

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

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

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F/A**

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

OR

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

For the fiscal year ended: December 31, 2004

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

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

Commission file number: 1-14014

**CREDICORP LTD.**

(Exact name of registrant as specified in its charter)

**BERMUDA**

(Jurisdiction of incorporation or organization)

**Calle Centenario 156**

**La Molina**

**Lima 12, Perú**

(Address of principal executive offices)

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

**Title of each class**

Common Shares, par value \$5.00 per share

**Name of each exchange on which registered**

The New York Stock Exchange

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

None

**Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:**

None

**Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.**

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

**Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.**

Yes

No

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

Yes                      No

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

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**EXPLANATORY NOTE**

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

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

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

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

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**PRESENTATION OF FINANCIAL INFORMATION**

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

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

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

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



## **CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS**

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

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

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

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

**PART I**

**ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

Not applicable.

**ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3. KEY INFORMATION**

**(A) Selected Financial Data**

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

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

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

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



**SELECTED FINANCIAL DATA****Year ended December 31,****2000                      2001                      2002                      2003                      2004***(U.S. Dollars in thousands, except percentages, ratios, and per common share data)***INCOME STATEMENT DATA:****IFRS:**

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

**BALANCE SHEET DATA:****IFRS:**

Total assets	7,623,470	7,581,841	8,629,631	8,321,783	9,087,560
Total loans (3)	4,454,085	4,064,479	4,817,663	4,481,496	4,559,018
Reserves for loan losses (1)	(341,487)	(344,433)	(424,031)	(326,677)	(271,873)
Total deposits	5,506,439	5,543,358	6,381,200	5,976,506	6,270,972
Shareholders' equity	782,730	796,773	823,800	910,730	1,065,197

**U.S. GAAP:**

Shareholders' equity	785,853	796,773	826,833	917,986	1,077,306
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**SELECTED RATIOS:****IFRS:**

Net interest margin (4)	5.45%	5.28%	5.07%	5.15%	4.85%
Return on average total assets (5)	0.23	0.72	0.52	0.95	1.50
Return on average shareholders' equity (6)	2.27	6.90	5.23	9.29	13.23
Operating expenses as a percentage of net interest and non-interest income (7)	56.60	55.41	58.62	57.43	56.15
Operating expenses as a percentage of average assets	5.14	5.14	4.99	5.09	5.29
Shareholders' equity as a percentage of period end total assets	10.27	10.51	9.56	10.98	11.72
Regulatory capital as a percentage of risk-weighted assets (8)	11.84	11.77	11.52	13.26	12.84
Total past due loan amounts as a percentage of total loans (9)	8.44	8.63	8.43	5.72	3.49
Reserves for loan losses as a percentage of total loans	7.67	8.47	8.80	7.29	5.96
Reserves for loan losses as a percentage of total loans and other contingent credits (10)	6.40	6.62	6.57	5.38	4.22
Reserves for loan losses as a percentage of total past due loans (11)	90.80	98.18	104.41	127.50	170.93
Reserves for loan losses as a percentage of substandard loans (12)	39.25	45.38	51.81	50.26	54.11

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

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

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

- (3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, Credicorp had contingent loans of US\$761.6 million, US\$940.9 million, US\$1,425.6 million, US\$1,586.9 million and US\$1,882.4 million, as of December 31, 2000, 2001, 2002, 2003 and 2004, respectively. See Note 18 to the Credicorp Consolidated Financial Statements.
- (4) Net interest income as a percentage of average interest-earning assets, computed as the average of period-beginning and period-ending balances on a quarterly basis.
- (5) Net income as a percentage of average total assets, computed as the average of period-beginning and period-ending balances.
- (6) Net income as a percentage of average shareholders' equity, computed as the average of period-beginning and period-ending balances.
- (7) Operating expenses as a percentage of the sum of net interest income and noninterest income.
- (8) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (the BIS I Accord) as adopted by the SBS. Atlantic Security Bank, a subsidiary of ASHC, determines risk-weighted assets in accordance with the BIS I Accord as adopted in the Cayman Islands. See Item 5. Operating and Financial Review and Prospects (B) Liquidity and Capital Resources Regulatory Capital and Capital Adequacy Ratios.
- (9) BCP considers loans past due after 15 days, except for installment loans, which include mortgage loans but excludes consumer loans, which are considered past due after 90 days. ASHC considers past due all overdue loans except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio Based on the Borrower's Payment Performance.
- (10) Other contingent credits primarily consist of guarantees, letters of credit and responsibilities under credit line agreements. See Note 18 to the Credicorp Consolidated Financial Statements.
- (11) Reserves for loan losses, including contingent credits, as a percentage of all past due loans, with no reduction for collateral securing such loans. Reserves for loan losses includes reserves with respect to total loans and other credits.
- (12) Reserves for loan losses, including contingent credits, as a percentage of loans classified in categories C, D or E. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio.

**Exchange Rates**

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

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

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

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Source: SBS

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

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

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

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Source: Economatca

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

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

#### **(B) Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

#### **(D) Risk Factors**

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

##### *Peruvian Country Risk*

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

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

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

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

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

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

*Exchange Controls and Devaluation of the Nuevo Sol*

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

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

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

#### *Enforceability of Civil Liabilities*

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

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

#### *Status of Credicorp as a Holding Company*

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



### *Loan Portfolio Quality and Composition*

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

### *Bank Regulatory Matters*

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

### *Insurance Business and Regulation*

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

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

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

*Increased Competition*

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

*Fluctuation and Volatility of Capital Markets and Interest Rates*

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

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

Table of Contents**ITEM 4. INFORMATION ON THE COMPANY****(A) History and Development of the Company**

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

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

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

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

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

March 1996, pursuant to a further exchange offer.

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

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

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

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

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

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

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

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

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

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

**As of and for the Year ended December 31, 2004(2)**

	<b>Total Assets</b>	<b>Total Revenue</b>	<b>Net Income (Loss)</b>	<b>Shareholders Equity</b>
Banco de Crédito del Perú	77.5%	79.4%	85.2%	69.1%
Atlantic Security Holding Corporation	10.5%	3.4%	10.2%	9.9%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros	7.0%	10.9%	7.3%	13.4%
Banco Tequendama(3)	4.4%	4.0%	1.5%	2.9%
Others(4)	0.6%	2.3%	(4.2)%	4.7%

(1) Includes the equity interest held by PPS.

(2) Percentages determined based on the Credicorp Consolidated Financial Statements.

(3) Banco Tequendama was sold in March 2005.

(4) Includes Inversiones Crédito, Credicorp Securities Inc., and others.

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

**As of and for the Year ended December 31, 2004(2)**

	<b>Total Assets</b>	<b>Total Revenue</b>	<b>Net Income (Loss)</b>	<b>Shareholders Equity</b>
Banco de Crédito del Perú	89.7%	88.4%	88.8%	84.6%
Banco de Crédito de Bolivia	6.4%	6.4%	4.8%	7.8%
Crédito Leasing S.A.	3.4%	1.4%	1.4%	4.2%
Credifondo S.A.	0.2%	1.6%	3.4%	1.3%
Credibolsa Sociedad Agente de Bolsa S.A.	0.1%	0.7%	1.8%	0.6%
Others(3)	0.2%	1.5%	(0.2)%	1.5%

(1) Credicorp holds an additional 4.08% stake.

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

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

**(B) Business Overview****(1) Introduction Review of 2004**

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

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

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

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

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

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

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

BCB continued to report positive results mainly due to the improvement in the quality of its loan portfolio, which allowed for a decrease in loan loss provisions, and the application of strict cost controls. Past due loans fell from 20.7% of BCB's total loan portfolio in 2003 to 10.9% in 2004, while past due



loan coverage by provisions grew from 76.8% in 2003 to 100.6% in 2004. To offset the negative effect of the new financial transactions tax, BCB improved its delivery channels for banking services.

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

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

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

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

## **(2) Strategy**

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

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



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

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

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

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

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

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

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

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

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

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

**(3) Commercial Banking**

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

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

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

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

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

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

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



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

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

***(i) Wholesale Banking***

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

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

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

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



### *Corporate Banking*

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

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

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

### *Middle Market Banking*

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

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

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

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



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

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

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

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

#### *International Trade Finance*

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

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

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

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

### *Corporate Finance*

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

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

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

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

### *Business Finance*

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

The financial leasing business continued its recovery during 2004. Credicorp's leasing loan balances showed a 5.6% growth in 2004, after being affected in prior years by declining market demand

due to the co-existence of two tax systems applicable to leasing operations, which put BCP at a disadvantage in relation to certain competing banks, but which were unified in 2003.

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

### *Institutional Banking*

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

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

### *Business Services*

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

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

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

***(ii) Retail Banking***

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

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

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

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

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

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

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

***Exclusive Banking***

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

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



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

### *Small Business Lending*

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

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

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

### *Mortgage Lending*

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

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

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

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



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

### *Credit Cards*

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

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

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

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

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

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





*Consumer Finance*

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

***(iii) Credit Policy and Review***

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

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

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

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

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

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

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

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

- (1) Liquid collateral includes cash deposits, stand-by letters of credit, securities or other liquid assets with market price and accepted drafts.
- (2) Other collateral includes securities with no market value, non-accepted drafts, real estate, mortgages, security interests on equipment or crops, and assets involved in leasing operations.

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

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

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



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

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

*(iv) Deposits*

Credicorp's deposit-taking operations are principally managed by BCP's Personal Banking division and ASHC's Private Banking division. See 7(12) Selected Statistical Information (iv) Deposits.

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

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

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

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

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

#### **(4) Investment Banking**

Credicorp's investment banking businesses include:

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

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

##### ***(i) Trading and Brokerage Services***

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

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

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



***(ii) Treasury, Foreign Exchange and Proprietary Trading***

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

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

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

***(iii) Asset Management***

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

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

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





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

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

***(iv) Trust, Custody and Securitization Services***

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

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

***(v) Investments by PPS***

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

**(5) Insurance**

Credicorp conducts its insurance operations exclusively through PPS, which provides a broad range of insurance products. In 2004, the six most significant lines together constituted 81.8% of total premiums written by PPS. These are commercial property damage (including fire, earthquake and related coverage but not personal injury, tort or other liability risk), automobile, health, life and pension fund

underwriting and life annuities. PPS is the leading Peruvian insurance company including private health companies, with a market share of 34.7% based on net premiums earned and fees in 2004.

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

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

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

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

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

#### *(i) Underwriting, Clients and Reinsurance*

Underwriting decisions for substantially all of PPS's insurance risks are made through its central underwriting office, although certain smaller local risks are underwritten at PPS's two regional offices. PPS's own underwriting staff inspects all larger commercial properties prior to the underwriting of

commercial property or other risks related thereto with agents and brokers inspecting properties for smaller risks.

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

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

### ***(ii) Claims and Reserves***

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

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

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

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

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

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

**(iii) Investment Portfolio**

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

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

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

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

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

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

**(6) Distribution Network****(i) Commercial Banking**

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



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

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

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

### ***(ii) Investment Banking***

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

### ***(iii) Insurance***

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

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

## **(7) Operations Support**

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

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

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

into new areas, four out of ten new



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

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

This level of self-service activity reflects an increase in BCP's use of new technologies to improve its services to its customers. These technologies include a network of 526 ATMs available to 1.8 million bank card holders, the phone banking service Comunica-T, which has increased the capacity of its automated Call Center, receiving up to 600,000 calls per month, Saldomatic terminals, which are specialized devices placed in the branches for self-service access to account balances and transactions, and Internet banking. To improve the efficiency of these processes, BCP maintained the policy of encouraging the use of electronic distribution channels by applying more attractive rates than those charged at its branch offices.

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

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

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

## **(8) Competition**

### ***(i) Banking***

The Peruvian banking sector is currently comprised of 14 commercial banking institutions. As of December 31, 2004, BCP ranked first among all Peruvian banks in terms of assets, deposits and loans,

representing approximately 34.2%, 35.6% and 33.0%, respectively, of the total of all Peruvian banks, compared to market shares of 34.4%, 36.1% and 34.4%, respectively, at December 31, 2003. As of December 31, 2004, the next four largest banks in terms of deposits (Banco Continental, Banco Wiese Sudameris, Interbank and Sudamericano) had deposits representing 24.6%, 15.7%, 9.2% and 2.9%, respectively, and loans representing 20.2%, 14.4%, 10.0%, and 4.4%, respectively, of the total of all Peruvian banks.

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

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

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

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

### *(ii) Capital Markets*

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

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

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

### ***(iii) Other Financial Institutions***

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

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

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

### ***(iv) Insurance***

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

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

## **(9) Peruvian Government and Economy**

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



**(i) Peruvian Government**

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

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

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

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

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

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

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

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

### *(ii) Peruvian Economy*

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

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

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

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

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



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

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

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

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

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

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

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

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





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

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

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

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

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

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

## **(10) The Peruvian Financial System**

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

### ***(i) General***

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

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

### ***(ii) Central Bank***

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

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

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

### ***(iii) SBS***

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

### ***(iv) Financial System Institutions***

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



*Banks*

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

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

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

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

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

*Finance Companies*

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

*Other Financial Institutions*

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

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

*Insurance Companies*

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

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

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

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

**(11) Supervision and Regulation***(i) Credicorp*

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

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

Since Credicorp's Common Shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, Credicorp is subject to certain reporting requirements of the *Comision Nacional Supervisora de Empresas*

y *Valores* ( CONASEV ), the securities market regulator, and the Lima Stock

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

**(ii) BCP**

*Overview*

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

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

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

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

*Authority of the SBS*

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

The SBS is granted administrative, financial and operating autonomy. Its objectives include protecting the public interest, ensuring the financial stability of the institutions over which it has authority, and punishing violators of its regulations. Its responsibilities include: (i) reviewing and approving, with the assistance of the Central Bank, the establishment and organization of subsidiaries of the institutions it regulates; (ii) overseeing mergers, dissolution, and reorganization of banks, financial



institutions, and insurance companies; (iii) supervising financial, insurance and related companies from which information on an individual or consolidated basis is required, through changes in ownership and management control (this supervision also applies to non-bank holding companies, such as Credicorp); (iv) reviewing the by-laws and amendments thereto of these companies; (v) setting forth criteria governing the transfer of bank shares, when permitted by law, for valuation of assets and liabilities and for minimum capital requirements; and (vi) controlling the *Central de Riesgos* (Bank Risk Assessment Center), to which all banks are legally required to provide information regarding all businesses and individuals with whom they deal without regard to the amount of credit risk (the information provided is made available to all banks to allow them to monitor individual borrowers' overall exposure to Perú's banks). In addition to supervising BCP, the SBS supervises Credicorp on the basis that it is a financial conglomerate conducting the majority of its operations in Perú.

#### *Management of Operational Risk*

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

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

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

#### *Capital Adequacy Requirements*

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



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

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

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

#### *Legal Reserve Requirements*

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

#### *Provisions for Loan Losses*

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

### *Provisions for Country Risk*

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

### *Central Bank Reserve Requirements*

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

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

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

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

### *Lending Activities*

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

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

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

### *Related Party Transactions*

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

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

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



*Ownership Restrictions*

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

*Risk Rating*

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

*Deposit Fund*

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

*Intervention by the SBS*

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





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

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

### *(iii) ASHC*

#### *General*

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

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

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

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

*Continuing Requirements*

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

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

*(iv) BCB*

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

*(v) PPS**Overview*

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

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



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

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

#### *Establishment of an Insurance Company*

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

#### *Solvency Requirements*

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

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

#### *Legal Reserve Requirements*

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

#### *Reserve Requirements*

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

#### *Investment Requirements*

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



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

#### *Related Party Transactions*

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

#### *Ownership Restrictions*

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

### **(12) Selected Statistical Information**

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

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

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

#### *Real Average Interest Rates*

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

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

Where:

R(s) = real average interest rate on Nuevo Sol-denominated assets and liabilities for the period.

R(d) = real average interest rate on foreign currency-denominated assets and liabilities for the period.

N(s) = nominal average interest rate on Nuevo

Sol-denominated assets and liabilities for the period.

N(d) = nominal average interest rate on foreign currency-denominated assets and liabilities for the period.

D = devaluation rate of the Nuevo Sol relative to the U.S. Dollar for the period.

I = inflation rate in Perú for the period (based on the Peruvian wholesale inflation rate).

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

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

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

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

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

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



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

ASSETS: (1)	2002				2003				2004	
	Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	Average Balance	Interest Earned
<i>Interest-earning assets:</i>										
<i>(U.S. Dollars in thousands, except percentages)</i>										
Deposits in Central Bank										
Nuevos Soles	US\$	US\$	-1.48%	0.00%	US\$	US\$	-2.44%	0.00%	US\$	US\$
Foreign Currency	1,161,511	20,752	2.32	1.79	1,193,120	13,748	-2.75	1.15	1,037,518	15,357
Total	1,161,511	20,752	2.32	1.79	1,193,120	13,748	-2.75	1.15	1,037,518	15,357
Deposits in other banks										
Nuevos Soles	23,589	2,805	10.24	11.89	17,475	1,989	8.67	11.38	17,895	791
Foreign Currency	467,546	12,959	3.31	2.77	389,137	3,089	-3.09	0.79	416,413	3,998
Total	491,135	15,764	3.64	3.21	406,612	5,078	-2.59	1.25	434,308	4,789
Investment securities										
Nuevos Soles	195,829	9,775	3.44	4.99	273,416	13,388	2.34	4.90	560,910	21,547
Foreign Currency	711,860	62,949	9.41	8.84	1,062,548	47,067	0.40	4.43	1,186,002	72,356
Total	907,689	72,724	8.13	8.01	1,335,964	60,455	0.80	4.53	1,746,912	93,903
Total loans (2)										
Nuevos Soles	560,090	114,509	18.66	20.44	692,580	127,774	15.56	18.45	691,749	131,892
Foreign Currency	3,595,232	305,832	9.08	8.51	3,755,212	330,052	4.60	8.79	3,823,383	294,645
Total	4,155,322	420,341	10.37	10.12	4,447,792	457,826	6.30	10.29	4,515,132	426,537
Total dividend-earning assets (3)										
Nuevos Soles	104,523	439	-1.06	0.42	42,164	330	-1.68	0.78	99,098	833
Foreign Currency	155,536	1,854	1.72	1.19	75,766	10,848	9.91	14.32	62,237	1,423
Total	260,059	2,293	0.60	0.88	117,930	11,178	5.77	9.48	161,335	2,256
Total interest-earning assets										
Nuevos Soles	884,031	127,528	12.73	14.43	1,025,636	143,486	11.21	13.99	1,369,651	155,063
Foreign Currency	6,091,685	404,346	7.20	6.64	6,475,784	404,799	2.16	6.25	6,525,552	387,779
Total	6,975,716	531,874	7.90	7.62	7,501,420	548,285	3.39	7.31	7,895,203	542,842
<i>Noninterest-earning assets:</i>										
Cash and due from banks										
Nuevos Soles	112,584				95,264				98,764	

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

- (1) Does not include out-of-period adjustments.
- (2) Figures for total loans include past due loans, but do not include accrued but unpaid interest on such past due loans in the year in which such loans became past due. Accrued but unpaid interest for years prior to the year in which a loan became past due is included.
- (3) As per IFRS, dividends are considered interest income.

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

LIABILITIES (1)	2002				2003				2004			
	Average Balance	Interest Paid	Real Avg. Rate	Nominal Avg. Rate	Average Balance	Interest Paid	Real Avg. Rate	Nominal Avg. Rate	Average Balance	Interest Paid	Real Avg. Rate	Nominal Avg. Rate
<i>(U.S. Dollars in thousands, except percentages)</i>												
<i>Interest-bearing liabilities:</i>												
Demand deposits												
		US\$			US\$				US\$			
Nuevos Soles	US\$222,701	2,003	-0.59%	0.90%	US\$ 319,417	2,704	-1.61%	0.85%	US\$349,584	2,911	-2.58%	0.85%
Foreign Currency	596,031	2,735	0.99	0.46	919,963	1,825	-3.66	0.20	758,990	1,873	-8.11	0.20
Total	818,732	4,738	0.56	0.58	1,239,380	4,529	-3.14	0.37	1,108,574	4,784	-6.69	0.37
Savings deposits												
Nuevos Soles (2)	262,468	3,461	-0.18	1.32	301,734	2,753	-1.55	0.91	277,051	2,476	-2.21	0.91
Foreign Currency	1,083,712	5,897	1.07	0.54	1,223,843	3,575	-3.57	0.29	1,024,073	3,740	-8.11	0.29
Total	1,346,180	9,358	0.83	0.70	1,525,577	6,328	-3.17	0.41	1,301,124	6,216	-6.32	0.41
Time deposits												
Nuevos Soles	426,783	13,287	1.59	3.11	474,175	10,845	-0.21	3.29	487,556	17,094	0.00	3.29
Foreign Currency	2,261,487	80,835	4.12	3.57	2,352,399	78,253	-0.66	3.33	2,471,813	67,871	-5.11	3.33
Total	2,688,270	94,122	3.72	3.50	2,826,574	89,098	-0.58	3.15	2,959,369	84,965	-4.11	3.15
Due to banks and correspondents and issued bonds (3)												
Nuevos Soles	103,602	5,531	3.78	5.34	124,852	12,085	7.00	9.68	134,280	11,257	4.00	9.68
Foreign Currency	795,039	64,320	8.66	8.09	532,183	51,540	5.23	9.45	539,268	53,076	0.00	9.45
Total	898,641	69,851	8.10	7.77	657,035	63,625	5.57	9.49	673,548	64,333	1.00	9.49
Total interest-bearing liabilities												
Nuevos Soles	1,015,554	24,282	0.88	2.39	1,220,177	28,387	-0.17	2.33	1,248,471	33,738	-0.00	2.33

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

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

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

(3) Issued bonds were included in prior reports under the *Time deposits* caption.

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

	2003/2002			2004/2003		
	<u>Increase/(Decrease) due to</u>			<u>Increase/(Decrease) due to</u>		
	<u>changes in:</u>			<u>changes in:</u>		
	<u>Volume</u>	<u>Rate</u>	<u>Net Change</u>	<u>Volume</u>	<u>Rate</u>	<u>Net Change</u>
	<i>(U.S. Dollars in thousands)</i>					
<b>Interest Income:</b>						
Interest-earning deposits in Central Bank						
Nuevos Soles		6	6	--	--	--
Foreign Currency	565	(7,575)	(7,010)	(1,798)	3,407	1,609
Total	565	(7,569)	(7,004)	(1,798)	3,407	1,609
Deposits in other banks						
Nuevos Soles	(727)	(89)	(816)	48	(1,246)	(1,198)
Foreign Currency	(2,173)	(7,697)	(9,870)	217	692	909
Total	(2,900)	(7,786)	(10,686)	264	(553)	(289)
Investment securities						
Nuevos Soles	3,873	(261)	3,612	14,077	(5,918)	8,159
Foreign Currency	31,011	(46,892)	(15,881)	5,469	19,820	25,289
Total	34,884	(47,153)	(12,269)	19,546	13,902	33,448
Total loans <sup>(1)</sup>						
Nuevos Soles	27,087	(13,823)	13,264	(153)	4,271	4,118
Foreign Currency	13,609	10,612	24,221	5,992	(41,399)	(35,407)
Total	40,696	(3,211)	37,485	5,838	(37,127)	(31,289)
Total dividend-earning assets						
Nuevos Soles	(262)	153	(109)	446	57	503
Foreign Currency	(951)	9,945	8,994	(1,937)	(7,488)	(9,425)
Total	(1,213)	10,098	8,885	(1,492)	(7,430)	(8,922)
Total interest-earning assets						
Nuevos Soles	20,428	(4,470)	15,958	48,128	(36,552)	11,576
Foreign Currency	25,495	(25,042)	453	3,111	(20,130)	(17,019)
Total	45,923	(29,512)	16,411	51,239	(56,682)	(5,443)
<b>Interest Expense:</b>						
Demand deposits						
Nuevos Soles	870	(169)	701	255	(49)	207
Foreign Currency	1,486	(2,397)	(911)	(319)	368	49
Total	2,356	(2,566)	(210)	(64)	319	255
Savings deposits						
Nuevos Soles	518	(1,226)	(708)	(225)	(52)	(277)
Foreign Currency	763	(3,085)	(2,322)	(584)	748	164
Total	1,281	(4,311)	(3,030)	(809)	696	(113)
Time deposits						
Nuevos Soles	1,475	(3,918)	(2,443)	306	5,944	6,250
Foreign Currency	3,250	(5,832)	(2,582)	3,972	(14,354)	(10,382)
Total	4,725	(9,750)	(5,025)	4,278	(8,411)	(4,132)
Due to banks and correspondents and issued bonds (2)						

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Nuevos Soles	1,135	5,419	6,554	913	(1,741)	(828)
Foreign Currency	(21,265)	7,220	(14,045)	669	2,133	2,802
Total	(20,130)	12,639	(7,491)	1,582	392	1,974
Total interest-bearing liabilities						
Nuevos Soles	4,893	(788)	4,105	658	4,693	5,351
Foreign Currency	9,485	(29,345)	(19,860)	(6,239)	(1,128)	(7,367)
Total	14,378	(30,133)	(15,755)	(5,581)	3,565	(2,016)

- 
- (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 but unpaid interest for years prior to the year in which a loan became past due is included.
- (2) Issued bonds were included in prior reports under the *Time deposits* caption.

*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.

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands, except percentages)</i>		
Average interest-earning assets			
Nuevos Soles	884,031	1,025,636	1,369,651
Foreign Currency	6,091,685	6,475,784	6,525,552
Total	6,975,716	7,501,420	7,895,203
Net interest income			
Nuevos Soles	103,246	115,100	121,325
Foreign Currency	250,558	269,605	261,219
Total	353,804	384,705	382,544
Gross yield (1)			
Nuevos Soles	14.43%	13.99%	11.32%
Foreign Currency	6.64%	6.25%	5.94%
Weighted-average rate	7.62%	7.31%	6.88%
Net interest margin (2)			
Nuevos Soles	11.68%	11.22%	8.86%
Foreign Currency	4.11%	4.18%	4.00%
Weighted-average rate	5.07%	5.13%	4.85%
Yield spread (3)			
Nuevos Soles	12.04%	11.66%	8.62%
Foreign Currency	3.39%	3.59%	3.30%
Weighted-average rate	4.52%	4.71%	4.22%

(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 broken down by currency as of the dates indicated. Deposits held in countries other than Perú are denominated in several currencies; however, the substantial majority of such deposits are denominated in U.S. Dollars. These currencies were converted to U.S. Dollars using the applicable SBS exchange rate as of the date of relevant balance.

	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		

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Nuevo Sol-denominated:						
Peruvian Central Bank	US\$	0	US\$	0	US\$	0
Commercial banks		43,549		18,135		31,379
Total Nuevo Sol-denominated	US\$	43,549	US\$	18,135	US\$	31,379
Foreign Currency-denominated:						
Peruvian Central Bank (U.S. Dollars)	US\$	1,199,203	US\$	959,213	US\$	1,102,491
U.S. Dollars, other		591,149		407,128		455,178
Other		34,085		1,619		4,852
Total Foreign Currency-denominated	US\$	1,824,437	US\$	1,367,960	US\$	1,562,521
Total	US\$	1,867,986	US\$	1,386,095	US\$	1,593,900



**(ii) Investment Portfolio**

The following table shows the fair value of Credicorp's trading and available-for-sale investment securities by type at the dates indicated. See Notes 5 and 6 to the Credicorp Consolidated Financial Statements.

	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
<b>Nuevo Sol-denominated:</b>			
Peruvian government bonds	US\$ 0	US\$ 28,196	US\$ 56,594
Equity securities	33,309	65,617	112,785
Bonds	116,158	2,212	67,878
Peruvian Central Bank certif. notes	184,033	375,713	682,418
Other investments	<u>48,885</u>	<u>15,570</u>	<u>5,994</u>
Total Nuevo Sol-denominated	<u>US\$ 382,385</u>	<u>US\$487,308</u>	<u>US\$925,669</u>
<b>Foreign Currency-denominated:</b>			
Equity securities	US\$ 80,943	US\$59,535	US\$ 68,573
Bonds	461,684	952,039	610,402
Investment in Peruvian debt	44,172	34,822	357,145
Other investment	<u>271,204</u>	<u>206,548</u>	<u>257,458</u>
Total Foreign Currency-denominated	<u>US\$ 858,003</u>	<u>US\$1,252,944</u>	<u>US\$1,293,578</u>
Total securities holdings	<u>US\$1,240,388</u>	<u>US\$1,740,252</u>	<u>US\$2,219,247</u>

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

The weighted-average yield on Credicorp's Nuevo Sol-denominated interest and dividend-earning investment portfolio was 3.4% in 2002, 4.9% in 2003, and 3.4% in 2004. The weighted-average yield on Credicorp's foreign currency-denominated portfolio was 7.5% in 2002, 5.1% in 2003, and 5.9% in 2004. The total weighted-average yield of Credicorp's portfolio was 6.4% in 2002, 4.9% in 2003, and 5.0% in 2004.

The following table shows the maturities of Credicorp's investment securities by type at December 31, 2004:

	<b>Within 1 year</b>	<b>After 1 year but within 5 years</b>	<b>Maturing After 5 years but within 10 years</b>	<b>After 10 Years</b>	<b>Total</b>
	<i>(U.S. Dollars in thousands, except percentages)</i>				
<b>Nuevo Sol-denominated:</b>					
Peruvian government bonds	US\$ 33,731	US\$ 0	US\$ 22,863	US\$ 0	US\$ 56,594
Equity securities (1)	112,785	0	0	0	112,785
Bonds and debentures	0	52,095	9,398	6,385	67,878
Peruvian Central Bank certif. notes	0	38,921	0	643,497	682,418

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Other investments		106		387		0		5,501		5,994
Total Nuevo Sol-denominated	US\$	146,622	US\$	91,403	US\$	32,261	<u>US\$</u>	655,383	US\$	925,669
<b>Foreign Currency-denominated:</b>										
Equity securities (1)	US\$	68,573	US\$	0	US\$	0	US\$	0	US\$	68,573
Bonds		204,317		291,325		94,955		19,895		610,402
Investment in Peruvian debt		32,335		72,435		12,532		239,843		357,145
Other investments		146,512		105,649		5,297		0		257,458
Total Foreign Currency-denominated	US\$	451,737	US\$	469,319	US\$	112,784	US\$	259,738	US\$	1,293,578
<b>Total securities holdings:</b>	<b>US\$</b>	<b>598,359</b>	<b>US\$</b>	<b>560,722</b>	<b>US\$</b>	<b>145,045</b>	<b>US\$</b>	<b>915,121</b>	<b>US\$</b>	<b>2,219,247</b>
Weighted average yield										5.04%

(1) Equity securities in Credicorp's trading account are categorized as maturing within one year.

If the price of any security in Credicorp's portfolio falls below its acquisition price, guidelines require Credicorp to record an unrealized loss for each individual security in the amount of the difference between the acquisition cost and the current market value. The unrealized losses are charged to Credicorp's income or retained earnings in the case of marketable or available-for-sale securities, respectively. Unrealized losses of available-for-sale securities are charged against income if they are considered as a permanent impairment (see Note 3(h) to the Credicorp Consolidated Financial Statements).

**(iii) Loan Portfolio**

*Loans by Type of Loan*

The following table shows Credicorp's loans by type of loan, at the dates indicated:

**At December 31,**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>				
Loans	US\$3,219,491	US\$2,917,267	US\$3,268,103	US\$3,284,141	US\$3,507,831
Discounted notes (1)	160,204	151,592	175,949	170,379	175,888
Advances and overdrafts	164,472	45,501	169,132	45,827	48,506
Leasing transactions (1)	281,625	274,042	405,200	372,379	365,728
Factoring	62,510	56,616	62,302	56,446	58,116
Refinanced loans	189,682	268,626	330,842	296,116	243,892
Past due loans (1)	376,101	350,835	406,135	256,208	159,057
Total loans:	US\$4,454,085	US\$4,064,479	US\$4,817,663	US\$4,481,496	US\$4,559,018
Total past due loans amounts	376,101	350,835	406,135	256,208	159,057
Total performing loans	<u>US\$4,077,984</u>	<u>US\$3,713,644</u>	<u>US\$4,411,528</u>	<u>US\$4,225,288</u>	<u>US\$4,399,961</u>

(1) Figures are net of unearned interest.

The categorization of the loan portfolio as set forth in the table above is based on the regulations of the SBS, which Credicorp has applied to loans generated by BCP and ASHC. These categories do not correspond to the classifications used in preparing the breakdown of the loan portfolio by business unit set forth under Item 4. Information on the Company (B) Business Overview (3) Commercial Banking. Pursuant to the guidelines of the SBS, loans are categorized 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.

*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 Credicorp makes a loan supported by a draft signed by one party and discounted by another party, with recourse

to both parties.

*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.

*Leasing transactions:* Involves the acquisition by Credicorp of an asset and the leasing of that asset to Credicorp's client.

*Factoring:* Involves the sale of title of a company's accounts receivables to a bank (or financial company). The receivables are sold without recourse and the bank cannot turn to the seller in the event accounts prove uncollectible. Factoring involves the receipt of funds by the seller from the bank prior to

the average maturity date, based on the invoice amount of the receivable, less cash discounts, less an allowance for estimated claims and returns, among other items.

*Refinanced loans:* Includes loans that were refinanced because the client was unable to pay at maturity. Under SBS regulations, a loan is required to be 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 10% of the principal amount of the original loan. The SBS has required refinanced loans as a separate category since 1992, and since July 1999, has distinguished a sub-group entitled *Restructured Loans*, defined as those loans extended under the bankruptcy protection procedures established in the Equity Restructuring Law.

*Past due loans:* Includes overdue loans categorized according to the SBS guidelines. See Past Due Loan Portfolio for further detail.

#### *Loans by Economic Activity*

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

<u>Economic Activity</u>	<b>At December 31,</b>					
	<b>2000</b>		<b>2001</b>		<b>2002</b>	
	Amount	% Total	Amount	% Total	Amount	% Total
	<i>(U.S. Dollars in thousands, except percentages)</i>					
Manufacturing	US\$1,330,529	29.87%	US\$1,230,417	30.27%	US\$1,592,191	33.05%
Commerce	663,863	14.90	572,825	14.09	617,491	12.82
Agriculture	192,410	4.32	159,420	3.92	158,500	3.29
Fishing	88,072	1.98	76,864	1.90	104,604	2.17
Mining	339,374	7.62	321,409	7.91	227,879	4.73
Construction	121,564	2.73	124,056	3.05	86,632	1.80
Financial Services	112,228	2.52	81,746	2.01	210,404	4.37
Communication, Storage and Transportation	221,277	4.97	194,613	4.79	209,174	4.34
Realty Businesses and Leasing Services	206,272	4.63	211,286	5.20	281,753	5.85
Electricity, Gas and Water	191,831	4.31	159,389	3.92	302,976	6.29
Education, Health and Other Services	56,295	1.26	56,051	1.38	93,851	1.95
Consumer Loans (1)	284,728	6.39	262,240	6.45	522,998	10.86
Others	645,642	14.50	614,163	15.11	409,210	8.48
Total	<u>US\$4,454,085</u>	<u>100.00%</u>	<u>US\$4,064,479</u>	<u>100.00%</u>	<u>US\$4,817,663</u>	<u>100.00%</u>

**At December 31,****2003****2004***(U.S. Dollars in thousands, except percentages)*

<u>Economy Activity</u>	Amount	% Total	Amount	% Total
Manufacturing	US\$1,461,350	32.61%	US\$1,376,874	30.20%
Commerce	560,052	12.50	523,574	11.48
Agriculture	142,697	3.18	160,167	3.51
Fishing	90,795	2.03	68,604	1.50
Mining	233,355	5.21	194,022	4.26
Construction	70,676	1.58	72,879	1.60
Financial Services	96,371	2.15	90,042	1.98
Communication, Storage And Transportation	189,612	4.23	181,018	3.97
Realty Businesses and Leasing Services	233,506	5.21	224,745	4.93
Electricity, gas and water	211,610	4.72	248,571	5.45
Education, Health and Other Services	106,296	2.37	62,341	1.37
Consumer Loans (1)	920,016	20.53	1,187,378	26.04
Others	165,160	3.68	168,803	3.71
Total	<u>US\$4,481,496</u>	<u>100.00%</u>	<u>US\$4,559,018</u>	<u>100.00%</u>

(1) Includes credit card and mortgage loans, and other consumer loans.

As of December 31, 2004, 67.1% of the loan portfolio was concentrated in Lima and 85.7% was concentrated in Perú. An additional 7.4% and 6.9% of the loan portfolio was concentrated in Bolivia and Colombia, respectively.

The following table shows a breakdown for the past five years of the loan portfolio using the categories specified by SBS Resolution No. 808-2003. See Classification of the Loan Portfolio below.

**At December 31,****2000****2001****2002****2003****2004***(U.S. Dollars in thousands)*

Commercial loans	US\$3,625,180	US\$3,339,057	US\$3,659,762	US\$3,308,112	US\$3,259,950
Consumer loans	221,408	229,707	205,696	251,785	283,410
Residential mortgage loans	325,871	331,673	547,005	549,220	649,930
Leasing transactions(1)	281,625	274,042	405,200	372,379	365,728
Total loans	<u>US\$4,454,084</u>	<u>US\$4,064,479</u>	<u>US\$4,817,663</u>	<u>US\$4,481,496</u>	<u>US\$4,559,018</u>

(1) Net of unearned interest.

The Company does not currently track loan write-offs and recoveries of write-offs by loan categories specified by SBS Resolution No. 808-2003 and is therefore unable to provide all of the disclosures required by Item IV of Industry Guide 3 in this annual report.

*Concentrations of Loan Portfolio and Lending Limits*

Credicorp's loans and other contingent credits to the 20 customers (considered as economic groups) to which it had the largest exposure as of December 31, 2004 were US\$947.3 million on that date, of which US\$800.3 million were outstanding loans representing 17.6% of the total loan portfolio. See (11) Supervision and Regulation (ii) BCP Lending Activities for the definition of economic group in accordance with SBS regulations. Total loans and other contingent credits outstanding and available to these customers ranged from US\$83.3 million to US\$31.8 million, including seven customers with over US\$50.0 million. Total loans and other contingent credits outstanding and available to Credicorp's 20 largest customers were ranked in the following risk categories as of December 31, 2004: Class A (normal) 86.1%; Class B (potential problems) 4.8%; Class C (substandard) 4.0%; Class D (doubtful) 5.1%; and Class E (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 applicable Law 26702 lending limits depend on the nature of the borrower involved and the type of collateral received. The sum of 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 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 either 5%, 10% or 30% of BCP's regulatory capital, depending upon the governmental supervision to which the institution is subject and upon whether it is recognized by the Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increase 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.

Loans to individuals not resident in Perú 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 resident in Perú 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 of prime credit quality, or by other highly liquid securities at market value. Finally, 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/.1,858.4 million (US\$566.2 million) at December 31, 2004, BCP's legal lending limits vary from S/.92.9 million (US\$28.3 million) to S/.929.2 million (US\$283.1 million). Credicorp's consolidated lending limits, based on its regulatory capital on a consolidated basis of US\$837.1 million at December 31, 2004, would range from US\$41.9 million to US\$418.6 million. As of December 31, 2004, BCP was in compliance with all Law 26702 lending limits.



As of December 31, 2004, Credicorp complied with the applicable legal lending limits in each of the jurisdictions where it operates. In addition to these regulatory limits, Credicorp has established an internal limit of US\$85 million, or approximately 15% of BCP's consolidated equity plus reserves for not specifically identified impaired loans, as the maximum amount of loans and other contingent credits that Credicorp, on a consolidated basis, may extend to any customer. Such limit is calculated quarterly based on Credicorp's consolidated equity plus reserves for not specifically identified impaired loans at quarter-end. A limited number of exceptions to Credicorp's internal limits have been authorized by the Board of Directors from time to time, based on the credit quality of the borrower, the term of the loan and the amount and quality of collateral taken by Credicorp. Credicorp may, in appropriate and limited circumstances, increase or choose to exceed this limit in the future.

In the event that customers to which Credicorp has significant credit exposure are not able to meet their obligations to Credicorp, and any related collateral is not sufficient to cover such obligations, or if a reclassification of one or more of such loans or other contingent credits results in an increase in provisions for loan losses, there may be an adverse impact on the financial condition and results of operations of Credicorp.

#### *Loan Portfolio Denomination*

The following table presents Credicorp's Nuevo Sol and foreign currency-denominated loan portfolio at the dates indicated.

<b>At December 31,</b>						
	<b>2000</b>		<b>2001</b>		<b>2002</b>	
Total loan portfolio:	<i>(U.S. Dollars in thousands, except percentages)</i>					
Nuevo Sol-denominated	US\$ 563,124	12.64%	US\$ 579,229	14.25%	US\$ 677,506	14.06%
Foreign Currency-denominated	<u>3,890,961</u>	<u>87.36%</u>	<u>3,485,250</u>	<u>85.75%</u>	<u>4,140,157</u>	<u>85.94%</u>
Total loans	<u>US\$4,454,085</u>	<u>100.00%</u>	<u>US\$4,064,479</u>	<u>100.00%</u>	<u>US\$4,817,663</u>	<u>100.00%</u>

<b>At December 31,</b>				
	<b>2003</b>		<b>2004</b>	
Total loan portfolio:	<i>(U.S. Dollars in thousands, except percentages)</i>			
Nuevo Sol-denominated	US\$723,955	16.15%	US\$677,776	14.87%
Foreign Currency-denominated	<u>3,757,541</u>	<u>83.85%</u>	<u>3,881,242</u>	<u>85.13%</u>
Total loans	<u>US\$4,481,496</u>	<u>100.00%</u>	<u>US\$4,559,018</u>	<u>100.00%</u>

#### *Maturity Composition of the Performing Loan Portfolio*

The following table sets forth an analysis of Credicorp's performing loan portfolio at December 31, 2004, by type and by the time remaining to maturity. Loans are stated before deduction of the reserves for loan losses.

	<b>Maturing</b>				
	<b>Amount at December 31, 2004</b>	<b>Within 3 months</b>	<b>After 3 months but within 12 months</b>	<b>After 1 year but within 5 years</b>	<b>After 5 years</b>
	<i>(U.S. Dollars in thousands, except percentages)</i>				
Loans	US\$3,507,831	US\$1,241,324	US\$922,278	US\$914,565	US\$429,664
Discounted notes (1)	175,888	160,621	13,290	1,976	
Advances and overdrafts	45,506	48,506	0	0	
Leasing transactions (1)	365,728	48,972	94,481	176,344	45,930
Factoring	58,116	57,064	1,053	0	
Refinanced loans	243,892	49,935	42,683	75,490	75,784
<b>Total</b>	<b><u>US\$4,399,961</u></b>	<b><u>US\$1,606,422</u></b>	<b><u>US\$1,073,786</u></b>	<b><u>US\$1,168,375</u></b>	<b><u>US\$551,378</u></b>
Percentage of total performing loan portfolio	100.00%	36.51%	24.40%	26.55%	12.53%

(1) Figures are net of unearned interest.

#### *Interest Rate Sensitivity of the Loan Portfolio*

The following table sets forth the interest rate sensitivity of the loan portfolio at December 31, 2004, by currency and by the time remaining to maturity over one year.

	<b>Amount at December 31, 2004</b>	<b>Maturing After 1 year</b>
	<i>(U.S. Dollars in thousands)</i>	
<b>Variable Rate</b>		
Nuevo Sol-denominated	US\$ 15,164	US\$ 15,575
Foreign Currency-denominated	<u>1,013,549</u>	<u>883,678</u>
	US\$	
Total	1,028,713	US\$ 899,253
<b>Fixed Rate</b>		
Nuevo Sol-denominated	662,612	56,767
Foreign Currency-denominated	<u>2,867,693</u>	<u>763,733</u>
Total	US\$3,530,305	US\$ 820,500
<b>Total</b>	<b>US\$4,559,018</b>	<b>US\$1,719,753</b>

#### *Classification of the Loan Portfolio*

Credicorp classifies 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, exclusively targeted for the production and sale of goods and services, are made to individuals or companies with no more than US\$30,000 in total loans received from the financial system. 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 own 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 other categories depending upon the degree of risk of nonpayment of each loan. Credicorp reviews its loan portfolio on a continuing basis, and the SBS reviews the portfolio as it deems necessary or prudent.

In classifying its loans based upon risk of nonpayment, Credicorp, in compliance with SBS guidelines, assesses the following factors: the payment history of the particular loans, the history of Credicorp's dealings with the borrower, management, operating history, repayment capability and availability of funds of the borrower, status of any collateral or guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions, and other relevant factors. The classification of the loan determines the amount of the required loan loss provision. Law 26702 further requires banks to establish a loan loss provision of up to 1% of the bank's loan and credit portfolio classified as A (Normal) for impaired loans not specifically identified.

Under current regulations, collateral is not subtracted from the amount of the loan or credit outstanding to determine the amount of the loan or credit to be reserved against. Instead, a lower loan provision is allowed to be reserved on the portion of the loan or credit that is secured. For the purpose of determining the reservable amount, collateral is valued according to SBS regulations which require that an appraisal be determined based on expected market valuation. Only assets classified as (i) preferred, (ii) highly liquid preferred, or (iii) self-liquidating preferred are acceptable as collateral. Such collateral must, according to SBS regulations, (1) be relatively liquid, (2) have legally documented ownership, (3) have no liens outstanding and (4) have constantly updated appraisals. Examples of preferred or highly liquid preferred assets include, among others, cash deposits, real estate mortgages and pledges on securities or on other goods. Self-liquidating preferred assets include solely cash deposits in local banks or stand-by letters of credit from first-level foreign institutions.

SBS regulations require the following reserves for commercial, micro-business and mortgage loans: a 1% reserve on not specifically identified loans and credits classified in the A (Normal) category, and a 5%, 25%, 60% and 100% specific reserve on loans and credits in risk categories B, C, D and E, respectively. Whenever such loans or credits, or the portions thereof, are secured with preferred collateral, required reserves for risk categories B, C, D and E are: 2.5%, 12.5%, 30% and 60%, respectively. Loans or credits, or portions thereof, secured with highly liquid preferred collateral require at least one half of the amount established in the case of the preferred collateral. Loans or credits, or the portions thereof, secured with self-liquidating preferred collateral require at least a 1% reserve. When the collateral is insufficient to secure the outstanding balances, the higher percentage requirements are applicable on the unsecured portion of the loans or credits. In the case of consumer loans, the required reserves are as follows: a 1% reserve on not specifically identified loans classified in the A (Normal) category, and a 5%, 25%, 60% and 100% specific reserve on loans in risk categories B, C, D and E, respectively.

The five loan risk categories have the following characteristics:

*Class A.* Loans or credits in this category are known as normal credits. Debtors of commercial loans or credits that fall into this category have complied on a timely basis with their obligations and at the time of evaluation of the credit do not present any reason for doubt with respect to repayment of interest and principal on the loan on the agreed upon dates, and Credicorp must have no reason to believe that the status will change before the next evaluation. To place a loan or credit in Class A, a clear understanding of the use to be made of the funds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. Micro-business and consumer loans warrant Class A classification if payments are current or up to eight days past-due. Residential mortgage loans warrant Class A classification if payments are current or up to thirty days past-due. Loans or credits in this category require a reserve for not specifically identified loans of 1% of the total of such loans or credits outstanding. The required reserve may be reduced by up to 0.5% if certain conditions that ensure that the client has a low probability of default are met.

*Class B.* Loans or credits in this category are known as credits with potential problems. Debtors of commercial loans or credits included in this category are those that at the time of the evaluation of the credit demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in the category include: delays in loan payments which are promptly covered; a general lack of information required to analyze the credit; out-of-date financial information; temporary economic or financial imbalances on the part of the debtor which could effect its ability to repay the loan; market conditions that could affect the economic sector in which the debtor is active; material overdue debts or pending judicial collection actions initiated by other financial institutions; noncompliance with originally contracted conditions; conflicts of interest within the debtor company; labor problems; unfavorable credit history; noncompliance with internal policies of the debtor company; excessive reliance on one source of raw materials or one buyer of the debtor's products; and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Micro-business and consumer loans are categorized as Class B if payments are between nine and 30 days late. Residential mortgage loans become Class B when payments are between 31 and 90 days late. A 5% specific reserve on total loans outstanding in this category is required. Except for consumer loans, when the loan, or a portion thereof, is secured with preferred collateral, the required reserve is 2.5%, and when secured with highly liquid preferred collateral, the required reserve is 1.25%.

*Class C.* Loans or credits in this category are known as substandard credits. Debtors of commercial loans or credits whose loans or credits are placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor's financial capacity. Loans or credits demonstrating the same deficiencies that warrant classification as category B credits warrant classification as Class C credits if those deficiencies are such that if they are not corrected in the near term, they could impede the recovery of principal and interest on the loan on the originally agreed terms. Additionally, commercial loans are classified in this category when payments are between 60 and 120 days late. If payments on a micro-business or consumer loan are between 31 and 60 days late, such loans are classified as Class C. Residential mortgage loans are classified as Class C when payments are between 91 and 120 days late. Commercial, micro-business and mortgage loans or credits included in this class require a specific provision of 25% of the outstanding amount (12.5% when secured with preferred collateral), whereas consumer loans require a 25% provision.

*Class D.* Loans or credits included in this category are known as doubtful credits. Debtors of commercial loans or credits included in this classification present characteristics of actual credit risk that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Class D categorization is appropriate. These credits are distinguished from Class E credits by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. Additionally, commercial loans are classified in this category when payments are between 121 and 365 days late. Micro-business and consumer loans are categorized as Class D if payments are between 61 and 120 days late. Residential mortgage loans are Class D when payments are between 121 and 365 days late. Loans or credits included in this class require a specific provision of 60% of the outstanding amount. Except for consumer loans, when the loan, or a portion thereof, is secured with preferred collateral, the required reserve is 30%, and when secured with highly liquid preferred collateral, the required reserve is 15%.

*Class E.* Loans or credits in this class are known as loss credits. Commercial loans or credits which are considered unrecoverable or which for any other reason should not appear on Credicorp's books as an asset based on the originally contracted terms fall into this category. Additionally,

commercial loans are classified in this category when payments are more than 365 days late. Micro-business and consumer loans are categorized as Class E if payments are more than 120 days late. Residential mortgage loans are moved into Class E when payments are more than 365 days late. Loans or credits included in this class require a specific provision of 100% of the outstanding amount. Except for consumer loans, when the loan is secured with preferred collateral, the required reserve is 60%, and when secured with highly liquid preferred collateral, the required reserve is 30%.

To record the allowance for loan losses, Credicorp uses IAS 39, for which all of the Class C, D and E loans, considered impaired, are analyzed taking into consideration the present value of their expected cash flows, including the recoverable amounts of the guarantees and collateral, discounted at the original effective interest rate of each loan. 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 cost for obtaining and selling the collateral. The methodology and assumptions used for estimating future cash flows are reviewed regularly by Credicorp in order to reduce any differences between loss estimates and actual loss experience. The allowance for credit losses also covers estimated losses for impaired loans not specifically identified. In the case of borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk provision is provided.

SBS regulations consider as refinanced or restructured those loans or credits that change their payment schedules due to difficulties in the debtor's ability to repay the loan. Restructured loans are issued under the protection of the Equity Restructuring Law. Refinanced credits are required to be classified as class B or in a higher risk category following the application of regular guidelines after a suitable evaluation period of the fulfillment of the new payment schedule. As a benefit to clients with refinanced or restructured loans, subject to certain conditions, short-term loans to finance self-liquidating operations can be classified as class A.

The following table shows Credicorp's loan portfolio at the dates indicated:

<b>At December 31,</b>						
	<b>2000</b>		<b>2001</b>		<b>2002</b>	
	<i>(U.S. Dollars in thousands, except percentages)</i>					
<u>Level of Risk Classification</u>	<u>Amount</u>	<u>% Total</u>	<u>Amount</u>	<u>% Total</u>	<u>Amount</u>	<u>% Total</u>
A: Normal	US\$3,127,630	70.2%	US\$2,864,087	70.5%	US\$3,543,152	73.5%
B: Potential Problems	456,386	10.3	441,323	10.9	456,056	9.5
C: Substandard	446,569	10.0	316,945	7.8	334,423	6.9
D: Doubtful	232,183	5.2	196,501	4.8	239,101	5.0
E: Loss	<u>191,317</u>	<u>4.3</u>	<u>245,623</u>	<u>6.0</u>	<u>244,931</u>	<u>5.1</u>
Total	<u>US\$4,454,085</u>	<u>100.0%</u>	<u>US\$4,064,479</u>	<u>100.0%</u>	<u>US\$4,817,663</u>	<u>100.00%</u>
C+D+E	US\$870,069	19.5%	US\$759,069	18.6%	US\$818,455	17.0%

<b>At December 31,</b>				
	<b>2003</b>		<b>2004</b>	
<u>Level of Risk Classification</u>	<u>Amount</u>	<u>% Total</u>	<u>Amount</u>	<u>% Total</u>
A: Normal	US\$3,393,833	75.7%	US\$3,719,973	81.6%

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B: Potential Problems	437,682	9.8	336,619	7.4
C: Substandard	240,316	5.4	195,062	4.3
D: Doubtful	266,723	6.0	184,206	4.0
E: Loss	<u>142,942</u>	<u>3.1</u>	<u>123,158</u>	<u>2.7</u>
Total	<u>US\$4,481,496</u>	<u>100.00%</u>	<u>US\$4,559,018</u>	<u>100.00%</u>
C+D+E	US\$649,981	14.5%	US\$502,426	11.0%

All of the Class E loans and substantially all of the 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 present loan repayment terms. The majority of these Class C loans are to companies in the Peruvian manufacturing sector and, to a lesser extent, the agricultural sector. The manufacturing sector loans are primarily secured by warrants and liens on goods or by mortgages, whereas the agricultural credits 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. In addition, the collateral securing these loans is only considered for purposes of establishing loan loss reserves and not for purposes of classification. Credicorp believes that the collateral securing its Class C loans has not been significantly impaired by the credit deterioration of the borrower.

*Classification of the Loan Portfolio Based on the Borrower's Payment Performance*

Credicorp considers loans to be past due depending on their type. BCP considers loans past due after no more than 15 days, except for consumer mortgage and leasing loans, and loans to micro-businesses, which are considered past due after 30 days. Beginning January 1, 2001, the SBS issued accounting rules requiring Peruvian banks to consider overdrafts past due after 30 days. ASHC considers past due all overdue loans except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. Interest income is suspended when collection of loans become doubtful, such as when overdue by more than 90 days, and such income is excluded from interest income until received. Uncollected income on such loans is reversed against income. When management determines that the debtor's financial condition has improved, the recording of interest thereon is reestablished on an accrual basis. Therefore, we do not accrue interest on past due loans. Instead, interest on past due loans is recognized only when and to the extent received. Over the past five years, Credicorp has recognized interest income on these loans of US\$15.7 million in 2000, US\$17.5 million in 2001, US\$15.0 million in 2002, US\$11.0 million in 2003 and US\$6.2 million in 2004. 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 Credicorp's loan portfolio as of December 31 of each of the last five years:

	<b>At December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands, except percentages)</i>				
Current	US\$4,077,984	US\$3,713,644	US\$4,411,528	US\$4,225,288	US\$4,399,961
Past due:					
Overdue 16-119 days	108,830	54,291	82,259	50,981	11,572
Overdue 120 days or more	267,271	296,544	323,876	205,227	147,485
Subtotal	US\$ 376,101	US\$ 350,835	US\$ 406,135	US\$256,208	US\$159,057
Total loans	<u>US\$4,454,085</u>	<u>US\$4,064,479</u>	<u>US\$4,817,663</u>	<u>US\$4,481,496</u>	<u>US\$4,559,018</u>
Past due loan amounts as a percentage of total loans	8.44%	8.63%	8.43%	5.72%	3.49%

With respect to consumer, mortgage and leasing loans, BCP, in accordance with SBS regulations, only recognizes as past due installments for these loans that are past due for fewer than 90 days. The entire amount of these loans will



be considered past due if any amount is past due more than 90 days.

*Past Due Loan Portfolio*

The following table analyzes Credicorp's past due loan portfolio by type of loan at the dates indicated:

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**At December 31,**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>Past due loan amounts:</b>					
	<i>(U.S. Dollars in thousands)</i>				
Loans	US\$286,345	US\$263,553	US\$322,179	US\$194,761	US\$85,467
Discounted notes	17,930	9,577	4,513	1,531	776
Advances and overdrafts in demand deposits	17,161	15,332	7,892	3,400	4,157
Leasing transactions	18,796	19,686	17,231	8,716	9,387
Refinanced loans	<u>35,869</u>	<u>42,687</u>	<u>54,320</u>	<u>47,800</u>	<u>59,270</u>
Total past due portfolio	<u>US\$376,101</u>	<u>US\$350,835</u>	<u>US\$406,135</u>	<u>US\$256,208</u>	<u>US\$159,057</u>
Reserves:					
	US\$	US\$			
Specific reserves	324,448	314,004	US\$378,051	US\$285,842	US\$227,267
Not specifically identified reserves	17,039	30,429	45,980	40,835	44,606
Total reserves for loan losses(1)	<u>US\$341,487</u>	<u>US\$344,433</u>	<u>US\$424,03</u>	<u>US\$326,677</u>	<u>US\$271,873</u>
Total past due portfolio net of total reserves	<u>US\$ 34,614</u>	<u>US\$ 6,402</u>	<u>(US\$17,896)</u>	<u>(US\$70,469)</u>	<u>(US\$112,816)</u>

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

Interest on past due loans and loans in legal collection is excluded from interest income until collected. The interest income that would have been recorded for these credits in accordance with the terms of the original contract amount is approximately US\$57.6 million and US\$86.1 million as of December 31, 2004 and 2003, respectively. (See Note 7 (h) to the Credicorp Consolidated Financial Statements.) The interest income recognized by Credicorp on these loans was US\$6.2 million in 2004 and US\$11.0 million in 2003.

*Loan Loss Reserves*

The following table shows the changes in Credicorp's reserves for loan losses and movements at the dates indicated:

**Year ended December 31,**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>				
Reserves for loan losses at the beginning of the year	US\$307,343	US\$341,487	US\$344,433	US\$424,031	US\$326,677
Additional provisions	170,102	119,422	99,596	66,421	16,131
Acquisitions and transfers			122,841		
Recoveries of write-offs	7,825	14,935	12,050	17,416	32,287
Write-offs	(135,320)	(124,690)	(150,102)	(185,688)	(120,150)
Monetary correction and other	<u>(8,463)</u>	<u>(6,721)</u>	<u>(4,787)</u>	<u>4,497</u>	<u>16,928</u>
Total reserves for loan losses at the end of the year	<u>US\$341,487</u>	<u>US\$344,433</u>	<u>US\$424,031</u>	<u>US\$326,677</u>	<u>US\$271,873</u>

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.

Reserves for loan losses as of December 31, 2004 include US\$253.4 million of reserves for credit losses and US\$18.5 million of reserves for indirect or contingent credit losses (US\$306.8 million and US\$19.9 million as of December 31, 2003, respectively). The reserves for indirect credit losses are included in the *Other liabilities* caption of Credicorp's consolidated balance sheet (see Notes 7(f) and 10(a) to the Credicorp Consolidated Financial Statements).

Under Peruvian banking regulations, there is a substantial delay between the identification of a loan as non-performing and the partial or full charging-off of such loan. This delay may span years, as banks are required to exhaust legal remedies and demonstrate the absolute non-collectibility of a loan

(generally through liquidation or bankruptcy of the borrower). SBS regulations in effect since January 2000, facilitate the charge-off process by reducing the period required for loans to be past-due. The new regulations require a case-by-case prior approval by the Board of Directors and by the SBS.

Credicorp sells certain of its fully provisioned past due loans to a wholly-owned subsidiary for a nominal amount with the same effect as if the loans had been charged-off. Accordingly, Credicorp believes that its past due loan amounts are not materially different from what they would be were it permitted to charge-off loans prior to demonstrating the absolute non-collectibility of the loan.

*Allocation of Loan Loss Reserves*

The following table sets forth the amounts of reserves for loan losses attributable to commercial, consumer and residential mortgage loans at the dates indicated:

	<b>At December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>				
Commercial loans	US\$297,026	US\$301,267	US\$388,809	US\$283,470	US\$228,554
Consumer loans	17,272	18,714	14,879	14,479	14,079
Residential mortgage loans	16,778	17,814	13,521	24,414	21,375
Leasing transactions	10,411	6,638	6,822	4,314	7,865
	<u>US\$</u>	<u>US\$</u>			
Total reserves	<u>341,487</u>	<u>344,433</u>	<u>US\$424,031</u>	<u>US\$326,677</u>	<u>US\$271,873</u>

**(iv) Deposits**

The following table presents the components of Credicorp's deposit base at the dates indicated:

	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Demand deposits:			
Nuevo Sol-denominated	US\$ 335,069	US\$394,556	US\$507,924
Foreign Currency-denominated	<u>1,120,539</u>	<u>1,087,399</u>	<u>1,242,353</u>
Total	US\$1,455,608	US\$1,481,955	US\$1,750,277
Savings deposits:			
Nuevo Sol-denominated	US\$ 284,283	US\$324,853	US\$403,579
Foreign Currency-denominated	<u>1,416,595</u>	<u>1,157,757</u>	<u>1,179,923</u>
Total	US\$1,700,878	US\$1,482,610	US\$1,583,502
Time deposits:			
Severance Indemnity Deposits (CTS)			
Nuevo Sol-denominated	US\$ 38,570	US\$ 40,603	US\$47,986
Foreign Currency-denominated	513,604	486,831	482,697
Total	US\$ 552,174	US\$527,434	US\$530,683
Foreign Currency Bank Certificates			
Foreign Currency-denominated	US\$ 83,319	US\$57,725	US\$54,310
Other time deposits:			
Nuevo Sol-denominated	US\$ 510,463	US\$546,450	US\$431,741
Foreign Currency-denominated	2,078,758	1,880,332	1,920,459
Total	US\$2,589,221	US\$2,426,782	US\$2,352,200
Total deposits:			
Nuevo Sol-denominated	US\$1,168,385	US\$1,306,463	US\$1,391,230
Foreign Currency-denominated	<u>5,212,815</u>	<u>4,670,043</u>	<u>4,879,742</u>
Total	<u>US\$6,381,200</u>	<u>US\$5,976,506</u>	<u>US\$6,270,972</u>

The following table sets forth information regarding the maturity of Credicorp's time deposits in denominations of US\$100,000 or more at December 31, 2004:

	<b>At December 31, 2004</b>	
	<i>(U.S. Dollars in thousands)</i>	
Certificates of deposit:		
Maturing within 30 days	US\$	4,274
Maturing after 30 but within 60 days		2,696
Maturing after 60 but within 90 days		2,029
Maturing after 90 but within 180 days		1,611

Maturing after 180 but within 360 days		762
Maturing after 360 days		<u>118</u>
Total certificates of deposits	US\$	11,488
Time deposits:		
Maturing within 30 days	US\$	702,905
Maturing after 30 but within 60 days		234,023
Maturing after 60 but within 90 days		210,902
Maturing after 90 but within 180 days		171,099
Maturing after 180 but within 360 days		108,626
Maturing after 360 days		<u>92,764</u>
Total time deposits	US\$	<u>1,520,318</u>
Total	US\$	<u>1,531,806</u>

**(v) Return on Equity and Assets**

	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
Return on assets (1)	0.52%	0.95%	1.50%
Return on equity (2)	5.23%	9.29%	13.23%
Dividend payout ratio (3)	66.81%	46.84%	57.75%
Equity to assets ratio (4)	10.50%	10.23%	11.22%

- (1) Net income as a percentage of average total assets, computed as the average of period beginning and period ending balances.
- (2) Net income as a percentage of average shareholder's equity, computed as the average of period beginning and ending balances.
- (3) Dividends declared per share divided by net income per share.
- (4) Average equity divided by average total assets, both averages computed as the average of quarter-ending balances.

**(vi) Short-Term Borrowings**

Credicorp's short-term borrowings, other than deposits, amounted to US\$43.3 million, US\$62. million and US\$74.7 million as of December 31, 2002, 2003 and 2004, respectively. Average balances of borrowed amounts remained at relatively low levels during 2002, 2003 and 2004 mostly due to excess liquidity at BCP. Foreign trade lines of credit comprise the most important short-term borrowing category. Trade lines of credit comprised approximately 64%, 59% and 29% of all short-term borrowings during 2002, 2003 and 2004, respectively.

The following table presents Credicorp's short-term borrowings:

	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Year-end balance	US\$ 43,277	US\$ 62,001	US\$ 74,709
Average balance	US\$ 46,047	US\$ 41,209	US\$ 61,802
Maximum quarter-end balance	US\$ 51,831	US\$ 62,960	US\$ 100,998
Weighted average nominal			
Year-end interest rate	4.71%	2.35%	4.22%
Weighted average nominal			
Interest rate	5.38%	2.85%	3.83%

**(C) Organizational Structure**

Although historically there has been substantial overlap among the shareholders of BCP, ASHC and PPS, for reasons related to the regulatory, political and economic environment in Perú, they have been managed independently from one another. Credicorp was formed in 1995 by the management of BCP for the purpose of acquiring, pursuant to the Exchange Offer, the common shares of BCP, ASHC and PPS. In the October 1995 Exchange Offer, Credicorp 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 Common Shares at a ratio of 0.10401, 0.33708 and 1.2249 Common Shares per

common share of BCP,



ASHC and PPS, respectively. The Common Shares commenced trading on the New York Stock Exchange immediately upon consummation of the Exchange Offer, with a closing price on such day of US\$11.61 (adjusted to reflect stock dividends through May 1999).

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

Credicorp's management, which consists of certain principal executive officers of BCP, ASHC and PPS, 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, and to achieve synergies from the cross-selling of financial services and products (e.g., through BCP's extensive branch network). Credicorp, through its subsidiaries, is the largest Peruvian provider of financial services in Perú.

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 Perú 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, Chairman of the Board and Chief Executive Officer of Credicorp, was a member of the Board of Directors of BCP from 1966 to 1987, becoming Chairman in 1979. In response to then President of Perú, Alan García's 1987 attempt to nationalize the Peruvian banking industry, the majority shareholders at that time, including Mr. Romero, sold a controlling interest in BCP and transferred management to its employees, which prevented the government from gaining control of BCP. Upon the election of Alberto Fujimori as President of Perú in 1990 and the introduction of market reforms, the Romero family reestablished its shareholding in BCP and Mr. Romero and several former key managers of BCP returned to BCP. See (9) Peruvian Government and Economy (i) Peruvian Government. Members of the Romero family exchanged their BCP shares in the Exchange Offer, and now hold 15.81% of the Common Shares of Credicorp. See Item 7. Major Shareholders and Related Party Transactions (A) Major Shareholders.

ASHC was organized in December 1981 as a wholly-owned subsidiary of BCP, under the name Crédito del Peru Holding Corporation ( BCP International ), in the Cayman Islands and became the first Peruvian bank to establish an offshore banking presence to serve its Peruvian customers. In 1983, BCP dividdened the shares of BCP International to the shareholders of BCP 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. Also in 1986, BCP International changed its name to Atlantic Security Holding Corporation. 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 agency in the same city. Also in Miami, Credicorp Securities was established as a wholly-owned subsidiary of Credicorp and began operating in early 2003 serviced by former ASHC personnel.

Credicorp owns 75.72% of PPS, which was formed in 1992 as a result of a merger between El Pacífico Compañía de Seguros y Reaseguros S.A. and Compañía de Seguros y Reaseguros Peruano-Suiza S.A., and is the largest Peruvian insurance company in terms of premiums sold and health fees. PPS's major subsidiaries are Pacífico Vida, which specializes in life and pension fund insurance, and Pacífico Salud, which provides health insurance as an alternative to public social security. After Pacífico Salud's



merger with Novasalud EPS in August 2004, there are only two remaining private health insurance providers in the Peruvian market.

Credicorp owns 99.99% of Inversiones Crédito S.A., with holdings of equity shares in Peruvian electric utilities and other non-financial companies. This subsidiary is the principal shareholder of Prima AFP, Credicorp's private pension fund administrator expected to begin operations in the second half of 2005.

BCB (formerly Banco Popular S.A., Bolivia), another Credicorp subsidiary, was acquired by BCP for US\$6.2 million in November 1993. After transferring to BCP a 53.1% stake in November 2001, Credicorp holds directly 2.7% of BCB's equity with the rest held through BCP. In December 2002, BCP acquired BSCH-Perú, which was merged into BCP on February 28, 2003.

During 2003, BCP converted BCOL, its offshore bank in the Bahamas, into a vehicle to conduct investments and sold it to ASHC. ASHC subsequently consolidated BCOL into its operations during 2004. BCOL's business of taking offshore U.S. Dollar deposits and making U.S. Dollar-denominated loans to large Peruvian customers has been taken over by both BCP's Panama branch and by ASHC.

Credileasing conducts lease financing operations and began operating in July 1996, taking over the operations previously managed by Financiera de Crédito, which simultaneously became Solución Financiera, specializing in consumer and micro-business lending.

Solución was merged into BCP's Peruvian banking operations in March 2004 after becoming a wholly-owned subsidiary of BCP in March 2003 as a result of BCP acquiring the remaining 45% of Solución's equity interests.

In March 2005, Credicorp completed the sale of Banco Tequendama to a Colombian bank. At December 31, 2004, Banco Tequendama had US\$306.7 million in loans and US\$290.5 million in deposits. Banco Tequendama was acquired by Credicorp in January 1997 from the *Fondo de Garantía de Depósitos y Protección Bancaria* (FOGADE), the Venezuelan government entity responsible for the re-privatization of assets seized by that government in connection with the widespread problems faced by the Venezuelan banking sector beginning in 1994. Credicorp, along with FOGADE and FOGADE's financial adviser, were sued in Aruba by the former owners of Banco Tequendama, who are seeking compensation for damages. The Judge in the Court of first instance in Aruba dismissed the claim and the plaintiff appealed. In April 2004, the Court of Appeals in Aruba rejected all claims from the former owners. The former owners had originally sued unsuccessfully in Colombia.

In December 1997, Credicorp extended its presence into El Salvador through the acquisitions of Banco Capital for US\$5.8 million and Casa de Bolsa Capital, a brokerage house, for US\$800,000. Credicorp sold its interest in Banco Capital in November 2001 and liquidated the brokerage house in 2002.

#### **(D) Property, Plants and Equipment**

At December 31, 2004, Credicorp had 309 branches, representative and similar offices, of which 126 were branch offices of BCP in Greater Lima. Credicorp's principal properties include the headquarters of BCP, at Calle Centenario 156, La Molina, Lima 12, Perú, and the headquarters of PPS at Avenida Arequipa 660, Lima, Perú. Credicorp owns these properties, with the exception of approximately 80 properties which it holds under leases. There are no material encumbrances on any of Credicorp's properties.

**ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS****(A) Operating Results****(1) Critical Accounting Policies**

Accounting policies applied by Credicorp are integral to the understanding of its results of operations and financial condition. The accounting policies are described in Note 3 to the Credicorp Consolidated Financial Statements ( Significant Accounting Policies to the Credicorp Consolidated Financial Statements), which are prepared in accordance with IFRS. Additionally, Note 26 to the Credicorp Consolidated Financial Statements describes certain significant differences between IFRS and U.S. GAAP. Some of these accounting policies are considered critical because, in Credicorp's opinion, they have an important effect on Credicorp's financial position and its results of operations and require difficult, subjective or complex judgments. The following is a summary of those critical accounting policies.

*Allowance for loan losses*

The allowance for loan losses represents the estimate of the probable losses of the loan portfolio at the end of each reporting period. The methodology for determining reserves for loan losses is further described in Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio. The determination of the amount of the allowance for loan losses by its nature involves judgments regarding various risk factors. This is especially true for the determination of the allowance for micro-businesses, mortgages and consumer credits because such credits are reviewed on a portfolio basis and with consideration of past due installments. For commercial loans, the classification takes into consideration several factors, such as the payment history of the particular loan, the history of Credicorp's dealings with the borrower's management, operating history, repayment capability and availability of funds of the borrower, status of any collateral and guarantee, the borrower's financial statements, general risk of sector in which the borrower operates, the borrower's risk classification made by other financial institutions in the market and any other relevant factors. Many factors can affect estimation of the range of losses in each of the categories for which Credicorp estimates the allowance on a portfolio basis. These factors include the methodology used to measure historical delinquency, the determination of the historical period to be considered in such measurements, any legal proceedings brought against specific clients, economic conditions in the different countries in which loans are made (country risk), historical loan loss experience, and appraisal of the loan portfolio, as well as other factors which, in our opinion, require recognition in estimating possible loan losses. The provision is increased for loans for which Credicorp cannot recover the outstanding amount. In such cases, the provision is the difference between the book value and the recoverable amount, which is determined by the present value of expected future cash flows, including the recoverable amount of guarantees. The methodology and assumptions used for estimating future cash flows are reviewed regularly by Credicorp in order to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written-off against the related provision for loan impairment. Such loans are written-off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off decrease the amount of the provision for loan impairment in the consolidated income statement.

This allowance is estimated based on historical losses and other relevant information. The allowance related to direct credits is presented as a reduction of the related asset and the allowance related to indirect credits is presented as part of the liabilities in Credicorp's consolidated balance sheet. See Note



10 to the Credicorp Consolidated Financial Statements. Although Credicorp's models are frequently revised and improved, changes in the Peruvian economy and the short credit history of some clients result in increased uncertainty in these models. The use of different estimates or assumptions could produce different provisions for loan losses and changes in the macro-economic, political and regulatory Peruvian environment could affect the determination of the allowance for loans losses. See Item 3. Key Information (D) Risk Factors.

### *Investments*

Beginning in 2001, Credicorp classified its investments in accordance with IAS 39. Management determines the classification of its investments at the date of their purchase and evaluates such classification periodically. On January 1, 2001, Credicorp recognized a credit to retained earnings of US\$4.5 million as a result of the adoption of IAS 39 relating to the accounting treatment of investments available-for-sale.

The accounting treatment of our securities depends on whether we classify them at acquisition as trading, available-for-sale or held-to-maturity investments. Investments acquired, including those directly from the issuer, mainly with the purpose of generating profits based on short-term price fluctuations, are considered as trading investments. Investments available-for-sale are those intended 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 prices.

Trading investments and investments available-for-sale are initially recognized at cost, including the inherent costs of the transaction and are subsequently adjusted to their estimated fair value.

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

All related realized and unrealized gains and losses of trading securities are included in the income statement. Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes and minority interest. Unrealized gains or losses are recognized in income of the year when the investments available-for-sale are sold.

Credicorp's management determines that an available-for-sale investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires management's judgment. In making this judgment, Credicorp evaluates the normal volatility in share price, evidence of deterioration in the financial health of the issuer, industry and sector performance, changes in technology, and operational and financing cash flow. When a permanent impairment is present, the related unrealized loss is recognized in the consolidated income statement.

Classification at acquisition date in each of the three categories mentioned above, implies judgment about our expectations as to our strategy concerning each specific security. Changes in circumstances may modify our strategy with respect to a specific security requiring a transfer among the three categories indicated above.

*Fair value of financial instruments*

Financial instruments recorded at fair value on our balance sheet include mainly securities classified as trading and available-for-sale and other trading assets including derivatives. Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. We estimate fair value using quoted market prices when available. When quoted market prices are not available we use a variety of models, which include pricing models, comparisons to quoted prices of instruments with similar characteristics or discounted cash flow analysis. The determination of fair value when quoted market prices are not available involves management judgment. For example, there is often limited historical market data to rely upon when estimating the impact of holding a significant position or a position acquired a long time ago. Similarly, judgment must be applied in estimating prices when no external parameters exist. Other factors that can affect the estimates are incorrect model assumptions and unexpected correlations. The imprecision in estimating these factors may affect the amount of revenue or loss recorded for a specific asset or liability.

*Derivative financial instruments*

Transactions with derivatives, while providing effective economic hedges, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading. Derivative financial instruments are initially registered at cost and are subsequently remeasured at their fair value. Fair values are obtained based on market exchange rates or 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 values are recorded in the income statement.

*Insurance reserves*

PPS establishes insurance reserves for the following types of claims: reserves for casualty claims that have been reported but not paid, reserves in respect of IBNR claims, reserves for future benefit obligations under in-force life and accident insurance policies and unearned premium reserves. These reserves collectively appear on Credicorp's consolidated balance sheet as Reserve for Property and Casualty Claims and Reserve for Unearned Premiums.

Casualty claims are recorded when reported. The incurred but not reported claims (IBNR) are estimated and reflected as a liability, net of recoveries and reinsurance. The IBNR at December 31, 2004 and 2003 have been estimated using generally accepted actuarial reserving methods that take into account the statistical analyses of historical loss experience data, the use of projection methods and, as appropriate, certain qualitative factors to reflect the effect of current conditions or trends upon such experience. Management considers that the estimated amount is sufficient to cover any liability related to IBNR at December 31, 2004 and 2003.

PPS establishes reserves calculated to meet its obligations under its life and accident policies by using mortality tables, morbidity assumptions and interest rate projections.

Reserves for life insurance policies are estimated using a net level premium method on the basis of actuarial assumptions as to mortality and interest established at product design. The mortality assumptions established at product design are based on experience which, together with interest assumptions, include a margin for adverse deviation. Additional reserves for specific future benefits, like participating life policies, endowment and return of premium policies are computed using international standards. Benefit liabilities for annuities during the accumulation period are equal to accumulated

contractholders' fund balances and after annuitization are equal to the present value of expected future payments.

Policyholders' funds for universal life and investment-type products, including or not an interest guaranteed and funding agreements, are equal to the policyholder account values. Policy benefits that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policyholders' account balances.

Unearned premium reserves are established to cover the risks of policy lapse or termination prior to the end of the policy period. These reserves are calculated on an individual basis for each policy or coverage certificate, applying the unearned portion of the total risk. A premium deficiency reserve is established when the reserve for unearned premiums becomes insufficient to cover the risks and future expenses that correspond to the unexpired period of coverage at the date of calculation.

PPS's insurance reserves are calculated using actuarial principles and a variety of assumptions, including, as mentioned above, mortality tables, interest rate estimates and historical claim payment patterns. See Note 3(e) to the Credicorp Consolidated Financial Statements. Although Credicorp frequently revises its models and assumptions, there is inherent uncertainty in the process of estimation of insurance reserves.

Furthermore, changes in variables such as healthcare costs and mortality rates or macro-economic factors, including Perú's political, economic and regulatory environment, could affect the assumptions used in the estimation of insurance reserves, contributing to uncertainty in the estimation of insurance reserves.

#### *Use of estimates*

In presenting the financial statements, management also makes estimates and assumptions that include the amount of valuation allowances on deferred tax assets, the amount of insurance reserves, the selection of useful lives of certain assets and the determination of whether a specific asset or group of assets has been impaired. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could differ from those estimates.

## **(2) Historical Discussion and Analysis**

The following discussion is based upon information contained in the Credicorp Consolidated Financial Statements and should be read in conjunction therewith. The Credicorp Consolidated Financial Statements have been prepared in accordance with IFRS, which differ in certain significant respects from U.S. GAAP. See Note 26 to the Credicorp Consolidated Financial Statements, which provides a description of the significant differences between IFRS and U.S. GAAP as they relate to Credicorp, and a reconciliation to U.S. GAAP of Credicorp's net income and shareholders equity. 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 2002, 2003 and 2004 reflect the financial position and results of operations for 2002, 2003 and 2004 of Credicorp's subsidiaries. See Item 3. Key Information (A) Selected Financial Data.



At December 31, 2004, approximately 77.8% of Credicorp's deposits and 85.1% of its loans were denominated in foreign currencies, reflecting the historic lack of confidence in the Peruvian currency stemming from high inflation rates in prior years. With the reduction in the rate of inflation, Credicorp has begun to attract more Nuevo Sol-denominated deposits and to offer more Nuevo Sol-denominated loans. Nevertheless, Credicorp expects the majority of its deposits and loans to continue to be denominated in foreign currencies.

*Results of Operations for the Three Years Ended December 31, 2004*

The following table sets forth, for the years 2002, 2003 and 2004, the principal components of Credicorp's net income:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Interest income	US\$531,874	US\$548,285	US\$542,842
Interest expense	178,070	163,580	160,298
Net interest income	US\$353,804	US\$384,705	US\$382,544
Provision for loan losses	99,596	66,421	16,131
Net interest income after Provision	US\$254,208	US\$318,284	US\$366,413
Noninterest income	210,441	239,615	243,879
Insurance premiums earned net of claims on insurance activities	27,317	25,341	38,347
Other expenses	404,186	430,373	459,928
Merger costs	0	18,587	3,742
Income before translation result, income tax and minority interest	<u>US\$ 87,780</u>	<u>US\$134,280</u>	<u>US\$184,969</u>
Translation result (loss) gain	US\$ (2,482)	US\$ (3,675)	US\$ 2,040
Income tax	(32,628)	(39,695)	(45,497)
Minority interest	(10,287)	(10,303)	(10,765)
<b>Net income</b>	<b>US\$ 42,383</b>	<b>US\$80,607</b>	<b>US\$130,747</b>

Credicorp's consolidated net income increased from 2003 to 2004 principally due to lower loan loss provisions and to higher insurance premiums, net of claims, which were partly offset by increased operating expenses. Operating expenses increased despite a reduction in merger costs, which decreased from US\$18.6 million in 2003 for expenses related to the BSCH-Perú merger to US\$3.7 million in 2004 for expenses related to the merger with Solución.

Consolidated net income increased from US\$80.6 million in 2003 to US\$130.7 million in 2004 principally due to higher net interest income and non-interest income, lower loan loss provisions, and the partial offset in 2003 of the BSCH-Perú non-recurring merger costs.

*Net Interest Income*

Net interest income represents the difference between interest income on interest-earning assets and the interest paid on interest bearing liabilities. The following table sets forth the components of net interest income:

**Year ended December 31,**

	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
<b>Interest income:</b>			
Loans	US\$420,341	US\$452,950	US\$426,537
Deposits	15,764	5,078	4,789
Deposits in Central Bank	20,752	13,748	15,357
Investment securities and others	72,724	71,885	93,903
Dividends	<u>2,293</u>	<u>4,624</u>	<u>2,256</u>
Total interest income	US\$531,874	US\$548,285	US\$542,842
<b>Interest expense:</b>			
Saving deposits	US\$9,358	US\$6,328	US\$6,215
Time deposits	116,576	107,420	84,966
Issued bonds	22,113	28,068	27,651
Borrowing from other financial institutions	25,285	17,235	16,366
Demand deposits	<u>4,738</u>	<u>4,529</u>	<u>25,100</u>
Total interest expense	<u>US\$178,070</u>	<u>US\$163,580</u>	<u>US\$160,298</u>
Net interest income	<u>US\$353,804</u>	<u>US\$384,705</u>	<u>US\$382,544</u>

Credicorp's net interest income decreased 0.6% in 2004 compared to 2003, which in turn increased 8.7% compared to 2002.

*Interest Income.* Interest income decreased 0.9% in 2004, after increasing 3.1% in 2003 compared to 2002. The decrease in 2004 is primarily due to lower interest rates on loans. The increase in 2003 is primarily due to higher average loan volumes and other interest earning assets resulting mainly from the acquisition of BSCH-Perú, which took place in December 2002. In these periods, Credicorp continued having excess liquidity resulting from reduced loan demand in Perú and from competition from the capital markets which offer financing at lower costs to the corporate sector. Another contributing factor was the continuing policy of Credicorp's management to tighten credit requirements in the Middle Market and Small Business segments. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information.

Average nominal interest rates earned by Credicorp on its loans decreased to 9.5% in 2004 from 10.3% in 2003, which had increased from 10.1% in 2002. The average nominal interest rate for foreign currency-denominated loans was 8.5% in 2002, increasing to 8.8% in 2003, but decreased to 7.7% in 2004. Interest rates for Nuevo Sol-denominated loans decreased from 20.4% in 2002 to 18.5% in 2003, but increased to 19.1% in 2004.

The quarterly average balance of Credicorp's foreign currency-denominated loan portfolio increased 1.8% to US\$3,823.4 million in 2004 from US\$3,755.2 million in 2003, which in turn increased 4.4% from US\$3,595.2 million in 2002. The average balance of Credicorp's Nuevo Sol-denominated loan portfolio increased 23.7% from US\$560.1 million in 2002 to US\$692.6 million in 2003, but decreased by 0.1% to US\$691.7 million in 2004. Credicorp's excess liquidity continued through 2004, but the low loan demand made it difficult to place loans adequately. During 2004, an increasing proportion of loans went to small business, housing mortgages and consumer segments presenting higher risk, but these segments also yielded higher margins. See Item 4. Information on the Company (B) Business

Overview (3) Commercial Banking (ii) Retail Banking and Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information.

*Interest expense.* Interest expense decreased 2.0% in 2004 compared to 2003, and by 8.1% in 2003 compared to 2002. Lower interest expense in 2004 and 2003 was principally due to decreased interest rates on deposits. Interest rates paid on foreign currency-denominated deposits decreased from

2.3% in 2002 to 1.9% in 2003 and further to 1.7% in 2004. Interest paid on Nuevo Sol-denominated deposits decreased from 2.1% in 2002 to 1.5% in 2003, but increased to 2.0% in 2004. The decrease in the average nominal interest rate paid on foreign currency-denominated deposits resulted primarily from excess liquidity in Perú's major banks and also as a result of low rates in international capital markets. See Item 4. Information on the Company (B) Business Overview (8) Competition and Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information.

Credicorp's average foreign currency-denominated deposits decreased 5.4% to US\$4,254.9 million in 2004 from US\$4,496.2 million in 2003, which in turn increased 14.1% from US\$3,941.2 million in 2002. Credicorp's average Nuevo Sol-denominated deposits increased 1.7% in 2004 to US\$1,114.2 million from US\$1,095.3 million in 2003, which in turn increased 20.1% from US\$912.0 million in 2002. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information.

*Net interest margin.* Credicorp's net interest margin (net interest income divided by average interest-earning assets) marginally increased from 5.1% in 2002 to 5.2% in 2003, but decreased to 4.9% during 2004 as returns declined on interest-earning assets, mostly securities and Nuevos Soles loans, while funding costs remained almost unchanged. The net interest margin was largely unaffected during 2003 as lower returns on interest-earning assets, mostly securities and Nuevos Soles loans, were offset by lower funding costs. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information.

#### *Provision for Loan Losses*

Credicorp classifies by risk category all of its loans and other credits. Credicorp establishes its loan loss reserves based on criteria established by IAS 39 (see Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Classification of the Loan Portfolio). Credicorp does not anticipate that the expansion of its loan portfolio or the consolidation of the activities of its subsidiaries will necessitate a change in its reserve policy.

The following table sets forth the movements in Credicorp's reserve for loan losses:

	<b>Year ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>				
Reserves for loan losses at the beginning of the year	US\$307,343	US\$341,487	US\$344,433	US\$424,031	US\$326,677
Additional provisions	170,102	119,422	99,596	66,421	16,131
Acquisitions			122,841		
Recoveries of write-offs	7,825	14,935	12,050	17,416	32,287
Sales and write-offs	(135,320)	(124,690)	(150,102)	(185,688)	(120,150)
Monetary Correction and Other	<u>(8,463)</u>	<u>(6,721)</u>	<u>(4,787)</u>	<u>4,497</u>	<u>16,928</u>
Reserves for loan losses at the End of the year	<u>US\$341,487</u>	<u>US\$344,433</u>	<u>US\$424,031</u>	<u>US\$326,677</u>	<u>US\$271,873</u>

Provisions for loan losses, charged against income net of recoveries, decreased 75.7% to US\$16.1 million in 2004, after decreasing 33.3% to US\$66.4 million in 2003. Provision expense in 2004 included US\$3.1 million required by BCB (compared to US\$20.6 million in 2003) and US\$4.3 million for Banco Tequendama (compared to US\$5.0 million in 2003). The lower provision expense in 2004 and 2003 is

primarily due to improved loan quality, particularly with respect to BCP's loan portfolio, and to a lesser degree to lower loan volumes and higher recoveries of charged-off accounts. Recoveries of previously charged-off accounts in 2004 amounted to US\$32.3 million (compared to US\$17.4 million in 2003). The Middle Market and Small Business segments continued to require most of the provisions made during 2004 and 2003, particularly due to the growth in the consumer loan portfolio in 2003 (from US\$205.7 million outstanding at year end 2002 to US\$251.8 million at year end 2003) and in the residential mortgage portfolio in 2004 (from US\$549.2 million outstanding at year end 2003 to US\$649.9 million at year end 2004).

The effects of the increase in specific provisions were partly offset by write-offs of specific loans amounting to US\$120.2 million during 2004, 35.3% lower than US\$185.7 million in 2003, which in turn was 23.7% higher than US\$150.1 million in 2002. The loans charged off are primarily attributable to the removal of loans that were fully provided for and considered unrecoverable (see Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Loan Loss Reserves ).

Loan loss provisions for impaired loans not specifically identified, which totaled US\$46.0 million as of December 31, 2002, decreased to US\$40.8 million as of December 31, 2003, but increased to US\$44.6 million as of December 31, 2004.

Total reserves, including reserves for contingent credits, as a percentage of past due loans increased to 170.9% at year-end 2004 from 127.5% at year-end 2003 and from 104.4% at year-end 2002. Total reserves as a percentage of substandard loans increased to 54.1% at year-end 2004 from 50.3% at year-end 2003, which in turn decreased from 51.8% at year-end 2002. Given the changing composition of Credicorp's loan portfolio, Credicorp's historical loss experience may not be indicative of its future loan loss experience.

#### *Noninterest income*

The following table reflects the components of Credicorp's noninterest income:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Fees and commissions from banking services	US\$177,305	US\$189,472	US\$201,474
Net (loss) gains from sales of securities	(1,097)	3,235	10,135
Net gains on foreign exchange transactions	22,582	23,681	24,165
Other income	<u>11,651</u>	<u>23,227</u>	<u>8,105</u>
Total non-interest income	<u>US\$210,441</u>	<u>US\$239,615</u>	<u>US\$243,879</u>

Credicorp's noninterest income, without including net premiums earned, increased 1.8% to US\$243.9 million in 2004 from US\$239.6 million in 2003, which in turn increased 13.9% from US\$210.4 million in 2002. Revenue increase in 2004 is primarily due to higher fees from banking services, as well as increased gains on sales of securities, which were partly offset by declines in various revenue items included in Other income, which decreased from US\$23.2 million in 2003 to US\$8.1 million in 2004. See Item 4. Information on the Company (B) Business Overview (5) Insurance.

Fee and commission income grew 6.3% to US\$201.5 million in 2004, after a 6.9% increase in 2003 from 2002. In 2004, growth in banking fee revenue was mostly due to growth in credit card fees, fund transfer fees and collections.

Fees increased in 2003 mainly due to growth in account maintenance fees, credit cards and in brokerage and mutual funds fees.



Net gains from the sale of securities, principally equities, resulted in a gain of US\$10.1 million in 2004, compared to a gain of US\$3.2 million in 2003, after a net loss of US\$1.1 million in 2002. In 2004, gains were mostly due to gains on sales of long term investments. Gains in 2003 resulted mainly from the recovery of valuations in the capital markets. See Item 4. Information on the Company (B) Business Overview (5) Insurance.

Credicorp's gains from foreign exchange transactions increased 2.0% in 2004 compared to 2003, after a 4.9% increase in 2003 compared to 2002. Gains from foreign exchange transactions are not attributable to proprietary trading on the part of Credicorp. Higher gains in 2004 were mostly due to improved margins, which increased to 0.13% in a more volatile market, while trading volume declined slightly. Increased gains in 2003 compared to 2002 were principally the result of higher volumes which offset a slight decrease of the buy/sell spread to 0.12% in 2003.

Other income decreased 65.1% to US\$8.1 million in 2004, after increasing 99.4% to US\$23.2 million in 2003 compared to 2002. Other income principally consists of customer service charges and certain sundry income items. Other income declined in 2004 returning to a more regular level, mainly due to losses on the sale of foreclosed assets, lower recoveries of provisions for sundry risks and lower other income. The increased in other income in 2003 was due to higher revenue from the sale of assets acquired through mergers (US\$3.8 million in 2003 as compared to US\$0 in 2002), gains on sales to third-parties of written-down accounts (US\$5.1 million in 2003 as compared to US\$0.1 million in 2002) and higher revenue from real estate leasing (US\$2.4 million in 2003 as compared to US\$0.7 million in 2002). See Note 20 to Credicorp's Consolidated Financial Statements.

*Insurance premiums and claims on insurance activities*

The following table reflects the premiums earned and claims incurred in connection with Credicorp's insurance activities:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Net premiums earned	US\$125,218	US\$125,115	US\$192,672
Net claims incurred	23,701	23,844	34,791
Increase in costs for future benefits for life and health policies	74,200	75,930	119,534
Total net premiums and claims	<u>US\$ 27,317</u>	<u>US\$ 25,341</u>	<u>US\$ 38,347</u>

Net premiums and claims show significant increases in 2004 compared to 2003 mainly due to increased operating volume at Pacifico Salud after its merger with Novasalud EPS in August 2004. See Item 4. Information on the Company (B) Business Overview (5) Insurance. Net premiums remained nearly unchanged at US\$125.1 million in 2003 after growing 11.6% to US\$125.2 million in 2002.

Consolidated premiums and fees had the following growth rates: (i) general insurance lines, which accounted for 46.6% of total premiums, decreased 8.3% in 2004 after increasing 5.4% in 2003; (ii) Pacifico Salud, which accounted for 21.8% of total premiums, increased 198.1% in 2004 after declining 7.0% in 2003; and (iii) Pacifico Vida, which accounted for 31.5% of total premiums, increased 4.1% in 2004 after increasing by 42.3% in 2003.

In 2004, life annuities (15.4% of total premiums) increased 12.2% after increasing 136.6% in 2003. Life annuities showed a significant growth rate in 2003 mainly due to favorable regulatory changes

that allowed for early retirement. Pension fund benefits insurance (5.2% of total premiums) decreased 13.8% in 2004, after decreasing 4.6% in 2003. The decrease in pension fund insurance premiums was mainly due to regulatory changes in procedures for the purchase of insurance coverage by private pension funds (AFPs) which caused increased competition and lower fees.

Premiums also increased in 2004 and 2003 as a result of higher tariffs due to higher international reinsurance costs. Retained premiums increased in 2004 and 2003 due in part to the higher reinsurance premiums. As a result, PPS retained a higher proportion of the premiums as PPS contracted less reinsurance. PPS attributes higher reinsurance costs to increased apprehension following the attacks in September 2001 in New York and Washington, D.C. and the lower returns on investments international reinsurers have received due to adverse market conditions.

During 2004, claims on insurance activities increased by 54.7% to US\$154.3 million, after increasing 1.9% to US\$99.8 million in 2003, mainly due to the Novasalud merger. The net loss ratio, defined as net claims paid as a percentage of net premiums written, increased to 52.0% in 2004, compared 48.7% in 2003, which in turn decreased from 58.6% in 2002.

The net loss ratio worsened in 2004 mainly due to the larger relative size of Pacífico Salud and health insurance line which have above average loss ratios. The health insurance line's larger volume offset the decrease in its net loss ratio to 77.9% in 2004 from 83.5% in 2003. The net loss ratio improved 2003 mainly due to lower ratios in the following segments: fire insurance, for which the net loss ratio decreased to 13.4% from 15.9% in 2002; health insurance together with Pacífico Salud, for which the net loss ratio decreased to 83.5% from 85.2% in 2002; and Pacífico Vida, for which the net loss ratio decreased to 32.0% from 45.7% in 2002. See Item 4. Information on the Company (B) Business Overview (5) Insurance.

#### *Other Expenses*

The following table reflects the components of Credicorp's other expenses:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
Salaries and employee benefits	US\$183,468	US\$193,563	US\$202,729
General and administrative	133,502	147,593	153,096
Depreciation and amortization	44,371	47,883	46,595
Provision for seized assets	15,094	13,588	14,639
Other	27,751	27,746	42,869
Merger costs	0	18,587	3,742
Total other expenses	<u>US\$404,186</u>	<u>US\$448,960</u>	<u>US\$463,670</u>

Credicorp's other expenses (aside from provisions for loan losses) increased 3.3% to US\$463.7 million in 2004, after an increase of 11.1% in 2003 compared to 2002. Expenses increased during 2004 mostly due to the increase in insurance commissions and sundry costs reported in the Other caption, while personnel expenses (salaries and employee benefits) and general and administrative expenses also increased. Other expenses grew in 2003 principally because of US\$18.6 million of merger costs related to the mergers of BSCH-Perú and Solución, as well as higher

general and administrative expenses and personnel expenses. Merger costs declined in 2004 as such costs relate solely to the completion of the Solución merger.

Personnel expenses increased 4.7% in 2004 compared to 2003, after a 5.5% increase in 2003 compared to 2002. The number of Credicorp s personnel increased to 9,536 in 2004 from 9,318 in 2003,

which in turn decreased from 9,896 in 2002. Considering only BCP, the number of personnel increased to 7,694 in 2004 from 7,530 in 2003, which in turn decreased from 8,356 in 2002. The personnel increased in 2004 mainly due to an increase in salespersons in Perú and Bolivia, while the decrease in 2003 was mainly due to the restructuring of recently acquired subsidiaries.

Credicorp's general and administrative expenses (which include taxes other than income taxes) increased 3.7% in 2004 compared to 2003, which in turn increased 10.6% compared to 2002. Higher expenses in 2004 were principally the result of increased outsourced charges related to collections, and higher marketing, supplies and maintenance expenses. Higher expenses in 2003 were mainly the result of increases in systems and maintenance expenses and in supplies and operating charges, which included non-recurring expenses of US\$7.5 million related to the computer systems restructuring project.

Depreciation and amortization decreased 2.7% to US\$46.7 million in 2004, after increasing by 7.9% during 2003. The increase in 2003 was mainly due to higher fixed assets from the BSCH-Perú merger. The decrease in 2004 was mainly due to higher asset disposals, some of which were acquired in the BSCH-Perú merger.

Other expenses, after remaining relatively unchanged in 2003 when compared to 2002, increased 54.5% in 2004 to US\$42.9 million. Other expenses consist primarily of certain sundry risks, net asset disposal costs and other miscellaneous items. Higher expenses in 2004 were mainly due to increased provisions for sundry risks and higher insurance commissions. See Note 20 to Credicorp's Consolidated Financial Statements.

#### *Translation Result*

Since Credicorp's financial statements are kept in U.S. Dollars, the translation result reflects exposure to devaluation of net monetary positions in other currencies. Credicorp had a US\$2.0 million translation gain in 2004, a US\$3.7 million loss in 2003 and a US\$2.5 million loss in 2002. Translation gain in 2004 was mostly due to gains recorded from exposure to the Colombian Peso and to the Peruvian Nuevo Sol, which strengthened against the U.S. Dollar. In 2003, translation loss was mostly due to losses at BCP, Banco Tequendama and PPS. Translation loss in 2002 was mostly due to losses recorded at Banco Tequendama, which were caused by the devaluation of the Colombian and Venezuelan currencies. These losses were partly offset by gains at BCP.

#### *Income Taxes*

Credicorp is not subject to income taxes or taxes on capital gains, capital transfers or equity or estates duty under Bermuda law; however, certain of its subsidiaries are subject to income tax and taxes on dividends paid to Credicorp, depending on the legislation applicable to the jurisdictions in which they generate income.

Credicorp's Peruvian subsidiaries, including BCP, are subject to corporate taxation on income under the Peruvian tax law. The statutory income tax rate payable in Perú in 2002 and 2003 was 27% of taxable income, which includes the result of exposure to inflation. The statutory income tax was raised to 30% starting in fiscal year 2004. An additional 4.1% withholding tax is applied on dividends, which Credicorp registers as income tax based on the liquid amount received from BCP and PPS.

For fiscal years 1998 and 1999, companies were subject to an extraordinary tax on net assets of 0.5%, and 0.2%, respectively. In the case of banks, such asset taxes were calculated based on 50% of assets (net of depreciation, reserve for loan losses and common stock investments in Peruvian corporations) as of December 31 of the relevant fiscal year. Amounts required to be held by BCP in the



Central Bank as reserve deposits could be deducted from the asset calculation for determination of the alternative minimum tax and the extraordinary tax. Starting in 2003, and applying rates on substantially the same net assets, a procedure is applied to make advance payments of the income tax liability corresponding to the ongoing fiscal year. Both the asset based taxes and the advance payment procedure are payable even if no tax liability results in the tax year in question. The advanced payment procedure was repealed in December 2004 and replaced by a temporary net assets tax of 0.6%, with substantially the same effect.

Peruvian tax legislation is applicable to legal entities established in Perú, and on an individual (not consolidated) basis. Credicorp's non-Peruvian subsidiaries are not subject to taxation in Perú and their assets are not included in the calculation of the Peruvian extraordinary tax on net assets.

ASHC is not subject to taxation in Panama since its operations are undertaken offshore. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. Prior to 1995, there was no corporate income tax in Bolivia. Although Bolivia adopted an income tax regime starting in 1995, due to BCB's ability to offset taxes paid other than income taxes from any income tax liability, no Bolivian income taxes have been payable. Banco Tequendama is subject to income tax in Colombia at the statutory rate of 35%.

Income tax expense by Credicorp increased to US\$45.5 million in 2004 from US\$39.7 million in 2003, which in turn increased from US\$32.6 million in 2002. Income tax growth in these periods reflects increases in Credicorp's taxable income. Since 1994, Credicorp has paid the Peruvian income tax at the statutory rate. The effective tax rates in 2002, 2003 and 2004 were 38%, 33%, and 26%, respectively.

### **(3) Financial Condition**

#### *Total Assets*

As of December 31, 2004, Credicorp had total assets of US\$9.1 billion, increasing 9.2% compared to total assets of US\$8.3 billion at December 31, 2003, with loans, net of provisions, increasing 3.0%. From December 31, 2003 through December 31, 2004, the Peruvian financial system grew 6.9% in terms of deposits and 6.3% in terms of total loans, comparing balances translated to U.S. Dollars, while GDP grew 5.1%. Although no assurance can be given, Credicorp expects its total assets to grow in the following years at a rate similar to GDP growth. The ratio of financial intermediation, as measured by the sum of currency in circulation, bank deposits and other bank obligations to the public, divided by GDP, was 5.2% in 1990 and, although this ratio reached approximately 25.5% in 2001 and 2002, it declined to 24.5% in 2003, and further to 23.1% in 2004. Although the ratio of financial intermediation is still below the 26.7% peak in the early 1970s, Credicorp expects the rate of growth in total assets to remain at moderate levels compared to the unusually high levels experienced through 1997.

Credicorp's planned expansion in its loan portfolio could be accompanied by increased risk, not only due to the speed and magnitude of the increase in loans, but also to the anticipated shift to middle market and consumer lending, sectors in which Credicorp lacks the experience that it has in its more traditional lending activities, particularly corporate lending. Given the changing composition of Credicorp's loan portfolio, Credicorp's historical loss experience may not be indicative of its future loan loss experience.

As of December 31, 2004, Credicorp's total loans were US\$4,559.0 million, which represented 50.0% of total assets, and net of reserves for loan losses, loans were US\$4,305.6 million. As of December 31, 2003, Credicorp's total loans were US\$4,481.5 million, which represented 54.0% of total assets, and net of reserves for loan losses, loans were US\$4,174.7 million. Credicorp's total loans increased from





December 31, 2003 to December 31, 2004 by 1.7%, and net of loan loss reserves by 3.1% in the same period.

Credicorp's total deposits with the Central Bank of Perú increased from US\$960.2 million as of December 31, 2003 to US\$1,100.5 million as of December 31, 2004. Credicorp's securities holdings (which include marketable securities and investments) increased 27.4% to US\$2,231.1 million at December 31, 2004 from US\$1,751.1 million at December 31, 2003. The securities portfolio increase in 2004 was principally due to increased investments in Central Bank certificates by BCP and in treasury bonds of various governments.

#### *Total Liabilities*

As of December 31, 2004, Credicorp had total liabilities of US\$7,937.1 million, an 8.2% increase from total liabilities of US\$7,338.2 million as of December 31, 2003. As of December 31, 2004, Credicorp had total deposits of US\$6,296.2 million, a 4.9% increase from total deposits of US\$6,000.1 million at December 31, 2003. Credicorp believes that its extensive branch network and reputation in the Peruvian market have allowed it to compete effectively for new deposits and to attract stable, low cost savings deposits.

Credicorp's funding strategy has been structured around maintaining a diversified deposit base. During 2004, demand deposits grew 17.3% and savings deposits by 6.8%, while time deposits decreased 3.1%. As of December 31, 2004, Credicorp had 42.8% of total savings deposits in the Peruvian banking system and 35.6% of total deposits, both of which are the highest of any Peruvian bank. An important characteristic of Credicorp's deposit base is that, as of December 31, 2004, it included 58.4% of the entire Peruvian banking system's CTS deposits, increasing from 57.7% a year ago. Credicorp believes that it traditionally has attracted a high percentage of the savings and CTS deposit market because of its reputation as a sound institution, its extensive branch network and the quality of its service. Credicorp's core deposits (savings, CTS and demand deposits) accounted for 61.6% of its total deposits as of December 31, 2004, and more than 66% of total deposits considering BCP individually. Credicorp's market share in these types of deposits amounted to 45.6% of the Peruvian banking system at December 31, 2004 (46.3% at December 31, 2003).

#### **(4) Reconciliation of Differences Between IFRS and U.S. GAAP**

The Credicorp Consolidated Financial Statements have been prepared in accordance with IFRS, which differ in certain significant respects from U.S. GAAP. The principal difference between IFRS and U.S. GAAP, insofar as they relate to Credicorp, is the treatment of goodwill amortization. Credicorp believes that there is no significant difference between (i) the amounts of the loan loss provisions taken under IFRS and the provisions that would be required under U.S. GAAP, (ii) the accounting treatment of investments with the adoption of IAS 39 since 2001 (see Note 3(h) to the Credicorp Consolidated Financial Statements) and (iii) the treatment of goodwill amortization in 2002. Net income for the year ended December 31, 2004 was US\$130.7 million under IFRS compared to US\$135.6 million under U.S. GAAP. Net income for the year ended December 31, 2003 was US\$80.6 million under IFRS compared to US\$84.8 million under U.S. GAAP. Net income for the year ended December 31, 2002 was US\$42.4 million under IFRS compared to US\$45.4 million under U.S. GAAP. Shareholders' equity under IFRS was US\$1,065.2 million as of December 31, 2004 compared to US\$1,077.3 million under U.S. GAAP, US\$910.7 million as of December 31, 2003 compared to US\$918.0 million under U.S. GAAP, and US\$823.8 million as of December 31, 2002 compared to US\$826.8 million under U.S. GAAP. See Note 26 to the Credicorp Consolidated Financial Statements for a discussion of the significant differences between IFRS and U.S. GAAP, insofar as they relate to Credicorp.

**(B) Liquidity and Capital Resources***Regulatory Capital and Capital Adequacy Ratios*

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands, except percentages)</i>		
Capital stock, net	US\$ 539,235	US\$539,235	US\$539,498
Legal and other capital reserves	69,527	202,440	229,148
Retained earnings	29,162	0	0
Loss Reserves allowed by SBS	34,577	34,577	57,936
Subordinated debt	<u>68,349</u>	<u>97,140</u>	<u>41,224</u>
Total	US\$ 740,850	US\$873,392	US\$687,806
Less: investment in multilateral Organizations and Banks	<u>(2,808)</u>	<u>(20,762)</u>	<u>(30,448)</u>
Total regulatory capital(1)	US\$ 738,042	US\$852,630	US\$837,358
Risk-weighted assets (1)	6,407,333	6,431,535	6,520,855
Capital Ratios:			
Regulatory capital as a percentage of risk-weighted assets	11.52%	13.26%	12.84%
Ratio of risk-weighted assets to regulatory capital (1)	8.68	7.54	7.79

(1) On an unconsolidated basis, BCP's regulatory capital was US\$566.2 million and its risk-weighted assets and equivalent market risks were US\$4,364.4 million as of December 31, 2004, yielding a ratio of 7.7 to 1.0 (13.0%). ASB, which determines regulatory capital and risk-weighted assets in accordance with the Basel Accord, had a risk-weighted assets to regulatory capital ratio of 6.1 to 1.0 (16.3%).

Average shareholders' equity as a percentage of average total assets decreased from 10.4% in 2002 to 10.3% in 2003, but increased to 11.2% in 2004.

*Liquidity Risk*

Credicorp manages its assets and liabilities to ensure that it has sufficient liquidity to meet its present and future financial obligations and that it is able to take advantage of appropriate business opportunities as they arise. Liquidity risk represents the potential for loss as a result of limitations on our ability to adjust future cash flows to meet the needs of depositors and borrowers and to fund operations on a timely and cost-effective basis. Financial obligations arise from withdrawals of deposits, repayment on maturity of purchased funds, extensions of loans or other forms of credit, and working capital needs.

The growth of Credicorp's deposit base over the past years has enabled Credicorp to increase significantly its lending activity. BCP is subject to SBS Resolution No. 622-98, enacted in July 1998, which made its Market Risk Unit responsible for liquidity management, and by which minimum liquidity ratios were established. The ratio of liquid assets as a percentage of short-term liabilities, as strictly defined by the SBS, must exceed 8% for Nuevos Soles-based transactions, and 20% for foreign exchange-based transactions. BCP's daily average ratios during the month of December 2004 were 57.6% and 46.7% for Nuevos Soles and foreign exchange-based transactions,

respectively (37.8% and 46.3% in December 2003, respectively), demonstrating Credicorp's continuing excess liquidity due to declining loan balances.

Credicorp has never defaulted on any of its debt or been forced to reschedule any of its obligations. Even during the early 1980s, when the government of Perú and many Peruvian companies

and banks were forced to restructure their debt as a result of the Latin American debt crisis and government restrictions, BCP and PPS complied with all of their payment obligations.

The capability of replacing interest bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. Credicorp's principal source of funding is customer deposits with BCP's Retail Banking division and ASHC's Private Banking division, and premiums and amounts earned on invested assets at PPS. Credicorp believes that funds from its deposit-taking operations generally will continue to meet Credicorp's liquidity needs for the foreseeable future.

BCP's Retail Banking division has developed a diversified and stable deposit base and the Private Banking division has developed a stable deposit base that, in each case, provides Credicorp with a low-cost source of funding. This deposit base has traditionally been one of Credicorp's greatest strengths. The deposit gathering strategy has focused on products considered as BCP's core deposits: demand deposits, savings and CTS deposits. Other sources of funds and liquidity, mostly short- and long-term borrowings from correspondent banks and other financial institutions, issued bonds and subordinated debt, are of a considerably lower significance compared to Credicorp's core deposits. See Notes 11 and 12 to Credicorp's Consolidated Financial Statements.

The following table presents Credicorp's core deposits, other deposits and other sources of funds:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
<b>Core deposits:</b>			
Demand deposits	US\$1,455,608	US\$1,481,955	US\$1,750,277
Savings deposits	1,700,878	1,482,610	1,583,502
CTS deposits	552,174	527,434	530,683
<b>Total core deposits</b>	<b>US\$3,708,660</b>	<b>US\$3,491,999</b>	<b>US\$3,864,462</b>
Other deposits (1)	US\$2,672,540	US\$2,484,507	US\$2,406,510
<b>Total deposits</b>	<b>US\$6,381,200</b>	<b>US\$5,976,506</b>	<b>US\$6,270,972</b>
Due to banks and correspondents	US\$ 309,698	US\$ 274,237	US\$ 431,052
Issued bonds	US\$ 483,555	US\$ 419,461	US\$ 423,977
<b>Total sources of liquid funds</b>	<b>US\$7,174,453</b>	<b>US\$6,670,204</b>	<b>US\$7,126,001</b>
Core deposits as a percent of total deposits	58.1%	58.4%	61.6%
Core deposits as a percent of total sources of liquid funds	51.7%	52.4%	54.2%

(1) Mostly time deposits and certificates of deposits.

BCP is required to keep deposits with the Central Bank, as legal reserves, determined as a percentage of the deposits and other liabilities owed to its clients. The requirement is currently approximately 6.0% of Nuevos Soles-denominated deposits and approximately 30.0% of U.S. Dollar-denominated deposits. Legal reserves are meant to ensure the availability of liquid funds to cover withdrawals of deposits. See Item 4. Information on the Company (B)

Business Overview (11) Supervision and Regulation (ii) BCP Central Bank Reserve Requirements. Additionally, Credicorp has significant investments of excess liquid funds in short-term Central Bank certificates of deposits.

The following table presents Credicorp's deposits at the Central Bank, and its short-term investments in Central Bank certificates:

	<b>Year ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>		
<b>Funds at Central Bank</b>			
Deposits	US\$1,317,030	US\$ 929,557	US\$1,100,450
Certificates of deposits	US\$ 184,033	US\$ 375,713	US\$ 682,418
<b>Total funds at Central Bank</b>	<b>US\$1,501,063</b>	<b>US\$1,305,270</b>	<b>US\$1,782,868</b>
Total funds at Central Bank of Perú as a percent of total deposits	23.5%	21.8%	28.4%

BCP at times has accessed Perú's short-term interbank deposit market, although it is generally a lender in this market. The Central Bank's discount window, which makes short-term loans to banks at premium rates, is also available as a short-term funding source, but has been used infrequently by BCP. ASHC also has the ability to borrow from correspondent banks on an overnight basis at rates tied to the Federal Funds rate as well as funding lines from international financial institutions.

At the end of 2004, Credicorp had uncommitted credit lines with more than 80 banks, including long-term facilities that are mainly used for project financing, of which no significant amount was drawn down. The latter facilities include funding from COFIDE, CAF, the IFC and other international lenders. In 1998 and 2001, a total of approximately US\$200 million of funding was received through the securitization of certain credit card receivables and diversified payment rights, with BCP as the originator of such assets. Outstanding balances of both securitization transactions were US\$68.5 million and US\$98.6 million as of December 31, 2004 and 2003, respectively. BCP may utilize these funding options in the future. As of December 31, 2004, borrowed funds amounted to US\$429.4 million as compared to US\$273.7 million in 2003 and US\$309.7 million in 2002.

In addition, mortgage loans may be funded by mortgage funding notes and, since 2001, mortgage bonds that are sold by BCP in the market. Mortgage funding notes are instruments sold by BCP with payment terms that are matched to the related mortgage loans, thereby reducing BCP's exposure to interest rate fluctuations and inflation. Mortgage bonds are U.S. Dollar-denominated and have been issued with ten-year terms, with collateral established by real estate acquired through funded home mortgage loans. As of December 31, 2004, BCP had US\$28.4 million of outstanding mortgage bonds and notes (US\$30.2 million in 2003).

A source of funds specific to leasing operations are leasing bonds issued by lease financing companies, the terms of which are specified in the Peruvian leasing regulations. As of December 31, 2004, BCP had US\$220.5 million of outstanding leasing bonds (US\$233.0 million in 2003). These bonds have maturities extending from three to five years and bear the same interest as 360-day time deposits. See Note 14 to the Credicorp Consolidated Financial Statements for a detailed breakdown of Credicorp's issued bonds.

The following table presents Credicorp's issued bonds:

	<b>Years ended December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in millions)</i>		
<b>Issued bonds</b>			
Bonds	US\$ 43.2	US\$ 15.9	US\$ 60.1
Leasing Bonds	60.0	82.9	14.0
Subordinated debt	13.9	25.0	0.0
Certificates of deposits	54.2	48.2	15.8
<b>Total issuance</b>	<b>US\$ 171.3</b>	<b>US\$ 172.0</b>	<b>US\$ 89.9</b>

Among the policies that Credicorp follows to ensure sufficient liquidity are the active management of interest rates and the active monitoring of market trends, in order to identify and provide for changes in the supply of deposits or the demand for loans.

The principal sources of funds for PPS's insurance operations are premiums and amounts earned on invested assets. The major uses of these funds are the payment of policyholder claims, benefits and related expenses, reinsurance costs, commissions and other operating costs. In general, PPS's insurance operations generate substantial cash flow because most premiums are received in advance of the time when claim payments are required. Positive operating cash flows, along with that portion of the investment portfolio that is held in cash and highly liquid securities, historically have met the liquidity requirements of PPS's insurance operations.

### **(C) Research and Development**

Not applicable.

### **(D) Trend Information**

Credicorp expects that its business in 2005 will continue trends already seen in the preceding year. A positive international economic environment, with strong global demand for exports, should drive continued growth in both profits and business volume. Credicorp also expects lower provision expense for loan losses from continued improvement of loan portfolio quality and a moderate increase in banking fees. See Item 4. Information on the Company (B) Business Overview (1) Introduction Review of 2004 and (2) Strategy.

During 2005, Credicorp expects to implement cost control measures to offset decreased profitability and compensate for lower financial margins. Credicorp expects that the improvement of operating efficiency will be its principal challenge in 2005, with the containment of operating expenses and careful control of budgeted expenses constituting focal points.

In 2005, it is likely that banks in Perú will see improved growth in their loan portfolios, but financial margins will continue to tighten, pricing for the services they offer will suffer from higher competition, and service volumes will grow only modestly as they will continue to be negatively affected by financial transaction taxes.

BCP will continue to focus its efforts on market segments with the greatest growth potential and highest profitability, mainly under-banked segments. In personal banking, BCP expects that in 2005 growth in mortgage loans will continue, especially loans linked to the government's *MiVivienda* low-income housing program, as well as in consumer loans and loans to micro-businesses. In order to generate



more fee income from transactional services, BCP will further increase its branches in zones under-served by banks and which show growth potential. Perú's widening economic recovery should be beneficial to Middle Market Banking, which should begin to recover and reach volumes seen prior to the financial crisis of 1998.

Credicorp expects that in 2005 BCB will continue to improve its balance sheet strength, further reduce its overdue loans, increase profitability, and achieve readiness to grow its loan volumes by taking advantage of business opportunities.

ASHC will continue its strategy to achieve sustained growth in managing third-party funds and change the composition of its investments towards lower-risk instruments. Implementation of this strategy will result in lower interest income, but this should be offset by the increase in fees from third-party fund management.

Credicorp's insurance business is likely to grow in 2005 in line with economic activity, mainly in the life insurance and health insurance business lines. PPS will focus on profiting from synergies with the operations of the recently acquired Novasalud EPS.

### **(E) Off-Balance Sheet Arrangements**

Credicorp has various contractual obligations that are recorded as liabilities in its financial statements. Other contractual arrangements, such as contingent credits contracts, are not recognized as liabilities in Credicorp's financial statements but are required to be registered in off-balance sheet accounts. Credicorp enters into these off-balance sheet arrangements in the ordinary course of business in order to take advantage of above average interest margins, in the case of guarantees and letters of credit, and short-term market movements in the equity and bond markets and in currency and interest rates, in the case of derivatives and swaps.

The following table reflects Credicorp's off-balance sheet arrangements as of December 31, 2004 and 2003:

	<b>At December 31,</b>	
	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>	
<b>Contingent Credits</b>		
Guarantees and stand by letters	US\$ 690,634	US\$ 655,313
Import and export letters of credit	<u>152,942</u>	<u>233,806</u>
	<u>843,576</u>	<u>889,119</u>
Responsibilities under credit line agreements	509,586	569,332
Financial derivative contracts, net	135,647	211,520
Swap contracts	<u>98,083</u>	<u>212,417</u>
<b>Total</b>	<b><u>US\$1,586,892</u></b>	<b><u>US\$1,882,388</u></b>

In the normal course of its business, Credicorp is party to transactions with off-balance sheet risk. These transactions expose Credicorp to credit risk in addition to the amounts recognized in the consolidated balance sheets. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. Exposure to losses

under commitments to extend credit is represented by the contractual amount specified in these instruments. Credicorp applies the same credit

policies in making commitments and conditional obligations as it does for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments, when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many of the contingent credits are expected to expire without any payment being required from Credicorp, the total committed amounts do not necessarily represent future cash requirements.

Export and import letters of credit and guarantees and stand-by letters of credit are conditional commitments issued by Credicorp to guarantee the performance of a customer to a third party. Export and import letters of credit are mainly issued as credit enhancements for overseas commercial transactions. Risks associated with these credits are reduced by the participation of third parties.

As of December 31, 2004 and 2003, Credicorp has foreign currency forwards derivatives transactions. Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed. As of December 31, 2004 and 2003, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US\$466.2 million and US\$313.9 million, respectively, with maturities not greater than one year. These agreements are executed to satisfy client requirements and are recorded by Credicorp in the financial statements at fair market value. See Note 23 to the Credicorp Consolidated Financial Statements. The forward contracts net position as of December 31, 2004 and 2003 was an oversell of approximately US\$ 211.5 million and US\$ 135.6 million, respectively.

Interest rate swaps are derivatives contracts, which exchange variable interest rates for fixed interest rates. The risk arises each time the projected level of the variable rate during the term of the operation is higher than the fixed rate, as well as from non-compliance with contractual terms by one of the parties. As of December 31, 2004, the notional amount of outstanding interest rate swap contracts was approximately US\$212.4 million (approximately US\$98.1 million as of December 31, 2003). These contracts are recorded by Credicorp at fair market value, recording both realized and unrealized gains and losses in the consolidated income statements.

The fair value of the asset and liability forward contracts and swaps as of December 31, 2004 was approximately US\$9.6 million and US\$4.8 million, respectively (approximately US\$4.0 million and US\$1.1 million as of December 31, 2003), and are included under the caption Other assets and other liabilities, respectively, of Credicorp's consolidated balance sheets. See Note 10(a) to the Credicorp Consolidated Financial Statements.

## **(F) Contractual Obligations**

Credicorp enters into various contractual obligations that may require future cash payments. The following table summarizes Credicorp's contractual obligations by remaining maturity as of December 31, 2004. See Item 4. Information on the Company (B) Business Overview (1) Introduction Review of 2004.

**Payments due by period**

	<b>Total at December 31, 2004</b>	<b>Less than 1 year</b>	<b>1 3 years</b>	<b>3 5 years</b>	<b>More than 5 years</b>
	<i>(U.S. Dollars in thousands)</i>				
Time deposits	2,352,200	1,646,208	705,936 <sup>(1)</sup>	(1)	56
Bonds issued	421,187	64,711	158,550	78,309	119,617
Due to banks and correspondents	209,122	98,982	52,141	22,346	35,653
Promotional credit lines	121,561	36,281	18,715	8,021	58,544
Overnight funds	98,688	98,688	0	0	0
Lease obligations	3,884	0	519	1,612	1,753
<b>Total</b>	<b><u>3,206,642</u></b>	<b><u>1,944,870</u></b>	<b><u>935,861</u></b> <sup>(2)</sup>	<b><u>110,288</u></b>	<b><u>US\$215,623</u></b>

- 1 The classification of amounts to be paid under long term time deposits by maturity period is not currently available for the periods of 1-3 years and 3-5 years. As a result, the total amount to be paid under long term time deposits with a maturity period of 1-5 years has been included in the 1-3 year maturity period. The 3-5 year maturity period does not include any amount to be paid under long term time deposits.
- 2 This total includes the total amount to be paid under long term time deposits with a maturity period of 1-5 years.

The balance of the Due to banks and correspondents caption in the table above, correspond to the following operations:

- Bank loans obtained by Credicorp mainly to finance foreign trade and working capital amounted to US\$140.5 million in 2004 and US\$84.1 million in 2003.
- A loan transaction made in November 1998, amounting to US\$100 million, with maturities until November 2005, secured by the collection of BCP's future inflows corresponding to the consumption and cash advances made in Perú through Visa credit cards issued by foreign banks. This transaction bears an annual fixed interest rate of 5.74%. As of December 31, 2004, the securitization obligation amounted to US\$17.2 million (US\$33.3 million in 2003).
- A securitization transaction amounting to US\$100 million made by BCP in January 2001, amortizing through January 2008. This transaction corresponds to the future collection of payment orders in U.S. Dollars related to the transfers of funds received from banks located outside Perú. This transaction bears monthly interest rates that fluctuated between 1.42% and 2.65% in 2004 (between 1.44% and 1.83% in 2003). As of December 31, 2004, the balance of this obligation amounted to US\$51.3 million and US\$65.3 million in 2003.

Promotional credit lines represent loans granted to BCP by COFIDE and the Inter-american Development Bank, for promoting the development of specific activities in Perú. As of December 31, 2004, these credit lines are guaranteed with loans by BCP to customers amounting to US\$118.8 million (US\$43.2 million in 2003), and include covenants specifying the use of funds, financial conditions that the borrower must maintain and other administrative matters.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**(A) Directors and Senior Management**

*Board of Directors*

The following table sets forth the current Directors of Credicorp.

<u>Name</u>	<u>Position</u>	<u>Years served as a Director(1)</u>
Dionisio Romero	Chairman	35
Luis Nicolini	Deputy Chairman	29
Fernando Fort	Director	23
Reynaldo Llosa	Director	22
Juan Carlos Verme	Director	15
Luis Enrique Yarur	Director	9
Felipe Ortiz de Zevallos	Director	0 (2)
Germán Suárez	Director	0 (2)

(1) Of Credicorp, its subsidiaries and their predecessors as of December 31, 2004.

(2) Elected at the Annual General Shareholders Meeting on March 31, 2005.

*Dionisio Romero* is an economist with a Masters degree in Business Administration from Stanford University in the United States of America. Mr. Romero was the Chairman of Banco de Crédito del Perú from 1966 to 1987 and has served as a Board Member from December 1990 to the present. He is the Chairman of Credicorp and has held this position since August 1995. Additionally he serves as a Director on the Boards of various other companies.

*Luis Nicolini*, an industrial banker by profession, has served as Vice Chairman of Banco de Crédito del Perú since August 1995, is also a Director on the Boards of Inversiones Centenario, Alicorp, and is Chairman of the textile company Fábrica de Tejidos La Bellota. He has been Deputy Chairman of Credicorp since August 1995.

*Fernando Fort* is a lawyer and Partner at the law firm of Fort, Bertorini y Godoy. Mr. Fort has served as a Director of Banco de Crédito del Perú from 1979 to 1987 and from March 1990 to the present. He has served as a Director of Credicorp since March 1999. Additionally, Mr. Fort serves as a Director on the Board of Inversiones Centenario and the Boards of various other companies.

*Reynaldo Llosa* is a business manager and has served as a Director of Banco de Crédito del Perú s from 1980 to October 1987 and from March 1990 to the present. He has been a Director of Credicorp since August 1995. Mr. Llosa is also the main partner and general manager of the company F.N. Jones S.R. Ltda., and serves as a Director on the Boards of various other companies.

*Juan Carlos Verme* is a businessman and has served as Director of Banco de Crédito del Perú since March 1990 and as a Director of Credicorp since August 1995. Mr. Verme also serves as a Director on the Boards of various other companies.

*Luis Enrique Yarur* is a businessman with an undergraduate degree in law and graduate degrees in economics and management. He became a Director of Credicorp on October 31, 2002. Mr. Yarur is Chairman of the Board of Banco de Crédito e Inversiones, of Chile, and member of the Boards of various other Chilean companies.

*Felipe Ortiz de Zevallos* is an industrial engineer with a Masters degree in Management Science from Rochester University and a Management Program degree from Harvard Business School. Mr. Ortiz de Zevallos became a Director of Credicorp on March 31, 2005. Mr. Ortiz de Zevallos is the President of Universidad del Pacifico in Lima (elected for the period 2004-2009) and serves as Director on the Boards of various other companies, among which are Grupo Apoyo (Chairman), Compañía de Minas Buenaventura S.A. and Universia.

*Germán Suárez* is an economist, and received his Masters degree in economics from Columbia University. Mr. Suárez became a Director of Credicorp on March 31, 2005. Mr. Suárez was President and Chairman of the Board of Banco Central de Reserva del Perú from 1992 to 2001, and serves as Director on the Boards of various other companies, among which are Compañía de Minas Buenaventura S.A. and Refinería La Pampilla.

At the Annual General Shareholders Meeting held on March 31, 2005, an amendment to the Bye-Laws was adopted whereby the number of Directors was increased from six to eight and the classification of Directors and the staggering of their terms was removed and replaced with three-year terms to be served until the end of the Annual General Shareholders Meeting for the year in which their respective terms expire. The main reasons for these amendments were to give more stability to the administration of Credicorp and to give pension funds (AFPs), whose ownership of Common Shares has steadily increased (see Item 7. Major Shareholders and Related Party Transactions (A) Major Shareholders ), direct representation on the Board of Directors. Mr. Ortiz de Zevallos and Mr. Suárez were elected to the two newly created directorships to represent the pension funds.

The Secretary of Credicorp is Dawna L. Ferguson. The Assistant Secretary of Credicorp is Fernando Palao. The Resident Representative of Credicorp in Bermuda is Nicholas G. Trollope.

### *Executive Officers*

Pursuant to Credicorp's bye-laws, the Board of Directors has the power to delegate its power over day-to-day management to one or more Directors, officers, employees or agents. The following table sets forth information concerning the principal executive officers of Credicorp.

<u>Name</u>	<u>Position</u>	<u>Years Served as an Officer (1)</u>
Dionisio Romero	Chief Executive Officer	35 (2)
Raimundo Morales	Chief Operating Officer	25
Carlos Muñoz	Executive Vice President	24
Walter Bayly	Chief Financial and Accounting Officer	12
José Luis Gagliardi	Senior Vice President, Administration and Human Resources	24 (3)
Arturo Rodrigo	Senior Vice President, Insurance	29

(1) Of Credicorp, its subsidiaries and their predecessors as of December 31, 2004.

(2) Mr. Romero served as an officer of BCP from 1966 through 1987 and from 1990 to the present. Mr. Romero has been an officer of PPS since 1972.

(3) Mr. Gagliardi served as an officer of BCP from 1981 through 1988.

*Dionisio Romero*, the Chief Executive Officer of Credicorp, also serves on Credicorp's Board of Directors. See Directors.

*Raimundo Morales*, the Chief Operating Officer of Credicorp, is also the General Manager of BCP, having joined BCP in 1980. Previously, Mr. Morales held various positions during his ten years at Wells Fargo Bank in its San Francisco, São Paulo, Caracas, Miami and Buenos Aires offices. His last position was Vice President for the Southern Region of Wells Fargo. From 1980 to 1987, Mr. Morales





was Executive Vice President in charge of BCP's Wholesale Banking Group. From 1987 to 1990 he was the General Manager of ASB in Miami. He rejoined BCP as General Manager in 1990. Mr. Morales received his Masters degree in Finance from the Wharton School of Business in the United States.

*Carlos Muñoz*, the Executive Vice President of Credicorp and, the Deputy General Manager of BCP, is also the President of ASB. He previously served as Senior Vice President and Manager of BCP's Metropolitan Division Group and later managed the Retail Banking Group as an Executive Vice President. Previously, Mr. Muñoz held positions as an Investment Officer for the International Finance Corporation (World Bank Group) in Washington, D.C. and with the Philadelphia National Bank in Philadelphia, Paris and Buenos Aires, where his last position was Assistant Vice President and Regional Representative. From 1988 to 1990, Mr. Muñoz served as Executive Vice President of ASB. Mr. Muñoz received his Masters degree in Finance from the Wharton School of Business in the United States.

*Walter Bayly* was appointed Chief Financial and Accounting Officer of Credicorp and Executive Vice President of Planning and Finance of BCP in April 2004. Previously, Mr. Bayly held various other management positions within BCP, having managed the Wholesale Banking, Middle Market Banking, Systems and Organization, and Investment Banking groups. Mr. Bayly joined BCP in 1993, after three years at Casa Bolsa México where he was Partner and Managing Director in Corporate Finance and after ten years at Citibank in Lima, New York, México, and Caracas, where he worked primarily in the Corporate Finance and Loan Syndication groups. Mr. Bayly received a Bachelor degree in Business Administration from Universidad del Pacífico in Lima, Perú, and a Masters degree in Management from Arthur D. Little Management in Cambridge, Massachusetts.

*José Luis Gagliardi*, the Senior Vice President, Administration and Human Resources of Credicorp and Executive Vice President of Administration of BCP, first joined BCP in 1981. From March 1981 until December 1988 he served as the Manager of Human Resources and Central Manager of Resources and Administration. In 1988, Mr. Gagliardi left BCP to manage Human Resources for Bank of America's Latin American Division. He rejoined BCP in November 1990.

*Arturo Rodrigo* is the Senior Vice President, Insurance for Credicorp and is the General Manager of PPS. Prior to joining PPS in 1976, Mr. Rodrigo worked at La Vitalicia Compañía de Seguros. Before becoming General Manager of PPS, Mr. Rodrigo held various management positions at PPS, managing both the technical area and the commercial property line. Mr. Rodrigo resigned from his position as General Manager of PPS in April 2005, but will remain in the position until December 31, 2005, when he will be replaced by Mr. David Saettone, currently General Manager of Banco de Crédito de Bolivia.

## **(B) Compensation**

The aggregate amount of compensation paid by Credicorp to all Directors and executive officers for 2004 was US\$8.4 million. Credicorp does not disclose to its shareholders or otherwise make available to the public information as to the compensation of its individual directors or executive officers.

Pursuant to the Credicorp Shares Purchase Options Plan (the Plan) which Credicorp instituted to grant options beginning in fiscal year 1999, Credicorp granted options to purchase Common Shares to certain Directors and administrative, supervisory and management personnel during each year since 1999 and through 2004 (each individually an Option and collectively the Options). Each Option expires eight years after the date of grant. The Options vest in 25% increments during the first four years following the date of grant. From the end of the fourth year after the grant of an Option until the expiration date of the Option, all or a portion of such Option still outstanding under the Plan may be exercised at any time. Options granted in 2000 amounted to 534,000 Common Shares with an exercise price of US\$10.50, Options granted in 2001 amounted to 573,000 Common Shares with an exercise price



of US\$7.30, Options granted in 2002 amounted to 575,000 Common Shares with an exercise price of US\$8.73, Options granted in 2003 amounted to 569,750 Common Shares with an exercise price of US\$9.77, and Options granted in 2004 amounted to 555,000 Common Shares with an exercise price of US\$12.39. In 2002, 2003 and 2004, prices of the Options were modified. The exercise prices of the Options are reduced by an amount equal to the excess over US\$0.20 of total dividends paid per share in a given year. As of December 31, 2004, Options on 625,025 Common Shares had been exercised (298,500 as of December 31, 2003) for an approximate amount of US\$4.6 million in 2004 (US\$1.4 million in 2003). See Note 17 to Credicorp's Consolidated Financial Statements.

The following table reflects the number of Options outstanding and the exercise price of such Options, as reduced according to the formula described above, at December 31, 2004, 2003 and 2002:

Year	Number of Shares	At December 31,		
		2002	2003	2004
1999	189,000	US\$ 9.09	US\$ 8.94	US\$ 8.74
2000	304,000	10.25	10.10	9.90
2001	310,500	7.05	6.90	6.70
2002	386,850	8.73	8.58	8.38
2003	326,438		9.77	9.57
2004	242,813			12.39

#### (C) Board Practices

The management of Credicorp is the responsibility of the Board of Directors, which, pursuant to the Bye-Laws, is composed of eight persons. Directors need not be shareholders. Directors are elected and their remuneration is determined at Annual General Shareholders Meetings. Directors hold office for three-year terms. Credicorp's current Directors have no benefits in addition to the remuneration agreed at the Annual General Shareholders Meetings, nor benefits that could be enjoyed at the termination of their service terms.

Pursuant to the Bye-Laws, the number of Directors required to constitute a quorum is a majority of the Directors. A quorum must exist throughout any meeting of Directors. A Director can appoint another Director to act as his representative at a meeting of the Board of Directors. The Board of Directors may act by the unanimous written consent of all Directors.

The Audit Committee is responsible for assisting in the recommendation of independent auditors to be appointed at the Annual General Shareholders Meeting of Credicorp and reviewing the scope of internal and external audits. The Audit Committee also reviews compliance with internal control systems, reviews Credicorp's annual and quarterly financial statements before their presentation to regulatory bodies and maintains the integrity of the preparation of audits. The members of the Audit Committee are currently Messrs. Yarur (Chairman), Nicolini, Llosa and Verme.

Credicorp's Audit Committee has also been assigned by the Board of Directors to oversee the internal audit departments at BCP and PPS. As permitted by SBS Resolution No. 1041-99, BCP's Internal Audit Division has responsibility over all financial activities of its subsidiaries.

#### (D) Employees

At December 31, 2004, Credicorp had 9,638 full-time employees, distributed as shown in the following table.



	<b>At December 31,</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>(Full-time employees)</i>		
BCP	8,356	7,530	7,694
Banco Tequendama	380	306	345
PPS	954	1,088	1,173
ASHC	58	53	56
Others	<u>163</u>	<u>322</u>	<u>370</u>
Total Credicorp	9,911	9,299	9,638

The increase in 2002 is mainly due to the inclusion of 685 employees at BSCH-Perú, most of whom were subsequently dismissed.

All employees of banks in Perú are given the option of belonging to an employee union, and such employee unions are collectively represented by the *Federación de Empleados Bancarios* (the Federation of Banking Employees, or FEB ). In order to negotiate a collective agreement on behalf of its members, FEB must have as members over 50% of all Peruvian banking employees. Because the representation of banking employees members of FEB declined to below 50%, the most recent collective bargaining agreement, which expired on June 30, 1995, was not renewed.

BCP was granted permission by the Peruvian Ministry of Labor to cancel the registration of BCP's union in 1996 due to limited participation. As of December 31, 2004, no BCP employees belonged to a union. The last strike by union employees occurred in 1991 and did not interfere with BCP's operations.

#### **(E) Share Ownership**

As of April 30, 2005, Directors and executive officers as a group owned 15.0 million (15.9%) of Credicorp's Common Shares. With the exception of the Romero family holdings, represented by Mr. Dionisio Romero, no other director or executive officer of Credicorp beneficially owns more than one percent of the Common Shares. See Item 7. Major Shareholders and Related Party Transactions (A) Major Shareholders.

### **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

#### **(A) Major Shareholders**

As of April 30, 2005, there were 94,382,317 Common Shares issued, of which 14,620,845 Common Shares were held by ASHC. Under Bermuda law, ASHC has the right to vote the Common Shares it owns. In order to restructure long term holdings, substantially all of the Common Shares held by BCP and PPS were transferred to ASHC in April 2004.

The table below provides details about the percentage of Common Shares owned by holders of 5% or more of Common Shares, as of April 30, 2005.

<u>Owner</u>	<u>Common Shares</u>	<u>Percent of Class(1)</u>
Romero family(2)	14,920,120	15.81%
Atlantic Security Holding Corporation	14,620,845	15.49%
AFP Integra	12,477,642	13.22%
AFP Unión Vida	10,734,905	11.37%
AFP Horizonte	10,033,144	10.63%
AFP Profuturo	6,254,560	6.63%

- (1) As a percentage of issued and outstanding shares (including shares held by BCP, ASHC and PPS).
- (2) Includes Common Shares directly or indirectly owned by Dionisio Romero and his family or companies owned or controlled by him. Mr. Romero is the Chairman and Chief Executive Officer of Credicorp.

Approximately 44% of the total issued and outstanding Common Shares are currently held in 2,220 individual accounts with Cavali, a Peruvian securities clearing company.

As of April 30, 2005, 79,761,472 Common Shares (excluding the 14,620,845 shares held by ASHC) were outstanding, of which approximately 39% were held in the United States. As of such date, there were 71 registered holders of Common Shares in the United States. Because certain of these Common Shares were held by brokers or other nominees and due to the impracticability of obtaining accurate residence information for all beneficial shareholders, the number of holders of record or registered holders in the United States is not representative of the number of beneficial holders or of the residence of beneficial holders. Credicorp is not directly or indirectly controlled by another corporation or by any foreign government.

## **(B) Related Party Transactions**

### ***(i) Credicorp***

Under Bermuda law, Credicorp is not subject to any restrictions on transactions with affiliates, other than such restrictions as are applicable to Bermuda companies generally. Credicorp's Bye-Laws provide that a Director may not vote in respect of any contract or proposed contract or arrangement in which such Director has an interest or in which such Director has a conflict of interest. Credicorp has not engaged in any transactions with related parties except through its subsidiaries.

### ***(ii) BCP***

Certain related parties of BCP (the BCP related parties) have been involved, directly or indirectly, in credit transactions with BCP. In accordance with Law 26702, BCP related parties includes directors, certain principal executive officers and holders of more than 4% of the shares of BCP, and companies controlled (for purposes of Law 26702) by any of them. Under Law 26702, all loans to related parties must be made on terms no more favorable than the best terms that the bank offers to the public. Management believes BCP to be in full compliance with all related party transaction requirements imposed by Law 26702. For a description of Law 26702 as it relates to BCP, see Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation (ii) BCP and Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (iii) Loan Portfolio Concentration of Loan Portfolio and Lending Limits.

As of December 31, 2004, loans and other contingent credits to BCP related parties were US\$41.9 million in the aggregate, including US\$30.0 million in outstanding loans, which comprised approximately 0.7% of BCP's total loan

portfolio. These loans and other contingent credits were ranked in the following risk categories at December 31, 2004:  
Class A (normal credits) 91.8%; Class B

(potential problems) 0%; Class C (substandard) 8.2%; Class D (doubtful) 0%; and Class E (loss) 0%.

At December 31, 2004, loans and other credits to employees of BCP amounted to US\$10.9 million, of which US\$6.8 million represented home mortgage loans.

In September 2003, Credileasing, a BCP subsidiary, sold to a company controlled by a BCP related party an airplane that was previously being leased. In February 2004, BCP acquired the airplane for corporate purposes for US\$4.3 million and entered into an operational/maintenance contract with the related party. The transactions were made on an arm's length-basis at market prices determined by an independent expert. The combined effect of both transactions was neutral to Credicorp and the current arrangement reflects a more efficient operational and fiscal structure.

BCP purchases certain security services from a company controlled by a BCP related party. Total fees paid by BCP thereto during 2004 for security services were S/.7.9 million (US\$2.5 million). Such related party transactions have been conducted in the ordinary course of business and on terms no less favorable than could be obtained from unaffiliated third parties.

**(iii) ASHC**

Certain related parties of ASHC (the ASHC related parties) have been involved, directly or indirectly, in credit transactions with ASHC. The term ASHC related parties includes other affiliated entities in which there exists control or significant influence through common ownership, management or directorship. As of December 31, 2004, loans and other credits outstanding to ASHC's related parties were US\$9.5 million in the aggregate, all of which were direct cash loans, representing 6.2% of the total loan portfolio. None of these loans and other credits were classified as substandard or below.

Management believes that, in accordance with ASHC's policies, all loans and credits to related parties have been made on terms no more favorable than the best terms that ASHC offers to the public.

**(iv) PPS**

PPS provides insurance services to certain of its principal shareholders, directors and officers, as permitted by Law 26702. See Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation (iii) PPS Related Party Transactions. In the case of related companies, entities controlled by shareholders owning more than 4% of PPS or by members of PPS's Board of Directors, insurance services are offered and sold on an arm's-length basis. PPS charges a market price for these services. As of December 31, 2004, insurance premiums to related companies amounted to US\$13.2 million. These insurance premiums comprise approximately 3.6% of PPS's total premiums written during 2004 (5.7% in 2003).

PPS purchases security services from a company controlled by a related party of a principal shareholder of Credicorp. Service payments thereto during 2004, were US\$437,000. All such related party transactions are conducted on an arm's-length basis, and PPS pays the market price for these services.

As of December 31, 2004, loans and other credits to employees of PPS amounted to US\$187,000, of which a substantial majority represented home mortgage loans.

**(C) Interests of Experts and Counsel**

Not applicable.





**ITEM 8. FINANCIAL INFORMATION****(A) Consolidated Statements and Other Financial Information*****Consolidated Financial Statements***

See Item 19. Exhibits for a list of financial statements filed under Item 18.

***Legal Proceedings***

Credicorp and its subsidiaries are involved in certain legal proceedings incidental to the normal conduct of their businesses. In addition, Credicorp was involved in certain legal proceedings in connection with its acquisition of Banco Tequendama. See Item 4. Information on the Company (C) Organizational Structure. Credicorp does not believe that any potential liabilities resulting from such proceedings would have a material adverse effect on the financial condition or results of operation of Credicorp or any of its subsidiaries.

***Dividend Policy***

Pursuant to Bermuda law, dividends may be declared and paid from time to time provided Credicorp is able to pay its liabilities as they become due and the realizable value of Credicorp's assets would not be less than the aggregate of its liabilities and issued share capital and share premium accounts after the payment of such dividend. Although there can be no assurance that any dividends will be paid or as to the amount of dividends, if any, to be paid, Credicorp currently intends to declare and pay dividends annually and Credicorp's Board of Directors currently expects to authorize the payment to the shareholders of an annual dividend of no less than 25% of consolidated net profits. However, the payment of dividends is subject to Bermuda law and the discretion of the Board of Directors of Credicorp and will depend upon general business conditions, the financial performance of Credicorp, the availability of dividends from Credicorp's subsidiaries and restrictions on their payment and other factors that Credicorp's Board of Directors may deem relevant.

Credicorp will rely almost exclusively on dividends from its subsidiaries for the payment of dividends to holders of Common Shares and for corporate expenses, and is able to cause its subsidiaries to declare dividends, subject to certain reserve and capital adequacy requirements under applicable banking and insurance regulations. To the extent Credicorp's subsidiaries do not have funds available or are otherwise restricted from paying dividends to Credicorp, Credicorp's ability to pay dividends on the Common Shares will be adversely affected. Currently, there are no restrictions on the ability of BCP, ASHC, PPS, or any other Credicorp subsidiary to remit dividends abroad. In addition, BCP and PPS intend to declare and pay dividends in Nuevos Soles, whereas Credicorp intends to declare and pay dividends in U.S. Dollars. If the value of the Nuevo Sol falls relative to the U.S. Dollar between the date of declaration and the date of payment of dividends, the value of such dividends to Credicorp would be adversely affected. See Item 3. Key Information (A) Selected Financial Data Exchange Controls.

The following table shows cash and stock dividends paid by Credicorp in the periods indicated:

<b><u>Year ended December 31,</u></b>	<b>Number of Shares</b>	<b>Cash Dividends Per Share</b>	<b>Stock Dividends Per Share</b>
	<b>Entitled to Dividends</b>		
1998	85,801,738	US\$ 0.45	0.10
1999	94,382,317	US\$ 0.20	0.00
2000	94,382,317	US\$ 0.10	0.00
2001	94,382,317	US\$ 0.10	0.00
2002	94,382,317	US\$ 0.40	0.00
2003	94,382,317	US\$ 0.30	0.00
2004	94,382,317	US\$ 0.40	0.00

On February 17, 2005, the Board declared a cash dividend of US\$0.80 per Common Share held at the close of business on April 19, 2005, which was distributed on May 2, 2005.

### **(B) Significant Changes**

In June 2005, Credicorp's Board of Directors adopted amendments to the policies of the Audit Committee in response to the requirements of the U.S. Sarbanes-Oxley Act of 2002. The amended policies include a detailed description of the Audit Committee's oversight role in ensuring the integrity of Credicorp's financial statements, compliance with legal requirements, the independence and qualifications of auditors, and sufficiency of Credicorp's disclosure controls and procedures and internal controls over financial reporting. The policies were also updated to reflect the independence requirements and the financial expert requirements of the Audit Committee pursuant to the U.S. Sarbanes-Oxley Act of 2002.

## **ITEM 9. THE OFFER AND LISTING**

### **(A) Offer and Listing Details**

#### ***Price History of Credicorp's Stock***

Credicorp's Common Shares have been traded on the New York Stock Exchange since October 25, 1995 under the symbol BAP. The Common Shares also trade on the Lima Stock Exchange. The Common Shares are quoted in U.S. Dollars on both the New York Stock Exchange and the Lima Stock Exchange. The table below sets forth, for the periods indicated, the reported high and low closing prices and average daily trading volume for the Common Shares on the New York Stock Exchange.

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	<u>High(1)</u>	<u>Low(1)</u>	<u>Average Daily Volume</u>
2000	\$ 12.75	\$ 5.50	111,526
2001	\$ 9.41	\$ 5.94	67,296
2002	\$ 10.10	\$ 6.91	38,371
2003	\$ 13.38	\$ 9.35	41,931
2004	\$ 15.87	\$ 12.00	22,184
2003			
First quarter	\$ 10.74	\$ 9.41	29,775
Second quarter	\$ 10.48	\$ 9.35	44,417
Third quarter	\$ 10.15	\$ 9.45	67,443
Fourth quarter	\$ 13.38	\$ 10.05	26,961
2004			
First quarter	\$ 14.68	\$ 12.00	31,995
Second quarter	\$ 13.08	\$ 12.36	26,875
Third quarter	\$ 14.04	\$ 12.65	13,984
Fourth quarter	\$ 15.87	\$ 14.05	15,824
2005			
First quarter	\$ 19.33	\$ 15.60	20,378
Second quarter (through June 10)	\$ 19.89	\$ 17.30	38,124

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Source: Economatca

- (1) The Common Share prices shown above have been adjusted retroactively to reflect stock dividends. Credicorp declared a stock dividend on February 26, 1998 of 0.100 Common Shares for each Common Share held at the close of business on March 31, 1998. Credicorp has not declared a stock dividend since 1998.

The table below sets forth, for the periods indicated, the reported high and low closing prices and average daily trading volume for the Common Shares on the Lima Stock Exchange.

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	<u>High(1)</u>	<u>Low(1)</u>	<u>Average Daily Volume</u>
2000	\$ 12.60	\$ 5.70	64,423
2001	\$ 9.40	\$ 5.90	41,302
2002	\$ 10.06	\$ 7.01	39,355
2003	\$ 12.60	\$ 9.38	29,701
2004	\$ 15.70	\$ 12.08	21,564
2003			
First quarter	\$10.70	\$ 9.38	36,588
Second quarter	\$10.45	\$ 9.41	15,706
Third quarter	\$10.05	\$ 9.45	50,412
Fourth quarter	\$12.60	\$10.40	16,571
2004			
First quarter	\$ 15.02	\$ 12.08	11,426
Second quarter	\$ 13.00	\$ 12.30	55,920
Third quarter	\$ 14.13	\$ 12.61	10,938
Fourth quarter	\$ 15.70	\$ 13.85	8,275
2005			
First quarter	\$ 19.20	\$ 15.60	11,869
Second quarter (through June 10)	\$ 19.81	\$ 17.30	23,649

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Source: Economatca

- (1) The Common Share prices shown above have been adjusted retroactively to reflect stock dividends. Credicorp declared a stock dividend on February 26, 1998 of 0.100 Common Shares for each Common Share held at the close of business on March 31, 1998. Credicorp has not declared a stock dividend since 1998.

The table below sets forth, for the indicated months, the reported high and low closing prices for the Common Shares on the New York Stock Exchange.

	<u>High</u>	<u>Low</u>
<b>2004</b>		
December	\$15.87	\$15.50
<b>2005</b>		
January	\$17.80	\$15.60
February	\$19.00	\$17.40
March	\$19.33	\$17.09
April	\$18.42	\$17.30
May	\$19.89	\$17.40
June (through June 10)	\$19.50	\$18.88

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Source: Economatca



The table below sets forth, for the indicated months, the reported high and low closing prices for the Common Shares on the Lima Stock Exchange.

	<b><u>High</u></b>	<b><u>Low</u></b>
<b>2004</b>		
December	\$15.70	\$15.39
<b>2005</b>		
January	\$17.60	\$15.60
February	\$18.95	\$17.12
March	\$19.20	\$17.06
April	\$18.50	\$17.34
May	\$19.81	\$17.30
June (through June 10)	\$19.40	\$18.72

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Source: Economatca

On June 10, 2005, the last sale price of the Common Shares on the New York Stock Exchange was US\$19.36 per share. On June 10, 2005, the closing price of the Common Shares on the Lima Stock Exchange was US\$19.15 per share.

#### **(B) Plan of Distribution**

Not applicable.

#### **(C) Markets**

##### ***The Lima Stock Exchange***

###### *(i) Trading*

As of December 2004, there were 230 companies listed on the *Bolsa de Valores de Lima* (Lima Stock Exchange), Perú's only securities exchange, which was established in 1970. Trading on the Lima Stock Exchange is primarily done on an electronic trading system that became operational in August 1995. Trading hours are Monday through Friday as follows: 9:00 a.m. - 9:30 a.m. (pre-market ordering); 9:30 a.m. - 1:30 p.m. (trading); and, 1:30 p.m. - 2:00 p.m. (after market sales). Equity securities may also be traded in an open outcry auction floor session, which was the exclusive method of trading equity securities prior to the introduction of electronic trading. Nearly 100% of transactions currently take place on the electronic system.

Transactions during both open outcry and electronic sessions are executed through brokerage firms and stock brokers on behalf of their clients. Brokers submit their orders in strict accordance with written instructions, following the chronological order of the receipt. The orders specify the type of security ordered or offered, the amounts, and the price of the sale or purchase, as the case may be. In general, share prices are permitted to increase or decrease up to 10% within a single trading day.

The Peruvian stock market capitalization increased, in U.S. Dollar terms, 3.3% in 2001, again by 15.9% in 2002, by 27.7% in 2003 and a further 25.0% in 2004. Volume in the Peruvian market is highly concentrated, with the ten most actively traded companies representing approximately 72% of total traded value of equity securities during 2004.

Total traded volume was US\$3.4 billion in 2001, and declined to US\$2.9 billion in 2002, and further to US\$2.3 billion in 2003, but increased to US\$2.5 billion in 2004.



Average daily traded volume was US\$13.8 million in 2001, declined to US\$11.7 million in 2002, and further to US\$9.0 million in 2003, but increased to US\$9.9 million in 2004.

The *Indice General de la Bolsa de Valores de Lima* (the General Index of the Lima Stock Exchange (IGBVL), after increasing, in U.S. Dollar terms, 0.2% in 2001, and 16.3% in 2002 and 76.3% in 2003, increased again by 60.5% in 2004.

*(ii) Market Regulation*

As of December 1996, a new Peruvian securities law, Legislative Decree 861 (the Securities Market Law), superseded Legislative Decree 755, which had been in effect since November 1991. The rapid development and internationalization of the Peruvian economy brought about the need to modernize Perú's old securities law. The Securities Market Law addresses such matters as: transparency and disclosure; takeovers and corporate actions; capital market instruments and operations; the securities markets and broker-dealers; and risk rating agencies.

CONASEV, a public entity reporting to Perú's Ministry of Economy and Finance, was given additional responsibilities relating to the supervision, regulation, and development of the securities market, while a self-regulatory status was established for the Lima Stock Exchange and its member firms. Additionally, a unified system of guarantees and capital requirements was established for the Lima Stock Exchange and its member firms.

CONASEV is governed by a nine-member board appointed by the government. CONASEV has broad regulatory powers, including supervision of all companies incorporated in Perú as well as Peruvian branches or agencies of foreign corporations, the process of admission of members to the Lima Stock Exchange, the authorization for the creation of exchanges, and the approval of the registration of offerings of securities. CONASEV supervises the securities markets and the dissemination of information to investors. It also governs the operations of the Public Registry of Securities and Brokers, regulates mutual funds and their management companies, monitors compliance with accounting regulations by companies under its supervision and the accuracy of financial statements, and registers and supervises auditors providing accounting services to those companies under CONASEV's supervision. On August 22, 1995, CONASEV approved regulations governing the public offering of securities in Perú by entities organized outside of Perú and, for the first time, authorized foreign companies to be listed on the Lima Stock Exchange. On October 25, 1995, Credicorp became the first non-Peruvian company to list its shares on the Lima Stock Exchange. See Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation.

Pursuant to the Securities Market Law, a guarantee fund must be maintained by the Lima Stock Exchange and funded by its member firms. The actual contributions to be made by the 21 member firms of the Lima Stock Exchange are based on volume traded over the exchange. At present, the fund has approximately S/.20 million (US\$6.0 million), which exceeds the target set by the regulations based on the exchange's total traded volume. In addition to the guarantee fund managed by the Lima Stock Exchange, each member firm is required to maintain a guarantee for operations carried outside the exchange in favor of CONASEV. The manner in which such guarantees are generally established is through stand-by letters of credit issued by local banks.

**(D) Selling Shareholders**

Not applicable.

**(E) Dilution**

Not applicable.

**(F) Expenses of the issue**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**(A) Share Capital**

Not Applicable

**(B) Memorandum and Articles of Association**

Item 10. Additional Information Memorandum and Articles of Incorporation from Credicorp's Annual Report on Form 20-F dated June 27, 2003 is incorporated herein by reference.

At the Annual General Shareholders Meeting held on March 31, 2005, an amendment to the Bye-Laws was adopted whereby the number of Directors was increased from six to eight and the classification of Directors and the staggering of their terms was removed and replaced with three-year terms to be served until the end of the Annual General Shareholders Meeting for the year in which their respective terms expire. The main reasons for these amendments were to give more stability to the administration of Credicorp and to give pension funds (AFPs), whose ownership of Common Shares has steadily increased (see Item 7. Major Shareholders and Related Party Transactions (A) Major Shareholders ), direct representation on the Board of Directors. Mr. Ortiz de Zevallos and Mr. Suárez were elected to the two newly created directorships to represent the pension funds.

**(C) Material Contracts**

As of the date hereof, there are no material contracts entered into by Credicorp.

**(D) Exchange Controls**

Credicorp has been designated as a non-resident for Bermuda exchange control purposes, and as such there are no restrictions on its ability to transfer non-Bermuda funds in and out of Bermuda or to pay dividends to United States residents who are holders of Common Shares.

As Credicorp relies almost exclusively on dividends from BCP, ASHC, PPS and its other subsidiaries for the payment of dividends to holders of Common Shares and corporate expenses, to the extent these subsidiaries are restricted by law from paying dividends to Credicorp, Credicorp's ability to pay dividends on the Common Shares will be adversely affected.

In addition, Credicorp presents its financial statements and pays dividends in U.S. Dollars. BCP and PPS prepare their financial statements and pay dividends in Nuevos Soles. The Peruvian currency has been devalued numerous times during the past two decades. If the value of the Nuevo Sol falls relative to the U.S. Dollar between the date of declaration and the date of payment of dividends, the value of such dividends to Credicorp would be adversely affected.

Although substantially all of the customers of BCP, ASHC and PPS are located in Perú, as of December 31, 2004, approximately 83.5% of BCP's loan portfolio, 100% of ASHC's loan portfolio and

66.2% of PPS's premiums were denominated in U.S. Dollars. A devaluation of the Nuevo Sol would therefore have the effect of increasing the cost to the borrower or insured of repaying these loans or making premium payments, in Nuevo Sol terms, which is the currency in which most of the customers of BCP, ASHC and PPS generate revenues. As a result, a devaluation could lead to increased nonperforming loans or unpaid premiums.

Among the economic circumstances that could lead to a devaluation would be a decline in Peruvian foreign reserves to inadequate levels. Although the current level of Perú's foreign reserves compares favorably with those of other Latin American countries, there can be no assurance that Perú will be able to maintain adequate foreign reserves to meet its foreign currency denominated obligations, or that Perú will not devalue its currency should its foreign reserves decline. See Item 4. Information on the Company (B) Business Overview (9) Peruvian Government and Economy.

Since March 1991, there have been no exchange controls in Perú and all foreign exchange transactions are based on free market exchange rates. Prior to March 1991, the Peruvian foreign exchange market consisted of several alternative exchange rates. Additionally, during the last two decades, the Peruvian currency has experienced a significant number of large devaluations and Perú has consequently adopted and operated under various exchange rate control practices and exchange rate determination policies, ranging from strict control over exchange rates to market-determination of rates. Current Peruvian regulations on foreign investment allow the foreign holders of equity shares of Peruvian companies to receive and repatriate 100% of the cash dividends distributed by the company. Such investors are allowed to purchase foreign exchange at free market exchange rates through any member of the Peruvian banking system.

#### **(E) Taxation**

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by Credicorp or by its shareholders in respect of its shares. Credicorp has obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 28, 2016, be applicable to it or to any of its operations or to its shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by Credicorp in respect of real property owned or leased by it in Bermuda.

As an exempted company, Credicorp is liable to pay in Bermuda an annual government fee based upon its authorized share capital and the premium on its issued Common Shares, which amounted to the approximate equivalent of US\$16,695 in 2004, remaining unchanged from the amount paid in 2003.

#### **(F) Dividends and Paying Agents**

Not applicable.

#### **(G) Statement by Experts**

Not applicable.

#### **(H) Documents on Display**

The documents referred to in this Annual Report are available for inspection at the Registered Office of the Company.



**(I) Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***Market Risk*

Credicorp has specific risk management policies and procedures that structure and delineate exposures to credit risks, market risk, liquidity and, more recently, operational risks (see Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation (ii) BCP Management of Operational Risk ).

Market risk is the risk of loss to future earnings, to fair values, or to future cash flows, related to financial instruments registered or not on Credicorp's balance sheet, arising from adverse changes in market factors that affect their valuation, such as interest rates, foreign currency exchange rates, commodity prices, and other relevant market or price changes. Market risk is attributed to all market risk sensitive financial instruments, including securities, loans, deposits, borrowings, as well as derivative instruments. Special emphasis is placed in managing exposure due to mismatched positions in maturities, foreign currency and interest rates.

The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the volatility inherent in financial instruments.

Credicorp's primary market risk exposure is that to interest rates as the net interest income is affected primarily by interest rate volatility, and, to a lesser extent, to foreign currency exchange risk. The management of interest rate risk must incorporate the differences between Nuevos Soles and Foreign Currency-based interest-sensitive assets and liabilities. With the exception of foreign currency forward contracts and a limited number of interest rate hedging instruments, Credicorp has not entered into derivative instrument contracts. Credicorp's policy has been to hedge substantially all of the exchange risk of its forward contracts.

*Asset and Liability Management*

Credicorp's exposure to market risk is a function of its investment and trading activities, as well as the structure and composition of its assets and liabilities. Credicorp's Asset and Liability Management ( ALM ) policy seeks to ensure sufficient liquidity to meet operational funding requirements, as well as to supervise, measure and control interest rate risks, exchange risks, and market risks on securities trading positions. Credicorp, through its various operating units, applies non-statistical and statistical models, such as the Value-at-Risk ( VaR ) methodology for the ALM tasks.

At BCP, decisions regarding management of liquidity, interest rate policy, foreign exchange position and other significant ALM matters are made by the Market Risk Committee which consists of a member of the Board of Directors, the General Manager, the Executive Vice President, Credicorp's Senior Vice President, Insurance, two Central Managers, six Division Managers and the Head of the Market Risk Unit. The Committee meets monthly. Additionally BCP has an Asset and Liability Committee ( ALCO ) that meets monthly to review the overall risk exposure and to decide on strategies to improve its financial structure. Also, BCP's Capital Markets division has an Investment Committee, that makes decisions on positions held on all possible types of securities.

Day-to-day ALM decisions are made by the Central Manager of Finance and the Treasury Department and reviewed in the weekly senior management meeting. The Market Risk Unit is in charge of the measurement, control and follow-up of all positions that involve market risk exposure.

At ASHC, decisions regarding asset and liability management are made by the President and Senior Vice President, Manager of Operations and Administration and the Chief Financial Officer. ASHC has an Investment Committee in charge of putting forward possible limits by type of exposure and to monitor the risk profile of ASHC's various investment portfolios.

Credicorp uses a variety of tools to measure market risks arising from changes in the price of financial instruments and securities prices. Non-statistical methods to measure market risks include: position limits for each trading activity and their allowable risk ( Stop-loss ), marking of all positions to market, profit and loss statements, position reports, and independent verification of the pricing of positions. The statistical estimation of potential losses under adverse market conditions is considered an important tool in the market risk measurement at Credicorp, and for that purpose the VaR methodology is used for certain market risks in its historic simulation version at a 99% confidence level. Testing exercises are performed periodically by which VaR estimates are compared with actual results.

The VaR, in its historical simulation version, is applied to products managed by the Capital Markets Division that are affected by price risk. This methodology is applied to: (i) the foreign currency positions ( spot and forward foreign currency contracts), (ii) the securities portfolio (fixed income, equities and government bonds), and (iii) money market instruments (certificates and overnight deposits).

Additionally, the risk analysis of the investment portfolio is complemented by various indicators including the *Degree of Portfolio Diversification*, which measures the concentration of investments taking into account their risk factors, and VaR as a percentage of the investment, which measures the risk level assumed in a specific segment of the portfolio. As of year-end 2004, BCP maintains a Degree of Portfolio Diversification of 48% (78% in 2003) and a ratio of VaR over total portfolio of 0.11% (0.39% in 2003). BCP has established VaR limits and Stop-loss limits alerts as a function of the maximum potential losses in unfavorable market scenarios that it is willing to assume in the portfolio of each type of security.

BCP's Market Risk Unit issues on a daily basis to the Treasurer and trading managers and to the Chief Financial Officer, reports on positions, profits and losses, VaR results, as well as a series of alerts that have been incorporated using VaR estimates. The Market Risk Committee is provided reports on a monthly basis. Credicorp believes that these procedures, which stress timely communication between the Market Risk Unit and senior management, are important elements of the risk management process.

The following table shows the maturities of Credicorp's marketable investment securities by type at December 31, 2004. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (ii) Investment Portfolio :

	<b>Within 3 months</b>	<b>After 3 months But within 1 year</b>	<b>Total</b>	<b>Fair Value</b>
<i>(U.S. Dollars in thousands, except percentages)</i>				
Nuevo Sol-denominated:				
Peruvian Government Bonds	US\$ 0	US\$ 33,731	US\$ 33,731	US\$ 33,731
Equity securities	8,073	0	8,073	8,073
Bonds and debentures	0	0	0	0
Peruvian Central Bank certificate notes	0	0	0	0
Other investments	106	0	106	106
<b>Total Nuevo Sol-denominated</b>	<b>US\$ 8,179</b>	<b>US\$ 33,731</b>	<b>US\$ 41,910</b>	<b>US\$ 41,910</b>
Foreign Currency-denominated:				
Equity securities	US\$ 2,906	US\$ 0	US\$ 2,906	US\$ 2,906
Bonds	0	3,824	3,824	3,824
Investment in Peruvian debt	0	0	0	0
Other investments	0	53,448	53,448	53,448
<b>Total Foreign Currency-denominated</b>	<b>US\$ 2,906</b>	<b>US\$ 57,272</b>	<b>US\$ 60,178</b>	<b>US\$ 60,178</b>
<b>Total securities holdings</b>	<b>US\$ 11,085</b>	<b>US\$ 91,003</b>	<b>US\$ 102,088</b>	<b>US\$ 102,088</b>

Since 2001, Credicorp applies IAS 39 Financial Instruments: Recognition and Measurement. IAS 39 requires that investments be carried at market value, which is similar to their fair values (see Note 3(h) to the Credicorp Consolidated Financial Statements).

The foreign currency-denominated Other investments, US\$53.4 million in the preceding table, are principally composed of US\$42.4 million of treasury bonds of various foreign governments and US\$11.0 million of shares in mutual funds and fixed income securities of foreign financial institutions.

Given the relatively higher volatility of Nuevo Sol-denominated interest rates compared to foreign currency-denominated rates, maturities of Nuevo Sol-denominated securities are essentially of shorter term than foreign currency-denominated investments. Peruvian Central Bank certificate notes have an important share in the portfolio mostly because they are actively traded in the secondary capital markets, which facilitates the management of their position.

The following table shows the maturities of Credicorp's available for sale investment securities by type at December 31, 2004. See Item 4. Information on the Company (B) Business Overview (12) Selected Statistical Information (ii) Investment Portfolio :



	<b>Within 1 year</b>	<b>After 1 year But within 5 years</b>	<b>Maturing After 5 years But within 10 years</b>	<b>After 10 years</b>	<b>Total</b>	<b>Fair Value</b>
<i>(U.S. Dollars in thousands)</i>						
Nuevo Sol-denominated:						
Peruvian government bonds	US\$ 0	US\$ 0	US\$ 22,863	US\$ 0	US\$ 22,863	US\$ 22,863
Equity securities (1)	104,712	0	0	0	104,712	104,712
Bonds and debentures	6,385	52,095	9,398	0	67,878	67,878
Peruvian Central Bank certif. notes	643,497	38,921	0	0	682,418	682,418
Other investments	5,501	387	0	0	5,888	5,888
<b>Total Nuevo Sol-denominated</b>	<b>US\$ 760,095</b>	<b>US\$ 91,403</b>	<b>US\$ 32,261</b>	<b>US\$ 0</b>	<b>US\$883,759</b>	<b>US\$883,759</b>
Foreign Currency-denominated:						
	US\$					
Equity securities	65,667	US\$ 0	US\$ 0	US\$ 0	US\$ 65,667	US\$ 65,667
Bonds	200,493	291,235	94,955	19,895	606,578	606,578
Investment in Peruvian debt	22,335	72,435	12,532	239,843	357,145	357,145
Other investments	93,064	105,649	5,297	0	204,010	204,010
<b>Total Foreign Currency-denominated</b>	<b>US\$ 391,559</b>	<b>US\$ 469,319</b>	<b>US\$112,784</b>	<b>259,738</b>	<b>US\$1,233,400</b>	<b>US\$1,233,400</b>
<b>Total securities holdings</b>	<b>US\$ 712,593</b>	<b>US\$ 560,722</b>	<b>US\$ 145,045</b>	<b>US\$ 259,738</b>	<b>US\$2,117,159</b>	<b>US\$2,117,159</b>

(1) Equity securities in Credicorp's trading account are categorized as maturing within one year, while other equity securities are categorized according to their maturity.

The foreign currency-denominated Other investments, US\$204.0 million in the preceding table, are principally composed of US\$69.3 million of shares in various mutual funds, US\$76.0 million of treasury bonds of foreign governments and US\$41.4 million in required deposits reserves managed by the Bolivian Central Bank in the *Fondo RAL*.

### *Interest Rate Risk Management*

A key component of Credicorp's asset and liability management policy is the management of adverse changes in earnings as a result of changes in interest rates. The management of interest rate risk relates to the timing and magnitude of the repricing of assets compared to liabilities and attempts to control of risks associated with movements in interest rates. Credicorp hedges some of its interest rate risk through the use of interest rate derivative contracts. As part of the management of interest rate risks, both of BCP's Market Risk Committee and ALCO may direct changes in the composition of the balance sheet.

One method of measuring interest rate risk is by measuring the impact of interest rate changes over the financial margin, or the interest rate sensitivity gap. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the maturity or repricing characteristics of interest-earning assets and interest-bearing liabilities. For any given period, the pricing structure is matched when an equal amount of such assets and liabilities mature or reprice in that period. Any mismatch of interest-earning assets and interest-bearing liabilities is known as a gap position. A negative gap denotes liability sensitivity and normally means that a decrease in interest rates would have a positive effect on net interest income, while an increase in interest rates would have a negative effect on net interest income. The financial margin exposure is usually analyzed for a period limited to a 12-month horizon.

A second measure of interest rate risk extends the period of analysis, considering expected durations of interest rate-sensitive assets and liabilities, to determine variations in their economic value due to interest rates changes.

The following table reflects, according to maturity and by currency, the interest-earning assets and interest-bearing liabilities of Credicorp as of December 31, 2004, and may not be representative of positions at other times. In addition, variations in interest rate sensitivity may arise within the repricing periods presented or among the currencies in which interest rate positions are held. Credicorp actively monitors and manages its interest rate sensitivity and has the ability to reprice relatively promptly both its interest-earning assets and interest-bearing liabilities. On the basis of its gap position at December 31,

2004, Credicorp believes that a significant increase or decrease in interest rates would not reasonably be expected to have a material effect on Credicorp's financial condition or results of operations.

**Earliest Repricing Interval at December 31, 2004**

	<b>Overnight to 3 months</b>	<b>Over 3 to 12 months</b>	<b>Total within One year</b>	<b>Over 1 to 5 years</b>	<b>Over 5 Years</b>	<b>Total</b>
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*(U.S. Dollars in thousands, except percentages)*

**Nuevo Sol-denominated:**

**Assets:**

	US\$	US\$	US\$	US\$	US\$	US\$
Loans, net	US\$505,915	59,724	US\$565,639	83,723	US\$ 124	US\$649,486
Investment securities	89,251	574,323	663,574	55,185	7	718,766
Deposits in other banks	<u>32,631</u>	<u>6,094</u>	<u>38,725</u>	<u>0</u>	<u>0</u>	<u>38,725</u>
Total	<u>627,797</u>	<u>640,141</u>	<u>1,267,938</u>	<u>138,908</u>	<u>131</u>	<u>1,406,977</u>

**Liabilities:**

Demand and saving deposits(1)	403,429	177,861	581,290	11,258	762	593,310
Time deposits	283,764	143,817	427,581	13,897	0	441,478
Interbank deposits received	78,038	2,027	80,065	0	0	80,065
Bonds and other liabilities	<u>8,476</u>	<u>19,900</u>	<u>28,376</u>	<u>112,214</u>	<u>16,232</u>	<u>156,822</u>
Total	<u>773,707</u>	<u>343,605</u>	<u>1,117,312</u>	<u>137,369</u>	<u>16,994</u>	<u>1,271,675</u>
Interest Sensitivity gap	-145,910	296,536	150,626	1,539	-16,863	135,302
Cumulative interest sensitivity gap	-145,910	150,626	150,626	152,165	135,302	135,302
Cumulative interest-earning assets	627,797	1,267,938	1,267,938	1,406,846	1,406,977	1,406,977
Cumulative interest sensitivity gap	-23.24%	11.88%	11.88%	10.82%	9.62%	9.62%

**Foreign**

**Currency-denominated:**

**Assets:**

Loans, net	1,619,523	932,809	2,552,332	549,767	161,250	3,263,349
Investment securities	187,268	188,836	376,104	297,312	73,146	746,562
Deposits in other banks, and Other instruments	<u>1,218,162</u>	<u>39,902</u>	<u>1,258,064</u>	<u>2,442</u>	<u>0</u>	<u>1,260,506</u>
Total	<u>3,024,953</u>	<u>1,161,547</u>	<u>4,186,500</u>	<u>849,521</u>	<u>234,396</u>	<u>5,270,417</u>

**Liabilities:**

Demand and saving deposits(1)	1,095,912	399,120	1,495,032	8,852	0	1,503,884
Time deposits	1,611,458	573,392	2,184,850	125,771	22,946	2,333,567
Interbank deposits received and Borrowings	195,143	108,696	303,839	63,941	68,249	436,029
Bonds and mortgage notes	<u>39,458</u>	<u>42,957</u>	<u>82,415</u>	<u>172,646</u>	<u>87,767</u>	<u>342,828</u>
Total	<u>2,941,971</u>	<u>1,124,165</u>	<u>4,066,136</u>	<u>371,210</u>	<u>178,962</u>	<u>4,616,308</u>
Interest sensitivity gap	82,982	37,382	120,364	478,311	55,434	654,109

Cumulative interest sensitivity gap	82,982	120,364	120,364	598,675	654,109	654,109
Cumulative interest-earning assets	3,024,953	4,186,500	4,186,500	5,036,021	5,270,417	5,270,417
Cumulative interest sensitivity gap	2.74%	2.88%	2.88%	11.89%	12.41%	12.41%
<b>Total interest sensitivity gap</b>	-62,928	333,918	270,990	479,850	38,571	789,411
<b>Cumulative interest sensitivity gap</b>	-62,928	270,990	270,990	750,840	789,411	789,411
<b>Total interest-earning assets</b>	3,652,750	1,801,688	5,454,438	988,429	234,527	6,677,394
<b>Cumulative interest-earning assets</b>	3,652,750	5,454,438	5,454,438	6,442,867	6,677,394	6,677,394
<b>Cumulative interest sensitivity gap as a percentage of cumulative interest earning assets</b>	-1.72%	4.97%	4.97%	11.65%	11.82%	11.82%

(1) Includes CTS deposits

In addition to the static gap position, BCP employs a simulation analysis to measure the degree of short term interest risk. Sensitivity analysis is performed to express the potential gains or losses in future earnings resulting from selected hypothetical changes in interest rates. Sensitivity models are calculated on a monthly basis using both actual balance sheet figures detailed by maturity repricing interval and interest yields or costs. Simulations are run using various interest rate scenarios to determine potential changes to future earnings.

The forward looking simulation results reflect changes between a most likely to occur interest rate base case scenario and a stress test applied to interest earning assets and liabilities as of December 31, 2004. Interest rate scenarios are separately devised for U.S. Dollar and Nuevos Soles-denominated rates. As of December 31, 2004, Credicorp's banking subsidiaries had a very short term cumulative negative gap with US\$62.9 million more liabilities than assets repricing within three months. This amounts to 1.72% of cumulative interest earning assets, which changes to a positive cumulative gap with US\$271.0 million more assets than liabilities repricing within one year, or 0.97% of cumulative interest earning assets.

Considering that the consensus in the market is for a continued generalized increase in interest rates, the base case scenario analyzes the effect on financial margins in the next twelve months of a 100 basis points increase in Nuevos Soles-denominated interest rates as well as in U.S. Dollar-denominated rates. The base case scenario shows an impact of these variations resulting, for the next twelve months, in an increase of pre-tax net interest income of approximately US\$1.6 million, or 0.4% of net interest income in 2004, which is the outcome of a shorter repricing period for assets with respect to liabilities.

A stress test was simulated in which U.S. Dollar rates are assumed to immediately increase up to 100 basis points higher than the base case rates, which corresponds to the highest annual change in the last two years. The "shock" scenario for Nuevos Soles-denominated interest rates was constructed immediately changing rates at all repricing intervals, increasing rates by 200 basis points, approximately the highest annual change in the past two years. The stress tests resulted in a total pre-tax net interest income increase of approximately US\$8.4 million, or 2.2% of year 2004 net interest income.

Gap simulation analysis has several shortcomings, one of which is its static nature, that is, it does not consider ongoing loan and deposit activity, and another of which is the inadequate treatment of individually negotiated loan and deposit rates, as in prime client cases, or the finer breakdown of rates applicable to different business segments. Furthermore, more than 50% of Credicorp's interest bearing deposits can be unilaterally modified causing difficulties in establishing the expected repricing period of these products in the simulations. Additionally, Credicorp considers within the Foreign Currency category not only U.S. Dollar-denominated transactions, but also the currency of its subsidiary in Bolivia, which may present different trends in certain periods but, due to its relative small value, do not significantly affect the results of the analysis.

#### *Exchange Rate Sensitivity*

Credicorp's market risk exposure to foreign currency exchange fluctuations is attributed to its net asset or net liability positions in currencies other than U.S. Dollars. Exchange rate risk management policies include nominal and stop-loss limits, approved by the Market Risk Committee, as well as VaR alerts reviewed on a daily basis, where excesses are immediately reported.

Adverse fluctuations in foreign exchange rates may result in losses principally from the exposure to Nuevos Soles, which amounted to a net asset position of US\$73.0 million at December 31, 2004 (US\$437.0 million net liability position at December 31, 2003), and to a lesser extent to positions in other currencies, which had a net asset position of US\$84.5 million at December 31, 2004 (net asset position of US\$38.3 million at December 31, 2003). See Note 23 to the Credicorp Consolidated Financial Statements. Considering foreign currency forward contracts, the Nuevos Soles exposure increases to a net asset position of US\$284.5 million at December 31, 2004, and also increases in other currencies to a net asset position of US\$84.5 million at the same date.

Earnings sensitivity is estimated by directly applying expected foreign currency devaluation or revaluation rates on the above net positions. The Nuevos Soles net asset position results in exchange gains



whenever the Peruvian currency raises its value against the U.S. Dollar, while a devaluation would generate exchange losses. A 10% change in the Nuevo Sol exchange rate would generate a US\$7.3 million gain or loss in case of revaluation or devaluation, respectively. Given the evolution of the exchange rate in past years, a significant devaluation scenario for the Nuevo Sol is very unlikely for the next twelve months. See Item 3. Key Information (A) Selected Financial Data Exchange Controls. The net asset position in other foreign currencies is principally composed of Bolivian Bolivianos and Colombian Pesos (until the sale of Banco Tequendama in March 2005). Management expects that the exchange risk in these currencies will not be significant, although some exposures are managed from time to time through foreign exchange forward contracts.

As of December 31, 2004, Credicorp's total U.S. Dollar-denominated monetary assets were US\$6,260.8 million and its U.S. Dollar-denominated liabilities were US\$5,653.5 million, resulting in a net U.S. Dollar asset position of US\$607.3 million (US\$969.3 million at December 31, 2003). Of such amount, approximately 20% represented the net U.S. Dollar asset position of Credicorp's non-Peruvian subsidiaries that conduct most of their operations in U.S. Dollars. Credicorp considers its net U.S. Dollar asset position to be reasonable in view of the volume of its foreign currency activities and the environment in which it operates. Historically, in order to provide some protection from the combined effects of devaluation and inflation, Credicorp has followed the policy of maintaining the sum of its net U.S. Dollar assets, real estate assets and investments in equity securities at least equal to shareholders' equity. In 2004, due to the continued strength of the Peruvian currency, this policy was relaxed allowing for up to a US\$200 million difference, which led to the reduction in the net U.S. Dollar asset position.

Beginning in March 1999, BCP has segregated part of its regulatory capital to cover foreign exchange risk exposure and, since June 2000, to cover risk related to investments in equity shares, with the remaining used to cover credit risk. See Item 4. Information on the Company (B) Business Overview (11) Supervision and Regulation (ii) BCP Capital Adequacy Requirements.

#### *Derivatives Trading Activities*

Credicorp provides its customers with access to a wide range of products from the securities, foreign exchange, and, to a lesser extent, derivatives markets. Credicorp enters into trading activities primarily as a financial intermediary for customers, and, to a lesser extent, for its own account. In acting for its own account, Credicorp may take positions in some of these instruments with the objective of generating trading profits.

Except for foreign currency forward commitments and interest rate swaps, Credicorp does not enter into derivative transactions, currency swaps or options. Foreign exchange forward contracts are agreements for future delivery of money market instruments in which the seller agrees to make delivery at a specified future date of an instrument, at a specified price or yield. Forward contracts are closely monitored and are also subject to nominal and stop-loss limits.

As of December 31, 2004, the notional amount of outstanding forward contracts was approximately US\$466.2 million (US\$313.9 million as of December 31, 2003), with maturities for periods less than a year. All of those contracts were signed solely to serve customer needs and the exchange risk was hedged with operations amounting to a net of US\$211.5 million in excess of sales. Interest rate swap operations at year-end 2004 amounted to US\$212.4 million (US\$98.1 million in 2003). These contracts are recorded at fair value, recording both realized and unrealized gains and losses in the consolidated income statements.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.





**PART II****ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES****(A) Material Defaults**

Credicorp has never defaulted on any of its debt or been forced to reschedule any of its obligations.

**(B) Dividend Arrearages**

None.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

**ITEM 15. CONTROLS AND PROCEDURES**

Credicorp's management, with the participation of and under the supervision of Credicorp's principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of Credicorp's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of December 31, 2004. Based on that evaluation, Credicorp's management, its principal executive officer and its principal financial officer have concluded that Credicorp's disclosure controls and procedures are effective to ensure that information required to be disclosed by Credicorp in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in U.S. Securities and Exchange Commission (the "SEC") rules and forms.

No changes were made to Credicorp's internal controls over financial reporting that materially affected internal controls over financial reporting during the period covered by this Annual Report. Credicorp also found no significant deficiencies or material weaknesses, and therefore no corrective actions were taken.

The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. There is no certainty that any design will succeed in achieving its stated goal under all potential future considerations, regardless of how remote.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, Credicorp will be required to make certain certifications regarding its internal controls over financial reporting by the end of its fiscal year 2006. During 2004, Credicorp undertook significant steps necessary to comply with Section 404. In particular, the processes that will have a significant impact on the most important accounts at BCP and other subsidiaries have been identified and classified by degree of complexity and critical importance. An internal methodology was developed to document these processes, assess risks and determine the effectiveness of the internal controls over financial reporting.

Credicorp will continue these efforts during 2005, including completing process evaluations at Credicorp's smaller subsidiaries. In addition, computer programs are being implemented to allow continuous monitoring, assessment and documentation of our internal controls.

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

Credicorp's Board of Directors has determined that Mr. Luis Enrique Yarur is an audit committee financial expert, as that term is defined according to Section 407(b) of the U.S. Sarbanes-Oxley Act of 2002. Mr. Yarur is a businessman with an undergraduate degree in law and graduate degrees in economics and management. He became a Director of Credicorp on October 31, 2002. Mr. Yarur is Chairman of the Board of Banco de Crédito e Inversiones in Chile, and a member of the boards of directors of various other Chilean companies.

**ITEM 16B. CODE OF ETHICS**

Credicorp has adopted a code of ethics (*Código de Ética*) that is applicable to the Board of Directors, including Credicorp's Chief Executive Officer, Chief Financial and Accounting Officer and the other principal executive officers, as well as to all other employees. In addition, Credicorp has adopted a code of ethics for professionals with financial responsibility (*Código de Ética Para Profesionales con Responsabilidad Financiera*) applicable to employees with financial management responsibilities. Credicorp's code of ethics and code of ethics for professionals with financial responsibility are available on the Corporate Governance section of its web site at <http://www.credicorpnet.com>.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following table sets forth for each of the years indicated, the fees paid to our independent auditor Medina, Zaldívar, Paredes & Asociados, members of Ernst & Young Global for the audit of Credicorp's financial statements for the years ended December 31, 2003 and 2004, respectively. The Audit Committee recommends the appointment of the independent auditor every fiscal year, and the auditor is appointed at the Annual General Shareholders Meeting.

	<b>Years ended December 31,</b>	
	<b>2003</b>	<b>2004</b>
	<i>(U.S. Dollars in thousands)</i>	
Audit	US\$ 974	US\$ 1,132
Audit Related		14
Tax	28	7
All Other	154	134
<b>Total</b>	<b>US\$ 1,156</b>	<b>US\$ 1,287</b>

*Audit fees* correspond to audit services performed (i) in the review of Credicorp's consolidated financial statements, and (ii) establishing the procedures that the independent auditor needs to perform in order to form an opinion about Credicorp's consolidated financial statements. Audit fees also include expenses related to the audit work. During 2004, the Audit Committee did not approve any additional audit fees.

*Audit-related fees* relate to services that are similar to the execution of an audit or a review of Credicorp's financial statements and which are traditionally performed by the independent auditor. Such audit-related services include due diligence tasks related to possible acquisitions; advisory services related to accounting or financial reports; assistance in the understanding and/or implementation of new accounting and financial rules established by regulatory entities;

audit related procedures on accounting matters previously agreed with Credicorp's management; and advisory services on internal control procedures. Credicorp's independent auditor performed due diligence tasks related to the acquisition of Novasalud EPS, a health insurance company acquired by PPS in March 2004, which was merged with Pacífico Salud in August 2004.

*Tax fees* relate to tax services which include all services performed by Credicorp's independent auditor's tax personnel, except those services specifically related to the review and preparation of Credicorp's financial statements, and consisted principally of tax compliance, advisory and planning services. During 2004, tax fees included advisory services related to services performed in Chile.

*All Other fees* mainly relate to services performed in 2003 and 2004 by the Business Advisory Service unit of Ernst & Young related to documentation of procedures.

#### *Audit Committee Pre-Approval Policies and Procedures*

The Audit Committee must approve all of the services the independent auditors provide as part of its responsibility in supervising their work. There are two types of approvals. The Audit Committee grants a general approval in advance to a list of services that the independent auditor may provide without further approval required by the Audit Committee. A general approval is valid for 12 months from the date of approval unless the Audit Committee determines a different period of validity should apply. The Audit Committee also grants specific approval for services that do not have general approval on a case-by-case basis. All of the services that do not have general approval need specific approval from the Audit Committee before any agreement is signed with the independent auditor to provide such services. Any service that exceeds approved costs or budgets will need specific approval from the Audit Committee. When considering granting any type of approval, the Audit Committee considers whether the requested services are consistent with the SEC's rules regarding the independence of the external auditors.

The Audit Committee supervises the execution of the external audit services as necessary. It approves, when necessary, any modification in the terms, conditions, fees and extent of the audit services. The Audit Committee may give a general approval for other audit services where the independent auditor is in the best position to provide those services. Such services typically include: audit services required by regulations, financial audits for Credicorp's subsidiaries or affiliates; and services associated with the presentation of documents to the SEC or other documents published in relation to the trading of Credicorp's shares.

The Audit Committee may award a general approval to audit-related services if its members consider that these services do not negatively affect the integrity of the independent auditor and are consistent with the rules of the SEC.

The Audit Committee may award a general approval to those tax services that have historically been provided by the independent auditor and which are consistent with the rules concerning the independence of the auditor. Any tax service that involves complex transactions needs a specific approval from the Audit Committee.

The Audit Committee may grant a specific approval to other services provided by the independent auditor so long as they do not impair the integrity of the independent auditor and are allowed by rules issued by the SEC concerning auditor independence.

#### **ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not Applicable.

#### **ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not Applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18. FINANCIAL STATEMENTS**

Please refer to Item 19. Exhibits.

**ITEM 19. EXHIBITS**

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All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the consolidated financial statements or notes thereto.

## (b) Index to Exhibits

- 1.1 Bye-Laws of Credicorp Ltd., as amended March 31, 2005
- 1.2 Memorandum of Association of Credicorp Ltd., incorporated herein by reference to Exhibit 1.2 to Credicorp's Annual Report on Form 20-F dated June 27, 2003
- 8 List of Subsidiaries, incorporated herein by reference to Exhibit 8 to Credicorp's Annual Report on Form 20-F dated June 27, 2003
- 12.1 Certification by the Chief Executive Officer Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
- 12.2 Certification by the Chief Financial and Accounting Officer Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
- 13.1 Certification by the Chief Executive Officer Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
- 13.2 Certification by the Chief Financial and Accounting Officer Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**CREDICORP LTD.**

By: /s/ WALTER BAYLY  
Name: Walter Bayly  
Title: Chief Financial and Accounting Officer

Dated: January 20, 2006

**CREDICORP CONSOLIDATED FINANCIAL STATEMENTS**

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**Credicorp Ltd. and Subsidiaries**

Consolidated financial statements as of December 31, 2004, 2003 and 2002  
together with the Report of Independent Auditors

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**Credicorp Ltd. and Subsidiaries**

Consolidated financial statements as of December 31, 2004, 2003 and 2002 together with the Report of Independent Auditors

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**Report of Independent Auditors**

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## **Report of Independent Auditors**

To the Shareholders and Board of Directors of Credicorp Ltd.

We have audited the accompanying consolidated balance sheets of Credicorp Ltd. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of Credicorp Ltd. and Subsidiaries as of December 31, 2002, were audited by other independent auditors whose report, dated February 12, 2003, expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**Report of Independent Auditors** (continued)

In our opinion, the 2004 and 2003 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credicorp Ltd. and Subsidiaries as of December 31, 2004 and 2003, and the consolidated results of its operations and cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS).

International Financial Reporting Standards vary in certain respects from U.S. generally accepted accounting principles. Application of U.S. generally accepted accounting principles would have affected the consolidated shareholders' equity as of December 31, 2004 and 2003, and the consolidated net income for the year then ended to the extent summarized in note 26 to the consolidated financial statements.

Countersigned by:

/s/ Juan Paredes  
Juan Paredes  
C.P.C. Register N°22220

/s/ Medina, Zaldivas, Paredes & Asociados  
Medina, Zaldivas, Paredes & Asociado

Lima, Peru,  
February 21, 2005  
except for Notes 25 and 26, as to which the date is  
June 22, 2005

**Credicorp Ltd. and Subsidiaries****Consolidated balance sheets**

As of December 31, 2004 and 2003

	<b>Note</b>	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Assets</b>			
Cash and due from banks:	4		
Non-interest bearing		251,561	228,965
Interest bearing		1,593,900	1,386,095
		1,845,461	1,615,060
Investments:			
Trading securities	5	102,534	98,746
Investments available-for-sale	6	2,128,522	1,652,313
		2,231,056	1,751,059
Loans, net:	7		
Loans, net of unearned income		4,589,729	4,516,894
Allowance for credit losses		(253,408)	(306,758)
		4,336,321	4,210,136
Premiums and other policies receivable		60,665	60,057
Reinsurance receivable		35,453	45,904
Property, furniture and equipment, net	8	246,712	264,533
Due from customers on acceptances		47,635	50,284
Assets seized, net	9	64,873	89,030
Other assets	10	219,384	235,720
<b>Total assets</b>		<b>9,087,560</b>	<b>8,321,783</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Credicorp Ltd. and Subsidiaries****Consolidated balance sheets** (continued)

As of December 31, 2004 and 2003

	<b>Note</b>	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Liabilities and shareholders equity</b>			
Deposits and other obligations:	11		
Non-interest bearing		1,219,695	850,861
Interest bearing		5,076,504	5,149,244
		6,296,199	6,000,105
Due to banks and correspondents	12	431,052	274,237
Bankers acceptances outstanding		47,635	50,284
Reserves for insurance claims	13	398,439	303,587
Reserves for unearned premiums		72,327	66,084
Reinsurance payable		23,612	33,043
Other liabilities	10	243,869	191,411
Bonds issued	14	423,977	419,461
<b>Total liabilities</b>		7,937,110	7,338,212
<b>Minority interest</b>		85,253	72,841
<b>Shareholders equity</b>			
Capital stock	15	471,912	471,912
Treasury stock		(73,107)	(73,177)
Capital surplus		140,693	140,500
Reserves		269,527	269,527
Retained earnings		256,172	101,968
<b>Total shareholders equity</b>		1,065,197	910,730
<b>Total liabilities and shareholders equity</b>		9,087,560	8,321,783

The accompanying notes are an integral part of these consolidated financial statements.

**Credicorp Ltd. and Subsidiaries****Consolidated income statements**For the years ended December 31, 2004, 2003  
and 2002

	Note	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
<b>Interest and dividends income</b>				
Interest on loan transactions		426,537	452,950	420,341
Interest on deposits in banks		20,146	18,826	36,516
Interest from trading securities and investments				
available-for-sale		81,276	62,458	63,705
Dividends on investments		2,256	4,624	2,293
Other interest income		12,627	9,427	9,019
<b>Total interest and dividends income</b>		<b>542,842</b>	<b>548,285</b>	<b>531,874</b>
<b>Interest expense</b>				
Interest on deposits		(105,000))	(109,291)	(126,338)
Interest on bonds issued		(27,651)	(28,068)	(22,113)
Interest on due to banks and correspondents		(16,366)	(17,235)	(25,285)
Other interest expenses		(11,281)	(8,986)	(4,334)
<b>Total interest expense</b>		<b>(160,298)</b>	<b>(163,580)</b>	<b>(178,070)</b>
<b>Net interest and dividends income</b>		<b>382,544</b>	<b>384,705</b>	<b>353,804</b>
Provision for credit losses	7(f)	(16,131)	(66,421)	(99,596)
<b>Net interest and dividends income after provision for credit losses</b>		<b>366,413</b>	<b>318,284</b>	<b>254,208</b>
<b>Other income</b>				
Banking services commissions		201,474	189,472	177,305
Net gain on foreign exchange transactions		24,165	23,681	22,582
Net gain (loss) on sales of securities		10,135	3,235	(1,097)
Other	20	8,105	23,227	11,651
<b>Total other income</b>		<b>243,879</b>	<b>239,615</b>	<b>210,441</b>
<b>Insurance premiums and claims</b>				
Net premiums earned	19	192,672	125,115	125,218
Net claims incurred		(34,791)	(23,844)	(23,701)
Increase in costs for life and health policies		(119,534)	(75,930)	(74,200)

<b>Total net income from premiums earned</b>	38,347	25,341	27,317
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The accompanying notes are an integral part of these consolidated financial statements.

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**Consolidated income statements** (continued)

	<b>Note</b>	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)	<b>2002</b> US\$(000)
<b>Other expenses</b>				
Salaries and employees benefits		(202,729)	(193,563)	(183,468)
Administrative expenses		(153,096)	(147,593)	(133,502)
Depreciation and amortization		(41,742)	(43,660)	(41,338)
Provision for assets seized	9(b)	(14,639)	(13,588)	(15,094)
Merger expenses	2	(3,742)	(18,587)	-
Goodwill amortization	10(c)	(4,853)	(4,223)	(3,033)
Other	20	(42,869)	(27,746)	(27,751)
<b>Total other expenses</b>		<b>(463,670)</b>	<b>(448,960)</b>	<b>(404,186)</b>
<b>Income before translation result, income tax and minority interest</b>				
		184,969	134,280	87,780
Translation result		2,040	(3,675)	(2,482)
Income tax	16(b)	(45,497)	(39,695)	(32,628)
Minority interest		(10,765)	(10,303)	(10,287)
<b>Net income</b>		<b>130,747</b>	<b>80,607</b>	<b>42,383</b>
<b>Basic and diluted earnings per share in United States dollars</b>				
	21	1.64	1.01	0.53

The accompanying notes are an integral part of these consolidated financial statements.

**Credicorp Ltd. and Subsidiaries****Consolidated statements of changes in shareholders equity**

For the years ended December 31, 2004, 2003 and 2002

	<b>Number of shares issued, note 21 (In thousands of units)</b>	<b>Capital stock US\$(000)</b>	<b>Treasury stock US\$(000)</b>	<b>Capital surplus US\$(000)</b>	<b>Reserves US\$(000)</b>	<b>Retained earnings US\$(000)</b>	<b>Total US\$(000)</b>
<b>Balances as of January 1<sup>st</sup>, 2002</b>	94,382	471,912	(74,605)	139,020	104,104	156,342	796,773
Decrease in treasury stock	-	-	1,428	1,480	-	-	2,908
Cash dividends, note 15(d)	-	-	-	-	-	(15,987)	(15,987)
Net unrealized loss from investments							
available-for- sale, note 6(b)	-	-	-	-	-	(14,444)	(14,444)
Transfer of net realized loss and impairment losses from investments							
available-for-sale to the operations							
results, net of realized gains, note 6(b)	-	-	-	-	-	12,167	12,167
Net income	-	-	-	-	-	42,383	42,383
<b>Balances as of December 31, 2002</b>	94,382	471,912	(73,177)	140,500	104,104	180,461	823,800
Cash dividends, note 15(d)	-	-	-	-	-	(23,922)	(23,922)
Transfer of retained earnings to reserves	-	-	-	-	165,423	(165,423)	-
Net unrealized gain from investments							
available-for- sale, note 6(b)	-	-	-	-	-	18,844	18,844
Transfer of net realized loss and impairment losses from investments							
available-for-sale to the operations							
results, net of realized gains, note 6(b)	-	-	-	-	-	11,401	11,401

Net income	-	-	-	-	-	80,607	80,607
<b>Balances as of December 31, 2003</b>	94,382	471,912	(73,177)	140,500	269,527	101,968	910,730

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated statements of changes in shareholders equity** (continued)

	<b>Number of shares issued, note 21 (In thousands of units)</b>	<b>Capital stock US\$(000)</b>	<b>Treasury stock US\$(000)</b>	<b>Capital surplus US\$(000)</b>	<b>Reserves US\$(000)</b>	<b>Retained earnings US\$(000)</b>	<b>Total US\$(000)</b>
Decrease in treasury stock	-	-	70	193	-	-	263
Cash dividends, note 15(d)	-	-	-	-	-	(31,900)	(31,900)
Net unrealized gain from investments available-for- sale, note 6(b)	-	-	-	-	-	56,746	56,746
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	(1,365)	(1,365)
Other	-	-	-	-	-	(24)	(24)
Net income	-	-	-	-	-	130,747	130,747
<b>Balances as of December 31, 2004</b>	94,382	471,912	(73,107)	140,693	269,527	256,172	1,065,197

The accompanying notes are an integral part of these consolidated financial statements.

**Credicorp Ltd. and Subsidiaries****Consolidated cash flow statements**

For the years ended December 2004, 2003 and 2002

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)	<b>2002</b> US\$(000)
<b>Cash flows from operating activities</b>			
Net income	130,747	80,607	42,383
<b>Add (deduct)</b>			
Provision for loan losses	16,131	66,421	99,596
Depreciation and amortization	41,742	43,660	41,338
Amortization of goodwill	4,853	4,223	3,033
Provision for assets seized	14,639	13,588	15,094
Minority interest	10,765	10,303	10,287
Provision for sundry risks	9,819	2,022	4,649
Deferred income tax	(6,325)	4,410	(2,115)
Net loss (gain) on securities available-for-sale	(10,135)	(3,235)	1,097
Loss on sales of property, furniture and equipment	4,525	1,639	1,907
Translation result	(2,040)	3,675	2,482
Sale (purchase) of trading securities, net	(3,788)	506,358	(48,267)
<b>Changes in assets and liabilities:</b>			
Decrease (increase) in loans	(142,316)	136,994	(114,347)
Increase in other assets	42,402	16,504	36,457
Increase (decrease) in deposits and obligations	296,094	(418,569)	155,798
Increase (decrease) in due to banks and correspondents	156,815	(36,467)	(65,988)
Increase (decrease) in other liabilities	139,626	90,435	(30,233)
<b>Net cash provided by operating activities</b>	<b>703,554</b>	<b>522,568</b>	<b>153,171</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries net of cash received, notes 2(c) and (d)	-	-	140,782
Cash received from sales of Banco Capital	-	-	32,255
Sales (purchase) net of investments available-for-sale	(410,693)	(984,815)	17,444
Purchase of property, furniture and equipment	(41,087)	(29,919)	(22,864)
Sales of property, furniture and equipment	7,788	23,951	1,560
<b>Net cash provided by (used in) investing activities</b>	<b>(443,992)</b>	<b>(990,783)</b>	<b>169,177</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated cash flow statements** (continued)

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)	<b>2002</b> US\$(000)
<b>Cash flows from financing activities</b>			
Decrease (increase) in bonds issued	4,516	(71,518)	1,445
Sales of treasury stocks	263	-	2,908
Cash dividends	(31,900)	(23,922)	(31,881)
<b>Net cash used in financing activities</b>	(27,121)	(95,440)	(27,528)
Translation loss on cash and cash equivalents	(2,040)	(3,675)	(9,882)
<b>Net increase (decrease) in cash and cash equivalents</b>	230,401	(567,330)	284,938
Cash and cash equivalents at the beginning of the year	1,615,060	2,182,390	1,897,452
<b>Cash and cash equivalents at the end of the year</b>	1,845,461	1,615,060	2,182,390
<b>Supplementary cash flows information:</b>			
<b>Cash paid during the year for</b>			
Interest	158,414	146,972	101,185
Income taxes	43,866	59,064	3,487

The accompanying notes are an integral part of these consolidated financial statements.

**Credicorp Ltd. and Subsidiaries****Notes to the consolidated financial statements**

As of December 31, 2004 and 2003

**1. Operations**

Credicorp Ltd. (hereinafter "Credicorp" or "Group") is a limited liability company incorporated in Bermuda in 1995 to act as a holding company and to coordinate the policy and administration of its subsidiaries. It is also engaged in investing activities.

Credicorp Ltd., through its banking and non-banking subsidiaries, provides a complete range of financial services and products throughout Peru and in selected international markets. At December 31, 2004 and 2003, the major subsidiary of the Group is Banco de Crédito del Perú (hereinafter "BCP" or the "Bank"), a Peruvian universal bank.

The address of Credicorp's main office is Calle Centenario N°156, La Molina, Lima, Peru. The Group employs 11,322 and 10,901 employees as of December 31, 2004 and 2003, respectively.

The consolidated financial statements as of and for the year ended December 31, 2003 have been approved in the General Shareholders' Meeting dated March 26, 2004. The accompanying consolidated financial statements as of and for the year ended December 31, 2004, have been approved by Management and will be submitted for approval at the Board of Directors and the General Shareholders' Meeting that will occur within the period established by law. In Management's opinion, the accompanying consolidated financial statements will be approved without modifications.

**2. Business developments**

- (a) **Incorporation of a Private Pension Fund Management**  
Credicorp's Board of Directors Meeting held on November 25, 2004, approved that its subsidiary Inversiones Crédito S.A. will take part, as the principal shareholder, in the start-up of a new Private Pension Fund Management Company (Administradora de Fondos de Pensiones - AFP), which will operate in the Peruvian pension fund market, according to applicable regulations. In February 2005, the local authorities approved the incorporation of the new AFP.
- (b) **Sale of Banco Tequendama S.A. -**  
In October 2004, the Group entered into a definitive agreement to sell its 100 percent interest in its subsidiary Banco Tequendama (Colombia) for US\$32 million. The completion of this transaction is subject to the approval of the Colombian authorities. As of December 31, 2004, the Group maintained the control of the operations of Banco Tequendama and, for that reason, in accordance with IAS 27, the Group consolidated the financial statements of this subsidiary. The Group's Management expects to obtain the approval from the Colombian authorities during March 2005.

As result of this transaction, the Group does not expect to record any significant gain or loss.





**Notes to the consolidated financial statements** (continued)

- (c) Acquisition of Corporación Novasalud Perú S.A. -  
In March 2004, El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros (PPS), a subsidiary of the Group, acquired a 100 percent interest in Corporación Novasalud S.A., proprietary of a 100 percent of Novasalud Perú S.A. - Entidad Prestadora de Salud (hereinafter Novasalud EPS ). The amount paid for this purchase amounted to approximately US\$6.5 million, generating goodwill of approximately US\$5.9 million, note 10(c).
- (d) Acquisition of Solución Financiera de Crédito del Perú S.A. -  
In March 2003, BCP acquired a 45 percent interest in its subsidiary Solucion Financiera de Crédito del Perú S.A. (hereinafter Financiera ), thus increasing its participation to 100 percent of Financiera s capital stock. The amount paid for the aforementioned purchase amounted to approximately US\$17.1 million; generating goodwill of approximately US\$8.0 million, note 10(c).
- (e) Acquisition of Banco Santander Central Hispano S.A. - Peru -  
In December 2002, through a Tender Offer (TO), BCP acquired 99.94 percent of Banco Santander Central Hispano S.A. - Peru (hereinafter BSCH - Peru ). According to Law 26702, BCP had a period no longer than 6 months to merge this entity. In this respect, the BCP s General Shareholders Meeting held on December 30, 2002, approved this transaction with effective date February 28, 2003.

**3. Significant accounting policies**

Significant accounting principles and practices used in the preparation of Credicorp s consolidated financial statements are set out below.

- (a) Basis of presentation and use of estimates -  
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of significant events in notes to the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying consolidated financial statements are related to the computation of the allowance for credit losses, the measurement of the financial instruments, the provision corresponding to technical reserves for claims and premiums, the provision for assets seized and the valuation of derivatives. The accounting criteria used for each of these items are described below.

**Notes to the consolidated financial statements** (continued)

(b) Consolidation -

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. This is generally evidenced by a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. The consolidated financial statements incorporate the assets, liabilities, income and expenses of Credicorp and its subsidiaries. Inter-company transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group and IFRS.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

**Notes to the consolidated financial statements** (continued)

The companies that comprise the Group as of December 31, 2004 and 2003, with an indication of the percentage of directly and indirectly owned by Credicorp as of those dates, as well as other relevant information, based on the financial statements prepared for local purposes, before the eliminations for consolidation, except for the elimination of Credicorp's treasury shares and the related dividends, are as follows:

Entity	Percentage of participation		Assets		Liabilities		Shareholders equity		Net income (loss)	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
			US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Banco de Crédito del Perú and Subsidiaries (i)	96.98	96.98	7,191,019	6,687,581	6,477,416	6,042,445	713,603	645,136	137,969	97,218
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	821,738	776,323	729,297	663,454	92,441	112,869	13,293	7,811
El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	75.72	75.83	670,264	587,237	527,196	438,620	143,068	148,617	12,947	9,218
Inversiones Crédito del Perú S.A. and Subsidiaries (iv)	99.99	99.99	50,428	72,135	2,573	26,800	47,855	45,335	2,521	2,988
Banco Tequendama and Subsidiaries (v)	99.99	99.99	398,289	293,895	367,575	264,836	30,714	29,059	1,910	118
CCV Inc. (vi)	99.99	99.99	17,095	33,630	17,308	33,646	(213)	(16)	(198)	18
CCR Inc. (vi)	99.99	99.99	86,136	66,042	85,441	65,422	695	620	74	(248)
Credicorp	99.99	99.99	818	680	22	-	796	680	135	
Securities Inc.										820

- (vii)
  - (i) Banco de Crédito (BCP) is a universal bank, incorporated in Peru on 1889, authorized to engage in banking activities by the Superintendence of Banking and Insurance (SBS), the Peruvian banking and insurance authority.

**Notes to the consolidated financial statements** (continued)

- (ii) Atlantic Security Holding Corporation (ASHC) is incorporated in the Cayman Islands. Its main activity is to invest in the capital stock of companies. Its most significant subsidiary is Atlantic Security Bank (ASB). ASB is also incorporated in the Cayman Islands and began operations on December 1981, carrying out its activities through branches and offices in Grand Cayman, the Republic of Panama and the United States of America, its main activity is private and institutional banking and trustee administration.
- (iii) El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros (PPS) is a Peruvian corporation, whose main activity is the issuance and administration of property and casualty insurance and the performance of related activities, and also provides accident, health and life insurance.
- (iv) Inversiones Crédito del Perú S.A. (ICSA) is a Peruvian corporation incorporated on February 1987, whose main activity is the investment in listed and non-listed equity securities in Peru.
- (v) Banco Tequendama, acquired by Credicorp in January 1997, is a private banking institution, established on May 1976 in accordance with Colombian laws and with a corporate life until June 30, 2010; this period could be extended in accordance with current legislation. As detailed in note 2(b), in October 2004, the Group signed an agreement to sell Banco Tequendama. The sale is pending of the approval from the Colombian authorities.
- (vi) CCV Inc. and CCR Inc., are special purposes entities incorporated in Bahamas in 2001, whose main activity is to manage the loans granted to BCP for foreign financial entities, note 12(b), which are collateralized by transactions realized by the Bank.
- (vii) Credicorp Securities Inc., incorporated in the United States of America on January 2003, whose main activity is to be engaged in brokerage activities in the securities market, directed principally to retail customers in Latin America.
- (c) Foreign currency translation -  
The Group considers that its functional and presentation currency to be the United States dollar (U.S. Dollar), because it reflects the economic substance of the underlying events and the circumstances relevant to the Group; insofar as its main operations and/or transactions in the different countries where the Group operates, such as, loans granted, financing obtained, sale of insurance premiums, interest income and expenses, an important percentage of salaries and purchases, are established and liquidated in U.S. Dollars.

Financial statements of each of Credicorp's subsidiaries are measured using the currency of the primary economic environment in which entity operates. The subsidiaries are considered as foreign operations for consolidation purposes. Their financial statements are translated into U.S. Dollars (functional and presentation currency) as follows:

**Notes to the consolidated financial statements** (continued)

- Monetary assets and liabilities for each balance sheet presented are translated at the free market exchange rate at the date of the balance sheet.
- Non-monetary accounts for each balance sheet presented are translated at the free market exchange rate at the date of the transactions giving rise to the non-monetary item.
- Income and expenses, except for those related to non-monetary assets, are translated monthly at the average exchange rate.

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

(d) Income and expense recognition from banking activities -

Interest income and expense is recognized in the income statement for all instruments measured at amortized cost using the effective interest method. It is a method of calculating the amortized cost of a financial assets or a financial liability and allocating the interest income or interest expense over the relevant period on an accrual basis. Interest rates are determined based on free negotiations with clients.

Interest income is suspended when collection of loans become doubtful, such as when overdue by more than 90 days or when the borrower or securities issuer defaults, if earlier than 90 days, and such income is excluded from interest income until received. Uncollected income on such loans is reversed against income. 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.

Commissions incomes are recognized on an accrual basis when earned. All other revenues and expenses are recognized on an accrual basis as earned or incurred.

(e) Income and expenses recognition from insurance activities -

Premiums from long-term contracts, mainly life insurance, are recorded when earned. Premiums from short-term insurance contracts, mainly credit, accident and health policies, are earned over the related contract period. In this regard, a reserve for unearned premiums is recorded representing the unexpired portion of premium coverage to be applied in the following period on the basis of annual renewals.

**Notes to the consolidated financial statements** (continued)

The reserve for unearned premiums is calculated on an individual basis for each policy or coverage certificate, applying to the insurance premiums (direct insurance and reinsurance accepted premiums less ceded premiums), net of commissions and taxes, the unearned portion of the total risk (in number of days). Likewise, a premium deficiency reserve is made when the reserve for unearned premiums becomes insufficient to cover the risks and future expenses that correspond to the unexpired period of coverage at the date of calculation.

The Management, on the basis of periodic reviews of clients' portfolios, determines the allowance for doubtful accounts related to premiums and installments outstanding.

Casualty claims are recorded when reported. The incurred but not reported claims (IBNR) are estimated and reflected as a liability, net of recoveries and reinsurance. The IBNR reserves as of December 31, 2004 and 2003, have been estimated using generally accepted actuarial reserving methods that take into account the statistical analyses of historical loss experience data, the use of projection methods and, as appropriate, certain qualitative factors to reflect the effect of current conditions or trends upon such experience. Management considers that the estimated amount is sufficient to cover any liability related to IBNR as of December 31, 2004 and 2003.

In determining insurance policy reserves, the Group performs a continuing review of its overall position, its reserving techniques and its reinsurance. A qualified actuary employed by the Group also reviews the reserves periodically. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in the results of operations in the period in which the estimates are changed.

Reserves for life insurance policies are estimated using a net level premium method on the basis of actuarial assumptions as to mortality and interest established at product design. The mortality assumptions established at product design are based on experience which, together with interest assumptions, includes a margin for adverse deviation. Additional reserves for specific future benefits, like participating life policies, endowment and return of premium policies are computed using international standards. Benefit liabilities for annuities during the accumulation period are equal to accumulated contractholders' fund balances and after annuitization are equal to the present value of expected future payments.

Policyholders' funds for universal life and investment-type products, including or not an interest guaranteed and funding agreements, are equal to the policyholder account values. Policy benefits that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policyholders' account balances.

Policy acquisition costs (commissions) are deferred and subsequently amortized over the period in which the related premiums are earned.

**Notes to the consolidated financial statements** (continued)

## (f) Loans and allowance for credit 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 credit loss is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan. For such purpose, Credicorp classifies all its loans into one of five risk categories, depending upon the degree of risk of nonpayment of each loan. The categories used by Credicorp are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss. Credicorp reviews its loan portfolio on a continuing basis in order to assess the completeness and accuracy of its classification. For commercial loans, the classification takes into consideration several factors, such as the payment history of the particular loan, the history of Credicorp's dealings with the borrower's management, operating history, repayment capability and availability of funds of the borrower, status of any collateral and guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions in the market and other relevant factors. For micro-business, consumer and residential mortgage, the classification is based on how long payments are overdue.

The allowance for credit losses is established based in the risk classifications and taking into consideration the guarantees and collateral obtained by the Group. Only collateral received and classified as preferred, highly liquid preferred or self-liquidating preferred is considered acceptable. Such collateral must be relatively liquid, have legally documented ownership, have no liens outstanding and have updated independent appraisals.

The allowance for credit losses also covers the estimated losses for impaired loans not specifically identified.

In the case of borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk provisions provided.

All loans considered impaired (such classified as substandard, doubtful and loss) are analyzed by the Groups management, taking into consideration the present value of their expected cash flows, including the recoverable amounts of the guarantees and collateral, discounted at the original effective interest rate of each loan. 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 cost for obtaining and selling the collateral.



**Notes to the consolidated financial statements** (continued)

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group in order to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the consolidated income statement.

This allowance is estimated based on historical losses and other relevant information. The allowance related to direct credits is presented as a reduction of the related asset and the allowance related to indirect credits is presented as part of the liabilities in the consolidated balance sheet, note 10.

(g) Leasing transactions -

The Group only grants finance leases and recognizes the present value of the lease payments as a loan. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest. Lease income is recognized over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

(h) Investments -

The purchases and sales of investments are recognized at the date of the negotiation that corresponds to the date in which the Group commits itself to buy or sell the assets.

Investments acquired, including those directly from the issuer, mainly with the purpose of generating profits based on short-term price fluctuations, and are considered as trading investments. Investments available-for-sale are those intended 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 prices.

Trading investments and investments available-for-sale are initially recognized at cost, including the inherent costs of the transaction and are subsequently adjusted to their estimated fair value.

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. All related realized and unrealized gains and losses of trading securities are included in the income statement. Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes and minority interest. Unrealized gains or losses are recognized in income of the year when the investments available-for-sale are sold.

The Group determines that an available-for-sale investment is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires the Management's judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price, evidence of deterioration in the financial health

**Notes to the consolidated financial statements** (continued)

of the investee, industry and sector performance, changes in technology, and operational and financing cash flows. When a permanent impairment is present, the related unrealized loss is recognized in the consolidated income statement.

- (i) **Offsetting financial instruments -**  
Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.
- (j) **Property, furniture and equipment -**  
Land and buildings comprise mainly branches and offices. All property, furniture and equipment are stated at historical acquisition cost less depreciation. Historical acquisition costs include expenditures that are directly attributable to the acquisition of the items. Maintenance and repair costs are charged to the consolidated statement of income, and significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance will flow to the Group.

Depreciation is computed on a straight-line basis over the following estimated useful lives:

	<b>Years</b>
Buildings and other construction	33
Installations	10
Furniture and fixtures	10
Computer hardware and equipment	4 and 10
Vehicles	5

The assets' residual value, the useful life and the selected depreciation method are periodically reviewed to ensure that the method and period of depreciation chosen are consistent with the economic benefits and life expectations for use of property, furniture and equipment items.

- (k) **Assets seized -**  
Assets seized are recorded at the lower of cost or the estimated market value obtained from valuations made by independent appraisals. Changes in market value are recorded in the income statement.
- (l) **Intangible assets -**  
Comprise mainly internal development and acquired software licenses used by the Group. These assets are amortized using the straight-line method over their estimated useful life (between 3 and 5 years).
- (m) **Goodwill -**  
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill is tested

**Notes to the consolidated financial statements** (continued)

annually for impairment to assess whether the carrying amount is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Goodwill is allocated to cash-generating units for impairment testing purposes.

Goodwill amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:

	<b>Years</b>
ASHC and PPS	20
Solución Financiera de Crédito del Perú	5
Corporación Novasalud S.A.	7

- (n) Due from customers on acceptances -  
Due from customers on acceptances corresponds to accounts receivable from customers for importation and exportation transactions, whose obligations have been accepted by the banks. The obligations that must be assumed by the Group for such transactions are recorded as liabilities.
- (o) Bonds issued -  
Liabilities arising from the issuance of subordinated bonds, leasing bonds, mortgage bonds and mortgage notes are recorded at their face value and the corresponding interest is recognized in the consolidated income statements on an accrued basis. Bond discounts or premiums determined at issuance are deferred and amortized over the term of the bonds using the effective interest method.
- (p) Provisions -  
Provisions for legal claims are recognized when the Group has a present (legal) or constructive obligation as a result of past events, it is probable than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The amount recorded as a provision is equal to the present value of future payments expected to be needed to settle the obligation.
- (q) 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.
- (r) Workers profit sharing and income tax -  
Workers profit sharing and income tax are computed based on individual financial statements of Credicorp and each one of its subsidiaries, based on accounting principles that are different from IFRS and, therefore, the accounting for income tax and workers' profit sharing in accordance with IFRS are both in accordance with the principles of IAS 12.

Deferred income tax and deferred workers profit sharing reflect the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts

**Notes to the consolidated financial statements** (continued)

determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or eliminated. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which Credicorp and its subsidiaries expect, at the consolidated balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized when it is more likely than not that future taxable profit will be available against which the temporary difference can be utilized. At the consolidated balance sheet date, Credicorp assesses unrecognized deferred assets and the carrying amount of recognized deferred assets.

Credicorp determines its deferred income tax considering the tax rate applicable to its undistributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(s) Earnings per share -

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased and held as treasury stock. For the years ending December 31, 2004, 2003 and 2002, Credicorp has no financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same for all years presented.

(t) Supplementary plan for workers profit sharing -

The Group has granted supplementary profit sharing participation to certain executives and employees who have at least one year of service in Credicorp or any of its subsidiaries, in the form of stock appreciation rights (SARs) over a certain number of Credicorp's shares. Such SARs are granted at the market price of the shares of Credicorp on the date of the grant and are exercisable at that price, allowing the worker to obtain a gain from the difference between the fixed exercise price of the share at the date of execution and the fixed exercise price, note 17. Expense recognized in income for the year corresponds to the difference between the fixed exercise price and the market price of the shares for the SARs that can be exercised by the beneficiaries at the consolidated balance sheet date.

When Credicorp reprices or changes the terms of the SARs, the additional compensation expense is recorded for an amount equal to the difference between the new exercise price and the market price of the underlying shares.

(u) Derivative financial instruments -

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.

**Notes to the consolidated financial statements** (continued)

Derivative financial instruments are initially recognized in the consolidated balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained based on the market exchange rates or 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 statements of income.

(v) **Segment reporting -**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments, note 22.

(w) **Fiduciary activities -**

The Group provides custody, trustee, investment management, and advisory services to third parties that result in the holding or placing of assets on behalf of them. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(x) **Cash and cash equivalents -**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with original maturities of three months or less, including: cash and balances with central banks, overnight deposits and amounts due from banks.

(y) **Reclassifications -**

Where necessary, comparative figures have been reclassified to conform to current year presentation.

(z) **Recently issued International Financial Reporting Standards -**

(i) **IASB Improvements Project -**

As of December 31, 2004, the IASB issued 15 revised International Accounting Standards under its Improvement Project in an attempt to clarify language, to remove inconsistencies and to achieve convergence with other accounting standards, principally U.S. GAAP. All revised standards are effective for financial years beginning on or after January 1<sup>st</sup>, 2005.

In general, the revised standards under the Improvement Project will primarily affect the presentation and disclosure, but not recognition and measurement of the Group's assets and liabilities and will, therefore, not have a material impact on Credicorp's consolidated financial statements.

(ii) **Revised IAS 32 and 39 -**

In December 2003, the International Accounting Standards Board (IASB) issued revised IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments:

**Notes to the consolidated financial statements** (continued)

Recognition and Measurement. Both standards are effective for financial years beginning on or after January 1<sup>st</sup>, 2005. Together, both standards provide comprehensive guidance on recognition, measurement, presentation and disclosure of financial instruments. The standards are to be applied retrospectively, with the exception of portions of the guidance relating to de-recognition of financial assets and liabilities, which is to be applied prospectively. Credicorp's Management does not expect any significant effect from the adoption of these standards on its financial statements.

## (iii) IFRS 2 - Share-based Payment -

On February 2004, the IASB issued IFRS 2, Share-based Payment. When share-based payments are made to employees, for example through awards of shares or share options, the fair value of these awards measured at the date of grant must be recognized as compensation expense. The new standard is effective for financial years beginning on or after January 1<sup>st</sup>, 2005 and applies to equity-settled awards granted after November 7, 2002 those have not vested at January 1<sup>st</sup>, 2005 and to liabilities arising from share-based awards that exist at the effective date. IFRS 2 allows that comparative prior periods be restated and the opening balance of retained earnings at January 1<sup>st</sup>, 2003 adjusted. The Group discloses the compensation expense attributable to share-based awards in note 17, the amounts recorded and disclosed are based on the requirements of U.S. generally accepted accounting principles that, for the case of the Group's benefits, do not significantly differ from the requirements of IFRS 2.

## (iv) IFRS 3 - Business Combinations -

On March 2004, the IASB issued IFRS 3, Business Combinations, which replaces IAS 22, Business Combinations and the related interpretations (SICs 9, 22 and 28).

In accordance with the disposals of IFRS 3:

The Group will cease the amortization of goodwill from January 1<sup>st</sup>, 2005;

The accumulated amortization as of December 31, 2004 will be eliminated with a corresponding decrease in the cost of goodwill;

From the year ended December 31, 2005 onwards, goodwill will be tested annually for impairment, as well as when there are indications of impairment.

Until December 31, 2004, the accounting treatment for business combinations and goodwill are unchanged from previous years, following the guidelines described in paragraph (m) above.

## (v) IFRS 4 - Insurance Contracts -

Issued in 2004, it is the first IFRS to deal with insurance contracts, this standard is effective for annual periods beginning on or after January 1<sup>st</sup>, 2005. This IFRS make limited improvements to

**Notes to the consolidated financial statements** (continued)

accounting for insurance contracts and require disclosing information about those contracts. The requirements of IFRS 4 are in accordance with the accounting policies followed by the Group, which are described in paragraph (e) above.

- (vi) **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations -**  
The objective of this IFRS is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations, this standard is effective for annual periods beginning on or after January 1<sup>st</sup>, 2005. The IFRS 5 introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. IFRS 5 shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of IFRS 5. Credicorp does not expect any significant impact from the adoption of this IFRS.

**4. Cash and due from banks**

- (a) This item is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Cash and clearing	251,561	228,965
Deposits in Peruvian Central Bank BCRP	1,100,450	929,557
Deposits in banks	486,403	454,208
	1,838,414	1,612,730
Accrued interest	7,047	2,330
<b>Total</b>	<b>1,845,461</b>	<b>1,615,060</b>

- (b) As of December 31, 2004 and 2003, cash and due from banks balances include approximately US\$1,296.3 and US\$1,136.8 million, respectively, mainly from Banco de Crédito del Perú, which represent the legal reserve that the Peruvian banks must maintain for obligations with the public. These funds are deposited in the vaults of the Bank and in the BCRP, and are within the limits established by prevailing legislation.

Reserve funds kept in BCRP do not earn interest, except for the part of the demandable reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2004, the monthly excess amounts to approximately US\$849.5 million and earns interest in U.S. Dollars at an annual rate of 1.83 percent (US\$884.1 million and earned interest in U.S. Dollars at an annual rate of 1.05 percent as of December 31, 2003).

**Notes to the consolidated financial statements** (continued)**5. Trading securities**

(a) This item is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Shares -</b>		
Listed equity securities	10,979	14,028
<b>Bonds and similar instruments -</b>		
Colombian treasury bonds (b)	36,898	-
Peruvian treasury bonds (c)	33,731	28,196
Investments in foreign financial institutions	10,590	21,166
International government treasury bonds	5,517	-
Bank certificates	2,116	13,755
Corporate and leasing bonds	1,708	476
Participation in mutual funds	549	20,529
	91,109	84,122
	102,088	98,150
Accrued interest	446	596
<b>Total</b>	<b>102,534</b>	<b>98,746</b>

- (b) Bonds issued by the National Treasury Direction and the Colombian Republic have an active market quotation in the financial market of that country. As of December 31, 2004, these bonds accrued interest at annual rates that ranged between 1.81 and 12.95 percent and have maturities between June 2005 and August 2012.
- (c) The Peruvian treasury bonds represent to sovereign debt issued in Peruvian currency by the Economic and Financial Ministry of Peru, have an active market quotation in the Peruvian market and are traded daily with third parties. As of December 31, 2004, these bonds accrued interest at annual rates that ranged between 4.98 and 7.20 percent (between 5.89 and 12.85 percent in 2003, respectively) and have maturities between June 2005 and October 2007 (between June 2004 and January 2005 as of December 31, 2003).



## Notes to the consolidated financial statements (continued)

**6. Investments available-for-sale**

(a) This item is comprised of the following:

	2004				2003			
	Unrealized gross amount			Estimated market value	Unrealized gross amount			Estimated market value
	Amortized cost	Gains	Losses		Amortized Cost	Gains	Losses	
US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	
<b>Fixed maturity -</b>								
Corporate, leasing and subordinated bonds (c)	546,570	11,080	(1,558)	556,092	544,307	10,514	(1,076)	553,745
BCRP deposit certificates (d)	681,658	932	(172)	682,418	375,403	395	(85)	375,713
Government treasury bonds (e)	435,652	21,435	(1,044)	456,043	316,076	877	(965)	315,988
Bonds from international financial institutions (f)	78,623	219	(4)	78,838	86,410	112	(1,663)	84,859
Participation in mutual funds	68,911	4,109	(190)	72,830	60,707	2,220	-	62,927
Commercial papers	31,015	37	-	31,052	53,208	-	-	53,208
Participation in RAL s funds (g)	41,355	-	-	41,355	40,861	-	-	40,861
Debt issued by Central Banks of other countries	3,293	148	(171)	3,270	13,172	23	-	13,195
Other	25,068	85	(271)	24,882	17,640	6	(3)	17,643
	1,912,145	38,045	(3,410)	1,946,780	1,507,784	14,147	(3,792)	1,518,139

## Notes to the consolidated financial statements (continued)

	2004				2003			
	Unrealized gross amount				Unrealized gross amount			
	Amortized cost US\$(000)	Gains US\$(000)	Losses US\$(000)	Estimated market value US\$(000)	Amortized Cost US\$(000)	Gains US\$(000)	Losses US\$(000)	Estimated market value US\$(000)
<b>Shares -</b>								
Listed securities	52,045	67,112	(305)	118,852	53,591	25,296	-	78,887
Non-listed securities	49,271	2,256	-	51,527	48,158	244	(3,326)	45,076
	101,316	69,368	(305)	170,379	101,749	25,540	(3,326)	123,963
	2,013,461	107,413	(3,715)	2,117,159	1,609,533	39,687	(7,118)	1,642,102
Accrued interest				11,363				10,211
<b>Total</b>				2,128,522				1,652,313

**Notes to the consolidated financial statements** (continued)

- (b) The change in the realized and unrealized gains and losses, net of deferred taxes and minority interest, and the provision for impairment recorded by the Group each year are as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
Net unrealized gains (losses)	56,746	18,844	(14,444)
Net realized gains (losses)	1,365	7,265	(4,038)
Permanent impairment on investments	-	(18,666)	(8,129)

- (c) As of December 31, 2004, comprise corporate bonds by US\$532.2 million, leasing bonds by US\$19.8 million and subordinated bonds by US\$4.1 million (US\$531.2, US\$14.6 and US\$7.9 million, respectively, as December 31, 2003), with maturities between January 2005 and November 2035. These bonds accrue interests at annual effective rates that range between 4.75 and 10.00 percent for the bonds denominated in Peruvian currency (between 4.03 and 10.40 percent in 2003), and between 2.01 and 9.50 percent for the bonds denominated in U.S. Dollars (between 2.51 and 10.25 percent in 2003).
- (d) BCRP deposit certificates are discounted Peruvian currency instruments with maturities due within one year. These certificates have been acquired in public auctions. Annual interest rates in Peruvian currency range between 3.21 and 5.62 percent as of December 31, 2004 (between 2.73 and 5.57 percent as of December 31, 2003) with maturities between January 2005 and October 2006 (between February 2004 and September 2006 as of December 31, 2003).
- (e) Includes principally credit instruments for US\$181.3, US\$186.7 and US\$35.7 million issued by US Government agencies, the Peruvian Government and the Government of El Salvador, respectively as of December 31, 2004 (US\$131.7, US\$117.6 and US\$15.0 million respectively, as of December 31, 2003). Their maturities are between January 2005 and August 2038 at annual interest rates that range between 2.58 and 7.43 percent (between 1.69 and 9.88 percent in 2003).
- (f) Comprised mainly of US\$59.2 and US\$16.5 million of debt instruments issued in U.S. Dollars by Corporación Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively (US\$53.3 and US\$16.5, respectively, as of December 31, 2003). Such bonds have maturities between February 2005 and April 2009. Annual interests rates are between 4.01 and 7.79 percent (between 3.00 and 8.88 percent in 2003).
- (g) The participation quotas in the Fund Requirement of Cash Assets (RAL for its Spanish denomination), stated in Bolivian pesos, comprises investments made by the Group in the Central Bank of Bolivia as collateral for the deposits maintained with the public. Such fund has restrictions for its use and it is required for all the banks established in Bolivia. The fund accrues interest at an average annual rate of 1.4 percent (1.2 percent in 2003).

**Notes to the consolidated financial statements** (continued)

- (h) As of December 31, 2004 and 2003, the amortized cost and market value of the investments classified by maturity are as follows:

	<b>2004</b>		<b>2003</b>	
	<b>Amortized cost</b>	<b>Market value</b>	<b>Amortized cost</b>	<b>Market value</b>
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Up to 3 months	284,127	288,320	102,104	101,407
From 3 months to 1 year	726,921	729,165	515,586	518,104
From 1 to 5 years	533,152	538,176	684,991	693,479
Over 5 years	367,945	391,119	205,103	205,149
Without maturity (shares)	101,316	170,379	101,749	123,963
<b>Total</b>	<b>2,013,461</b>	<b>2,117,159</b>	<b>1,609,533</b>	<b>1,642,102</b>

**7. Net loans**

- (a) This item is comprised of the following:

	<b>2004</b>	<b>2003</b>
	US\$(000)	US\$(000)
<b>Direct loans</b>		
Loans	3,245,007	3,130,882
Leasing receivables	424,902	452,635
Credit card receivables	262,824	153,259
Discount notes	183,519	176,991
Factoring receivables	58,116	56,446
Advances and overdrafts	48,506	45,827
Refinanced and restructured loans	243,892	296,116
Past due and under legal collection loans	159,057	256,208
	<b>4,625,823</b>	<b>4,568,364</b>
<b>Add (less) -</b>		
Accrued interest	30,711	35,398
Unearned interest	(66,805)	(86,868)
Allowance for credit losses	(253,408)	(306,758)
<b>Total direct loans, net</b>	<b>4,336,321</b>	<b>4,210,136</b>
<b>Indirect loans, note 18(a)</b>	<b>889,119</b>	<b>843,576</b>



**Notes to the consolidated financial statements** (continued)

- (b) Interest rates on loans are set considering the rates prevailing in the markets where the Group's subsidiaries operate.
- (c) As of December 31, 2004 and 2003, the Group's direct loan portfolio is distributed among the following economic sectors:

<b>Sector</b>	<b>2004</b> US\$(000)	<b>%</b>	<b>2003</b> US\$(000)	<b>%</b>
Manufacturing	1,376,874	29.8	1,461,350	32.0
Mortgage loans	656,420	14.2	554,467	12.1
Commerce	523,574	11.3	560,052	12.3
Consumer loans	298,387	6.5	274,672	6.0
Electricity, gas and water	248,571	5.4	211,610	4.6
Micro-business	232,571	5.0	204,742	4.5
Leaseholds and real estate activities	224,745	4.9	233,506	5.1
Mining	194,022	4.2	233,355	5.1
Communications, storage and transportation	181,018	3.9	189,612	4.2
Agriculture	160,167	3.5	142,697	3.1
Financial services	90,042	1.9	96,371	2.1
Construction	72,879	1.6	70,676	1.5
Fishing	68,604	1.5	90,786	2.0
Education, health and other services	62,341	1.3	99,702	2.2
Other	235,608	5.0	144,766	3.2
<b>Total</b>	<b>4,625,823</b>	<b>100.0</b>	<b>4,568,364</b>	<b>100.0</b>

**Notes to the consolidated financial statements**

(continued)

(d) As of December 31, 2004 and 2003, the credit risk classification of the Group's loan portfolio is as follows:

Risk category	2004						2003					
	Direct		Indirect		Total		Direct		Indirect		Total	
	credits US\$(000)	%	credits US\$(000)	%	US\$(000)	%	credits US\$(000)	%	credits US\$(000)	%	US\$(000)	%
Normal	3,786,778	81.9	814,390	91.6	4,601,168	83.4	3,480,701	76.2	743,422	88.1	4,224,123	78.1
Potential problems	336,619	7.3	52,800	5.9	389,419	7.1	437,682	9.6	67,551	8.0	505,233	9.4
Substandard	195,062	4.2	12,956	1.5	208,018	3.8	240,316	5.3	25,266	3.0	265,582	4.9
Doubtful	184,206	4.0	7,312	0.8	191,518	3.5	266,723	5.8	4,928	0.6	271,651	5.0
Loss	123,158	2.6	1,661	0.2	124,819	2.2	142,942	3.1	2,409	0.3	145,351	2.7
	4,625,823	100.0	889,119	100.0	5,514,942	100.0	4,568,364	100.0	843,576	100.0	5,411,940	100.0

(e) As of December 31, 2004 and 2003, the Group's structure of its direct loan portfolio by the country in which its clients are located is as follows:

Country	2004	2003
	US\$(000)	US\$(000)
Peru	3,877,782	3,937,093
Bolivia	335,460	340,382
Colombia	315,641	222,085
Other	96,940	68,804
<b>Total</b>	<b>4,625,823</b>	<b>4,568,364</b>

**Notes to the consolidated financial statements** (continued)

(f) The movement in the allowance for credit losses (direct and indirect credit) is shown below:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)	<b>2002</b> US\$(000)
<b>Balances as of January 1<sup>st</sup></b>	326,677	424,031	344,433
Provision	16,131	66,421	99,596
Recoveries of written-off loans	32,287	17,416	12,050
Allowance for the loan portfolio acquired from mergers with BSCH - Peru	-	-	122,841
Loan portfolio written-off	(120,150)	(185,688)	(150,102)
Translation result	16,928	4,497	(4,787)
 <b>Balance as of December 31</b>	 271,873	 326,677	 424,031

(\*) The movement in the allowance for credit losses includes the allowance for direct and indirect credits for approximately US\$253.4 and US\$18.5 million, respectively, as of December 31, 2004 (approximately US\$306.8 and US\$19.9 million, respectively as of December 31, 2003). The allowance for indirect credit losses is included in the Other liabilities caption of the consolidated balance sheet, note 10(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2004, 2003 and 2002 has been established in accordance with IAS 39 and it is sufficient to cover incurred losses on the loan portfolio, note 3(f).

(g) An important part of the loan portfolio is collateralized with guarantees received from clients, which mainly consist of mortgages, trust assignments, credit instruments, financial instruments, industrial pledges and mercantile pledges.



**Notes to the consolidated financial statements** (continued)

- (h) As of December 31, 2004 and 2003, the gross loan portfolio classified by maturity, based in the remaining period to the repayment date is as follows:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Outstanding loans -		
Up to 1 year	2,747,013	2,752,828
From 1 to 5 years	1,168,375	1,024,954
Over 5 years	551,378	534,374
Past due loans -		
Up to 4 months	11,572	50,981
Over 4 months	66,723	82,439
Under legal collection loans	80,762	122,788
<b>Total</b>	<b>4,625,823</b>	<b>4,568,364</b>

Interest on past due loans and loans in legal collection are recognized when collected. The interest income that would have been recorded for these credits in accordance with the terms of the original contract amount approximated US\$57.6 and US\$86.1 million as of December 31, 2004 and 2003, respectively.

**Notes to the consolidated financial statements** (continued)**8. Property, furniture and equipment and accumulated depreciation**

- (a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended 2004 and 2003, is as follows:

	<b>Land</b> US\$(000)	<b>Buildings and other construction</b> US\$(000)	<b>Installations</b> US\$(000)	<b>Furniture and fixtures</b> US\$(000)	<b>Computer hardware and equipment</b> US\$(000)	<b>Vehicles</b> US\$(000)	<b>Work in progress</b> US\$(000)	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Cost -</b>									
<b>Balance as of January 1<sup>st</sup></b>	33,639	256,998	66,926	70,329	137,478	33,464	5,940	604,774	611,9
Additions	83	4,692	7,002	2,072	11,639	5,950	7,890	39,328	29,9
Assets incorporated by mergers	-	-	503	1,039	14	203	-	1,759	
Sales and transfers	(4,371)	(20,226)	273	(3,522)	8,094	(24,996)	(7,054)	(51,802)	(37,1
<b>Balance as of December 31</b>	29,351	241,464	74,704	69,918	157,225	14,621	6,776	594,059	604,7
<b>Accumulated depreciation</b>									
-									
<b>Balance as of January 1<sup>st</sup></b>	-	121,235	38,692	52,739	113,299	14,276	-	340,241	321,8
Additions	-	7,979	6,070	4,260	13,083	1,189	-	32,581	31,6
Sales and transfers	-	(15,025)	(1,666)	(691)	1,088	(9,181)	-	(25,475)	(13,1
<b>Balance as of December 31</b>	-	114,189	43,096	56,308	127,470	6,284	-	347,347	340,2
<b>Net book value</b>	29,351	127,275	31,608	13,610	29,755	8,337	6,776	246,712	264,5

- (b) Banks, financial institutions and insurance companies located in Peru are not allowed to pledge their fixed assets.

- (c) As of December 31, 2004, Credicorp and its Subsidiaries have property available for sale approximating US\$58.9 million net (approximately US\$23.9 million of accumulated depreciation).

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**Notes to the consolidated financial statements** (continued)**9. Assets seized, net**

- (a) As of December 31, 2004 and 2003, this caption includes land, buildings, machinery and equipment received in payment of loans. Assets seized were recorded at the lower of cost or estimated fair values determined on the basis of technical third party appraisals. This item is comprised of the following:

	<b>2004</b>	<b>2003</b>
	US\$(000)	US\$(000)
Assets seized	99,539	124,077
Reserve	(34,666)	(35,047)
<b>Total</b>	<b>64,873</b>	<b>89,030</b>

- (b) The changes in the reserve for assets seized are summarized as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of January 1<sup>st</sup></b>	35,047	27,067	16,762
Provision	14,639	13,588	15,094
Amount applied to sold assets	(15,020)	(5,608)	(4,789)
<b>Balances as of December 31</b>	<b>34,666</b>	<b>35,047</b>	<b>27,067</b>

**Notes to the consolidated financial statements** (continued)**10. Other assets and other liabilities**

(a) These items are comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Other assets -</b>		
Accounts receivable	46,415	44,007
Goodwill, net (c)	33,557	32,510
Operations in process (b)	30,999	32,849
Income tax prepayments	26,928	31,374
Prepaid expenses	19,193	28,780
Intangible assets, net (d)	18,839	22,206
Deferred income tax asset, note 16(c)	16,185	20,305
Unrealized gains on derivatives, note 18(d)	9,624	3,974
Other	17,644	19,715
<b>Total</b>	<b>219,384</b>	<b>235,720</b>
<b>Other liabilities -</b>		
Accounts payable	87,026	67,750
Payroll, salaries and other personnel expenses	45,295	28,695
Deferred income tax liability, note 16(c)	30,414	30,492
Operations in process (b)	25,169	22,817
Provision for sundry risks (e)	19,379	10,078
Allowance for indirect credit losses, note 7(f)	18,465	19,919
Contributions	13,361	10,591
Unrealized losses on derivatives, note 18(d)	4,760	1,069
<b>Total</b>	<b>243,869</b>	<b>191,411</b>

(b) Operations in process include deposits received, loans disbursed, payments collected, funds transferred and other similar types of transactions, which are realized at the end of the month and not reclassified to their final balance sheets accounts until the beginning days of the following month. These transactions do not affect the Group's net income.

**Notes to the consolidated financial statements** (continued)

(c) The movement of goodwill for the years 2004, 2003 and 2002 is summarized as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Cost -</b>			
<b>Balance as of January 1<sup>st</sup></b>	55,922	47,930	47,930
Additions, note 2(c) y (d)	5,900	7,992	-
<b>Balances as of December 31</b>	61,822	55,922	47,930
<b>Accumulated amortization -</b>			
<b>Balance as of January 1<sup>st</sup></b>	23,412	19,189	16,156
Additions	4,853	4,223	3,033
<b>Balances as of December 31</b>	28,265	23,412	19,189
<b>Net cost</b>	33,557	32,510	28,741

(d) Intangible assets comprise mainly internal development and acquired software licenses used in the Group's operations.

(e) The movement of the provision for sundry risks for the years 2004, 2003 and 2002 is summarized as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of January 1<sup>st</sup></b>	10,078	11,942	14,628
Provision, note 20	9,819	2,022	4,649
Deductions	(518)	(3,886)	(7,335)
<b>Balances as of December 31</b>	19,379	10,078	11,942

This provision mainly comprises the provision for probable and estimable losses in legal actions against the Group and other similar obligations, which have been recorded based on Management's and its legal advisors estimates.

**Notes to the consolidated financial statements** (continued)**11. Deposits and obligations**

(a) This item is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Non-interest bearing deposits and obligations -		
In Peru	980,091	716,768
In other countries	239,604	134,093
	1,219,695	850,861
Interest bearing deposits and obligations -		
In Peru	3,606,204	4,053,237
In other countries	1,445,073	1,072,408
	5,051,277	5,125,645
Interest payable	6,270,972 25,227	5,976,506 23,599
<b>Total</b>	<b>6,296,199</b>	<b>6,000,105</b>

The Group has established a policy to remunerate demand deposits and savings accounts according to an interest rate scale, based on the average balance maintained in such accounts. Additionally, according to such policy, it was established that the balances that were lower than a specified amount, for each type of account, do not bear interest.

(b) As of December 31, 2004 and 2003, the balance of deposits and obligations by type of transaction is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Time deposits	2,352,200	2,426,782
Demand deposits	1,750,277	1,481,955
Saving deposits	1,583,502	1,482,610
Severance indemnity deposits	530,683	527,434
Bank certificates	54,310	57,725
<b>Total</b>	<b>6,270,972</b>	<b>5,976,506</b>

**Notes to the consolidated financial statements** (continued)

- (c) As of December 31, 2004, the total amount of individual time deposits and bank certificates that exceed US\$100,000 are approximately US\$1,520.3 and US\$11.5 million, respectively (US\$2,124.5 and US\$11.7 million, respectively, as of December 31, 2003).
- (d) Interest rates applied to different deposits and obligations accounts are determined by the Group considering interest rates prevailing in the market in which the subsidiaries operate.
- (e) The time deposits balance classified by maturity is made up as follows.

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Up to 3 months	1,030,127	1,649,180
From 3 months to 1 year	616,081	175,144
From 1 to 5 years	705,936	513,362
More than 5 years	56	89,096
<b>Total</b>	<b>2,352,200</b>	<b>2,426,782</b>

**12. Due to banks and correspondents**

- (a) This item is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
By type -		
Due to banks and correspondents (b)	209,122	182,676
Promotional credit lines (c)	121,561	59,164
Interbank funds	98,688	28,618
Loans from international funds	-	3,276
	429,371	273,734
Interest payable	1,681	503
<b>Total</b>	<b>431,052</b>	<b>274,237</b>
By term -		
Short-term debt	233,951	96,311
Long-term debt	195,420	177,423
<b>Total</b>	<b>429,371</b>	<b>273,734</b>





**Notes to the consolidated financial statements** (continued)

- (b) The balance of the liabilities with banks and correspondents correspond to the following operations:

Bank loans obtained by the Group mainly to finance foreign trade and working capital amounted to US\$140.5 and US\$84.1 million in 2004 and 2003, respectively.

The amount owed from a loan transaction made in November 1998, amounting to US\$100 million, with maturities through November 2005, secured by the collection of BCP's future inflows corresponding to the consumptions and cash advances made in Peru through the credit cards of Visa International issued by foreign banks. In this transaction, Deutsche Bank AG of Germany acted as trustee. This obligation will be paid through the transfers of funds corresponding to the future inflows to be received by BCP from Visa International, which will be deposited directly by Visa International in a special account managed by Deutsche Bank AG of Germany. This transaction bears an annual fixed interest rate of 5.74 percent. As of December 31, 2004 and 2003, the balance of this obligation amounts US\$17.2 and US\$33.3 million, respectively.

In addition, BCP has signed an insurance policy with MBIA Insurance Corporation of New York which guarantees the future cash inflows to pay the quarterly payments with maturities through November 2005.

The amount owed from a loan transaction made by BCP in January 2001 amounting to US\$100 million, with maturities through January 2008, secured by the future collection of the orders of payment in U.S. Dollars related to the transfers of funds received from banks located outside Peru associated with the Society for Worldwide Interbank Financial Telecommunications (Swift). In this transaction, ING Barings acted as trustee. This transaction bears a monthly interest rate that fluctuates between 1.42 and 2.65 percent (between 1.44 and 1.83 percent in 2003). As of December 31, 2004 and 2003 the balance of this obligation amounts US\$51.3 and US\$65.3 million, respectively.

- (c) Promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE) and Banco Interamericano de Desarrollo (BID), for promoting the development of the Republic of Perú. As of December 31, 2004 and 2003, these credit lines are guaranteed with a loan portfolio amounting to US\$118.8 and US\$43.2 million, respectively, and include covenants specifying the use of funds, financial conditions that the borrower must maintain and other administrative matters.

**Notes to the consolidated financial statements** (continued)

- (d) As of December 31, 2004 and 2003, maturities of due to banks and correspondents are shown below, based in the remaining period to the repayment date:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
Up to 1 year	233,951	96,311
From 1 to 5 years	101,223	137,627
Over 5 years	94,197	39,796
<b>Total</b>	<b>429,371</b>	<b>273,734</b>

**13. Reserve for insurance claims**

- (a) This item is comprised of the following:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Reserves for:</b>		
Life insurance (b)	321,694	243,118
Claims (c)	53,652	44,620
Incurred but not reported claims (IBNR)	18,448	14,682
Health services	4,645	1,167
<b>Total</b>	<b>398,439</b>	<b>303,587</b>

- (b) As of December 31, 2004, mainly comprise technical reserves for life annuity and private pension fund insurance for US\$176.0 and US\$119.7 million, respectively (US\$118.1 and US\$105.5 million, respectively, as of December 31, 2003).
- (c) As of December 31, 2004, comprise technical reserves for property and casualty claims and life insurance claims for US\$26.1 and US\$27.6 million, respectively (US\$24.9 and US\$19.7 million, respectively, as of December 31, 2003).

**Notes to the consolidated financial statements** (continued)**14. Bonds issued**

(a) This item is comprised of the following:

	<b>Weighted average annual interest rate %</b>	<b>Maturity</b>	<b>2004 US\$(000)</b>	<b>2003 US\$(000)</b>
Corporate bonds	4.91	Between March 2005 and January 2007	75,382	55,409
Leasing bonds	5.71	Between June 2005 and November 2010	220,491	232,993
Mortgage bonds	7.76	Between May 2011 and April 2012	28,403	30,207
Subordinated bonds	6.70	Between August 2007 and October 2013	96,911	97,140
Interest payable			421,187 2,790	415,749 3,712
<b>Total</b>			<b>423,977</b>	<b>419,461</b>

(b) Leasing and mortgages loans are collateralized by the fixed assets financed by the Group with these resources.

(c) The issued bonds balance as of December 31, 2004 and 2003, classified by maturity is shown below:

	<b>2004 US\$(000)</b>	<b>2003 US\$(000)</b>
Up to 1 year	64,711	34,487
From 1 to 5 years	236,859	247,005
Over 5 years	119,617	134,257
<b>Total</b>	<b>421,187</b>	<b>415,749</b>

**15. Shareholders equity**

(a) Capital stock -  
As of December 31, 2004, 2003 and 2002, 94,382,317 shares of capital stock were issued with a par value of US\$5 per share.

(b) Treasury stock -  
Treasury stock corresponds to the par value of Credicorp's shares owned by the Group's companies, which amounts 14,620,885 shares as of

December 31, 2004 and 14,634,925 shares as of December 31, 2003 and 2002. The difference between the acquisition cost of US\$186.5 million and their par value of US\$73.1 million is recorded as a reduction of the Capital surplus .

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**Notes to the consolidated financial statements** (continued)

## (c) Reserves -

In accordance with the local laws that regulate financial and insurance activities of the Group's subsidiaries, a reserve of up to at least 35 percent of their paid-in capital is required to be established through annual transfers of at least 10 percent of net income. These reserves amount to approximately US\$207.3 and US\$206.6 million as of December 31, 2004 and 2003, respectively.

Credicorp has recorded similar reserves on a consolidated basis, which are not subject to any restriction.

## (d) Dividend distribution -

During 2004, 2003 and 2002, Credicorp paid cash dividends of approximately US\$31.9, US\$23.9, and US\$16.0 million, respectively. In addition, in 2001 the Board of Directors agreed to distribute an extraordinary dividend of approximately US\$15.9 million related to the gain generated by the Group on the sale of Unión de Cervecerías Peruanas Backus y Johnston S.A. shares, this cash dividends was paid in 2002.

In the session held on February 17, 2005, Credicorp's Board of Directors agreed to pay its shareholders a cash dividend of US\$75.5 million, equivalent to 80 cents of U.S. Dollar (US\$0.80) per share, payable on May 2, 2005.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. As explained in note 16, since 2003 the tax regime applicable to dividends has been modified.

## (e) Shareholders' equity for legal purposes (Regulatory capital) -

The minimum regulatory capital for the subsidiaries engaged on financial and insurance activities amounted approximately US\$911.3 and US\$949.8 million as of December 31, 2004 and 2003, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca y Seguros del Perú regulations in force as of such dates. According to the Superintendencia de Banca y Seguros regulations the Group's regulatory capital exceeds in approximately US\$338.1 million the minimum regulatory capital required as of December 31, 2004 (approximately US\$333.4 million as of December 31, 2003).

**16. Taxes**

- (a) Credicorp is not subject to any type of income taxes, nor taxes on capital gains, equity or property. The Peruvian subsidiaries are subject to corporate taxation on income under the Peruvian Tax system. The statutory income tax rate payable in Peru is 30 percent of taxable profits (as of December 31, 2003 and 2002 the income tax rate was 27 percent).

**Notes to the consolidated financial statements** (continued)

ASHC and its subsidiaries are not subject to taxes in the Cayman Islands nor Panama. For the years ended December 31, 2004, 2003 and 2002, no taxable profits was generated from its operations in the United States of America.

A reconciliation of the differences between the statutory income tax rate and the effective tax rate for the Group is shown as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	%	%	%
Peruvian statutory tax rate	30.00	27.00	27.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (decrease) arising from net income of subsidiaries not domiciled in Peru	0.90	6.40	8.00
(ii) Non-taxable costs (income), net	(5.10)	(0.40)	3.00
<b>Effective income tax rate</b>	<b>25.80</b>	<b>33.00</b>	<b>38.00</b>

(b) In 2004, 2003 and 2002, the deferred income tax has been calculated on all temporary differences applied at an income tax rate of 30 percent for 2004 and 2003, and 27 percent for 2002. The income tax expense analysis as of December 31, 2004, 2003 and 2002, is as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
Current -			
Peruvian	49,386	33,206	34,344
In other countries	2,436	2,079	399
	51,822	35,285	34,743
Deferred -			
Peruvian	(6,325)	982	(2,115)
Adjustment of deferred income tax for change in rates	-	3,428	-
	(6,325)	4,410	(2,115)
<b>Total</b>	<b>45,497</b>	<b>39,695</b>	<b>32,628</b>

A portion of the Group's deferred tax asset arises from part of the provisions for sundry risks and for credit losses, which are not deductible for income tax purposes until they comply with all the requirements established by the tax authorities. Therefore, the Group has recorded an accumulated deferred tax asset (including the effect of the workers profit sharing) to reflect the future tax benefit of the deduction of these provisions.





**Notes to the consolidated financial statements** (continued)

The Group's deferred tax liability arises mainly from the depreciation of certain buildings from BCP and PPS that is not deductible for tax purposes and from leasing operations.

(c) The following table shows a summary of the Group's deferred income taxes:

	<b>2004</b> US\$(000)	<b>2003</b> US\$(000)
<b>Assets</b>		
Allowance for credit losses, net	7,300	10,023
Reserve for sundry risks, net	3,501	3,109
Non-accrued interest	2,970	-
Tax loss carry-forward	-	1,590
Other	2,414	5,583
<b>Net deferred income tax assets</b>	<b>16,185</b>	<b>20,305</b>
<b>Liabilities</b>		
Unrealized gains	(17,625)	(7,258)
Provision for assets seized, net	(4,929)	(7,479)
Intangibles assets, net	(2,341)	(3,731)
Leasing operations, net	(2,293)	(4,507)
Fixed assets, net	(1,911)	(6,511)
Other	(1,315)	(1,006)
<b>Deferred income tax liabilities</b>	<b>(30,414)</b>	<b>(30,492)</b>
<b>Net deferred income tax liability</b>	<b>(14,229)</b>	<b>(10,187)</b>

(d) The Peruvian tax authorities have the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries. Fiscal years 2001 through 2004, inclusive, are pending review by the tax authorities. Any additional tax arising as a result of examination by the tax authorities will be charged to income in the year when such tax is determined. At present, it is not possible to estimate the adjustments that the tax authorities may determine; however, in Management's opinion, it is not expected that any additional assessments will be determined in amounts considered significant to the consolidated financial statements as of December 31, 2004 and 2003.

**17. Stock appreciation rights**

As indicated in note 3(t), Credicorp has granted stock appreciation rights (SARs) to certain key executives and employees who have at least one year's service in Credicorp or any of its subsidiaries. The SARs expire after eight (8) years and 25 percent of them may be exercised during each of the first four years of the plan.



**Notes to the consolidated financial statements** (continued)

At the end of the fourth year and until the expiration date of the SARs, all or a portion of the SARs that are still outstanding under the plan may be exercised at any time. As of December 31, 2004, 625,025 SARs had been exercised under this plan (298,500 as of December 31, 2003) for an approximate amount of US\$4.6 and US\$1.4 million, as of December 31, 2004 and 2003, respectively.

The number of SARs outstanding and the price of such rights at December 31, 2004, 2003 and 2002 are as follows:

Year	Number of SARS	Exercise price		
		2004 US\$	2003 US\$	2002 US\$
1999	189,000	8.74	8.94	9.09
2000	304,000	9.90	10.10	10.25
2001	310,500	6.70	6.90	7.05
2002	386,850	8.38	8.58	8.73
2003	326,438	9.57	9.77	-
2004	242,813	12.39	-	-

As of December 31, 2004 and 2003, the Group has recorded a provision amounting to approximately US\$11.7 and US\$8.4 million, respectively, for the SARs that could be executed at such dates (1,759,601 and 1,818,453 as of December 31, 2004 and 2003, respectively); corresponding to the difference between the price of the SARs and the quoted price at the consolidated balance sheet date. The provisions were recorded in payroll taxes, salaries and other personnel expenses, in the caption *Other liabilities* of the consolidated balance sheet. The quoted price of the Credicorp's shares in the New York Stock Exchange as of December 31, 2004, 2003 and 2002 was US\$15.81, US\$13.35 and US\$9.4, respectively.

In 2004, 2003 and 2002, the SARs prices were modified and informed to the executives of the Group.

**18. Off-balance sheet accounts**

(a) This item is comprised of the following:

	2004 US\$(000)	2003 US\$(000)
<b>Contingent credits -</b>		
Standby letters of credit and guarantees (b)	655,313	690,634
Import and export letters of credit (b)	233,806	152,942
	889,119	843,576
Responsibilities under credit lines agreements	569,332	509,586

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Financial derivatives contracts, net (c)	211,520	135,647
Swaps contracts (d)	212,417	98,083
<b>Total</b>	<b>1,882,388</b>	<b>1,586,892</b>

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**Notes to the consolidated financial statements** (continued)

In the normal course of its business, the Group's banking subsidiaries are party to transactions with off-balance sheet risk. These transactions expose the Group's banking subsidiaries to credit risk in addition to the amounts recognized in the consolidated balance sheets. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The exposure to losses under commitments to extend credit, provide export and import letters of credit and guarantees is represented by the contractual amount specified in these instruments. The Group applies the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments, including the requirement to obtain collateral to support off-balance sheet financial instruments, note 7, when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Due to the fact that many of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

- (b) Standby letters of credit and guarantees and export and import letters of credit are conditional commitments issued by the Group to guarantee the performance of a customer to a third party. Export and import letters of credit are mainly issued as credit enhancements for overseas commercial transactions. Risks associated with these credits are reduced by the participation of third parties.
- (c) As of December 31, 2004 and 2003, Credicorp has foreign currency forward derivative transactions. Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed and the change in the prices of the underlying currencies. As of December 31, 2004 and 2003, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US\$466.2 million and US\$313.9 million, respectively, which have maturities of less than a year. These agreements are executed to satisfy client requirements and are recognized in the financial statements at their fair market value. The forward contracts net position is an oversell of U.S. Dollars of approximately US\$211.5 million and US\$135.6 million as of December 31, 2004 and 2003, respectively.
- (d) Interest rate swaps are derivative contracts, where counter parties exchange variable interest rates for fixed interest rates, in the terms and conditions established at the contract inception. The risk arises each time the projected level of the variable rate during the term of the contract is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. As of December 31, 2004, the notional amount of open interest rate swap contracts was approximately US\$212.4 million (approximately US\$98.1 million as of December 31, 2003). These contracts are recorded at fair value, recording both realized and unrealized gains and losses in the consolidated income statements.

**Notes to the consolidated financial statements** (continued)

The fair value of the asset and liability forward contracts and swaps as of December 31, 2004 amounted approximately US\$9.6 and US\$4.8 million, respectively (approximately US\$4.0 and US\$1.1 million as of December 31, 2003), and are included under the caption Other assets and other liabilities of the consolidated balance sheets, respectively, note 10.

**19. Net premiums earned**

In the ordinary course of its business PPS, Credicorp's subsidiary, engages in insurance activities and transfers reinsurance to other insurance companies to share the risk of its insurance contracts and to limit the potential losses arising from significant coverage. PPS is ultimately responsible for the payment of claims to the policyholder if the reinsurer is unable to meet its obligations.

Reinsurance includes shared quotas, excess of loss and facultative reinsurance. Amounts recoverable from reinsurers are estimated on a basis consistent with the associated claim liabilities and are presented as a component of the reinsured assets.

Net premiums earned for the three years ended December 31, 2004, 2003 and 2002 are as follows:

	<b>Gross amount US\$(000)</b>	<b>Ceded to other companies US\$(000)</b>	<b>Assumed from other companies US\$(000)</b>	<b>Net premiums earned US\$(000)</b>	<b>Percentage of amount assumed on net premiums</b>
<b>As of December 31, 2004</b>					
Life insurance	35,998	(2,865)	683	33,816	2.02
Accident and health insurance	108,739	(2,947)	1,481	107,273	1.38
Property and casualty insurance	107,937	(60,131)	3,777	51,583	7.32
<b>Total premiums</b>	<b>252,674</b>	<b>(65,943)</b>	<b>5,941</b>	<b>192,672</b>	<b>3.08</b>
<b>As of December 31, 2003</b>					
Life insurance	32,340	(2,482)	311	30,169	1.03
Accident and health insurance	59,531	(3,718)	7	55,820	0.01
Property and casualty insurance	108,045	(72,270)	3,351	39,126	8.56
<b>Total premiums</b>	<b>199,916</b>	<b>(78,470)</b>	<b>3,669</b>	<b>125,115</b>	<b>2.93</b>
<b>As of December 31, 2002</b>					
Life insurance	36,395	(2,094)	268	34,569	0.78
Accident and health insurance	46,461	(1,682)	15	44,794	0.03
Property and casualty insurance	110,452	(68,861)	4,264	45,855	9.30

<b>Total premiums</b>	193,308	(72,637)	4,547	125,218	3.63
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**Notes to the consolidated financial statements** (continued)**20. Other income and expenses**

The items are made up as follow:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Other income</b>			
Recoveries of other accounts receivable and other assets	1,429	4,801	5,213
Real estate rental income	1,224	2,436	687
Recoveries of provisions for sundry risks	100	3,818	4,337
Income (loss) from the sale of assets seized	(3,411)	551	146
Other	8,763	11,621	1,268
<b>Total other income</b>	<b>8,105</b>	<b>23,227</b>	<b>11,651</b>
<b>Other expenses</b>			
Commissions in insurance	19,693	13,468	10,449
Provision for sundry risks, note 10(e)	9,819	2,022	4,649
Loss from sale of fixed assets	4,525	1,639	1,907
Provisions for other account receivables	1,435	4,944	5,033
Other	7,397	5,673	5,713
<b>Total other expenses</b>	<b>42,869</b>	<b>27,746</b>	<b>27,751</b>

**21. Earnings per share**

The net earnings per ordinary share have been determined as follows:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Number of shares in issue:</b>			
Ordinary shares, note 15(a)	94,382,317	94,382,317	94,382,317
Less: weighted average treasury shares, note 15(b)	(14,624,392)	(14,634,925)	(14,634,925)
<b>Weighted average number of ordinary shares in issue</b>	<b>79,757,925</b>	<b>79,747,392</b>	<b>79,747,392</b>
Profit attributable to equity holders (in thousands of U.S. dollars)	130,747	80,607	42,383
Basic and diluted earnings per share (in U.S. Dollars)	1.64	1.01	0.53





**Notes to the consolidated financial statements** (continued)

**22. Business segments**

The Group is organized on two main lines of business:

- (a) Banking business incorporating corporate and private banking services, corporate, consumer, micro- business and mortgage overdrafts, foreign currency and derivative products, structure financing, corporate leasing, custody, among others.
- (b) Insurance business incorporating the issuance of policies of insurance to cover claims, such as fires, vehicles, transportation, etc.

Other operations from the Group comprise brokerage, fund management and trusteeship.

Transactions between the business segments are realized on normal commercial terms and conditions.

**Notes to the consolidated financial statements** (continued)

The following table presents the Group's financial information by industry (primary segment) and geographical area (secondary segment) for the three years ended December 31, 2004:

(a) Business segments by industry (amount expressed in million of U.S. Dollars):

	<b>External income</b>	<b>Income from other segments</b>	<b>Eliminations</b>	<b>Total income (***)</b>	<b>Operating income (*)</b>	<b>Total assets</b>	<b>Fixed assets</b>	<b>Depreciation and amortization</b>	<b>Other p Other p (</b>
<b>2004</b>									
Banking	671	25	(25)	671	346	8,083	215		38
Insurance	193	10	(10)	193	73	700	31		3
Brokerage and other	116	104	(104)	116	2	305	1		1
<b>Total consolidated</b>	<b>980</b>	<b>139</b>	<b>(139)</b>	<b>980</b>	<b>421</b>	<b>9,088</b>	<b>247</b>		<b>42</b>
<b>2003</b>									
Banking	704	29	(29)	704	364	7,405	230		36
Insurance	125	12	(12)	125	37	587	33		5
Brokerage and other	84	108	(108)	84	9	330	2		3
<b>Total consolidated</b>	<b>913</b>	<b>149</b>	<b>(149)</b>	<b>913</b>	<b>410</b>	<b>8,322</b>	<b>265</b>		<b>44</b>
<b>2002</b>									
Banking	698	38	(38)	698	343	7,671	257		33
Insurance	145	12	(12)	145	26	408	31		4
Brokerage and other	26	76	(76)	26	10	551	2		4
<b>Total consolidated</b>	<b>869</b>	<b>126</b>	<b>(126)</b>	<b>869</b>	<b>379</b>	<b>8,630</b>	<b>290</b>		<b>41</b>

**Notes to the consolidated financial statements**

(continued)

Segment information by geographical area (amounts expressed in million of U.S.

(b) Dollars):

	2004			2003			2002		
	Total income (***)	Operating income (*)	Total assets	Total income (***)	Operating income (*)	Total assets	Total income (***)	Operating income (*)	Total assets
Peru	809	352	6,566	789	325	6,236	715	330	6,809
Panama	20	3	293	20	2	264	2	2	72
Cayman Islands	52	20	1,004	10	9	880	43	8	706
Bolivia	45	24	459	47	34	446	57	29	475
Colombia	52	19	411	42	38	300	46	9	280
United States of America	2	3	355	5	2	196	6	1	288
<b>Total consolidated</b>	<b>980</b>	<b>421</b>	<b>9,088</b>	<b>913</b>	<b>410</b>	<b>8,322</b>	<b>869</b>	<b>379</b>	<b>8,630</b>

(\*) Operating income includes the net interest income from banking activities and the amount of the net premiums earned, less insurance claims.

(\*\*) Other provisions correspond to reserves for assets seized and the allowance for credit losses.

(\*\*\*) Include total interest and dividends income, other income and net premiums earned from insurance activities.

**Notes to the consolidated financial statements** (continued)**23. Financial instruments**

By their nature, the Group's activities are principally related to the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances as the Group also enters into guarantees and other commitments such as letters of credit and performance.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities, bonds, currency and interest rates. The Management places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest exposures associated with these operations are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

**Market risks -**

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a Value at Risk methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management sets some limits on the value of risk that may be accepted, which is monitored on a daily basis.

The daily market value at risk measure (VAR) is an estimate, of the maximum potential loss that might arise if the current positions were to be held unchanged for one trading session taking into account a specific significance level. The measurement is structured so that daily losses exceeding the VAR figure should occur, on average, not more than one trading session out of one hundred. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VAR calculation.

As VAR constitutes an integral part of the Group's market risk control regime, VAR limits are established by Management for some trading and portfolio operations. The actual exposure against limits, together with a consolidated Group-wide VAR, is reviewed daily by the Management; however, the use of this approach does not prevent losses outside the limits established in the event of more significant market movements.

**Liquidity risk -**

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdowns, guarantees and other calls. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing

**Notes to the consolidated financial statements** (continued)

funds can be predicted with a high level of certainty. The Management of the Group's subsidiaries sets limits on the minimum amount of funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

The notes to the financial statements include an analysis of the assets and liabilities of the Group by maturities based on contractual maturity dates.

**Cash flow and fair value interest rate risk -**

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group takes both fair value and cash flow exposure to the effects of fluctuations in the prevailing levels of market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored periodically.

Resources for investing are mainly obtained from short-term liabilities, the interests of which are agreed at fixed and variable interest rates prevailing in the international markets. Loans, customer deposits and other financing instruments are subject to risks derived from interest rate fluctuations. The relevant contract maturity characteristics and interest rates of such financial instruments are disclosed in notes 7, 11 and 14.

**Notes to the consolidated financial statements** (continued)**Currency risk -**

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Most assets and liabilities are maintained in U.S. Dollars. Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's subsidiaries are established. As of December 31, 2004 and 2003 the Group's assets and liabilities by currencies were as follows:

	2004				2003			
	U.S. Dollars US\$(000)	Peruvian new sol US\$(000)	Other currencies US\$(000)	Total US\$(000)	U.S. Dollars US\$(000)	Peruvian new sol US\$(000)	Other currencies US\$(000)	Total US\$(000)
<b>Monetary assets -</b>								
Cash and due from banks	1,578,538	201,140	65,783	1,845,461	1,445,538	139,514	30,008	1,615,060
Trading securities	2,593	44,820	55,121	102,534	19,610	57,970	21,166	98,746
Available-for-sale investments	1,151,748	917,894	58,880	2,128,522	1,049,950	533,601	68,762	1,652,313
Loans	3,379,185	662,058	295,078	4,336,321	3,355,554	645,684	208,898	4,210,136
Other assets	148,780	115,858	24,448	289,086	270,913	47,022	14,657	332,592
	6,260,844	1,941,770	499,310	8,701,924	6,141,565	1,423,791	343,491	7,908,847

**Notes to the consolidated financial statements** (continued)

	2004				2003			
	U.S.	Peruvian	Other	Total	U.S.	Peruvian	Other	Total
	Dollars US\$(000)	new sol US\$(000)	currencies US\$(000)		Dollars US\$(000)	new sol US\$(000)	currencies US\$(000)	
<b>Monetary liabilities -</b>								
Deposits and obligations	(4,570,170)	(1,391,230)	(334,799)	(6,296,199)	(4,439,860)	(1,309,491)	(250,754)	(6,000,105)
Due to banks and correspondents	(323,015)	(48,242)	(59,795)	(431,052)	(79,787)	(162,150)	(32,300)	(274,237)
Bonds issued	(298,451)	(125,526)	-	(423,977)	(296,653)	(122,808)	-	(419,461)
Other liabilities	(461,859)	(303,766)	(20,257)	(785,882)	(355,956)	(266,342)	(22,111)	(644,409)
	(5,653,495)	(1,868,764)	(414,851)	(7,937,110)	(5,172,256)	(1,860,791)	(305,165)	(7,338,212)
	607,349	73,006	84,459	764,814	969,309	(437,000)	38,326	570,635
Forwards position	(211,520)	211,520	-	-	(135,647)	127,590	8,057	-
<b>Net monetary position</b>	395,829	284,526	84,459	764,814	833,662	(309,410)	46,383	570,635



**Credit risk -**

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy or in the health of particular industry segment that represents a concentration in the Group's portfolio could result in losses that are different from those provided for at the balance sheet date. Management, therefore, carefully manages its exposure to credit risk.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits in the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but there is a significant portion in personal lending where no such facilities can be obtained.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, trading securities, investments available-for-sale, loans and other assets. The exposure to any one borrower, including banks, is further reduced by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures against limits are monitored daily.

**Fair value -**

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the instrument, to determine such fair value, the current market value of another instrument that is substantially similar, discounted cash flow analysis or other estimation techniques may be used, all of which are significantly affected by assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value.

A significant portion of the Group's assets and liabilities are short-term financial instruments, with a remaining maturity of under one-year. These short-term financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

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**Notes to the consolidated financial statements** (continued)

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest risks; in consequence, their book value is equivalent to their fair value.
- Trading securities and available-for-sale investments are recorded at their estimated fair value on the balance sheet, Note 3(h).
- The fair value of loans is similar to their book value, because such loans are mainly of a short-term nature and are shown net of their respective allowance for loan losses, which are considered by the Management as the approximate recoverable amount at the date of the consolidated financial statements.
- The fair value of deposits and obligations is similar to their book value; principally because of their liquid nature and that the interest rates are comparable with the interest rate of other similar liabilities.
- Due to banks and correspondents generate interest contracted at variable interest rates and preferred rates. As a result, it is considered that their book value approximates their fair values.
- As disclosed in note 18, the Group has various commitments to extend credit, open documentary credits and outstanding guarantees and it has received guarantees in endorsement of the granted credits. Based on the level of fees currently charged from granting such commitments and open documentary credits, taking into account maturity and interest rates, together with the present creditworthiness of the counterparties, the difference between the book value and the fair value is not material.
- Except for currency forwards and interest rate swaps, as indicated in note 18(c) and (d), the Group does not enter into other agreements, generally described as derivative transactions. The Group records these derivatives in the balance sheet at their fair market value.

Based in the aforementioned analysis, as of December 31, 2004 and 2003, the book values of the financial instruments do not differ significantly from their estimated market value.

**Fiduciary activities -**

The Group provides custody, trustee, investment management and advisory services to third parties, which involve the Group making allocation and purchase a sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. These services give rise to the risk that the Group will be accused of bad administration or under-performance.

**Notes to the consolidated financial statements** (continued)

As of December 31, 2004 the assigned value of the financial assets under administration approximate US\$482.2 million (approximately US\$634.5 million as of December 31, 2003) and the net equity of funds managed by the subsidiaries of the Group approximate US\$1,436.8 million (approximately US\$1,419.8 million in 2003).

**24. Transactions with related parties**

- (a) Certain shareholders, directors and officers of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Law N°26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company in Peru. As of December 31, 2004 and 2003, loans and other credits to employees, directors and key personnel of the Group are as follows:

	Directors and key personnel		Employees	
	2004 US\$(000)	2003 US\$(000)	2004 US\$(000)	2003 US\$(000)
Mortgage loans	6,343	6,819	3,293	2,951
Other loans	981	726	3,619	4,685
<b>Total</b>	<b>7,324</b>	<b>7,545</b>	<b>6,912</b>	<b>7,636</b>

As of December 31, loans and other contingent credits to related parties not included in the Credicorp's consolidation comprise:

	2004 US\$(000)	2003 US\$(000)
Direct loans	33,921	57,431
Contingent loans	10,774	11,751
Derivatives, market value	1,111	260
<b>Total</b>	<b>45,806</b>	<b>69,442</b>

In addition, the Group has investments available-for-sale in related entities for approximately US\$72.4 and US\$35.0 as of December 31, 2004 and 2003, respectively, that generates unrealized gains at such dates for approximately US\$16.0 as of December 31, 2004 (there were no such material unrealized losses or gains as of December 31, 2003).

**Notes to the consolidated financial statements** (continued)

- (b) Directors compensations  
As of December 31, 2004 and 2003, the directors' compensations were approximately US\$3.0 and US\$2.5 million, respectively.

**25. Subsequent events**

- (a) In January 2005, Banco de Crédito del Perú announced the acquisitions of the loan portfolio of Bank Boston N.A. - Branch Peru and Fleet's Boston's loan portfolio to Peruvian clients abroad approximating US\$289.2 and US\$64.3 million, respectively. These transactions were recorded at fair value. The acquired portfolios comprise mainly corporate mortgage and leasing loans. During February 2005 such loans portfolios were transferred to BCP.
- (b) On February 28, 2005, the Banking Superintendence of Colombia declared that it did not object to the sale of Banco Tequendama, which completed the requirements to effect the transaction.

**26. Significant differences between International Financial Reporting Standards and United States Generally Accepted Accounting Principles**

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). A description of the significant differences between IFRS and U.S. generally accepted accounting principles (U.S. GAAP) follows:

- (a) Allowance for credit losses -  
Management believes that there is no significant difference between the amount of the reserve for loan losses provided under IFRS and the required reserve that would be provided under U.S. GAAP. Management believes that the reserve for loan losses was adequate at December 31, 2004 and 2003 to cover any known losses and any losses that have not been specifically identified in the loan portfolio.
- (b) Investments in debt and equity securities -  
The Group applied IAS 39 Financial Instruments: Recognition and Measurement to record its investments in debt and equity securities. The accounting treatment established by IAS 39 is similar to that required by SFAS 115.  
  
The reconciling items included in paragraph f) for the years 2004, 2003 and 2002 correspond to the reclassification of the unrealized gains and losses corresponding to investments that are available-for-sale from retained earnings to Other Comprehensive Income.
- (c) Amortization of goodwill -  
Since March 2004, Credicorp has adopted IFRS 3, Business Combinations, as result the goodwill recorded has been amortized until December 31, 2004. Since January 1, 2005, the goodwill is not subject to amortization and must be tested for impairment at least annually.



**Notes to the consolidated financial statements** (continued)

SFAS 142, Goodwill and other intangibles establishes that the goodwill should be assigned to a reporting unit, which is defined as an operating unit or a component of an operating unit. Also, the goodwill is not subject to amortization since December 31, 2001, and should be tested for impairment at least annually. In this respect, the Group made the analysis and evaluation of the impairment of goodwill as of December 31 2004 and 2003, and no impairment loss was required.

- (d) Summary of significant adjustments to net income -  
The significant adjustments that would be required to determine the net income of the Group under U.S. GAAP instead of under IFRS are summarized below:

	<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Net income in accordance with IFRS</b>	130,747	80,607	42,383
<b>Additions (deductions):</b>			
Reversal of amortization of goodwill	4,853	4,223	3,033
<b>Net income in accordance with U.S. GAAP</b>	135,600	84,830	45,416
Net income per share in accordance with U.S. GAAP based on weighted average number of shares issued and in circulation	1.70	1.06	0.57
Weighted average number of outstanding shares issued and in circulation, excluding treasury stock (in thousands of shares)	79,758	79,747	79,747

- (e) Summary of significant adjustments to shareholders' equity -

A summary of the significant adjustments that would be required to determine the shareholders' equity of the Group under U.S. GAAP instead of under IFRS are as follows:

	<b>As of December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Shareholders' equity in accordance with IFRS</b>	1,065,197	910,730	823,800
<b>Additions</b>			
Reversal of amortization of goodwill	12,109	7,256	3,033
<b>Shareholders' equity in accordance with U.S. GAAP</b>	1,077,306	917,986	826,833

**Notes to the consolidated financial statements** (continued)

The changes in shareholders' equity of the Group under U.S. GAAP are summarized below:

	<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Balances as of January 1</b>	917,986	826,833	796,773
Cash dividends	(31,900)	(23,922)	(15,987)
Decrease in treasury stock	263	-	2,908
Other comprehensive income (loss)	55,381	30,245	(2,277)
Net income	135,600	84,830	45,416
Other	(24)	-	-
 <b>Balances as of December 31</b>	 1,077,306	 917,986	 826,833

(f) Other comprehensive income -

	<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Net income in accordance with U.S.GAAP</b>	135,600	84,830	45,416
Other comprehensive income (loss) -			
Unrealized (losses) gains arising during the period,			
net of			
tax and minority interest	56,746	18,844	(14,444)
Transfer of realized losses (gains) to net income	(1,365)	11,401	12,167
	55,381	30,245	(2,277)
 <b>Comprehensive Income</b>	 190,981	 115,075	 43,139

Cumulative other comprehensive income (loss) is as follows:

	<b>For the year ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	US\$(000)	US\$(000)	US\$(000)
<b>Beginning balance</b>	20,750	(9,495)	(7,218)
Current period changes	55,381	30,245	(2,277)

<b>Ending balance</b>	76,131	20,750	(9,495)
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**Notes to the consolidated financial statements** (continued)

## (g) Commitments and guarantees -

The disclosures required for FIN 45 applicable to Credicorp's operations are as follow:

**Commitments to extend credit -**

Commitments include consumer credit lines and other consumer loans that are cancelable upon notification to the consumer. In addition commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss, in the event of default by the borrower. The Group manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to commercial commitments based on management's credit assessment of the borrower. Since the Group expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Group's future liquidity requirements. The contract or notional amounts of commitments to extend credit at December 31, 2004 and 2003, were as follows:

	2004			2003		
	Expire within 1 year US\$(000)	Expire after 1 year US\$(000)	Total US\$(000)	Expire within 1 year US\$(000)	Expire after 1 year US\$(000)	Total US\$(000)
Consumer credit cards	190	557,227	557,417	3,311	475,998	479,309
Commercial	11,915	-	11,915	22,094	-	22,094
Other consumer	-	-	-	8,183	-	8,183
	12,105	557,227	569,332	33,588	475,998	509,586

**Letters of credit and guarantees -**

Standby letters of credit are conditional commitments the Group issues to guarantee the performance of a customer to a third-party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Group issues commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's nonperformance, the Group's credit loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Group to fund letters of credit may not occur, the Group expects its liquidity requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by the Group under letters of credit and guarantee arrangements as of December 31, 2004, were approximately US\$655.3 million (approximately \$690.6 million as of December 31, 2003) with a weighted average term of approximately 24 months. The estimated fair value of standby letters of credit and guarantees was approximately US\$1.0 million as of December 31, 2004 (approximately US\$0.7 million as of December 31, 2003). The contract or notional amounts of letters of credit and guarantees at December 31, 2004 and 2003, were as follows:

**Notes to the consolidated financial statements** (continued)

	2004			2003		
	Expire within 1 year US\$(000)	Expire after	Total US\$(000)	Expire within 1 year US\$(000)	Expire after	Total US\$(000)
		1 year US\$(000)			1 year US\$(000)	
Standby letters of credit and guarantees	532,860	122,453	655,313	579,857	110,777	690,634
Import and export letters of credit	226,981	6,825	233,806	148,506	4,436	152,942
	759,841	129,278	889,119	728,363	115,213	843,576

## (h) Recent U.S. GAAP pronouncements -

## Consolidation of Variable Interest Entities -

Financial Accounting Standards Board (FASB) Interpretation N° 46,

Consolidation of Variable Interest Entities (revised December 2003) (FIN 46-R), which includes substantial changes from the original FIN 46 it is applicable for financial statements issued since January 1, 2004. These changes include the modification of the calculation of expected losses and expected residual returns to reduce the impact of decision maker and guarantor fees in the calculation of expected residual returns and expected losses. In addition, the definition of a variable interest has been changed in the revised guidance.

FIN 46 and FIN 46-R change the method of determining whether certain entities, including securitization entities, should be included in the Credicorp's consolidated financial statements. The Group has determined that in accordance with FIN 46-R, the mutual funds and trusts administered by the Group should continue not to be consolidated.

The Group administers several mutual funds, trusts and investment management services. Credicorp has no ownership interest in such entities, but as administrator provides them with accounting and operations services. Clients absorb the eventual losses of such entities by their residual interest.

## Accounting for Loan Commitments Accounted for as Derivatives -

The SEC's Staff Accounting Bulletin N° 105, Application of Accounting Principles to Loan Commitments (SAB 105) its applicable for the financial statements issued since April 1, 2004. It specifies that servicing assets embedded in commitments for loans to be held for sale should be recognized only when the servicing asset has been contractually separated from the associated loans by sale or securitization. The impact of

implementing SAB 105 across all Credicorp s businesses was not significant for the consolidated financial statements.

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**Notes to the consolidated financial statements** (continued)

- Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts - Statement of Position 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts (SOP 03-1) provides guidance on accounting and reporting by insurance enterprises for separate account presentation, accounting for an insurer's interest in a separate account, transfers to a separate account, valuation of certain liabilities, contracts with death or other benefit features, contracts that provide annuitization benefits, and sales inducements to contract holders. SOP 03-1 is effective for financial statements for fiscal years beginning after December 15, 2003. The adoption of SOP 03-1 did not have a material impact on Credicorp's consolidated financial statements.
- Costs Associated with Exit or Disposal Activities - SFAS N° 146, Accounting for Costs Associated with Exit or Disposal Activities (SFAS 146) requires that a liability for costs associated with exit or disposal activities, other than in a business combination, be recognized when the liability is incurred. Previous generally accepted accounting principles provided for the recognition of such costs at the date of management's commitment to an exit plan. In addition, SFAS 146 requires that the liability be measured at fair value and be adjusted for changes in estimated cash flows. The provisions of the new standard are effective for exit or disposal activities initiated after December 31, 2002. Credicorp has assessed the impact on its consolidated financial statements as of December 31, 2004 and 2003 of applying the SFAS 146 since January 1, 2003 (the effective date for its application) and conclude that there are not material effects for its consolidated financial statements.
- Derivative Instruments and Hedging Activities - SFAS N° 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149) amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). In particular, SFAS 149 clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003 and did not have a material impact on Credicorp's consolidated financial statements.

**Notes to the consolidated financial statements** (continued)

- **Liabilities and Equity**

SFAS 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity (SFAS 150) establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective July 1, 2003, and did not have a material impact on the Credicorp's consolidated financial statements.

- **Guarantees and Indemnifications -**

In November 2002, FASB issued FASB Interpretation N° 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN 45), which requires that, for guarantees within the scope of FIN 45 issued or amended after December 31, 2002, a liability for the fair value of the obligation undertaken in issuing the guarantee be recognized. The impact of adopting FIN 45 as of December 31, 2003 was not material for Credicorp's consolidated financial statements. FIN 45 also requires additional disclosures in financial statements for periods ending after December 15, 2002, which are included in paragraph (g) above.

- **Stock-Based Compensation -**

In December 2004, the FASB issued SFAS No. 123 (Revised 2004), Share-Based Payment (SFAS 123-R), which replaces the existing SFAS 123 and supersedes APB 25. SFAS 123-R requires companies to measure and record compensation expense for stock options and other share-based payment based on the instruments fair value. SFAS 123-R is effective for interim and annual reporting periods beginning after June 15, 2005. Credicorp's Management has estimated the fair value of the SARs as of December 31, 2004, 2003 and 2002, using the Black Scholes Model, with assumptions obtained from the relevant available market information, including the SARs contract conditions (Note 17) and assuming for practical purposes that all contracts can only be exercised at the end of their term. As result of this estimation, Credicorp's management concluded that the liability recorded for the SARs does not differ materially from the amount that would be recorded under SFAS 123 nor would the expense attributable to SARS. .

**Notes to the consolidated financial statements** (continued)

- **Other-Than-Temporary Impairments of Certain Investments -**  
On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments*. The delay applies to both debt and equity securities and specifically applies to impairments caused by interest rate and sector spreads. In addition, the provisions of EITF 03-1 that have been delayed relate to the requirements that a company declare its intent to hold the security to recovery and designate a recovery period in order to avoid recognizing an other-than-temporary impairment charge through earnings. The FASB will be issuing implementation guidance related to this topic. Once issued, Credicorp will evaluate the impact of adopting EITF 03-1. The disclosures required by EITF 03-1 are not significant to the consolidated financial statements as of December 31, 2004.
- **Accounting for Certain Loans or Debt Securities Acquired in a Transfer -**  
On December 12, 2003, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position (SOP) N° 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer (SOP 03-3)*. SOP 03-3 is effective for loans acquired in fiscal years beginning after December 15, 2004. SOP 03-3 requires acquired loans to be recorded at fair value and prohibits carrying over valuation allowances in the initial accounting for all loans acquired in a transfer that have evidence of deterioration in credit quality since origination, when it is probable that the investor will be unable to collect all contractual cash flows. Loans carried at fair value, mortgage loans held-for-sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. SOP 03-3 limits the yield that may be accreted to the excess of the undiscounted expected cash flows over the investor's initial investment in the loan. The excess of the contractual cash flows over expected cash flows may not be recognized as an adjustment of yield. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan's yield over its remaining life. Decreases in expected cash flows are recognized as an impairment. The application of SOP 03-3 will not have a significant effect on Credicorp's consolidated financial statements.

## **REPORT OF INDEPENDENT AUDITORS**

February 12, 2003

To the Board of Directors and Shareholders  
Credicorp Ltd.

We have audited the accompanying consolidated statements of income, of changes in shareholders' equity and of cash flows of Credicorp Ltd. (a Bermuda limited liability company) and subsidiaries for the year ended December 31, 2002. These financial statements are the responsibility of the management of Credicorp Ltd.; our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with both generally accepted auditing standards in Peru and generally accepted auditing standards in the United States of America . Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Credicorp Ltd.'s management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the results of their operations and their cash flows for the year ended December 31, 2002, in conformity with International Accounting Standards.

Accounting principles used by Credicorp Ltd. and its subsidiaries in preparing the accompanying consolidated financial statements conform with International Accounting Standards, which vary in certain significant respects from accounting principles generally accepted in the United States of America and as allowed by Item 18 to Form 20-F. The application of the latter would have affected the determination of consolidated net income for the year ended December 31, 2002 and the determination of consolidated shareholders' equity at December 31, 2002 to the extent summarized in Note 26 to the consolidated financial statements.

Countersigned by

/s/ Arnaldo Alvarado L.

\_\_\_\_\_ (partner)

Arnaldo Alvarado L.  
Peruvian Public Accountant  
Registration No.7576  
Dongo-Soria Gaveglio y Asociados

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**EXHIBIT INDEX**

- 1.1 Bye-Laws of Credicorp Ltd., as amended March 31, 2005, incorporated herein by reference to Exhibit 1.1 to Credicorp s Annual Report on Form 20-F dated June 30, 2005
- 1.2 Memorandum of Association of Credicorp Ltd., incorporated herein by reference to Exhibit 1.2 to Credicorp s Annual Report on Form 20-F dated June 27, 2003
- 8 List of Subsidiaries, incorporated herein by reference to Exhibit 8 to Credicorp s Annual Report on Form 20-F dated June 27, 2003
- 12.1 Certification by the Chief Executive Officer Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
- 12.2 Certification by the Chief Financial and Accounting Officer Pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002
- 13.1 Certification by the Chief Executive Officer Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002
- 13.2 Certification by the Chief Financial and Accounting Officer Pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

Exhibit 12.1

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

I, Dionisio Romero, certify that:

1. I have reviewed this annual report on Form 20-F of Credicorp Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: January 20, 2006

/s/ DIONISIO ROMERO

Name: Dionisio Romero

Title: Chief Executive Officer



Exhibit 12.2

**CERTIFICATIONS PURSUANT TO SECTION 302 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

I, Walter Bayly, certify that:

1. I have reviewed this annual report on Form 20-F of Credicorp Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the company and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: January 20, 2006

/s/ WALTER BAYLY

Name: Walter Bayly

Title: Chief Financial and Accounting Officer



Exhibit 13.1

Credicorp Ltd.

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the Chief Executive Officer of Credicorp Ltd. (the "Company").

2. To my knowledge:

(A) The Company's Annual Report on Form 20-F for the year ended 2004 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(B) The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 20, 2006

/s/ DIONISIO

ROMERO

Name: Dionisio

Romero

Title: Chief Executive

Officer

Exhibit 13.2

Credicorp Ltd.

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002  
(18 U.S.C. Section 1350)

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), the undersigned hereby certifies as follows:

1. I am the Chief Financial and Accounting Officer of Credicorp Ltd. (the "Company").

2. To my knowledge:

(A) The Company's Annual Report on Form 20-F for the year ended 2004 accompanying this Certification, in the form filed with the Securities and Exchange Commission (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(B) The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 20, 2006

By: /s/

WALTER

BAYLY

Name: Walter

Bayly

Title: Chief

Financial and

Accounting

Officer