by opening an office in Panama in 1984, and opening an agency in Miami in 1986. In 1986, BCP International changed its name to ASCH. As a result of the attempted expropriation by the government in 1987, ASHC's operations and management were made independent of BCP. In 2002, ASHC closed its Miami agency at the same time that BCP opened its Miami agency. Also, Credicorp Securities was established in Miami as our wholly-owned subsidiary and began operating in early 2003 serviced by former ASHC personnel.

We own 75.98% of PPS, which was formed in 1992 as a result of the merger between El Pacífico Compañía de Seguros y Reaseguros S.A. and Compañía de Seguros y Reaseguros Peruano-Suiza S.A. PPS is the second largest Peruvian insurance company in terms of premium sold and health fees. PPS's major subsidiaries include Pacífico Vida, which specializes in life and pension fund insurance, and Pacífico Salud, which provides health insurance as an alternative to public social security.

We own 99.99% of Grupo Crédito S.A., which is the principal shareholder in Prima AFP. We also hold equity shares in Peruvian electric utilities and other non-financial companies.

BCB (formerly Banco Popular S.A., Bolivia) is a subsidiary that we acquired for US$6.2 million in November 1993. Since we transferred to BCP a 55.79% stake in November 2001, we have directly held 2.7% of BCB's equity while holding the rest through BCP. In December 2002, BCP acquired BSCH-Perú, which was merged into BCP on February 28, 2003.

In 2003, BCP converted BCOL, its offshore bank in the Bahamas, into an investment vehicle, and then sold it to ASHC. ASHC subsequently consolidated BCOL into its operations in 2004. BCOL's business, which is receiving offshore U.S. Dollar deposits and making U.S. Dollar-denominated loans to large Peruvian customers, was taken over by both BCP's Panama branch and ASHC.

Solución was spun off into two companies. The first company retained only cash and equity. The second company became a wholly-owned subsidiary of BCP in March 2003 as a result of BCP's acquisition of the remaining 45% of Solución's equity interests. Solución was merged into BCP's Peruvian banking operations in March 2004.

Although the transaction had an effective date of January 1, 2005, in March 2005, we sold Banco Tequendama to a Colombian bank. We did not record a material gain as a result of the sale. On December 31, 2004, Banco Tequendama had US$306.7 million in loans and US$290.5 million in deposits. We acquired Banco Tequendama in January 1997 from the Fondo de Garantía de Depósitos y Protección Bancaria, or FOGADE, the Venezuelan government entity responsible for the re-privatization of government-seized assets in connection with the widespread Venezuelan banking problems that began in 1994. We, along with FOGADE and FOGADE's financial adviser, were sued in Aruba by the former owners of Banco Tequendama. The judge in Aruba dismissed the claim, and the plaintiff appealed. In April 2004, the Court of Appeals in Aruba rejected all of the plaintiff's claims. The lawsuit followed a previous unsuccessful lawsuit brought by the former owners in Colombia.

On August 24, 2006, through our subsidiary Prima AFP, we acquired 99.97% of the capital stock of AFP Unión Vida S.A., a pension fund management company that operates in Peru, from Grupo Santander Perú S.A. We also made a tender offer to the minority shareholders in order to acquire the remaining 0.03% of capital stock. The total purchase price was approximately US$141.5 million. At the September 6, 2006 general shareholder's meeting of Prima AFP, the merger with AFP Unión Vida S.A. was approved, with an effective date of December 1, 2006.

In October 2009, through our subsidiary BCP, we acquired Empresa Financiera Edyficar S.A., a financial entity specialized in micro lending. As of December 31, 2009 we held 99.79% of the capital stock of Edyficar.

### (D) Property, Plants and Equipment

On December 31, 2009, we had 439 branches, of which 334 were branch offices of BCP in Peru. Our principal properties include the headquarters of BCP, at Calle Centenario 156, La Molina, Lima 12, Perú, and the headquarters of PPS at Juan de Arona 830, Lima, Perú. There are no material encumbrances on any of our properties.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### (A) Operating Results

#### (1) Critical Accounting Policies

Foreign currency translation

Credicorp's functional and presentation currency is the United States Dollar (U.S. Dollar or US$) because it reflects the economic substance of the underlying events and circumstances relevant to the Company. In addition, Credicorp's main operations and transactions in the different countries where it operates are established and settled in U.S.

Dollars.

Financial statements of each of Credicorp's subsidiaries are measured using the currency of the country in which each entity operates and converted into U.S. Dollars (functional and presentation currency) as follows:

- Monetary assets and liabilities are converted at the free market exchange rate at the date of the consolidated statements of financial position.

- Non-monetary accounts are converted at the free market exchange rate prevailing at the date of the transaction.

- Income and expenses, except for those related to non-monetary assets which are converted at the free market exchange rate prevailing at the date of the transaction, are converted monthly at the average monthly exchange rate.

All resulting conversion differences are recognized in the consolidated income statement.

Income and expense recognition from banking activities

Interest income and expense for all interest-bearing financial instruments, including those related to financial instruments classified as held for trading or designated at fair value through profit or loss, are recognized within "Interest and dividend income" and "Interest expense" in the consolidated income statement using the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

Interest income is suspended when collection of loans become doubtful, i.e. when loans are overdue more than 90 days or when the borrower or securities' issuer defaults, if earlier than 90 days; such income is excluded from interest income until collected.  Uncollected income on such loans is provisioned. When management determines that the debtor's financial condition has improved, the recording of interest thereon is reestablished on an accrual basis.

Interest income includes coupons earned on fixed income investment and trading securities and the accrued discount and premium on financial instruments.  Dividends are recognized as income when they are declared.

Fees and commission income are recognized on an accrual basis when earned.  Contingent credit fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any direct incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

All other revenues and expenses are recognized on an accrual basis.

Insurance activities

Insurance contracts are those contracts where we (the insurer) have accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. This definition also includes reinsurance contracts that we hold.  As a general guideline, we determine whether it has significant insurance risk by comparing benefits paid with the benefits payable if the insured event does not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains so for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations extinguish or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

We also cede insurance risk in the normal course of business for all of our businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence resulting from an event that occurred after initial recognition of the reinsurance asset that we may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that we can recover from the reinsurer. The impairment loss is recorded in the consolidated income statement.

Gains or losses on buying reinsurance are recognized in the consolidated income statement immediately at the date of purchase and are not amortized.

Ceded reinsurance arrangements do not relieve us from our obligations to a policyholder.

When applicable, we also assume reinsurance risk in the normal course of business for non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Financial Instruments: Initial recognition and subsequent measurement:

We classify our financial instruments in one of the categories defined by IAS 39: financial assets and financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial investments and other financial liabilities. We determine the classification of our financial instruments at the initial recognition.

Classification of financial instruments at the initial recognition depends on the purpose and the intention for which the financial instruments were acquired as well as their characteristics. All financial instruments are measured initially at their fair value plus any directly attributable incremental cost of acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date that we commit to purchase or sell the asset. Derivatives are recognized on a trade date basis.

(i) Financial assets and financial liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at fair value through profit or loss, which such designation is upon initial recognition and in an instrument by instrument basis. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets are classified as held for trading if they are acquired for purposes of selling or repurchasing short term and are presented in the caption "Trading securities" of the consolidated statements of financial position.

Management may designate an instrument at fair value through profit or loss upon initial recognition so long as the following conditions are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains one or more embedded derivatives, which significantly modify the cash flow that would otherwise be required by the contract.

Changes in fair value of designated financial assets through profit or loss are recorded in the consolidated income statement captioned "Net gain on financial assets and liabilities designated at fair value through profit and loss". Interest earned or incurred is accrued in the consolidated income statement under the captions "Interest and dividend income" or "Interest expense", respectively, according to the terms of the contract. Dividend income is recorded once right to collect has been established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (1) those that the entity intend to sell immediately or in the short term, those that the entity upon initial recognition designates as available for sale; or (2) those for which the holder may not recover all or substantially all of its initial investment, other than credit deterioration.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowances for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in the consolidated income statement in the caption "Interest and dividend income". Losses from impairment are recognized in the consolidated income statement in the caption "Provision for loan losses".

Direct loans are recorded when disbursement of funds to the clients are made. Indirect (off-balance sheet) loans are recorded when documents supporting such facilities are issued. Likewise, Credicorp considers as refinanced or restructured those loans that change their payment schedules due to difficulties in the debtor's ability to repay the loan.

An allowance for loan losses is established if there is objective evidence that we will not be able to collect all amounts due according to the original contractual terms of the loan. The allowance for loan losses is established based in an internal risk classification and in consideration of any guarantees and collaterals received, note 3(i) and 29.1 to the Consolidated Financial Statements.

(iii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets that are designated as available-for-sale (to be held for an indefinite period, which may be sold in response to liquidity needs or changes in the interest rates, exchange rates or equity price); or are not classified as (a) financial assets and financial liabilities at fair value through profit or loss, (b) held-to-maturity or (c) loans and receivables.

After the initial recognition, available-for-sale financial investments are measured at fair value plus unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve, net of its corresponding deferred tax and minority interest, until the investment is no longer recognized, at which time the cumulative gain or loss is recognized in the consolidated income statement in the caption "Net gain on sale of securities", or determined to be impaired, at which time the cumulative loss is recognized in the consolidated income statement in the caption "Impairment loss on available–for–sale investments" and removed from the available-for-sale reserve.

Interest and dividends earned are recognized in the consolidated income statement in the caption "Interest and dividend income". Interest earned is reported as interest income using the effective interest rate and dividends earned are recognized when collection rights are established.

Estimated fair values are based primarily on quoted prices or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment.

We may elect to reclassify these financial assets only in rare circumstances, such as when we are unable to sell the financial assets due to market inactivity and management's intent to sell the assets in the foreseeable future has changed. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and has the intent and ability to hold these assets for the foreseeable future or until maturity. The reclassification to held to maturity category is permitted only when the entity has the ability and intent to hold the financial asset until maturity.

As of December, 31, 2009 and 2008, we did not reclassify any of our available-for-sale financial investments.

(iv) Other financial liabilities

After the initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issuance discount or premium and costs that are an integral part of the effective interest rate.

De-recognition of financial assets and financial liabilities

Financial assets:

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is not recognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) we have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and (iii) either we have transferred substantially all the risks and rewards of the asset, or we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Financial liabilities:

A financial liability is not recognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as un-recognized of the original liability and the recognition of a new liability, any resulting difference in the respective carrying amount is recognized as profit or loss.

Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and management has the intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

Impairment of financial assets:

We assess at each date of the consolidated statements of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and such loss event, or events, have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will go bankrupt or other legal financial reorganization process and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Criteria used for each category of financial assets are as follows:

(i) Loans and receivables

For loans and receivables that are carried at amortized cost, we first assess whether objective evidence of impairment exists for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is recognized, or continues to be recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Interest income, if applicable, is accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to us. If in a subsequent year the amount of the estimated impairment loss increases or decreases because an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If in the future a write-off is later recovered, the recovery is recognized in the consolidated income statements, as a credit to the caption “Provision for loan losses”.

The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For a collective evaluation impairment, financial assets are grouped considering our internal credit grading system, which considers credit risk characteristics; i.e. asset type, industry, geographical location, collateral type and past-due status.

Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exists. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, we assess, during each date of the consolidated statements of financial position, whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments, objective evidence includes a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss) is removed from available-for-sale reserve and recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost (loans and receivables). However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss that was previously recognized on that investment in the consolidated income statement. Future interest income is based on the reduced carrying amount and is accrued using the interest rate that is used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recorded as part of "Interest and dividend income". If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively measured by using an event that occurred after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

(iii) Renegotiated loans

Where possible, we seek to refinance or restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews refinanced and restructured loans to ensure that all criteria are met and that future payments are likely to occur. Renegotiated loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Goodwill:

Goodwill represents the excess of the acquisition cost of a subsidiary over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment to assess whether the carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. Goodwill is allocated to cash-generating units for impairment testing purposes.

Impairment of non-financial assets:

We assess at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, we estimate the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized; if that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

Due from customers on acceptances:

Due from customers on acceptances corresponds to accounts receivable from customers for import and export transactions, whose obligations have been accepted by Credicorp. The obligations that we must assume for such transactions are recorded as liabilities.

Financial guarantees:

In the ordinary course of our business, Credicorp's banking subsidiaries grant financial guarantees, such as letters of credit, guarantees and acceptances. Financial guarantees are initially recognized at fair value (which is equivalent in that moment to the fee received), as "Other liabilities" in the consolidated statements of financial position. Subsequent to initial recognition, our liability under each guarantee is measured as the higher of the amortized fee and the best estimate of expenditure required to settle any financial obligation arising as a result of the financial guarantee.

Any increase in the liability relating to a financial guarantee is included in the consolidated statement of income. The fee received is recognized in the consolidated statement of income in the caption "Banking services commissions" on a straight line basis over the life of the granted financial guarantee.

Provisions:

Provisions are recognized when we have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies:

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in notes unless the possibility of an outflow of resources is remote.

Share-based payment transactions

(i) Cash-settled transactions

As explained in note 18(a) to the Consolidated Financial Statements, until April 2008 we granted a supplementary remuneration plan to certain employees who had been employed at least one year with Credicorp or any of our Subsidiaries, in the form of stock appreciation rights (SARs) over a certain number of Credicorp shares. SARs were granted at a fixed price and are exercisable at that price, allowing the employee to obtain a gain in cash ("cash-settled transaction") arising from the difference between the fixed exercise price and the market price at the date the SARs are executed.

The SARs fair value is expensed over the period up to the vesting date, along with the corresponding liability. The liability is measured to fair value at each reporting date, up to and including the settlement date, with changes in fair value recognized in the "Salaries and employee benefits" line. When the price or term of the SARs are modified, any additional expense is also recorded. For more details about significant factors, assumptions and the methodology used in determining the fair value of SARs, see note 18 to the Credicorp Consolidated Financial Statements.

(ii) Equity-settled transactions

As explain in note 18(b) to the Consolidated Financial Statements, as of April 2009, a new supplementary remuneration plan was implemented to replace the SAR plan (see (i) above). The grant date was April 28, 2009, and the granted awards vest 33.3% every 12 months.

The cost of this equity-settled plan is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the respective employees become fully entitled to the award (‘the vesting date”). The cumulative expense recognized for equity-settled transactions from each reporting date until the vesting date reflects the extent to which the vesting period has expired and Credicorp’s best estimate of the number of equity instruments that will ultimately vest.

The expense is recorded in the "Salaries and employees benefits" line of the consolidated income statement. When the terms of an equity-settled award are modified, the minimum expense recognized in the "Salaries and employees benefits" line is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding stock awards is reflected as a share dilution in the computation of diluted earnings per share.

Derivative financial instruments:

Trading:

Part of transactions with derivatives, while providing effective economic hedges under Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are, therefore, treated as trading derivatives.

Derivative financial instruments are initially recognized in the consolidated statements of financial position at cost and subsequently are re-measured at their fair value. Fair values are estimated based on the market exchange and interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gain and losses for changes in their fair value are recorded in the consolidated income statement.

Hedge:

We use derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, we apply hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, we formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed at each reporting date. A hedge is regarded as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated is expected to offset in a range between 80 percent and 125 percent.

The accounting treatment is established according to the nature of the hedged item and compliance with the hedge criteria.

(i) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized in the consolidated income statement in finance costs.

Amounts recognized as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the cash flow hedge reserve are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in the cash flow hedge reserve remains in the cash flow hedge reserve until the forecast transaction or firm commitment affects profit or loss.

(ii) Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognized in the consolidated income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the consolidated income statement in finance costs.

For fair value hedges relating to consolidated items carried at amortized cost, the adjustment to carrying value is amortized through the consolidated income statement over the remaining maturity term. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is no longer recognized, the unamortized fair value is recognized immediately in the consolidated income statement.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the consolidated income statement.

Embedded derivates:

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts, and the host contracts are not held for trading or designated at fair value through profit or loss.

We have certificates indexed to the price of Credicorp Ltd. shares that will be settled in cash, and investments indexed to certain life insurance contracts liabilities, denominated “Unit-Link”. We classified these instruments at inception as “Financial instruments at fair value though profit or loss”, see 3(f)(i), and note 7 to the Consolidated Financial Statements.

Fiduciary activities, management of funds and pension funds:

We provide custody, trustee, investment management and advisory services to third parties that result in the holding of assets on their behalf. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not our assets.

Commissions generated for these activities are included in the caption “Other income” of the consolidated income statements.

(2) Historical Discussion and Analysis

The Group monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Regarding the Group’s segments, total revenues from banking segment amounted to 74% or more of the Group's total revenue in 2009, 2008, and 2007, therefore, the following historical discussion and analysis is presented principally for banking segment, except when otherwise indicated; and is based upon information contained in our Consolidated Financial Statements and should be read in conjunction therewith. The discussion in this section regarding interest rates is based on nominal interest rates.

For a comparison of nominal interest rates with real interest rates, see "Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(i) Average Balance Sheets and Income from Interest-Earning Assets—Real Average Interest Rates."

The financial information and discussion and analysis presented below for 2007, 2008 and 2009 reflect the financial position and results of operations for 2007, 2008 and 2009 of our subsidiaries. See "Item 3. Key Information—(A) Selected Financial Data."

On December 31, 2009, approximately 57.9% of our deposits and 60.1% of our loans were U.S. Dollar-denominated. Despite these high proportions, U.S. Dollar-denominated deposits and loans have decreased from the previous year (61.7% and 67.1%, respectively) due to a reduction in the rate of inflation. Nevertheless, we expect the majority of our deposits and loans to continue to be denominated in U.S. Dollars.

Results of Operations for the Three Years Ended December 31, 2009

The following table sets forth, for the years 2007, 2008 and 2009, the principal components of our net income:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2008 | | 2009 | |
| | (U.S. Dollars in thousands) | | | | | |
| Interest income | US$ | 1,065,339 | US$ | 1,382,844 | US$ | 1,312,925 |
| Interest expense | | (431,365) | | (561,617) | | (420,564) |
| Net interest income | US$ | 633,974 | US$ | 821,227 | US$ | 892,361 |
| Provision for loan losses | | (28,439) | | (48,760) | | (163,392) |
| Net interest income after Provision | US$ | 605,535 | US$ | 772,467 | US$ | 728,969 |
| Noninterest income | | 522,937 | | 592,564 | | 720,631 |
| Insurance premiums earned net of claims on insurance activities | | 58,672 | | 51,993 | | 138,224 |
| Other expenses | | (747,089) | | (920,603) | | (957,110) |
| Merger costs | | - | | - | | - |
| Income before translation result and income tax | US$ | 440,055 | US$ | 496,421 | US$ | 630,714 |
| Translation result (loss) gain | US$ | 34,627 | US$ | ( 17,650) | US$ | 12,222 |
| Income tax | | (102,287) | | (109,508) | | (138,500) |
| Net income | US$ | 372,395 | US$ | 369,263 | US$ | 504,436 |
| Net income attributable to: | | | | | | |
| Equity holders | | 350,735 | | 357,756 | | 469,785 |
| Minority interests | | 21,660 | | 11,507 | | 34,651 |
| Net income | US$ | 372,395 | US$ | | | |