

CREDICORP LTD
Form 20-F
June 30, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

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

OR

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

For the fiscal year ended December 31, 2008

OR

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

OR

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

Date of event requiring this shell company report _____

For the transition period from to

Commission file number 1-14014

CREDICORP LTD.

(Exact name of registrant as specified in its
charter)

BERMUDA

(Jurisdiction of incorporation or organization)

Of our subsidiary

Banco de Crédito del Perú:

Calle Centenario 156

La Molina

Lima 12, Perú

(Address of principal executive offices)

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

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

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Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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

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PRESENTATION OF FINANCIAL INFORMATION

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

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

We operate primarily through our four principal subsidiaries, Banco de Crédito del Perú (which together with its consolidated subsidiaries is referred to as BCP), Atlantic Security Holding Corporation (which together with its consolidated subsidiaries is referred to as ASHC), El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (which together with its consolidated subsidiaries is referred to as Pacífico Peruano Suiza or PPS) and Grupo Crédito S.A. (which together with its consolidated subsidiaries is referred to as Grupo Crédito). BCP’s activities include commercial banking, investment banking and retail banking. As of and for the year ended December 31, 2008, BCP accounted for 75.1% of our total revenues, 87.3% of our total assets, 117.9% of our net income and 80.6% of our net equity. Unless otherwise specified, the individual financial information for BCP, ASHC, PPS and Grupo Crédito included in this Annual Report has been derived from the audited consolidated financial statements of each such entity. See “Item 3. Key Information—(A) Selected Financial Data” and “Item 4. Information on the Company—(A) History and Development of the Company.”

“Item 3. Key Information—(A) Selected Financial Data” contains key information related to our performance. This information was obtained mainly from our consolidated financial statements as of December 31, 2004, 2005, 2006, 2007 and 2008.

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

Some of our subsidiaries maintain their operations and balances in Nuevo Soles. As a result, this Annual Report contains certain Nuevo Sol amounts translated into U.S. Dollars which is solely for the convenience of the reader. You should not construe any of these translations as representations that the Nuevo Sol amounts actually represent such equivalent U.S. Dollar amounts or could be converted into U.S. Dollars at the rate indicated as of the dates mentioned herein, or at all. Unless otherwise indicated, these U.S. Dollar amounts have been translated from Nuevos Soles at an exchange rate of S/.3.140 = US\$1.00, which is the December 31, 2008 exchange rate set by the Peruvian Superintendencia de Banca, Seguros y AFP (the Superintendency of Banks, Insurance and Pension Funds, or the SBS). The average of the bid and offered free market exchange rates published by the SBS for June 25, 2009 was S/.3.024 per US\$1.00. Translating amounts expressed in Nuevos Soles on a specified date (at the prevailing exchange rate on that date) may result in the presentation of U.S. Dollar amounts that are different from the U.S. Dollar amounts that would have been obtained by translating Nuevos Soles on another specified date (at the prevailing exchange rate on that different specified date). See also “Item 3. Key Information—(A) Selected Financial Data—Exchange Rates” for information regarding the average rates of exchange between the Nuevo Sol and the U.S. Dollar for the periods specified therein. The Federal Reserve Bank of New York does not publish a noon buying rate for Nuevos Soles.

CAUTIONARY STATEMENT WITH RESPECT TO
FORWARD-LOOKING STATEMENTS

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

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

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

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

(A) Selected Financial Data

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

The summary of our consolidated financial data as of, and for the years ended, December 31, 2004, 2005, 2006, 2007 and 2008 is derived from the Credicorp Consolidated Financial Statements audited by Medina, Zaldívar, Paredes & Asociados S.C.R.L, member of Ernst & Young Global, independent registered public accountants.

The report of Medina, Zaldívar, Paredes & Asociados S.C.R.L on the Credicorp Consolidated Financial Statements as of December 31, 2007 and 2008 and for the years ended December 31, 2006, 2007 and 2008 appears elsewhere in this Annual Report.

SELECTED FINANCIAL DATA

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
INCOME STATEMENT DATA:					
IFRS:					
Interest income	US\$ 542,842	US\$ 612,432	US\$ 782,002	US\$ 1,065,974	US\$ 1,400,334
Interest expense	(160,298)	(173,159)	(283,478)	(432,000)	(577,411)
Net Interest income	382,544	439,273	498,524	633,974	822,923
Provision for loan losses (1)	(16,131)	6,356	4,243	(28,439)	(48,760)
Net interest income after provision for loan losses	366,413	445,629	502,767	605,535	774,163
Fees and commissions from banking services	201,474	206,163	243,778	324,761	394,247
Net gains (loss) from sales of securities	10,135	8,965	27,281	46,376	51,936
Net gains on foreign exchange transactions	24,165	29,286	41,638	61,778	108,709
Net premiums earned	192,672	218,955	251,261	297,272	393,903
Other income	8,105	21,571	26,197	90,022	37,672
Claims on insurance activities	(154,325)	(175,500)	(186,522)	(238,600)	(341,910)
Operating expenses	(459,928)	(477,073)	(585,058)	(747,089)	(922,299)
Merger costs	(3,742)	0	(5,706)	0	0
Income before translation result and income tax	184,969	277,996	315,636	440,055	496,421
Translation result	2,040	(9,597)	15,216	34,627	(17,650)
Income tax	(45,497)	(73,546)	(83,587)	(102,287)	(109,508)
Net income	141,512	194,853	247,265	372,395	369,263
Attributable to:					
Net income attributable to Credicorp's equity holders	130,747	181,885	230,013	350,735	357,756
Minority interest	10,765	12,968	17,252	21,660	11,507
Net income per common share attributable to Credicorp's equity holders (2)					
	1.64	2.28	2.88	4.40	4.49
	0.80	1.10	1.30	1.50	1.50

Cash dividends
declared per common
share

BALANCE SHEET

DATA:

IFRS:

Total assets	9,087,560	11,036,075	12,881,529	17,705,898	20,821,069
Total loans (3)	4,559,018	4,972,975	5,877,361	8,183,845	10,456,284
Reserves for loan losses (1)	(271,873)	(218,636)	(210,586)	(229,700)	(248,063)
Total deposits	6,270,972	7,067,754	8,799,134	11,299,671	13,877,028
Equity attributable to Credicorp's equity holders	1,065,197	1,190,440	1,396,822	1,676,009	1,689,172
Minority interest	85,253	101,515	136,946	139,264	106,933
Net Equity	1,150,450	1,291,955	1,533,768	1,815,273	1,796,105

SELECTED RATIOS

IFRS:

Net interest margin (4)	4.85%	4.90%	4.64%	4.50%	4.47%
Return on average total assets (5)	1.50%	1.81%	1.92%	2.29%	1.86%
Return on average equity attributable to Credicorp's equity holders (6)	13.55%	16.39%	18.44%	22.67%	20.21%
Operating expenses as a percentage of net interest and non-interest income (7)	49.18%	46.25%	50.26%	50.62%	40.23%

	Year ended December 31,				
	2004	2005	2006	2007	2008
	(U.S. Dollars in thousands, except percentages, ratios, and per common share data)				
Operating expenses as a percentage of average assets	5.28%	4.74%	4.89%	4.88%	4.79%
Equity attributable to Credicorp's equity holders as a percentage of period end total assets	11.72%	10.79%	10.84%	9.47%	8.11%
Regulatory capital as a percentage of risk weighted assets (8)	14.04%	13.10%	11.98%	12.80%	12.33%
Total past-due loan amounts as a percentage of total loans (9)	3.49%	1.93%	1.31%	0.75%	0.79%
Reserves for loan losses as a percentage of total loans	5.96%	3.97%	3.24%	2.58%	2.15%
Reserves for loan losses as a percentage of total loans and other contingent credits (10)	4.99%	3.19%	2.59%	2.17%	1.84%
Reserves for loan losses as a percentage of total past-due loans (11)	170.93%	206.22%	247.85%	343.68%	270.72%
Reserves for loan losses as a percentage of substandard loans (12)	54.11%	65.42%	78.24%	100.45%	112.26%

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

(2) We have 100 million authorized common shares. As of December 31, 2008, we had issued 94.4 million common shares, of which 14.6 million are held by ASHC. The per common share data given considers net outstanding shares (common shares net of shares held by BCP, ASHC and PPS) of 79.7 million in 2002 to 2008. See Notes 16 and 25 to the Credicorp Consolidated Financial Statements.

(3) Net of unearned interest, but prior to reserve for loan losses. In addition to loans outstanding, we had contingent loans of US\$889.1 million, US\$1,220.9 million, US\$1,455.4 million, US\$1,564.5 million and US\$1,755.9 million, as of December 31, 2004, 2005, 2006, 2007 and 2008, respectively. See Note 19 to the Credicorp Consolidated Financial Statements.

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

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

(6) Net income as a percentage of average equity attributable to our equity holders, computed as the average of period-beginning and period-ending balances, and calculated on a monthly basis.

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

(8)

Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the BIS I Accord) as adopted by the SBS. See “Item 5. Operating and Financial Review and Prospects—(B) Liquidity and Capital Resources—Regulatory Capital and Capital Adequacy Ratios.”

- (9) BCP considers loans past due after 90 days for installment loans, which include mortgage loans but exclude consumer loans. ASHC considers past due all overdue loans except for consumer loans, which are considered past due when the scheduled principal and/or interest payments are overdue for more than 90 days. For IFRS 7 disclosure requirements on past-due loans, See Note 29.1 to the Credicorp Consolidated Financial Statements. See “Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(iii) Loan Portfolio—Classification of the Loan Portfolio Based on the Borrower’s Payment Performance.”
- (10) Other contingent credits primarily consist of guarantees, stand-by letters and letters of credit. See Note 19 to the Credicorp Consolidated Financial Statements.
- (11) Reserves for loan and contingent credit losses, as a percentage of all past-due loans, with no reduction for collateral securing such loans. Reserves for loan and contingent credit losses include reserves with respect to total loans and other credits.
- (12) Reserves for loan and contingent credit losses as a percentage of loans classified in categories C, D or E. See “Item 4. Information on the Company—(B) Business Overview—(12) Selected Statistical Information—(iii) Loan Portfolio—Classification of Loan Portfolio.”

Exchange Rates

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

Year ended December 31,	High (1)	Low (1)	Average (2)	Period-end (3)
(Nominal Nuevos Soles per U.S. Dollar)				
2004	3.500	3.283	3.410	3.283
2005	3.440	3.249	3.295	3.420
2006	3.455	3.195	3.274	3.195
2007	3.197	2.998	3.125	2.998
2008	3.135	2.751	2.939	3.135

Source: Bloomberg

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

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

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

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

	High (1)	Low (1)
(Nominal Nuevos Soles per U.S. Dollar)		
2008		
December	3.142	3.081
2009		
January	3.187	3.131
February	3.251	3.202
March	3.259	3.107
April	3.145	2.981
May	3.051	2.950
June (through June 25)	3.024	2.967

Source: Bloomberg

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

The average of the bid and offered free market exchange rates published by the SBS for June 25, 2009 was S/.3.024 per US\$1.00.

(B) Capitalization and Indebtedness

Not applicable.

(C) Reasons for the Offer and Use of Proceeds

Not applicable.

(D) Risk Factors

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

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

Most of BCP's, PPS's and Prima AFP's operations and customers are located in Peru. In addition, although ASHC is based outside of Peru, most of its customers are located in Peru. Accordingly, our results of operations and financial conditions will be dependent on the level of economic activity in Peru. Changes in economic or other policies of the Peruvian government (which has exercised and continues to exercise a substantial influence over many aspects of the private sector) could affect our results of operations and financial condition. Similarly, other political or economic developments in Peru, including government-induced effects on inflation, devaluation, and economic growth could affect our operations and financial condition.

For several decades, Peru had a history of political instability that has included military coups and a succession of regimes with differing policies and programs. Past governments have frequently intervened in the nation's economy and social structure. Among other actions, past governments have imposed controls on prices, exchange rates, local and foreign investment, and international trade. Past governments have also restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the payment of profits to foreign investors.

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

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

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

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

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

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

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

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

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

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

A significant majority of our directors and officers live outside the United States (principally in Peru). All or most of our assets and those of our principals are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon us or our principals to bring forth a civil suit under the United States securities laws in United States courts. We have been advised by our Peruvian counsel that liability under the United States federal securities laws may not be enforceable in original actions in Peruvian courts. Also, judgments of United States courts obtained in actions under the United States federal securities laws may not be enforceable. Similarly, Bermudian counsel advised us that courts in Bermuda may not enforce judgments obtained in other jurisdictions, or entertain actions in Bermuda including judgments predicated upon civil liability provisions of the United States federal securities law, against us or our directors or officers under the securities laws of those jurisdictions.

In addition, our bye-laws, contain a broad waiver by shareholders of any claim or right of action, both individually and on our behalf, against any of our officers or directors. This waiver limits the rights of shareholders to assert claims against our officers and directors for any action taken by an officer or director. It also limits the rights of shareholders to assert claims against officers or any directors for the failure of an officer or director to take any action, in the performance of his or her duties, except with respect to any matter involving any willful negligence, willful default, fraud or dishonesty on the part of the officer or director.

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

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

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

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

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

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

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

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

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

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

Our operating performance and financial condition depend on PPS's ability to underwrite and set premium rates accurately for a full spectrum of risks. PPS must generate sufficient premiums to offset losses, loss adjustment expenses, and underwriting expenses so it may earn a profit. To price premium rates accurately, PPS must:

- collect and analyze a substantial volume of data;
- develop, test, and apply appropriate rating formulae;
- closely monitor changes in trends in a timely fashion; and
- project both severity and frequency with reasonable accuracy.

If PPS fails to assess accurately the risks that it assumes or does not accurately estimate its retention, it may fail to establish adequate premium rates. Failure to establish adequate premium rates could reduce income and have a materially adverse effect on its operating results or financial condition. Moreover, there is inherent uncertainty in the process of establishing property and casualty loss reserves. Reserves are estimates based on actuarial and statistical projections at a given point in time of what PPS ultimately expects to pay out on claims and the cost of adjusting those claims, based on the facts and circumstances then known. Factors affecting these projections include, among others, changes in medical costs, repair costs, and regulation. Any negative effect on PPS could have a material adverse effect on our results of operations and financial condition.

We are facing increased competition that may impede our growth.

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

- Highly liquid commercial banks in the market;
- Local and foreign investment banks with substantial capital, technology, and marketing resources; and
- Local pension funds that lend to BCP's corporate customers through participation in those customers' securities issues.

Larger Peruvian companies have gained access to new sources of capital, through local and international capital markets, and BCP's existing and new competitors have increasingly made inroads into the higher margin, middle market, and retail banking sectors. Such increased competition, with entrants who may have greater access to capital at lower costs, has affected BCP's loan growth as well as reduced the average interest rates that BCP can charge its customers.

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. Such competition would adversely affect the acceptance of BCP's products and/or lead to adverse changes in spending and saving habits of BCP's customer base. If competing entities are successful in developing products and services that are more effective or less costly than the products and services developed by BCP, BCP's products and services may be unable to compete successfully. 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 materially adverse effect on our results of operations and financial condition.

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

(A) History and Development of the Company

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

We are the largest financial services holding company in Peru and are closely identified with our principal subsidiary, BCP, the country's largest bank and the leading supplier of integrated financial services in Peru. We are engaged principally in 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, trust, custody and securitization services, asset management and proprietary trading and investment). As of December 31, 2008, our total assets were US\$20.8 billion and our net equity was US\$1.8 billion. Our net income attributable to our equity holders in 2007 and 2008 was US\$350.7 million and US\$357.8 million, respectively. See "Item 3. Key Information—(A) Selected Financial Data" and "Item 5. Operating and Financial Review and Prospects." The following table gives certain financial information about us by principal business segments as of and for the year ended December 31, 2008 (See Note 26 to the Credicorp Consolidated Financial Statements):

	As of and for the Year ended December 31, 2008		
	Total Revenues	Operating Income	Total Assets
	(U.S. Dollars in millions)		
Commercial Banking	US\$ 1,797	US\$ 804	US\$ 19,168
Insurance	469	118	1,231
Pension Fund Administration	71	0	224
Investment Banking and others	50	(47)	198
Credicorp	US\$ 2,387	US\$ 875	US\$ 20,821

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

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

In December 1995, we purchased 99.99% of Inversiones Crédito (whose name has changed to Grupo de Crédito), a non-financial entity with assets of US\$335.9 million as of December 2008. Grupo de Crédito’s main subsidiary is Prima AFP.

In August 1997, we acquired 39.5% of BCB from BCP for US\$9.2 million. In July 1998, we acquired 94.86% of Banco de La Paz, a Bolivian bank with US\$52.1 million in assets, which we subsequently merged with BCB in January 1999. During this time, we also increased our beneficial ownership in BCB to 55.79%, which left BCP with ownership of the remaining 44.21%. In November 2001, however, BCP bought back 55.53% of our interest in BCB for US\$31.5 million. As of December 31, 2008, BCB operated 63 branches and 181 ATMs located throughout Bolivia. BCB’s results have been consolidated in the BCP financial statements since the date of its acquisition by BCP in November 1993.

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

In December 2002, BCP acquired Banco Santander Central Hispano-Perú, or BSCH-Perú, for US\$50.0 million. Since that date, BSCH-Perú has been included in BCP’s consolidated financial statements. On December 31, 2002, BSCH-Perú had total assets of US\$975.2 million, total loans of US\$719.4 million and deposits of US\$659.0 million. BSCH-Perú was merged into BCP on February 28, 2003.

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

In 2003, BCP converted Banco de Crédito Overseas Limited, or BCOL, its offshore bank in the Bahamas, into a vehicle to conduct investments and sold it to ASHC. ASHC then consolidated BCOL into its operations during 2004. In accordance with our policy regarding holdings of equity interests in non-financial companies, we then caused certain long-term equity interests that were previously held by BCOL to be transferred to BCP and then in turn transferred to Grupo Crédito. In April 2004, PPS sold substantially all of its holdings of our equity shares to ASHC (see “Item 7. Major Shareholders and Related Party Transactions—(A) Major Shareholders”).

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

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

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

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

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

In 2006, Prima AFP incurred significant merger expenses relative to its size, reaching the end of the year with losses of US\$20.7 million. However, Prima AFP had a net income of US\$11.2 million during 2008, with 1,045,410 affiliates and funds under management of US\$4,865 million.

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

The following tables show our organization and the organization of our principal subsidiaries as of December 31, 2008 and their relative percentage contribution to our total assets, total revenues, net income and net equity at the same date (see “—(C) Organizational Structure”):

As of and for the Year ended December 31, 2008 (1)

	Total Assets	Total Revenue	Net Income (Loss)	Net Equity
Banco de Crédito del Perú	87.3%	75.1%	117.9%	80.6%
Atlantic Security Holding Corporation	4.9%	1.1%	-14.1%	5.5%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (2)	5.9%	20.4%	-5.9%	4.3%
Grupo Crédito (3)	1.5%	3.4%	5.2%	13.9%
Others (4)	0.4%	0.0%	-3.1%	-4.3%

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

(2) Includes PPS and Pacífico Vida.

(3) Includes Prima AFP and others.

(4) Includes Credicorp Ltd., CCR Inc., Credicorp Securities Inc. and others.

The following tables show the organization of BCP and its principal subsidiaries as of December 31, 2008:

As of and for the Year ended December 31, 2008 (3)

	Total Assets	Total Revenue	Net Income (Loss)	Net Equity
Banco de Crédito del Perú	93.0%	89.9%	85.5%	84.3%
Banco de Crédito de Bolivia	5.0%	6.6%	10.1%	8.1%
Crédito Leasing S.A.	1.3%	1.5%	0.2%	1.7%
Financiera de Crédito Solución	0.2%	0.2%	0.0%	0.6%
Credifondo S.A.	0.1%	1.2%	2.0%	1.9%
Credibolsa Sociedad Agente de Bolsa S.A.	0.1%	0.4%	0.9%	0.9%
Others (4)	0.3%	0.2%	1.3%	2.5%

(1) Credicorp holds an additional 4.08% stake.

(2) It will be absorbed by BCP on July 1, 2009.

(3) Percentages determined based on BCP's consolidated financial statements as of and for the year ended December 31, 2008.

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

(B) Business Overview

(1) Introduction – Review of 2008

General

Despite the existence of an international financial crisis, in 2008 we recorded net income after minority interests of US\$357.8 million, which was 2.0% higher than our net earnings in 2007. We incurred charges of US\$181.6 million, which included: (i) US\$60.4 million to impair a deteriorated investment portfolio caused by declining stock prices; (ii) US\$36.4 million for a provision by ASHC for potential losses and contingencies related to an ASHC-managed fund that had invested with Bernard L. Madoff Investment Securities LLC, or Madoff Securities, on behalf of its clients; (iii) US\$67.1 million of expense to hedge SARs Program, and (iv) US\$17.7 million from an exchange loss caused by the depreciation of the Nuevo Sol against the U.S. Dollar.

We have addressed these losses by the following:

- In accordance with our approach toward provisions for market-related value adjustments in our investment portfolio, we made a large provision against our deteriorated investment portfolio that we considered sufficient for the financial year 2008.
- We implemented tighter and more conservative asset management and investment policies to avoid third party risks, such as those associated with the Madoff Securities.
- We are introducing a modification of the SAR program to minimize the need for variations in provisions related to the program. We are making this modification because the SAR program has generated income volatility due to an imperfect hedge that has caused fluctuations in provisions, which has been intensified by the recent high volatility of our stock.
- We gradually reduced our exposure to the volatility of the Nuevo Sol by the end of the first quarter of 2009 by exchanging higher yielding Nuevos Soles-denominated government instruments to investments in U.S. Dollars.

BCP's banking business remained strong and profitable in 2008, showing significant resilience to the international financial crisis. Our performance in the asset management business through Prima AFP yielded positive results as the income generation trend continued upwards.

ASHC's private banking business asset management revenues, however, were negatively impacted by the global financial crisis due to unrealized losses from asset market valuations. Likewise, our results were negatively affected by the insurance business due to high casualties and the restructuring of our insurance business's risk portfolio which led to an increased emphasis on the mass retail insurance business and a decreased emphasis on lower corporate risk holdings. Despite these negative impacts, however, we experienced growth and generation of revenue.

Our total assets grew to US\$20.8 billion as of December 31, 2008, a 17.6% increase from the US\$17.7 billion as of December 31, 2007, as a result of strong growth (22.9%) in deposits that supported the expansion of our loan business. Loans grew by 27.8% in 2008 (compared to 39.2% in 2007, 18.2% in 2006) following the progress of the Peruvian economy (which had GDP growth rate of 9.8% in 2008). As part of our provision policy, provision for loan losses net of recoveries increased by 71.5% to US\$48.8 million (compared to US\$28.4 million in 2007). Our past-due loans ratio of 0.79% at the end of 2008 was consistent with that of 2007 (0.75%) and had a coverage ratio of 270.7% (i.e., reserves for loans as a percentage of past-due loans). Finally, our return on average net equity decreased slightly yet remained at a profitable level of 20.2% in 2008 (compared to 22.7% in 2007).

BCP

In 2008, we received an earnings contribution of US\$410.9 million resulting from BCP's year-end 2008 net profit that totaled US\$423.5 million. This earnings contribution was 27.4% larger as compared to last year's profits (US\$322.5 million). Despite the present financial environment, BCP set a new record for earnings in 2008 and continued on its average annual growth trend of 38.2% since 2004. As a result, BCP's average return on net equity (ROE) improved to 32.8%, which is above the Peruvian financial system's average (31.1%).

The main drivers behind BCP's performance were: (i) solid growth in net interest income resulting from significant loan portfolio expansion across all segments and products, (ii) a considerable increase in non-financial income derived from the raise of fees and commissions as well as higher gains on foreign exchange transactions and on sales of securities and (iii) expansion of its network with an appropriate expenditure control.

The significant growth of BCP total assets (22.1%) was a result of the expansion of its loan portfolio by 28.1% (which totaled US\$10.2 billion), whose participation in total assets increased from 43.6% in 2007 to 55.9% by the end of 2008. BCP's total past-due loans reached US\$82.1 million (36.1% higher than the US\$60.3 million registered in 2007) while refinanced and restructured loans decreased by 37.6%, from US\$88.5 million in 2007 to US\$55.2 million at the end of 2008. The composition of BCP's loan portfolio did not change significantly—wholesale banking and retail banking accounted for 62% and 38% of its total portfolio, respectively (similar to the levels registered in 2007 (63% and 37%)).

The average daily balances of BCP's corporate and middle market banking loans grew significantly, by 40.6% and 30.2%, respectively, from 2007. This growth was driven by expanding domestic demand along with dynamic business at all levels (sector, industry, region and segments). As a result, BCP continued to lead the Peruvian financial system with a market share of 48.1% for the corporate segment and 37.1% for the middle market.

BCP's retail banking portfolio continued its success and grew 42.9% in 2008, reaching an average daily balance of US\$3,390. In terms of growth and yields, BCP's consumer loans were the best performing product, reaching 72% growth (measured in average daily balances) to a total volume of US\$618 million, followed by loans to small companies which grew 54% to US\$1,127 million. Credit cards grew 36%, reaching US\$384 million, while mortgage credits expanded 27%, totaling US\$1,260 million.

In 2008, BCP also restructured all of its other liquid assets. This was reflected by BCP's share of available funds, such as cash over total assets, which rose from 15.3% to 19.3%. This increase was result of the Central Bank's policy against inflation through increased reserve requirements during the first nine months of 2008, and a deepening international crisis in the closing quarter during which BCP increased liquidity as a precautionary measure. BCP's investment portfolio increased 0.4% in 2008 and held positions in conservative, highly liquid and safe instruments, such as BCR certificates of deposit.

On the liabilities side, BCP's deposits reached US\$14,235 million on December 31, 2008 (a 27.3% increase from the previous year). This increase in deposits not only continues to reinforce BCP's funding structure as deposits account for 84.2% of all funding sources, but also serves to strengthen BCP's market share (which is 38.5%). Demand deposits experienced the fastest growth at 36.7%, while time and savings deposits grew 25.9% and 24.7%, respectively. Severance Accounts, or CTS, expanded a moderate 16% due to increased market competition and customer sensitivity to interest earned on such deposits. Furthermore, in 2008, BCP, through a special vehicle, CCR Inc. (which was consolidated into Credicorp), issued (i) US\$300 million of securitized structured bonds, which were deposited in its Panamanian branch, and (ii) US\$410 million of syndicated senior loan facility.

BCP has conservative provisioning and long-term risk management policies, keeping its coverage ratio above the average ratio in the Peruvian banking system. In 2008, however, this ratio decreased from the previous year (351.8% as compared to 271.9%). Total cumulative provisions reached US\$223.2 million, which is 6.3% higher from the previous year.

In 2008, BCP focused its strategy on strengthening its customer service, which is related to its goal of providing improved customer access to the financial system and thereby increasing its penetration into the market. In following its network expansion plan, BCP opened 57 additional branches (58.3% more than 2007) by the end of 2008, further strengthening its market position. BCP also opened 142 new ATMs in 2008 (for a total of 890 ATMs), while its Agente BCP grew significantly by adding 630 agents (for a total of 1,851 agents as of December 2008). As a result of its strategy, BCP's average number of transactions in 2008 increased 22.1% from 2007 and its transactional business was therefore able to originate higher income for fees and commissions.

As a result of strong growth in its branch network, BCP's operating expenses increased 12%. This increase is largely attributed to higher personnel expenses as more employees were hired (15,971 at the end of 2008 as compared to 12,667 in 2007), and to increased general and administrative expenses due mainly to marketing campaigns and IT growth. Nevertheless, an increase of 29.9% in operating income offset the higher operating expenses and BCP's efficiency ratio thereby reached 50.3% (which was lower than its 2007 ratio of 51.3%).

Overall, BCP's results exceeded forecasts and contributed to our achievements and increased profitability.

BCP Bolivia

In 2008, Banco de Crédito de Bolivia, or BCP Bolivia, obtained a net profit of US\$44.5 million, which was 64.5% higher than its 2007 results of US\$27 million. BCP Bolivia's 2008 results were due in part to the strong performance of high return business segments, such as consolidated markets (businesses larger than the small business segment but that do not qualify for the wholesale segment) which grew 77.2%, and the small business segment which expanded its loan portfolio by 42.7%. The performance in these segments resulted in increased diversification growth in BCP Bolivia's retail banking portfolio.

BCP Bolivia remained as one of the top banks in Bolivia in 2008, posting better results in the following categories as compared to the averages in the Bolivian banking system: 39.9% return on equity, 2.0% past-due loan ratio and 230.6% coverage ratio (as compared to 20.7%, 4.8% and 144.3%, respectively).

BCP Bolivia's loan portfolio expanded by 2.8% from year-end 2007 totaling US\$472.6 million at year-end 2008. This expansion was mainly due to a 17.8% growth in retail banking, which compensated for its 9.6% contraction in wholesale banking.

Although BCP Bolivia increased its positive contribution to our results in 2008, the country of Bolivia still experiences a volatile political environment and shows evidence of significant stagnation in investment activity.

ASHC

Of all our subsidiaries, ASHC experienced the worst effects of the global financial crisis. In 2008, ASHC recorded a US\$22.4 million loss, which gave us a negative contribution of US\$50.4 million after our dividend revenues were canceled as part of our consolidation of financial statements. This negative performance by ASHC was caused mainly by (i) a large impairment charge required for ASHC's portfolio of investment securities due to a decline in the capital markets and (ii) by a provision for potential losses and contingencies related to the alleged Madoff fraud.

As a result of these non-recurring and extraordinary events, ASHC's total assets contracted by 10%, resulting in total assets of US\$1,454.2 million at year-end 2008 (as compared to US\$1,615.7 million at year-end 2007). Also, third party assets under management decreased 26.8% from US\$2,241.8 million at year-end 2007 to US\$1,639.3 million at year-end 2008, and deposits dropped 8.1% to US\$1,283.6 million as of December 31, 2008. Nevertheless, ASHC's loan portfolio expanded 54.8% during 2008 with a 0.0% NPL ratio.

In 2009, although ASHC will not modify its low-risk proprietary investment strategy, we expect an increase in ASHC's financial margin as a direct consequence of widening credit spreads. We expect ASHC's asset management business to take advantage of the fact that, in spite of the market conditions of 2008, it still achieved adequate returns for its customers. ASHC aims to improve its 2008 results in order to continue to give us a positive contribution.

PPS

In 2008, PPS, which encompasses Pacífico Seguros, Pacífico Vida and Pacífico Salud EPS, reported a net loss of US\$15.0 million (compared to a US\$12.5 million net earnings in 2007). Although PPS's net earned premiums grew 32% from 2007, its claims rose by 43.3% which caused its earnings of US\$15.5 million in 2007 to turn to losses of US\$7.7 million in 2008. Additionally, PPS recorded US\$11.3 million as an impairment and US\$3.4 million as a translation loss (which was attributable to the devaluation of the Nuevo Sol against the U.S. Dollar). As a result, the contribution we received from PPS dropped considerably, from earnings of US\$9.4 million in 2007 to a loss of US\$15.9 million in 2008. Nevertheless, PPS maintains its position as one of the primary insurance groups in Peru with a combined market share of 34.4% for the general insurance, health insurance and life insurance segments.

PPS completed its restructuring plan that started in 2006 and achieved a reduction in retained premiums in its high risk property and casualty segment from 51.9% in 2007 to 35% in 2008. Additionally, PPS's premiums from the retail business increased as a percentage of total premiums, rising from 38% in 2006 to 47% in 2008.

In 2009, PPS will continue to focus on its retail business by developing products to introduce customers to the advantages of insurance. There is enormous potential growth in Peru's insurance industry given the industry's weak market penetration. Efficiency and risk management will continue to be main indicators in measuring PPS's performance. Efficiently utilizing the BCP network is an essential component of PPS's growth strategy for 2009 since capitalizing on synergies between the insurance business and the distribution channels of the banking business may lead PPS to greater penetration in the insurance industry.

Prima AFP

Peruvian pension funds experienced a difficult year in 2008. The international financial crisis caused a combined negative yield of 20.4% for the three types of funds managed by AFPs. Nevertheless, Prima AFP was able to continue to strengthen its position by adjusting its processes and organization to provide high-quality services and timely and transparent information to its clients. As a result, the contribution we received from Prima AFP in 2008 reached US\$11.2 million, as compared to US\$3.0 million in 2007.

Prima AFP assets under management decreased 24.1% from US\$6.4 billion at year-end 2007 to US\$4.9 billion as of December 31, 2008. By year-end 2008, Prima AFP's share of total funds under management reached 30.6%, slightly lower than 31.4% at year-end 2007, ranking Prima AFP as the second largest fund management company in the sector.

Prima AFP's revenues in 2008 reached US\$70.7 million, an increase of 23.1% from 2007, as a result of a stable and improved portfolio of contributing members that was supported by a growing Peruvian labor market. These revenues, however, were partially offset by the increase of 15.8% in operating expenses.

In 2009, Prima AFP plans to maximize its contribution to us by focusing on strengthening its affiliate base, preserving its existing client portfolio through providing pension and investment counseling, and controlling operating expenses.

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

	2006	2007	2008	Variation 2008/2007
	(U.S. Dollars in millions, except percentages)			
BCP (1)	238.9	322.5	410.9	27%
ASCH	15.4	20.5	(50.4)	-345%
PPS	14.5	9.4	(15.9)	-269%
Grupo Crédito (2)	(38.8)	(1.7)	13.2	876%
Total	230.0	350.7	357.8	2%

(1) Includes Banco de Crédito de Bolivia, which contributed US\$42.9 million in 2008, US\$27.0 million in 2007, and US\$14.1 million in 2006.

(2) Includes Prima AFP (which recorded a net income of US\$11.2 million in 2008, US\$3.0 million in 2007 and losses of US\$20.7 million in 2006), Credicorp Securities, Credicorp Ltd. (which mainly includes expenses and the tax withheld in connection with the estimation of the dividends to be distributed to us by our Peruvian subsidiaries (BCP and PPS)) and others.

(2) Strategy

Credicorp was established to create a financial group that would benefit from the synergies among the group's companies and would become a leader within each business market in which the companies operate. In moving steadily toward achieving these strategic goals, we have become a leading financial group. However, we do not operate in a static environment and 2008 has demonstrated how quickly and dramatically the world can change.

Our greatest challenge is to adapt to these changes without losing focus of our goals. The financial crisis that peaked in 2008 and its effect on economies throughout the world will continue in 2009. Although its effect on us was not significant compared to other companies, the crisis has led us to more closely scrutinize each of the strategic decisions that shape our business.

In reviewing our strategic decisions, we re-formulated our basic strategy to focus on identifying synergies that will increase our efficiencies. This strategy involves greater integration to improve the management of our companies by more extensively sharing our talents, intelligence and experience.

In 2009, through greater interaction in the decision-making process, we will seek to capitalize our synergies by aligning the individual interests of each of our companies with our overall objectives. Additionally, we will take into account the capacities available throughout the entire organization when making decisions about achieving the objectives of an individual company. Furthermore, we have incorporated sustainability into our objectives as the financial crisis has once again demonstrated the need to build a business that can be sustained over time.

The strength of our businesses has been built on the foundation of an organization with a long tradition, deep-rooted culture of customer service, and true commitment to developing our country's economy and markets. Consequently, we believe we must:

- Focus on our core traditional banking business, on the development of our insurance business and on responsible asset management;
- Place our customers' interests first by preserving and investing our assets conservatively and by providing innovative products that meet our customers' needs; and
- Contribute to developing Peru's financial system by increasing bank penetration, increasing product accessibility, and introducing insurance to additional customers while keeping it affordable.

We are convinced that our 2008 results confirm that we are moving toward accomplishing our objectives. For this reason, many of our strategic steps for 2009 are focused not only on business segments experiencing the largest growth but also improving our own decision-making processes and designing strategies to better consolidate information, capabilities and strengths shared between our companies.

The following is a description of the specific strategies employed by our various businesses:

Banking Business

- Banco de Crédito del Perú – BCP
- Banco de Crédito – BCP Bolivia
- Atlantic Security Bank – ASB

The main objective of our banking business strategy is to accomplish sustainable and highly profitable growth. We can accomplish this objective by greater bank penetration, responding to our customer's needs, increasing efficiency, and global and comprehensive risk management, which require focusing on:

- Designing innovative products that meet our customers' needs;
- Improving risk management and more quickly assessing risk while we incorporate the four types of risk—credit, market, operational and reputational risk;
- Reviewing and streamlining our operative processes; and
- Improving our distribution model to offer greater value added through our different distribution channels and automated transactional services.

Through these initiatives, we expect to accomplish higher efficiencies and grow actively but profitably. This strategy, while applied to all three entities, may vary slightly with each entity. For BCP Bolivia, our strategy also includes reconciling its interests with those of the Bolivian nation as well as adapting the above initiatives to a less dynamic market. With respect to ASB, as a consequence of global financial crisis, we must reestablish its customers' trust in the investment markets and in our own asset management capabilities.

Insurance Business

Our strategy in the insurance business includes being more selective in our risk retention in the general corporate insurance market, given the mismatch between insured levels and our ability to underwrite and/or absorb such risk. Although fully implementing this strategy will require time, we have already started to see its positive effects.

Given the enormous potential in the retail insurance business due to the industry's low penetration into the general public, we also focused on PPS's retail business by developing products that will introduce customers to the advantages of insurance.

The strategies described above for the banking business that focus on growth, efficiency and risk management apply as well to PPS and its life and health insurance business. In addition, the strategy of capitalizing synergies is of great importance in the insurance business as a result of the insurance business's considerable potential to benefit from the distribution channels of the banking business in selling insurance products, which may also lead to greater market penetration. Consequently, the efficient use of the BCP network through greater integration and alignment of objectives between the two companies is an essential component of PPS's growth strategy and will receive special attention in 2009.

Asset Management Business

- Credifondo
- Prima AFP
- Atlantic Security Holding Corporation – ASHC

Our strategy in the asset management business is to rebuild our customers' confidence in the financial markets, the private pension funds system and our ability to manage their assets. Our initiatives to reach our customers by designing useful products, improving risk management and accomplishing greater efficiencies are applied to all segments of the asset management business. We aim to rebuild our customers' confidence based on an extremely cautious, conservative and simple investment strategy.

Outlook for 2009

The current economic crisis has caused much uncertainty in the global markets. Although its impact was not completely felt in Peru during 2008, the crisis undoubtedly slowed down Peru's economic activity in the first quarter of 2009. Nevertheless, we predict the effects of the crisis will not stop growth in Peru. Strong external and fiscal accounts, significant foreign currency reserves, and the Peruvian financial system's high solvency ratios provide a sufficient foundation for Peru to successfully manage these challenges.

We are successfully poised to face the challenges of the crisis by relying on our strong equity position, our technical and professional capital, the loyalty and trust of our clients, and the commitment of our talented employees. We predict that our business will continue to grow, albeit at a slower pace than during recent years.

In the banking business, we expect higher credit risk and, consequently, the need for larger provisioning. With respect to ASB, we believe that all precautions have been taken to handle the international financial crisis and we expect a recovery in 2009. The insurance business should improve and reverse the negative results of 2008, and we have implemented numerous measures to reduce risk and restructure premiums. In our pension fund management business, we expect a year of growth in client base.

(3) Credicorp Operating Groups

We conduct our business operations through four different principal subsidiaries: BCP and subsidiaries (which include BCB), Atlantic Security Holding Corporation, Pacífico Peruano Suiza and Grupo Crédito (which includes Prima AFP).

The majority of our commercial banking business is carried out through BCP, which is our largest subsidiary and the oldest bank in Peru. A portion of our commercial banking business is also carried out by ASHC, which principally serves Peruvian private banking customers through offices in Panama. We conduct commercial banking activities in Bolivia through BCB, a full service commercial bank with US\$754 million in deposits, US\$941.7 million in assets and US\$458.9 million in net loans, as of December 31, 2008. As of such date, BCB was the third largest Bolivian bank in terms of loans and deposits, with 13.1% and 13.3% market share, respectively.

Our commercial banking business is organized into wholesale banking activities, which are carried out by BCP's Wholesale Banking Group and the corporate banking operations of ASHC), and retail banking activities, which are carried out by BCP's Retail Banking Group. We perform our leasing operations either directly through BCP or through Crédito Leasing S.A. (or Credileasing), a subsidiary of BCP that will be absorbed by BCP on July 1, 2009.

We apply uniform credit policies and approval and review procedures, which are based on conservative criteria adopted by BCP, to all of BCP's subsidiaries. Our general manager is in charge of setting the general credit policies for our different business areas. These policies are set within the guidelines established by Peruvian financial sector laws and SBS regulations (See “—(11) Supervision and Regulation—(ii) BCP”) and the guidelines set forth by our Board of Directors.

Our deposit-taking operations are principally managed by BCP's Retail Banking Group and ASHC's Private Banking Group. See “ (12) Selected Statistical Information—(iv) Deposits.”

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

We offer 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 Peru. In addition, we also distribute such products through ASHC.

In the last few years, we consolidated an important line of business, asset management, for our customers. As of December 31, 2008 our assets under management totaled US\$7.6 billion, a contraction of 27.1% from year-end 2007, which was due to a drastic drop in the market values of securities caused by the international financial crisis. The majority of our asset management business is performed through our subsidiary, Prima AFP. Mutual funds represent another contributor to our asset management business carried out through BCP's mutual funds subsidiary, Credifondo Sociedad Administradora de Fondos Mutuos (or Credifondo). Credifondo leads the Peruvian market with a share of 45.2% of the total assets currently under management. Finally, BCP's affiliate, Atlantic Security Bank, offers the

international mutual funds and financial advisory services to BCP's private banking customers.

We have reorganized a corporate supervision project entitled “Asset Management” due to the size of these businesses, the importance of the commissions they generate and, above all, the fiduciary responsibility they entail. The main objectives of the project are to establish homogeneous risk control and investment policies and to evaluate the management and results of the portfolios under management based on best international practices.

Asset Management is composed of four main components:

- **Portfolio Management:** We seek to consolidate the good performance of our portfolios and funds through strict risk control and an appropriate level of diversification. To achieve this, we focus on improving three key aspects: investment policies, investment processes and management metrics.
- **Financial Management:** We focus on providing quality financial advisory services, building customer loyalty, and encouraging customers to invest in a diverse combination of securities according to their risk profile. Our objective is to improve the standards of the advisory services that our commercial bank offers and to distinguish between the levels of advisory services provided to different sectors.
- **Brokerage:** We attempt to provide a timely and high quality service, offering competitive execution costs, channeling a greater proportion of the assets traded by our companies to profitable investments and identifying opportunities for joint action (resulting in better prices), in addition to improving controls aimed at avoiding possible conflicts of interest.
- **Risk Analysis:** We seek to identify, quantify, regulate and, ultimately, minimize the risks associated with operations, credit, market, liquidity, legal contingencies, conflict of interests and other risks. Another objective of our risk analysis is setting corporate investment limits, creating a portfolio investments risk manual, and ensuring strict compliance with risk control rules.

We conduct our insurance operations exclusively through PPS and its subsidiaries, which provide a broad range of insurance products. PPS focuses on three business areas, general insurance through Pacífico Seguros, life and pension insurance through Pacífico Vida, and health care insurance through Pacífico Salud EPS. PPS, like other major Peruvian insurance companies, sells its products both directly and through independent brokers and agents. Directly written policies tend to be for large commercial clients, as well as for life and health insurance lines.

(4) BCP and Subsidiaries

(i) General

BCP’s activities include commercial banking, investment banking and retail banking. As of December 31, 2008, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets of US\$18.5 billion, total loans of US\$10.2 billion, deposits of US\$14.2 billion and net equity of US\$1.4 billion. At the end of 2008, BCP’s loans, on an unconsolidated basis, represented approximately 31.6% and the deposits represented approximately 38.5% of the total Peruvian banking system, respectively.

As of December 31, 2008, BCP had the largest branch network of any commercial bank in Peru with 330 branches. BCP operates an agency in Miami and a branch in Panama.

As of and for the year ended December 31, 2008, BCP accounted for 80.8% of our total revenues, 87.3% of total assets, 107.1% of net income and 78.9% of net equity. BCP's operations are supervised and regulated by the SBS and the Central Bank.

In May 2009, BCP began grouping its client base according to the following criteria:

Group	Client Segmentation Sales (US\$MM)	Sales (US\$MM) From May 2009 onwards
Micro-business	Up to 0.3	Up to 0.5
Small Business	From 0.3 to 1.5	From 0.5 to 6.7
Middle market	From 1.5 to 30	From 6.7 to 30
Corporate	Higher than 30	Higher than 30

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

Subsidiaries

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

BCP and its principal subsidiaries as of December 31, 2008 are as follows:

- Banco de Crédito de Bolivia, or BCB, is BCP's commercial bank in Bolivia. BCP owns 96% of BCB and we hold the remaining interest. Currently, BCB is the third largest bank in Bolivia in terms of deposits and loans market share and has a network of 63 offices located throughout Bolivia. BCB owns one of Bolivia's largest brokerage houses, Credibolsa S.A. Agente de Bolsa. BCP targets middle- and small-sized clients and offers a broad range of corporate, personal banking and leasing products. BCB's results are consolidated in BCP's financial statements.
- Credibolsa Sociedad Agente de Bolsa, or Credibolsa, was established in June 1991 and is 100% owned by BCP. It is engaged in portfolio advisory and brokerage activities in the Lima Stock Exchange.
- Crédito Leasing S.A., or Credileasing, offers a large variety of financial leasing products. Credileasing was established in July 1996 and is 100% owned by BCP. It will be absorbed by BCP on July 1, 2009.
- Credifondo Sociedad Administradora de Fondos Mutuos, or Credifondo, is a mutual fund management company that was established in 1994. Credifondo is 100% owned by BCP.
- Creditítulos S.A., or Creditítulos was established in 1997 and is 100% owned by BCP. Creditítulos serves as an asset securitization entity.

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

(ii) Wholesale Banking Group

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

During 2008, the Wholesale Banking Group maintained its positive trend in loan placements, posting average portfolio levels of US\$5,431 million in 2008 (36.6% higher than in 2007). This result was achieved despite BCP's already large market share, aggressive competition, and financial disintermediation caused by the rapid development of the local capital markets. BCP has the largest capital base among Peruvian banks, which provides it with more resources to meet the financing needs of its corporate clients. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The Wholesale Banking Group provides its customers with short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease financing.

The Wholesale Banking Group is divided into the following areas:

- Corporate Banking, which provides loans and other credit services to companies with annual revenues in excess of US\$30 million;
- Middle Market Banking, which serves mid-sized companies;
- International Banking, which manages BCP's relationship with financial institutions locally and abroad, trade products and international operations services;
- Corporate Finance, which provides underwriting and financial advisory services to corporate and middle market clients;
- Business Finance, which finances business projects and manages the financial leasing product;
- Institutional Banking, which focuses principally on serving non-profit organizations, state-owned companies and other major institutions; and
- Business Services, which develops transactional services.

Net interest income from the wholesale banking sector reached US\$141 million, a growth which resulted from the increase in business volume and compensated for the reduction in lending rates. Income from financial services accounted for 46% of the total income generated by the wholesale banking sector.

Although state-controlled corporations are served by BCP's Wholesale Banking Group, 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

According to BCP's internal reports, loans provided by its Corporate Banking Area represent 34% of BCP's total loans granted in 2008. Despite the relatively small growth of this group (due to the growing array of financing alternatives offered by the capital markets), corporate banking loans grew for the fifth consecutive year and reached an average portfolio balance of US\$3,377 million, which represents a 41% increase compared to 2007. These loans were approximately 73% foreign currency-denominated (primarily U.S. Dollar-denominated) and 27% Nuevo Sol-denominated. As in the middle market banking sector, the Corporate Banking Area has faced a very aggressive competition in terms of rates, which resulted in a reduction in lending spreads. On the deposit side, corporate deposits kept growing, accounting for approximately 35% of BCP's total deposits.

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

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

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

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

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

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

Middle Market Banking

BCP's Middle Market Banking Area generally serves the same industries and offers the same products as its Corporate Banking Area. Its focus, however, is on providing its customers with working capital loans which are primarily secured by accounts receivables. This is accomplished by arranging financing for medium- and long-term investment programs, including leasing services offered through our leasing unit. BCP has a middle market client portfolio of approximately 5,400 companies.

According to BCP's internal reports, the annual average loan portfolio of the middle market banking area of BCP reached US\$2.1 billion in 2008, or 30.3% higher than the average US\$1.5 billion in 2007 (US\$1.1 billion in 2006). This occurred growth occurred despite the enforcement of stringent credit quality requirements. BCP expects significant opportunities in lending to middle market businesses, particularly in Peru's agriculture, fishing and

construction industries, where special emphasis has been placed and specific task areas have been created to attend to the needs of these economic groups.

BCP'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 Peru's mining, technology and energy sectors. In addition to its regular sources of funds, BCP is an intermediary of Corporación Financiera de Desarrollo (Development Finance Corporation, or COFIDE, a second-floor bank fully owned by the Peruvian government). In several medium-term credit lines for project financings in certain sectors, BCP is also an intermediary of international financial institutions such as Corporación Andina de Fomento (Andean Development Corporation, or CAF), the International Finance Corporation (or IFC) and the Inter-American Development Bank.

Financial margins in the Middle Market Banking Area continue to be attractive. Because of their size, middle market companies in Peru generally do not have access to the local or international capital markets or to credit from foreign banks. In addition, we believe that middle market companies have benefited significantly from the overall economic improvements in Peru over the past few years. Loan quality problems have been addressed through procedures and organizational changes that have focused on improving the loan approval and credit-risk assessment processes.

The Middle Market Banking Area, through seven regional managers nationwide, focuses on organizations with annual revenue levels between US\$1.5 million to US\$30 million. Generally, these clients are not listed on the stock exchange but in some cases are capable of issuing financial obligations or commercial papers. Their financial information is reliable and audited. These companies are typically family-controlled but professionally managed.

The products offered to middle market clients resemble those offered to corporate banking clients. The three major types of products are:

- Revolving credit lines to finance inventories and sales, as well as stand-by letters of credit and international trade financing;
- Financing for short-term requirements such as current account credits and temporary account advances (overdrafts); and
- Financing for medium and long-term requirements using intermediation resources (term deposits) and various types of financial leasing financing.

The Middle Market Banking Area requires that all facilities granted to middle market clients be guaranteed by the main shareholders and their respective spouses. In addition, these clients are usually required to grant real guarantees of assets unrelated to the business, such as real estate owned by the shareholders.

Institutional Banking

BCP's Institutional Banking Area serves non-profit organizations, whether public or private, which includes approximately 1,000 state and local government entities, international bodies, educational institutions and non-governmental organizations. Specialized teams in both BCP's Wholesale Banking and Retail Banking groups serve these clients.

The Institutional Banking Area is strategically important due to the business potential of its clients (which demand diverse products and services) and the opportunities its clients present for generating income from fees and cross-selling opportunities. BCP's institutional banking clients are principally users of transactional products and require consultancy for investment management. BCP's strategy in this Area is focused on building customer loyalty by offering customized services at relatively competitive rates and providing outstanding service quality. The institutional banking clients mainly require remote office banking, collections and automated payroll payment services.

International Banking

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

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

The current international market volatility has left BCP with a large amount of liquidity in U.S. Dollars. BCP has been active borrowing short-term funds in the international markets, and until August 2008, BCP participated in securitization programs for medium- and long-term.

According to the Superintendencia Nacional de Administracion Tributaria, or SUNAT, in 2008 Peruvian exports increased 12.2% to US\$31.2 billion from US\$27.8 billion in 2007. This result was principally due to increased exports of commodities (gold, silver and iron) and of manufactured goods (metalmecanic and agribusiness). During the same year (based on BCP's internal report), BCP's exports volume increased 2.8% to US\$11.1 billion from US\$10.8 billion in 2007, which amounted to 35.6% of total Peruvian exports.

Total Peruvian imports were US\$29.9 billion in 2008, increasing 45.9% from US\$20.5 billion in 2007, which was primarily due to a higher demand for capital goods (industry, construction and transportation), raw materials for industry, and consumer goods. BCP's import letters of credit, collections and transfers amounted to US\$6.1 billion in 2008, increasing from US\$4.3 billion in 2007.

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

BCP has correspondent banking relationships and uncommitted credit lines with more than 80 banks for foreign trade operations, financing of working capital and medium- and long-term investment projects. During 2008, BCP intensively used its funding credit lines with correspondent banks due to an intensive growth in its trade portfolio.

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 Group in 1996 in order to enhance its effectiveness as the demands of Peru's larger corporations moved away from loan-based operations toward capital markets-based operations. In 2008, the Corporate Finance Area focused on investment banking and structured financing and grew alongside the expanding Peruvian economy and, particularly, the local capital markets. As a result, the Corporate Finance Area generated income exceeding US\$8.4 million from structuring, counseling and placing commissions.

The Corporate Finance Area's growth was a consequence of an increased demand for financing due to an increase in number and size of new projects in Peru in which the Area played a major role. The main projects in 2008 included:

- A medium-term syndicated loan to Compañía de Minas Buenaventura for US\$450 million which was the largest structured financing provided by a local bank;
- A leasing arrangement for US\$95 million for Duke Energy Egenor to build the Las Flores thermal power plant;
- Syndicated loans to Transportadora de Gas del Perú, or TGP, for US\$80 million and US\$150 million to expand capacity of the gas pipeline from Camisea to Lima;
- A back leasing transaction for S/.244 million; and
- A medium-term loan to Inversiones en Turismo, or Intursa, for US\$50 million to partially finance its investment plan which includes the Westin Lima Hotel.

In the capital markets, among other transactions, we successfully structured the takeover bid for ordinary stock issued by a mining company, as well as a private stock offering made in the Lima Stock Exchange and the Alternative Investment Market (AIM) of the London Stock Exchange. Also, the Corporate Finance Area was actively involved in the first private issuance of bonds by Chilean companies in Peru, which totaled more than S/.500 million.

Leasing

BCP's financial leasing business, Credileasing, offers and manages financial leasing operations. It also carries out medium-term operations, principally for small- and medium-sized companies. BCP is the leader with a market share of 36.2% of total leasing. Credileasing will be absorbed by BCP on July 1, 2009.

BCP's management estimates that Credileasing is currently the largest in Peru with a market share of 36.2% as of December 31, 2008. The principal means of financing for Credileasing is through the issuance of specific leasing bonds and mid-term loans granted by BCP. The total amount of outstanding leasing bonds reached S/.307.4 million (US\$97.8 million) as of December 31, 2008. According to the SBS, Credileasing's market share among specialized leasing companies was 51.8% as of December 31, 2008.

The financial leasing business grew by 54.7% during 2008. BCP's leasing loan balances show a 107.3% growth in 2008 as a consequence of tax rule stabilization applicable to leasing operations and the growth of the Peruvian economy.

Growth during 2008 was driven by business loans in sectors requiring investment in mining, transportation services to mining companies, energy generation and manufacturing companies. Loan demand also increased in the telecommunications sector and small-sized companies sector.

Business Services

BCP's Business Services Area is in charge of developing transactional services that handle the exchange of information and money transfers to corporations, midsize companies, institutions and micro-business companies. This Area is responsible for both the development and marketing of transactional (or "cash management") services for BCP's corporate and institutional clients. More than 30 product groups are offered, aiming at strengthening ties with clients, assuring their loyalty and reciprocity in the business carried out with BCP, reducing costs using electronic channels, and increasing fee income.

Services managed by the Business Services Area include collections (automated trade bill collection and 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.

During 2008, transactional services continued to contribute to BCP's earnings. The monthly average number of current accounts increased by 16.3% and fee revenues increased by 14.3% compared to those of 2007. This improvement is mainly the result of the dynamism experienced in the small business sector (also referred to as SME). Collection services, such as bills and companies' collections, generated commissions that increased 12.2% and 35.4%, respectively, over the 2007 collections. This improvement is explained, in part, by BCP's strategic decision to offer value to its clients through the implementation of a more efficient mechanism of information related to these services. The higher demand by clients for the remote banking service Telecredito also generated 30.1% more transactions than 2007. Likewise, other commissions generated by remittances abroad grew 11.4% from those generated in 2007, and the transaction volume generated by electronic factoring increased 19% in 2008. Finally, the electronic service for invoice financing, recently introduced in the market, grew by 63.9% in volume from 2007.

(iii) Retail Banking Group

According to BCP's internal reports, retail banking-related loans continued to grow and thereby maintained their 37% share of BCP's total loans. Retail banking-related deposits also grew, increasing their share from 46% to 48% of BCP's total deposits. Income from fees grew 18% between 2007 and 2008, reaching US\$200 million by year end 2008.

Between 2006 and 2007, the Retail Banking Group's loan volumes increased by 48%, reaching US\$2,898 million. During 2008, loans grew again by 27%, a growth of US\$795 million, to US\$3,694 million. This growth can be attributed to consumer lending, which includes installment loans and credit cards, small and micro business loans and home mortgages. With respect to deposits, BCP's Retail Banking Group has also shown constant growth, by growing 30% (US\$1,406 million) between 2006 and 2007, and US\$1,061 million in 2008 for a total of US\$7,181 million.

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

BCP's retail banking serves individuals and small-sized companies with annual sales levels of up to US\$1.5 million. BCP's objective is to establish profitable long-term relationships with its broad client base, using segmentation strategies that satisfy the specific needs of each client type. BCP's retail distribution strategy changed at the beginning of 2007, when BCP started using the branch network as the center for all transactional and commercial activities. BCP now has a commercial division, in charge of all direct sales forces and the branches, which in turn are organized on a geographic level. Each branch is responsible for servicing and selling products to three customers groups: exclusive banking, small business banking and consumer banking. In addition, each branch is responsible for coordinating the different channels offered within the branch, such as account managers, customer service representatives and tellers.

The Marketing Division is responsible for product, channel and segment management. During 2008, BCP has seen an unprecedented investment in infrastructure and human resources to support its “banking the unbanked” strategy. In addition, BCP experienced an explosive growth in channels, including 57 additional transactional and commercial, 142 new and 630 correspondent banking offices, as well as more than 3,000 new employees. Demonstrating its leadership in attracting new customers, BCP now services nearly three million customers with its network of 330 offices, 890 ATMs and 1,851 correspondent banking offices.

Exclusive Banking

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

Exclusive banking customers receive a differentiated value plan which includes (i) access to innovative products, (ii) dedicated customer services channels such as specialized account managers and/or expert phone banking, (iii) privileged preferential service in the branches at the teller window and (iv) special interest rates on loans. BCP’s exclusive customers, totaling about 150,000, must have good credit record and at least US\$20,000 in loans within the banking system or US\$30,000 in deposits with BCP. Approximately 100,000 of the most profitable exclusive clients are serviced through specialized accounts managers responsible for improving per-client profitability and achieving long-term relationships through personalized service, cross-selling and share of wallet strategies. Account managers are also responsible for new customer acquisition, particularly through mortgage loans. The higher end of this segment also has access to investment advisors who prepare customized investment plans consisting of capital market products and mutual funds. The exclusive banking segment is very profitable, generating 28% of the retail group’s income while managing 5% of the total customer base and approximately 44% of the retail banking’s deposit and loan volume.

Small Business Banking

BCP’s small business segment now accounts for 265,000 clients. Customers are divided into three groups with different business models, services levels, and products access. The first group is top-end small business banking, which serves approximately 9,000 clients and has annual sales between US\$300,000 and US\$1.5 million. The next group of 130,000 small business clients has annual sales between US\$10,000 and US\$300,000. The third group of approximately 126,000 very small business customers has only deposit product needs.

In addition to products, such as revolving credit lines repaid in installments, BCP also helps the development of the small and micro (SME lending) business segments, which composed of individuals who primarily derive their income from small, family-run businesses, in two ways: (i) client training programs through seminars and presentations and (ii) formalization programs based upon alliances with government institutions such as Prompyme, the Ministry of Labor and Social Promotion, municipalities and the Peruvian Center for the Promotion of Small Business. BCP’s total loans to small businesses as of December 31, 2008 amounted to US\$1,345 million, which represented another year of consecutive growth of more than US\$300 million per year.

According to BCP's internal reports, the Small Business Banking loan portfolio grew from US\$679 million in 2006 to US\$1,037 million in 2007 and to US\$1,345 million in 2008. In terms of deposits, this group increased deposits from US\$913 million in 2006 to US\$1,197 million in 2007, and to US\$1,562 million in 2008.

Consumer Banking

Consumer banking is in charge of developing strategies for the retail customers not included in exclusive banking or small business banking. Its customer base is approximately 2.5 million medium to low income individuals. Consumer banking focuses its attention on customers who receive their payroll through BCP (which represents more than 720,000 clients). Its strategies vary from basic acquisition of new accounts for wage-earners with special terms regarding fees and interest rates, to more sophisticated, aggressive cross-sell and retention programs that expand benefits to non-banking products (i.e., access to discounted products). BCP has continued excelling in expanding its debit card as a form of payment, maintaining more than half of the market share in withdrawals and payments with debit cards, which is a year-to-year increase of 400,000 cards. BCP concluded 2008 with more than 2.7 million cards.

Mortgage Lending

As of December 31, 2008, BCP was the largest mortgage lender in Peru with a market share of 35.8% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements in the quality of procedures for extending credit and establishing guarantees.

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

BCP had US\$1,330 million of outstanding mortgage loans as of December 31, 2008 (as compared to US\$1,132 million at year-end 2007 and US\$868 million at year-end 2006).

All programs of mortgage financing are available to customers with minimum monthly income of US\$400. The MiVivienda program, a program supported by government resources, placed a limit of US\$35,000 on the value of the house to be purchased. BCP will finance up to 90% of the appraised value of a property where monthly mortgage payments do not exceed 30% of the client's stable net income. The maximum maturity of the mortgage loans BCP offers is 25 years, in U.S. Dollars, and 20 years, in local currency. Within the mortgage lending business, BCP offers variable, fixed and Libor-based interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles. However, BCP's mortgage portfolio is predominantly variable rate and U.S. Dollar-denominated.

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

Consumer Lending (Credit Cards and Installment Loans)

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

Peru's economic growth has had a huge impact on the consumer credit market, which grew by a total of 30% during 2007 and 2008. The outstanding balance was US\$1,095 million at year-end 2008: US\$405 million for credit card and US\$689 million in installment loans. BCP's market share in consumer lending increased during 2008 from 17.9% to 19.2%. This 37% growth in consumer lending was achieved while maintaining a low 3.2% ratio of delinquent accounts (over 30 days).

In 2008, installment loans experienced unprecedented growth of US\$214 million in outstanding balances (a 45% increase from 2007). This result is due in part to BCP's strategic change to broaden its customer base. Fifty percent of BCP's new loans in 2008 came from customers with a monthly gross income of less than US\$400.

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

In addition, BCP has been continuously improving monitoring and optimizing its scoring models, which includes, among others, behavior, payments and income forecasting. As a result, in 2008 BCP achieved a growth of 17%, or a US\$58 million increase, in outstanding balances over the previous year. According to BCP's internal records, the number of active credit cards has constantly increased from 325,000 at year-end 2006 to 387,000 at year-end 2007 and further to 430,000 at year-end 2008. In addition, annual purchases increased from US\$592 million in 2006 to US\$868 million in 2007, and to US\$1,131 million in 2008.

BCP is also the largest shareholder of VISANET, holding approximately 40% of its total shares. The number of VISANET electronic payment terminals grew to approximately 50,000 at year-end 2008, as compared to 41,000 at year-end 2007, 28,000 at year-end 2006 and 18,000 at year-end 2005.

(iv) Capital Markets Group

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

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

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

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

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

Trading and Brokerage Services

In 2008, the effects of the international financial crisis hit the Peruvian stock market. The Lima Stock Exchange's general index, or IGBVL, fell 60% and total trading fell to US\$4,963 million (a drop of almost 48%). Fixed Income and Report Operations over the IGBVL reached US\$2,668 million, 13% lower than the average volume of 2007.

Although 2008 was a difficult year for stock markets, Credibolsa maintained its leadership position in the Lima Stock Exchange. In 2008, Credibolsa had 19.8% of the total trading volume in variable equity instruments on the Lima Stock Exchange and 49.6% of the volume in trading of fixed income instruments on the Exchange, compared to 19.1% and 35.9% in 2007, respectively. Credibolsa's trading volume was generated by domestic customers (both retail and institutional), by foreign institutional clients and by our proprietary trading.

We expect a difficult year in 2009 as a consequence of the international financial crisis. However, BCP's management believes that Credibolsa will continue expanding its business based on its ability to provide appropriate advice to clients while offering various products that meet their requirements. Furthermore, BCP's wholesale banking marketing represents an important strength that allows it to reach main companies in the local market, while BCP's branch network helps to expand its business in the retail banking segment.

Treasury, Foreign Exchange and Proprietary Trading

BCP's treasury and foreign exchange groups are active participants in money market and foreign exchange trading. These groups manage BCP's foreign exchange positions and reserves and are also involved in analyzing liquidity and other asset/liability matters. The trading desk plays an important role in short-term money markets in Nuevos Soles and in foreign currencies. It has also been active in the auctions of certificates of deposit by Peru's central bank as well as in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

According to BCP's internal reports, its foreign exchange transaction volume was US\$22.7 billion in the forward market, compared to US\$17.7 billion in 2007. In the spot market, transaction volume increased from US\$49.4 billion in 2007 to US\$69.4 billion in 2008.

Since 2007, BCP has adhered to best international cash management practices. BCP created the Assets and Liabilities Management Service (or ALM) which is responsible for managing its balance sheet under the Asset and Liabilities Committee (or ALCO) oversight. ALM is responsible for managing BCP's balance sheet and for accepting reasonable interest rate and liquidity risks through management of the short- and long-term transfer rates. In 2008, BCP's active ALM business management created revenues of US\$27.6 million.

BCP's proprietary trading consists of trading and short-term investments in securities, which includes instruments from various countries. These short-term investments are primarily made to facilitate its treasury management and corporate finance efforts. This has become an increasingly important part of BCP's business, as BCP seeks returns on excess liquidity pending improved lending conditions. During 2008, the investments were mainly oriented to Nuevo Soles-denominated instruments such as BCRP certificates of deposits and government bonds.

Asset Management

Credifondo S.A., Sociedad Administradora de Fondos Mutuos de Inversión en Valores, or Credifondo, provides advice to and operates mutual funds in Peru. It is the largest mutual fund manager in Peru based upon data from the Peruvian securities market authority, the Comisión Nacional Supervisora de Empresas y Valores, or CONASEV. As of December 31, 2008, total Peruvian funds in the mutual funds system amounted to US\$2.8 billion, decreasing 34.9% from US\$4.3 billion in 2007.

According to CONASEV, as of December 31, 2008, Credifondo managed ten separate funds, with a total of 98,497 participants (38.8% of total participants) compared to 114,340 (41.6% of total participants) in 2007. 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, 2008, Credifondo's total managed funds amounted to US\$1,274 million, decreasing from US\$1,956 million as of December 31, 2007. Because these funds are subject to certain volatility, there can be no assurance as to their future performance. As a result, we do not guarantee any return on these investments.

As of December 31, 2008, our Bolivian fund administrator managed a total of US\$109.9 million of third-party funds (US\$70.9 million in 2007).

Trust, Custody and Securitization Services

According to BCP's internal reports, BCP holds US\$18.0 billion in securities for over 61,105 domestic and foreign clients. BCP provides custody services that include the physical keeping of securities and the payment of dividends and interest. In addition, BCP acts as paying agent for securities of which it does not keep custody. BCP is one of the few banks in Peru qualified to serve as a foreign custodian for U.S. mutual funds. Trust services include (i) escrow, (ii) administration and representation services, (iii) supervision of transactions completed for its clients and (iv) transfer settlement and payment services for local securities issues. These services allow BCP to adequately represent its clients' activities in the local and international securities markets.

La Fiduciaria S.A., or Fiduciaria, is an associated entity and the first specialized trust services company in Peru. We hold a 45% interest in Fiduciaria. In its eighth year of existence, Fiduciaria has managed trusts for a majority of the institutions in the national financial system, putting itself at the forefront of fiduciary services in Peru. Fiduciaria's operations encompass sectors including energy, communications, mining, tourism, fishing, education and construction. Fiduciaria ended 2008 with 153 outstanding operations.

(v) Lending Policies and Procedures

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

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

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

For BCP's individual and small business borrowers, it evaluates credits based on the client's capacity for repayment, a documented set of policies (regarding the client's financial track record among other issues), and in most cases, credit scores, which assign loan-loss probabilities that relate to expected returns of each market segment. Approximately two-thirds of BCP's credit card and consumer loan application decisions are made by automatic systems. The complement and all mortgage and small business loans are currently made by credit officers reporting to a centralized unit. In analyzing credit risk, the Retail Banking Group assesses the client's financial track record and other aspects in order to determine its ability to repay debt. In addition, in every case a loan approval is subject to a number of credit scoring models, which assign loan-loss probabilities that relate to expected returns of each market sector.

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

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

The following table briefly summarizes BCP's policy on lending limits for loan officers and credit risk analysis officers. Requests for credit facilities in excess of the limits set forth below are reviewed by BCP's general manager, executive committee or, if the amount of the proposed facility is sufficiently large, board of directors.

In US\$ thousands	Risk without collateral or with only personal collateral or guarantee		Risk with preferred guarantees (1)	
Board of Directors	Regulatory limit		Regulatory limit	
Executive Committee	US\$	145,000	US\$	145,000
General Manager	US\$	15,000	US\$	30,000
Credit Group Manager	US\$	7,500	US\$	15,000
Credit Risk Manager	US\$	4,000	US\$	8,000
Credit Risk Chiefs	US\$	1,000	US\$	3,000
Retail Credit Risk Manager	US\$	500	US\$	500

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

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

In general, BCP is a secured lender. As of December 31, 2008, approximately US\$4.8 billion of the loan portfolio and contingent credits were secured by collateral, which represents 41.7% of the total loan portfolio based upon BCP's unconsolidated figures (43.8% as of December 31, 2007 and 43.83% as of December 31, 2006). Liquid collateral is a small portion of the total collateral. In general, if BCP requires collateral for the extension of credit, it requires collateral valued at between 10% and 50% above the facilities granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons.

The existence of collateral does not affect the loan classification process according to regulations in effect as of December 1998. Pursuant to Peruvian banking law, secured loans, or the portion thereof covered by collateral, classified in Class "B," "C," or "D" risk categories have a lower loan loss provision requirement for Peruvian accounting purposes. If a borrower is classified as substandard or below, then BCP's entire credit exposure to that borrower is so classified.

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

(vi) Deposits

Deposits are principally managed by BCP's Retail Banking Group. The main objective of BCP's Retail Banking Group operations has historically been to develop a diversified and stable deposit base in order to provide a low-cost source of funding. This deposit base has traditionally been one of BCP's greatest strengths. BCP has historically relied on the more traditional, stable, low cost deposit sources, which it considers to be its core deposits: time, demand deposits, savings and CTS deposits. CTS deposits, or Severance Indemnity Deposits, are funded by companies in the name of their employees. CTS deposits amount to one month's salary per year and may be withdrawn by the employee only upon termination of employment or upon transfer to another bank, subject to certain exceptions. Exceptions include disposing of 50% of the CTS deposit at any time and disposing of up to 80% at once for home purchase. For the year 2009 and 2010 and as part of the Government program to minimize the impact of the international crisis, individuals may dispose 100% of their CTS deposits.

As of December 31, 2008, deposits represented 84.2% of BCP's total source funding. BCP's extensive branch network facilitates access to this type of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP. As of December 31, 2008, BCP's Wholesale Banking Group accounted for approximately 51% of total deposits. Of all deposits from BCP's Wholesale Banking Group, 61.8% were Nuevo Sol-denominated and the balance (38.2%) were foreign currency-denominated (almost entirely in U.S. Dollars).

(vii) Support Areas

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

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

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

Information Technology

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

BCP's technology operations and initiatives are managed by BCP's electronic data processing and software development departments. These departments develop, install, maintain and operate all of BCP's software applications, management information and security systems and install branch hardware equipment. BCP's most critical operational data and software are stored on a mainframe computer system, access to which is controlled by a series of authorized passwords, in the frame of very strong IT security policies.

BCP considers its technology platform to be one of its main competitive strengths and has continued to invest in this area to maintain its competitive position in the banking sector. Therefore, BCP's investments in IT have provided the computing power, storage capacity, bandwidth and other IT services to the best of their class.

BCP's Systems and Organization Group's mission is to act as technological partner with the various businesses of BCP. It designs and manages computer and communications systems, designs and enhances processes, manages strategic projects, and provides consultancy in technological and organizational aspects.

During 2008, BCP's expenses on systems totaled US\$97.9 million, of which US\$79.2 million were recurring expenses and US\$18.7 million were allocated to specific projects. These totals were higher than those of 2007, which were US\$78.7 million, US\$61.9 million and US\$16.8 million, respectively. BCP's investments totaled US\$60.9 million, of which US\$16.6 million were for tactical projects, US\$27.5 million for core processes, and US\$16.8 million for subsistence projects. Again, these amounts higher were than those reported for 2007 (US\$35.1 million, US\$13.8 million, US\$13.4 million and US\$7.9 million, respectively).

During 2008, BCP started an important project to redesign the branches to strengthen interactions among all staff within one single system, optimize work processes and improve customer care. The diagnostic phase of this project and the pilot executed in some branches were carried out with the assistance of a McKinsey team.

Furthermore, to continue with the objective of increasing lending in the Retail Banking Group, BCP expanded its "Loans Integrated Model", or MIC, to consumer loans. The Loans Integrated Model, which was started in 2007 for credit cards, provides customers instant reply to credit card applications and approved credit lines. In 2009, the system will also be used for mortgage loan screening to give customers point of contact response.

BCP continued to align its systems to the technological architecture by building and implementing shared services. In 2008, two modules of SAP were implemented—human resources and procurement. During 2009, the accounting module will start. Three other important projects were concluded: (i) implementation of the collections management system for retail banking products; (ii) migration of Telecredito system to a new platform, which is more robust, modern and user-friendly, allowing BCP client companies to carry out their transactions more efficiently; and (iii) implementation of a new system to manage clients' applications and complaints.

As part of the “Excellence in Continuous Operations” program, or ECO program, the new IT center at the La Molina headquarters was inaugurated at the end of 2008. Likewise, BCP concluded the architecture and general design of the new computer center that will be built in Chorrillos to replace the downtown Lima facility. With these two updated and interconnected computer centers, BCP will simultaneously backup operations against incidents in either of them, without service interruptions. BCP's facilities will include state of the art, highly efficient, reliable and redundant facilities using the most recent techniques and methodologies to guarantee high availability of its services at all times.

BCP has devised the “Improving IT Actions” program, or MAS, to implement the best market practices for its management model. MAS should enhance BCP's competitiveness and simplify its financial services, allowing it to accomplish tangible and sustainable improvements in quality and time to market. To integrate these efforts, BCP established a new MAS team composed of a group of highly experienced professionals that will receive the advice of a renowned consultancy company, a steering committee and a MAS executive committee drawn from BCP's main management departments.

In order to streamline the decision-making regarding technology issues in accordance with the strategic objectives of the organization, BCP continues to consolidate its IT governance policy. The Systems Committee, together with the IT Systems and Organization Division, follow up on the condition of the strategic technology projects on a monthly basis. Moreover, BCP has strengthened its IT governance committee, which is led by the Deputy General Manager and includes the Finance Division Manager, the Business and Corporate Banking Division Manager, the Systems and Organization Division Manager, the Marketing Manager, the Business Solutions Manager and the Systems Development Manager.

Marketing

BCP continually works to protect and strengthen the BCP brand. BCP has a proactive attitude towards competition and, focusing on change and innovation, it seeks to promote its products and services by constantly improving them. In this manner, BCP aims to meet market needs with the ultimate purpose of creating the highest possible value for its clients and shareholders. In 2008, BCP continued its strategy which was based on two fronts:

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

Another key element for BCP to create value is innovation. BCP has launched several innovative products, including new service products for very wealthy customers, new benefits for customers whose wages are paid at their BCP accounts, and the development of the Línea Múltiple de Negocios (Multiple Business Line) that allows its customers to meet their financial needs with a comprehensive, easy-to-use product.

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

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

(viii) Anti-Money Laundering Policies

BCP and all the companies under our group have adopted corporate policies and procedures for "know your customer," "know your market," "know your correspondent bank" and "know your employee" as an integral part of our anti-money laundering program. These policies and procedures are required to be followed by all of BCP's employees and ultimately are the responsibility of its board of directors, chief executive officer and corporate compliance officer.

BCP's corporate compliance officer, who is responsible for the monitoring and oversight of the program, is also responsible for coordinating with the compliance officers of each of the foreign branches (BCP Panama and BCP Miami), affiliates (Atlantic Security Bank and Credicorp Securities) and foreign subsidiaries (BCP Bolivia). These institutions must also comply with all regulatory laws established in the countries in which they operate.

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

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

(ix) Employees

As of December 31, 2008, BCP had 15,969 employees, compared to 12,667 employees as of December 31, 2007 and 10,769 employees as of December 31, 2006. All employees of banks in Peru are given the option of belonging to an employee union. These employee unions are collectively represented by the Federación de Empleados Bancarios (Federation of Banking Employees or FEB).

(5) Atlantic Security Holding Corporation

ASHC engages in private banking, asset management, proprietary investment and trade finance. ASCH was incorporated in December 1981 in the Cayman Islands and principally serves Peruvian-based customers through banking offices in Panama.

A portion of our commercial banking business is also carried out by ASHC, which principally serves Peruvian private banking customers through offices in Panama. As of December 31, 2008, ASHC had total assets of US\$1,454.2 million and shareholders' equity of US\$115.7 million (compared with US\$1,615.7 million and US\$214.1 million, respectively, as of December 31, 2007). ASHC reported a net loss of US\$22.4 million in 2008, compared with a net income of US\$39.4 million in 2007 (with both totals including income from dividends). Larger revenues from dividends are a consequence of our strong dividend payments in 2008, resulting from improved earnings in the prior year. Nevertheless, they are not reflected in the consolidated results. As a result, ASHC's net income attributable to us decreased from US\$20.5 million in 2007 to a negative contribution of US\$50.4 million in 2008.

Total loans outstanding in ASHC's portfolio were US\$203.2 million and US\$131.8 million at December 31, 2008 and 2007, respectively, representing an increase of 54.8%. Deposits decreased 8.1% to US\$1,283.6 million at December 31, 2008 from US\$1,396.4 million at December 31, 2007. Third-party assets under management decreased 26.8% from US\$2,241.8 million in 2007 to US\$1,639.3 million in 2008, principally due to the general market meltdown observed during 2008 which directly affected the value of customers' investment portfolios. ASHC's past-due loans as a percentage of total loans were 0.0% from 2004 through 2008.

ASHC's Corporate Banking Group makes working capital and bridge loans. As of December 31, 2008, approximately 41.5% of ASHC's loans were to Peruvian companies, 0.5% were to companies in Bolivia, 16.3% were to companies in Colombia, 5.8% were to companies in Mexico, and the remainder were to borrowers in other Latin American countries. ASHC's trade finance activities are conducted by its Corporate Banking Group. ASHC has concentrated its extensions of credit on short-term trade transactions with Latin American countries other than Peru.

ASHC's policy is to provide funding to customers on the basis of approved lines of credit. ASHC's Investment Committee meets weekly to discuss the entire credit risk inherent in the risk portfolio, composed of loans and investment securities. 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 monthly by the board of directors of ASHC.

ASHC's Private Banking Group'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, 2008, ASHC had approximately 3,500 customers. Currently, about 95% of ASHC's private banking clients are Peruvian.

ASHC trades on its own account primarily by making medium-term investments in fixed income securities, equity securities and sovereign debt. Its 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, 2008, ASHC had approximately US\$575.6 million, at fair value, invested in these types of securities (US\$853.7 million in 2007). ASHC generally utilizes its own funds for these activities rather than borrowings. ASHC also holds an equity investment in us with a fair value of approximately US\$730.5 million at December 31, 2008 (US\$1,115.6 million at December 31, 2007). ASHC's investment portfolio, future purchases, sales, overall investment strategy and general profile of its investment portfolio are reviewed on a weekly basis by an investment committee. Its strategic decisions and general investment profile are also assessed on a monthly basis by an Asset-Liability Committee, or ALCO, which is composed of members of its senior management. ASHC's board of directors reviews and approves country risk exposure limits on a monthly basis. Its 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.

ASHC's Asset Management Group conducts ASHC's management of third-party funds which, including the aggregate of third-party assets, had total assets under management of US\$1,639.4 million as of December 31, 2008, compared to US\$2,241.8 million as of December 31, 2007. This decrease was principally due to the general decrease in market value of its customers' investment portfolios. Investment decisions for funds, except for outsourced funds, are made by senior officers within ASHC in accordance with guidelines of its Investment Committee.

(6) Pacífico Peruano Suiza

We conduct our insurance activities through Pacífico Peruano Suiza (PPS) and its subsidiaries, El Pacífico Vida and Pacífico Salud, which together make up Pacífico Grupo Asegurador, which provides a broad range of insurance products in the property and casualty, life and health businesses.

In 2008, the six most significant lines together constituted 79.3% of total premiums written by PPS. These six lines are commercial property damage (including fire, earthquake and allied lines and limited liability risks), automobile, health, life and pension fund underwriting and life annuities. PPS is the second leading Peruvian insurance company, including private health companies, with a market share of 34.2% based on net premiums earned and fees in 2008.

In 2008, we were attributed a consolidated net loss from PPS of US\$15.9 million as compared to a net gain of US\$9.4 million in 2007. PPS's total premiums increased 26% to US\$587.6 million in 2008 from US\$467.2 million in 2007, and net premiums earned, net of reinsured premiums and of technical reserves (as defined below in " (ii) Claims and Reserves"), were US\$405.7 million in 2008, increasing 32% compared to 2007.

PPS's net underwriting results decreased from a gain of US\$15.5 million in 2007 to a loss of US\$7.7 million in 2008. This is mainly explained by the increase of net claims paid as a percentage of net premiums written from 77.7% during 2007 to 84.3% during 2008.

PPS's business in property, casualty and private health is highly concentrated, with a client base of over 24,000 companies and over 310,000 individuals, including individuals affiliated with group health insurance programs through the companies by which they are employed. As of December 2008, PPS's revenues from policies written for its three largest and 20 largest customers represented 6.5% and 19.3% of total premiums in its property and casualty and health insurance business, respectively. PPS's property insurance lines are sold through agents and brokers, while life insurance is sold by its own sales force. The ten largest brokers in the property and casualty as well as in the private health segment accounted for approximately 41.2% of total premiums as of December 31, 2008 (40.3% as of December 31, 2007).

El Pacífico Vida (or Pacífico Vida), PPS's life insurance subsidiary, is 38%-owned by ALICO, a subsidiary of AIG. In 2008, Pacífico Vida had total premiums of US\$180.4 million, a 31.8% increase from total premiums of US\$136.9 million in 2007.

Pacífico Vida's market share was 27.6% in 2008, versus 25.8% in 2007. Its individual life and personal injury businesses increased by 31.7%, reaching a market share of 32.8%. This increase was mainly due to its development of new products, improvement of productivity and growth of its sales force. Pacífico Vida's life annuity business expanded 13.7% in total premiums and increased its market share from 19.2% to 19.9%. Its pension fund underwriting business grew 33% with respect to the same period in 2007. Likewise, Group Life and Credit Life increased due to business with BCP such as credit cards and mortgage loans. In 2008, total premiums on Group Life, Group Life Ley and SCTR (limited workers compensation) increased by 28.6%. Credit Life, the most dynamic product, reached an increase of 102% over that of 2007 and represented 11.2% of total direct premiums (compared to 7.3% in 2007). Pacífico Vida generated financial earnings of US\$14.5 million in 2008.

Pacífico Salud reported total revenue of US\$119.6 million and net loss of US\$4.4 million in 2008 due mainly to an increase in claims. The net loss ratio increased to 88.7% in 2008 from 80.1% in 2007.

(i) Underwriting, Clients and Reinsurance

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

PPS utilizes reinsurance to limit its maximum aggregate losses and minimize exposure on large risks. Reinsurance is placed with reinsurance companies based on evaluation of the financial capacity of the reinsurer, terms of coverage and price. PPS's principal reinsurers in 2007 were, among others, Lloyd's, New Hampshire Insurance Co., Münchener Ruck, Zurich Insurance Ireland Ltd., Hannover Ruck, Brit Insurance Ltd., Zurich Ins. Co., Swiss Reinsurance Co. Ltd., Berkley Insurance Co. and Everest Reinsurance. Premiums ceded to reinsurers represented 18.9% in 2008. 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, 2008, premiums for reinsurance written by PPS totaled US\$6.4 million. Although PPS historically has obtained reinsurance for a substantial portion of its earthquake-related risks through excess loss contracts, there can be no assurance that a major catastrophe would not have a material adverse impact on its results of operations or financial condition. See “—(ii) Claims and Reserves.”

(ii) Claims and Reserves

Net claims paid by PPS as a percentage of net premiums written (i.e., the net loss ratio) reached 84.3% in 2008, up from 77.7% in 2007.

The net loss ratio in the property and casualty segment, which represented 50.5% of PPS's premiums in 2008 (51.3% in 2007), increased to 87.2% in 2008 from 80.2% in 2007, mainly due to the low performance of fire and allied lines as well as the technical lines. The net loss ratio from the fire and allied lines, which represented 20.1% of property and casualty premiums in 2008 (22.3% in 2007), increased from 81.4% in 2007 to 105.1% in 2008. The net loss ratio of the technical lines, which was 8.1% of property and casualty premiums in 2008 (9.4% in 2007), decreased from 140.4% in 2007 to 126.7% in 2008.

The net loss ratio in the life insurance lines increased from 70% in 2007 to 74% in 2008, due to the low performance of disability and survivor (pension fund) and of individual annuity.

The net loss ratio of individual annuity, which represented 22.4% of total direct premiums in 2008 (26% in 2007) increased from 70.4% in 2007 to 85.9% in 2008. Disability and survivor insurance increased from 72.9% in 2007 to 84.3% in 2008 and represented 19.8% of total direct premiums (19.6% in 2007).

The net loss ratio in the health insurance lines increased from 82.3% in 2007 to 90.2% in 2008 and represented 19.8% of PPS's premiums in 2008 (19.5% in 2007).

PPS is required to establish (i) claims reserves with respect to pending claims in its property-casualty business, (ii) reserves for future benefit obligations under its in-force life and accident insurance policies and (iii) unearned premium reserves with respect to that portion of premiums written that is allocable to the unexpired portion of the related policy periods (which are also collectively referred to as technical reserves).

PPS establishes claims reserves with respect to claims when reported, as well as for incurred but not reported (or IBNR) claims. Such reserves are reflected as liabilities in PPS's financial statements.

PPS records as liabilities in its financial statements actuarially determined reserves calculated to meet its obligations under its life and accident policies and its pension fund underwriting business. These reserves are determined using mortality tables, morbidity assumptions, interest rates and methods of calculation in accordance with international practices.

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

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

(iii)

Investment Portfolio

As of December 31, 2008, the book value of PPS's portfolio (which includes Pacífico Seguros, Pacífico Vida and Pacífico Salud) was US\$822.3 million, which included US\$40.2 million in equity securities and US\$728.1 million in bonds. In addition, real estate investments gross book value reached US\$31.8 million. The book value of Pacífico Seguros in 2008 was US\$131.2 million and was invested mainly in short-term debt instruments and equity, while Pacífico Vida's book value was close to US\$683.6 million and was mainly invested in long-term debt instruments. Pacífico Salud, on the other hand, had a small portfolio with a book value of US\$7.4 million and was mainly invested in short-term debt instruments.

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

PPS reported financial income in 2008 of US\$70.4 million as compared to US\$76.8 million in 2007. This outcome is explained by the growth of the life insurance business's fixed income and time deposit investments as well as by an impairment made in both the life and property and casualty businesses.

PPS's investments profits earned during 2008 were lower than those of 2007 due to the international financial crisis and its negative impact on PPS's equity portfolio. Because of the decrease in the stock market, PPS had to make an impairment of US\$11.2 million in December 2008, reporting a net loss of US\$0.6 million by year-end, out of the initial profit earned by capital gain in the first eleven months of 2008.

Although large payments were required to cover for significant claims in 2008, cash inflow generated by sales premium, stock sales, fixed income earnings and real estate rent fees allowed Pacífico Seguros to make additional investments. The property and casualty's equity portfolio decreased from US\$56.6 million in 2007 to US\$40.2 million in 2008 and its fixed income portfolio increased from US\$764.6 million in 2007 to US\$782.1 million in 2008, allowing PPS to assure large reserves for possible future claims.

PPS's main strategy is to have an appropriate match of currencies and terms for its assets and liabilities. Since an important part of its premiums is U.S. Dollar-denominated and much of its current operations are conducted in U.S. Dollars, most of its assets are invested in U.S. Dollars. In 2008, 86.7% of gross premiums received by the property and casualty business were U.S. Dollar-denominated (compared to 71.4% in 2007).

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 strategies on a monthly basis. PPS invests in foreign markets, emphasizing investments in the U.S. and European sovereign debt, and has adopted strict policies related to investment decisions. PPS's investment strategies and policies are reviewed and approved by its board of directors.

We are attempting to expand PPS's sales network by using the branch network of Banco de Crédito. PPS offers, in collaboration with BCP, a life and health insurance product, personal life insurance product that combines accidental death coverage with renewable term life insurance, car insurance, leasing insurance and credit life.

(7) Grupo Crédito/Prima AFP

Continuing to pursue its strategy of fast growth and positioning in the market, on August 24, 2006, Prima AFP reached an agreement with Grupo Santander Perú S.A. for the acquisition of 99.97% of Unión Vida AFP. Prima AFP's acquisition was completed for a total of US\$141 million, with the final purchase price being determined by arbitration proceedings between the parties. As a result, we received a reimbursement in an approximate amount of US\$4.5 million. See Note 2 to Credicorp Consolidated Financial Statements. Of the US\$141 million purchase price, US\$112 million came from a capital increase and US\$29 million came from a BCP loan. Prima AFP subsequently engaged in a tender offer directed at minority shareholders.

In 2008, the pension fund market was stable with competition for transfers being less severe. Prima AFP maintained its leading market position due to a stronger value proposal aimed at providing quality information and service to its members.

Strong productivity by Prima AFP's sales management helped Prima AFP preserve a high quality portfolio and reach its monthly insurable remuneration (or RAM) growth goals, which is the basis of its revenues. The sales management's strong productivity also contributed to Prima AFP maintaining a robust market share.

With regard to contributions collection, Prima AFP maintained the largest market share (32.7% as of December 2008). This figure was slightly lower than the previous year, as market turbulence reduced voluntary contributions.

In the commercial field, Prima AFP strengthened its position by increasing the number of contributors and improving its core source of revenues. Pursuant to in-house estimates based on revenues and taking into account the 1.5% administration fee, Prima AFP's basis remuneration for revenues increased in 2008. This increase allowed Prima AFP once again to garner the highest share of the market (32.3%).

With respect to investments, weaker international and local financial markets hurt the value of funds under management. Thus, as of December 2008, the value of assets under management was US\$4.9 billion, a 30.6% market share.

Prima AFP's rate of return in the last 24 months placed it in the first and second positions for funds two and three, respectively, and in third position for fund one. In terms of risk-adjusted returns, Prima AFP ranked first for fund two, which is in line with its objective of managing the lowest-risk investments.

In 2008, Prima AFP registered total revenues for US\$72.3 million and profits of US\$11.2 million (IFRS results) through growth of its revenue base and a gradual reduction in operative expenses.

Income from administration fees reached US\$70.7 million, 30.5% higher than 2007. This increase was made possible by a strong contributing client portfolio which has remained stable throughout 2008, and was further supported by a growing Peruvian labor market. In 2008, Prima AFP expected to strengthen its "Voluntary Contribution" product as a complement of its revenues. However, the world's financial crisis strongly impaired the value of this product and its contribution to the business fell drastically. In accordance the deteriorating market, in 2008 the volume of voluntary contributions under management fell to US\$61.9 million as of December 2008. However, the company still holds the largest share in the system (44.7%).

Prima AFP's personnel expenses reached US\$25.8 million, an increase of 14.5% compared to 2007. This outcome was a result of heavier personnel charges (mainly increases in charges for bonuses). This expense would have been higher, however, had it not been for the reduced commercial activity (lower commissions and expenses).

(8) Competition
(i) Banking

The Peruvian banking sector is currently composed of 16 commercial banking institutions. As of December 31, 2008, BCP (excluding foreign branches) ranked first among all Peruvian banks in terms of assets, deposits and loans with a market share of 36.0% of assets, 37.3% of deposits and 34.0% of loans.

Major Peruvian Banks as of December 31, 2008	Assets	Deposits	Loans
BCP	36.0%	37.3%	34.0%
BBVA Banco Continental	22.7%	21.4%	23.5%
Scotiabank Perú	16.6%	17.7%	16.2%
Interbank	9.9%	10.1%	10.2%
Banco Interamericano de Finanzas	2.8%	3.1%	3.0%

Source: SBS

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

Since 1999, excess liquidity at major Peruvian banks has put pressure on margins. We do not intend to pursue corporate lending opportunities that are unprofitable solely in order to maintain market share. We expect BCP's corporate banking to grow at levels similar to GDP growth. We will seek to maintain our close relationships with corporate customers, focusing on providing prompt responses to their requirements and setting competitive prices. To this end, we are currently updating our information systems to improve customer service and to allow management to obtain information on customer and business profitability more efficiently. We also intend to expand the range of BCP's investment banking and cash management products.

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

(ii) Capital Markets

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

In addition, Peruvian companies have gained access to new sources of capital through the local and international capital markets. In recent years, the AFPs and mutual funds-managed assets have increased at rates over those experienced by the banking system. The private pension fund assets reached US\$15.9 billion as of December 31, 2008, contracting by 22.1% since December 31, 2007 (when funds totaled US\$20.4 billion), due to the effect of the international financial crisis on the Peruvian stock market and pension fund system. Total mutual funds reached US\$2.8 billion in 2008, a 35.8% decrease from US\$4.3 billion in 2007, which was also due to the crisis.

(iii) Other Financial Institutions

Other institutions in the Peruvian financial system tend to specialize in a given market sector. These institutions include finance companies, municipal and rural savings and credit associations, municipal public credit associations, and savings and credit cooperatives. They mainly issue retail loans to small and micro-businesses and consumer and mortgage loans to individuals. These markets have shown substantial increases in recent years. BCP is facing strong competition from these credit providers, primarily with respect to (i) micro-business loans, where such providers lent US\$1.6 billion as of December 31, 2008, or 47.2% of the total in the financial system, and (ii) consumer loans, where such providers lent US\$623.9 million, or 10.6% 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, we have found that small businesses are able to borrow from banks at better rates than those provided by suppliers. The rates offered by BCP are competitive with those of other banks and other types of financial institutions.

We believe 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, as well as on the basis of name recognition, customer service and product features. PPS believes that its competitive pricing, solid image, and quality of customer service are significant aspects of its overall competitiveness. In addition, PPS believes that its long relationship with AIG has provided 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 we are incorporated in Bermuda, substantially all of BCP’s and PPS’s operations and customers are located in Peru. Although ASHC is based outside of Peru, a substantial number of its customers are also located in Peru. Accordingly, our results of operations and financial condition could be affected by changes in economic or other policies of the Peruvian government, which has exercised and continues to exercise a substantial influence over many aspects of the private sector. Also, our results of operations and financial condition may be affected by other political or economic developments in Peru, such as a devaluation of the Nuevo Sol relative to the U.S. Dollar or the imposition of exchange controls by the Peruvian government. See “Item 10. Additional Information—(D) Exchange Controls.” Our results of operations and financial condition are dependent on the level of economic activity in Peru.

(i)

Peruvian Government

During the past several decades, Peru has had a history of political instability that has included military coups d’état and different governmental regimes, which in the past have frequently intervened in the nation’s economy and social structure. See “Item 3. Key Information—(D) Risk Factors.” In 1987, the administration of President Alan García attempted to nationalize the banking system. Facing an attempt by the state to control BCP, the majority shareholders of BCP at that time sold a controlling interest in BCP to its employees, which prevented the government from gaining control of BCP. See “—(C) Organizational Structure.”

In the past, Peru experienced significant levels of terrorist activity, which escalated in the late 1980s and early 1990s. See “Item 3. Key Information—(D) Risk Factors.” Upon being elected to office in 1990, President Alberto Fujimori’s government made substantial progress in suppressing Shining Path and MRTA terrorist activity, including the arrest of the leader and second level of leadership in each terrorist group, as well as approximately 2,000 others.

Between 1990 and 2000, President Fujimori implemented a broad-based reform of Peru’s political system, economy and social conditions. See “Item 3. Key Information—(D) Risk Factors.” President Fujimori resigned in 2000 in favor of a transitory government due to an outbreak of corruption scandals. President Toledo then assumed the presidency in 2001 after two years of political turmoil, facing high unemployment and underemployment, an economic recession and social need.

Despite the economic strides achieved between 1990 and 2000, poverty remains a persistent problem in Peru, 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.

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

President Toledo transferred the presidency to Alan García Pérez on July 28, 2006, following Mr. García's victory in the run-off of the presidential elections held on June 4, 2006. Mr. García has sent positive signals to the international financial markets and has substantially retained the economic policies of the previous government.

(ii)

Peruvian Economy

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

In the late 1980s and early 1990s, the Peruvian economy was very volatile. Since 1999, Peruvian economy has grown continuously. Between 2001 and 2008, each year Peru's economic growth has been higher than in the previous year, with a 5.9% annual average. For this year, several risks of a different nature may have influence on growth (i.e., the global financial crisis, a severe worsening in Latin American economic conditions and the swine flu), but even in a global comparison, it is expected that Peru will be among the countries with higher growth.

In 2008, the main driver for growth was domestic demand since exports lost dynamism in a context of deteriorated global market. Although investment was a key factor on growth, with public investment growing almost 50%, its contribution to total growth was only 17%, which was lower than the contribution of private consumption and of private investment. For 2009, the importance of public expenditure is not its ability to replace private expenditure, but its role to generate positive expectations on private consumers and investors.

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

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

Peru's trade surplus in 2008 was US\$3.1 billion which was well below its 2006 record (US\$9 billion). In the last quarter of 2008 Peru had its first trade deficit since the first quarter of 2002. This decline was caused by a steep increase in imports (45.1%) due to higher commodity prices and to a construction boom that has stimulated capital goods imports, specifically for pipelines. Exports grew only 13.1% as a consequence of the international crisis. Traditional products reported a slowdown in its trend, increasing only 10.9%, in a context of reduction in prices mainly during the second half of the year. On the other hand, no traditional products grew 19.7%.

Peru has had a history of high and persistent current account deficits. In 2006, however, Peru had a record surplus of US\$2.9 billion, which is equivalent to 3.1% of its GDP. This amount decreased in 2007, with a surplus of US\$1.2 billion (1.1% of GDP) and became a deficit again in 2008 (US\$4.2 million, or 3.3% of GDP).

Peru's financial account had a surplus of US\$0.7 billion in 2006, due mainly to repayment of external debt made by the public sector. This account grew substantively in 2007 and reached US\$8.3 billion due mainly to higher foreign direct investment and long-term loans. The decrease in 2008 was concentrated in the last quarter due mainly to the behavior of foreign direct investment.

The flow of foreign direct investment, or FDI, into Peru was US\$3.5 billion in 2006 and US\$5.3 billion in 2007. Despite the US\$4.0 billion in 2008 FDI, the result was not necessarily bad news as during the last quarter of 2008, Peruvian companies increased their participation in other Latin American companies, which resulted in a US\$1 billion net outflow.

The inflation rate in Peru, as measured by the Lima consumer price index, has fallen from 7,650.0% in 1990 to 1.1% in 2006. However, despite the Peruvian Central Bank's 2% inflation goal, with a +/-1% range, inflation was 3.9% in 2007 and 6.7% in 2008, due to higher international commodity prices (with Peru being a net importer of fuel and food).

The average bank market exchange rate for Nuevos Soles in Peru was S/.3.14 per US\$1.00 on December 31, 2008, a 4.7% depreciation after a 6.5% average appreciation during 2006 and 2007. The Nuevo Sol was getting stronger during the first half of the year because of an attractive interest rate differential that stimulated a short-run dollar inflow. This excess of dollars in the market was countered by the Central Bank buying dollars in market. While the Central Bank issued deposit receipts to "sterilize" the amount of its interventions to avoid speculations, the Central Bank generated a 120% reserves rate for non-resident deposits in Nuevos Soles. This measure was effective and, together with higher worries about emerging markets in the second half of 2008, the exchange rate increased from S/.2.69 per dollar on April 3 to S/.3.14 per dollar at the end of the year.

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

These achievements have placed Peru in a strong position to face the expected deterioration in external conditions. Building on Peru's strong fundamentals, including a resilient financial system, several measures have been appropriately implemented by the authorities that will help to limit spillovers, preserve adequate liquidity conditions in the domestic markets, and bolster domestic confidence. As a result, orderly liquidity conditions in the financial system have been preserved, but recent data show some increase in deposit and credit dollarization, although in the long term it has decreased to 57.5% in 2008 from 80.5% in 2001.

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

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

As a result, the near term domestic economic outlook still remains favorable, although risks remain on the downside. The pace of economic growth is expected to decelerate to 3.0% in 2009, reflecting the global slowdown, lower terms of trade, and tighter financial conditions that would affect net exports and private investment. With the global price disinflation underway, inflation should decelerate toward the 2% (+/- 1%) target range. A more severe and prolonged global slowdown could also extend the downside risks into 2010, although there is currently a low probability of such scenario. Nevertheless, Peru's medium-term prospects are favorable and require preserving prudent macroeconomic policies and dealing with long-standing structural challenges.

(10) The Peruvian Financial System

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

(i) General

On December 31, 2008, the Peruvian financial system consisted of the following principal participants: the Central Bank, the SBS, 13 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), four finance companies and five leasing companies. In addition, Peru has various mutual mortgage associations, municipal and rural savings and credit associations, municipal public credit associations and savings and credit cooperatives.

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

(ii) Central Bank

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

The highest decision-making authority within the Central Bank is its seven-member board of directors. Each director serves a five-year term. Of the seven directors, four are selected by the executive branch and three are selected by the Congress. The Chairman of the Central Bank is one of the executive branch nominees but must be approved by Peru's Congress.

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

(iii) SBS

The SBS, whose authority and activities are discussed in “—(11) Supervision and Regulation,” is the regulatory authority in charge of implementing and enforcing Law 26702 and, more generally, supervising and regulating all financial, insurance and pension fund institutions in Peru.

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

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

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

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

(iv) Financial System Institutions

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

Banks

A bank is defined by Law 26702 as an enterprise whose principal business consists of (i) receiving money from the public, whether by deposits or by any other form of contract, and (ii) using such money (together with the bank's own capital and funds obtained from other sources) to grant loans or discount documents, or in operations that are subject to market risks.

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

In addition, banks may carry out financial leasing operations by forming separate departments or subsidiaries. Banks may also promote and direct operations in foreign commerce, underwrite initial public offerings, and provide financial advisory services apart from the administration of their clients' investment portfolios. By forming a separate department within the bank, 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 perform the same activities as Peruvian banks, although their foreign activities are not subject to Peruvian regulations. To carry out banking operations in the local market, multinational banks must maintain a certain portion of their capital in Peru, in at least the minimum amount that is required of Peruvian banks.

Finance Companies

Under Law 26702, finance companies are authorized to carry out the same operations as banks, with the exception of (i) issuing loans as overdrafts in checking accounts, (ii) participating in certain derivative operations, (iii) starting 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 where goods are leased over the term of the contract and in which one party has the option of purchasing the goods at a predetermined price. Savings and loans associations or cooperatives may accept certain types of savings deposits and provide other similar financial services.

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

Insurance Companies

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

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

The insurance industry has experienced consolidation in recent years with the number of companies decreasing from 19 in 1991 to 13 in 2008.

(11) Supervision and Regulation

(i) Credicorp

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

We are, along with BCP, subject to certain requirements set forth in Law 26702 as well as certain SBS regulations, including SBS Resolution No.0446-2000, which was enacted in June 2000 and which approved the “Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates.” These regulations affect BCP and us primarily in the areas of reporting and risk control guidelines, limitations, ratios and capital requirements.

Because at year-end our common shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, we are subject to certain reporting requirements of the CONASEV, the securities market regulator, and the Lima Stock Exchange. See “Item 9. The Offer and Listing—(C) Markets—The Lima Stock Exchange—(ii) Market Regulation.”

(ii) BCP

Overview

BCP’s operations are regulated by Peruvian law. The regulations for the operations of the Peruvian financial sector are stated in Law 26702. The SBS periodically issues resolutions that cause Law 26702 to be implemented and enforced. See “—(10) The Peruvian Financial System.” The SBS, under the direction of the Superintendency of Banks and Insurance Companies, supervises and regulates entities that Law 26702 classifies as financial institutions. These entities include commercial banks, finance companies, small business finance companies, savings and loan corporations, financial services companies such as trust companies and investment banks, and insurance companies. Financial institutions must seek the SBS’s authorization before beginning new operations.

BCP’s operations are supervised and regulated by the SBS and the Central Bank. Those who violate Law 26702 and its underlying regulations are subject to administrative sanctions and criminal penalties. Additionally, the SBS and the Central Bank have the authority to issue fines to financial institutions and their directors and officers if they violate the laws or regulations of Peru, or their own institutions’ bye-laws.

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

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

Authority of the SBS

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

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

Management of Operational Risk

SBS Resolution No. 006-2002 established guidelines for operational risk management, which includes a broad range of risks. Resolution No. 006-2002 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 and continuity of their operations and services. This is required so that banks will minimize their possible financial losses and reputation damage due to policies or procedures that are inadequate or do not exist.

Following these SBS guidelines, the guidelines issued by the Basel Committee on Banking Supervision, and the advice of international consultants, we have appointed a specialized team that is responsible for operational risk management across our organization. This team reports regularly to our risk committee, top managers and board of directors.

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

During 2008, we broadened the responsibility of our operational risk team. Currently, along with critical processes and new products risk analysis, we are assessing operational risks related to critical suppliers, critical information assets, and technological components.

We have also fully developed the business continuity management, or BCM, discipline, which involves the implementation of continuity plans for critical business processes, incident management and training and testing.

Furthermore, based on the SBS Resolution No. 037-2008 “Integral Management of Operational Risk” (published on January 2008), we have consolidated our procedures to register, collect, analyze and report operational losses.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we are required to make certain certifications regarding our internal controls over financial reporting as of December 31, 2008. We have developed internal methods to evaluate how effective our internal controls are over our financial reporting. In addition, we are implementing computer programs that will allow us to continuously monitor, assess and document our internal controls. During 2008, we evaluated our internal controls over financial reporting and obtained the attestation of our independent auditors. 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 and adopted a framework that is structurally similar to that proposed by the Basel Accord. Weights that were 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 weight of 0% is assigned, to assets which require a weight of 100%. Banks are required to prepare and submit to the SBS, within the first 15 days of each month, a report that analyzes the bank’s assets for the previous month and totals its regulatory capital. Foreign currency-denominated assets are valued in Nuevos Soles at the SBS average exchange rate in effect as of the date of the 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), reserves incurred but not specifically identified loan 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. According to Article 184, regulatory capital can be segmented and applied to cover credit risks and market risks. SBS regulations require the segregation of regulatory capital to cover foreign exchange risk exposure and to cover risk related to investments in equity shares.

Law 26702 required that the total amount of risk-weighted assets cannot exceed 11 times the regulatory capital of the bank, which means 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 and became 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 the 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, 2008, BCP’s unconsolidated amount of risk-weighted assets was 8.68 times the regulatory capital, or regulatory capital was 11.52% of risk-weighted assets.

Regulations for the supervision of market risks require banks to establish internal policies and procedures to monitor these risks, as well as market risk exposure limits. These 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 and that that could be registered or not in their balance sheets.

As explained in “—(ii) The Peruvian Financial System,” from July 2009 onwards, financial institutions will calculate their capital requirements using the standardized methods based on the Basel II Accord (Law 1028). Furthermore, Law 1028 established that banks require capital that is higher or equal to 10% of risk weighted assets from credit risk plus 10 times the requirement for market and operational risks. The ratio will be implemented gradually until July 2011.

The new Article 184 of Law 26702, as modified by Law 1028, provides that regulatory capital of banks may be used to cover credit risk, market risk and operational risk. Regulatory capital is composed of the sum of basic capital and supplementary capital, and is calculated in accordance with the following procedure:

- **Basic Capital:** Basic capital, or Tier 1 capital, is calculated in accordance with the following: (i) add paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums and such voluntary reserves that can only be reduced with prior written consent of the Superintendency of Banks, Insurance and Pension Funds (also referred to below as the Superintendency); (ii) add retained earnings of past years and the current year (for which capitalization has been agreed upon); (iii) add other elements that have characteristics of permanence and loss absorption that are similar to elements in item (i) above, according to the regulations to be issued by the Superintendency; (iv) deduct any losses of past years and of the current year, as well as deducting any deficit of loan loss provisions; (v) deduct any goodwill resulting from a corporate reorganization and from any acquisition of investments and (vi) deduct half of the amount referred to under paragraph C below. Absent any Tier 2 capital components, 100% of the amount referred to under the paragraph below titled “Deductions” must be deducted from Tier 1 capital. The elements referred to under item (iii) above should not exceed 17.65% of the amount resulting from adding all components listed under items (i), (ii), (iv) and (v) in this paragraph.
- **Supplementary Capital:** Supplementary capital is calculated by the sum of Tier 2 capital and Tier 3 capital. Tier 2 capital should be calculated in accordance with the following: (i) add voluntary reserves that may be reduced without any prior consent from the Superintendency; (ii) add the eligible portion of redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the Superintendency; (iii) for banks using the Standardized Approach Method (or SAM) for capital adequacy purposes—add the generic loan loss provision up to 1.25% of total credit risk-weighted assets; or, alternatively, for banks using the Internal Ratings-Based Method (or IRB)—add the generic loan loss provision, but only up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law) and (iv) deduct half of the amount referred to under the paragraph below titled “Deductions”. In case there is no Tier 2 capital, 100% of the amount referred to under the paragraph below titled “Deductions” must be deducted from Tier 1 capital. Tier 3 capital will be composed of redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk, as referred to in Article 233 of the Law.

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

The Superintendency will establish the additional requirements that any components of regulatory capital must satisfy. In addition, Article 185 of the Law provides that the following limits are applicable for calculating regulatory capital: (i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital; (ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 components listed in items (i) through (v) of the paragraph above titled "Supplementary Capital"; (iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 components listed in items (i) through (v) of the paragraph above titled "Supplementary Capital," in the amounts assigned to cover market risk.

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, 2008, BCP's consolidated legal reserve was S/.546.5 million (US\$174 million), equivalent to 36.2% 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. SBS Resolution No. 41-2005, enacted in January 2005, requires additional provisions for credits subject to foreign exchange risk, which are recorded for local purposes. Starting January 2010, SBS Resolution No. 11356-2008, enacted in November 2008, will require banks to implement a new framework for the assessment and classification of debtors. The same SBS Resolution requires the establishment of pro-cyclical provisions starting December 2008. However, we estimate and record our allowance for loan losses according to the criteria set out in IAS 39, adjusting the local provisions as necessary. See Note 3(f)(ii) and 3(i) to the Credicorp Consolidated Financial Statements.

Provisions for Country Risk

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

Central Bank Reserve Requirements

Under Law 26702, banks and finance companies are required to maintain a 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. In 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. 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.

Between August 2000 and December 2007, the rate of the legal reserve has been 6% of the obligations described above. During 2008, the legal reserve requirement was increased several times to 7% in February 2008, to 8% in March 2008, to 8.5% in May 2008, and to 9% in August 2008 as a measure to control inflation. At the beginning of 2009 and as part of the Government program to alleviate the impact of the international crisis, the legal reserve rate was reduced to 6.5% in February and to 6% in April. 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. Obligations in foreign currency are subject to an additional reserve requirement that was 35% until December 2008 when it was reduced to 30%. There is no additional reserve for obligations in local currency. 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. The interest rate is expected to be periodically revised by the Central Bank in accordance with monetary policy objectives. The interest rate was increased over the year 2008 reaching a maximum level of 6.5% since September. As a result of the international crisis and to lessen its effects, the Central Bank has reduced the interest rate during 2009 to 6.25% in February, to 6% in March, to 5% in April, to 4% in May and to 3% in June.

In the past few years, the Central Bank has on numerous occasions changed the deposit reserve requirements applicable to Peruvian commercial banks, the rate of interest paid on deposit reserves, and the amount of deposit reserves on which no interest must be paid 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 our business, financial condition and results of operations.

Lending Activities

Law 26702 sets maximum amounts of credit that each financial institution may extend to a single borrower. Under 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. If a financial institution exceeds these limits, the SBS may impose a fine on the institution. As of December 31, 2008, the 10.0% credit limit per borrower of BCP, unconsolidated, was S/.410.0 million (US\$130.7 million) for unsecured loans, and the 30.0% limit amounted to S/.1,231.2 million (US\$392.2 million) for secured loans.

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 (i) any corporation holding, directly or indirectly, 4% or more of a bank's shares, (ii) directors, (iii) certain of a bank's principal executive officers or (iv) 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 BCP offers to the public.

Ownership Restrictions

Law 26702 establishes certain restrictions on the ownership of a bank's shares. Banks must have at least two unrelated shareholders at all times. Restrictions are placed on the ownership of shares 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 area of banking, finance, insurance or reinsurance, or if objections are raised on the basis of the purchaser's moral fitness or economic solvency. The decision of the SBS on this matter is final, and cannot be overturned in the courts. If a transfer is made without obtaining the prior approval of the SBS, the purchaser may be fined an amount equivalent to the value of the securities transferred. In addition, the purchaser will be required to sell the securities within 30 days, or the fine will double, and the purchaser is

disqualified from exercising its voting rights at shareholders' meetings. Foreign investors receive the same treatment as Peruvian nationals and are subject to the limitations described above.

Finally, under Peruvian law, individuals or corporations that acquire more than 3% of a bank's shares or 1% in a period of 12 months are subject to any information requirement that the SBS may need.

Risk Rating

Law 26702 and SBS Resolution No. 672 require that all financial companies be rated by at least two risk rating companies on a semi-annual basis (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 sub-categories within each letter. As of December 2008, BCP was assigned the "A+" risk category by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International.

Deposit Fund

Law 26702 provides for mandatory deposit insurance to protect 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 BCP is classified in the lowest risk category, and increase to 1.45% applicable to banks in the highest risk category. The maximum amount (defined on a monthly basis) that a customer is entitled to recover from the Fund is S/.82,664 until the end of August 2009.

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 if certain events occur, including if the 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 bye-laws, (iv) repeatedly manages its operations in an unauthorized or unsound manner or (v) has its regulatory capital fall or be reduced by more than 50%. 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 BCP must adhere to a financial restructuring plan.

The SBS intervention rule stops 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 this time, the SBS may institute measures such as: (i) canceling losses by reducing reserves, capital and subordinated debt, (ii) segregating certain assets and liabilities for transfer to another financial institution and (iii) merging the intervened bank with 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 BCP except if the preceding option (iii) was applied.

(iii)

ASHC

General

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

ASB is registered as an exempted company and is licensed in the Cayman Islands pursuant to the Banks and Trust Companies Law (2003 Revision) (also referred to as the Cayman Banking Law). ASB holds an unrestricted Category B Banking and Trust License, as well as a Mutual Fund Administrator License. As a holder of a Category B License, ASB may not take deposits from any person residing in the Cayman Islands other than another licensee, an exempted company 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 residing 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 (also referred to as the Authority), carry on any business in the Cayman Islands other than for which the Category 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. Compliance with the Cayman Banking Law is monitored by the Authority.

Continuing Requirements

Under the law of the Cayman Islands, ASB is subject to the following continuing requirements: (i) to 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 with respect to shares except in the case of a branch of a substantial international bank and where the shares are widely held and publicly traded); (iii) for any significant change in the business plan filed on the 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

Until February 2009, the Bolivian banking system operated under the Ley de Bancos y Entidades Financieras (the Law of Banks and Financial Entities) No. 1488, enacted on April 14, 1993, and modified by Law 2297, of December 20, 2001, which granted supervisory powers to the Superintendency of Banks and Financial Entities. Additionally, it established that Banco Central de Bolivia (the Central Bank of Bolivia) regulated financial intermediation and deposit-gathering activities, determined monetary and foreign exchange policies, and established reserve requirements on deposits and capital adequacy guidelines that banks and financial companies were required to follow. Also, the Superintendencia de Pensiones, Valores y Seguros (the Superintendency of Pensions, Securities and Insurance) supervised brokerage activities and mutual funds management that were conducted through BCB's subsidiaries Credibolsa S.A. and Credifondo S.A., respectively. These subsidiaries operated under the Ley del Mercado de Valores (the Securities Markets Law) No. 1834, enacted on March 31, 1998.

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

(i) The Central Bank of Bolivia is in charge of maintaining the stability of the internal monetary value and can regulate monetary policy, control foreign exchange policies, regulate the payment system, authorize the issuing of money and administrate international reserves.

(ii) All financial entities (banks, mutual funds, securities, insurance and others) are regulated by a new regulatory entity, the Financial System Supervisory Authority (or FSSA), which was created by the Supreme Decree 29894. The FSSA (or ASFI in Spanish) has assumed all regulatory functions held previously by the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance.

Even though this new regulatory framework was established by the new Bolivian constitution, the changes were not significant and therefore did not materially impact BCB's business.

(v)

PPS

Overview

PPS's operations 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 reviews of the performance of insurance companies at least on an annual basis. The SBS conducts these reviews primarily to review a company's compliance with solvency margin and reserve requirements, investment requirements and rules governing the recognition of premium income. If the SBS determines that a company is unable to meet the solvency margin or technical reserve requirements, or is unable to pay claims as they come due, it may either liquidate the company or permit it to merge with another insurance company.

Under Peruvian law, insurance companies may engage in certain credit risk operations, such as guarantees, bonds and trusteeships, but are prohibited from offering other banking services, operating mutual funds or offering portfolio management services. In addition, insurance companies may not conduct brokerage operations for third parties.

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

Establishment of an Insurance Company

Insurance companies must 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.

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 the date on which the calculation is made.

Insurance companies must also maintain solvency equity, which must be the greater of (i) the solvency margin and (ii) the minimum capital requirement, as established by law. The required amount of solvency equity is recalculated at least quarterly. If the insurance company has outstanding credit risk operations, part of the solvency equity should be set aside 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 income before taxes until the reserve reaches at least 35% of paid-in capital.

Reserve Requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish technical reserves. See “—(6) Pacífico Peruano Suiza—(ii) Claims and Reserves.” Law 26702 also requires insurance companies to create a reserve for IBNR claims, which are reflected as a liability, net of recoveries and reinsurance, in the Credicorp Consolidated Financial Statements. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to the Credicorp Consolidated Financial Statements. Finally, PPS is required by the SBS to establish pre-event reserves for risk of catastrophes, which, in accordance with IFRS principles, are not considered in our financial statements. See “—(6) Pacífico Peruano Suiza—(ii) Claims and Reserves.”

Investment Requirements

Pursuant to Law 26702, the total amount of an insurance company’s solvency equity and technical reserves must be permanently supported by diversified assets, which may not be pledged or otherwise encumbered. The investment regulations further state that deposits in and bonds of one financial institution together cannot exceed 10% of the total of an insurer’s solvency equity and technical reserves combined. In general, no more than 20% of an insurance company’s 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, the securities must be rated by an internationally recognized credit rating company and the asset class must be authorized by Peruvian SBS regulations. Securities owned by insurance companies must be

registered in the Public Registry of Securities of Peru or the comparable registry of their respective country.

Related Party Transactions

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

Ownership Restrictions

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

(12) Selected Statistical Information

In the following tables, we have set forth certain selected statistical information and ratios regarding our business for the periods indicated. You should read the selected statistical information in conjunction with the information included in “Item 5. Operating and Financial Review and Prospects—(A) Operating Results” and the Credicorp Consolidated Financial Statements (and the notes that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2004, 2005, 2006, 2007 and 2008 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2004, 2005, 2006, 2007 and 2008 and our results of operations for 2004, 2005, 2006, 2007 and 2008.

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

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

Real Average Interest Rates

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

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

Where:

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

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

The following tables show average balances for all of our assets and liabilities, interest earned and paid amounts, and nominal rates and real rates for our interest-earning assets and interest-bearing liabilities, all for the years ended December 31, 2006, 2007 and 2008.

Average Balance Sheets
Assets, Interest Earned and Average Interest Rates

Average Balance	2006		Year ended December 31, 2007				2008		Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate
	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	Average Balance	Interest Earned	Real Avg. Rate	Nominal Avg. Rate	Interest Earned				
(U.S. Dollars in thousands, except percentages)												
US\$ 13,346	US\$ 157	0.16%	1.18%	US\$ 16,559	US\$ 339	1.00%	2.05%	US\$ 221,485	US\$ 10,055	3.20%	3.21%	
1,763,854	56,813	3.22	3.22	1,422,395	46,582	3.27	3.27	1,737,797	27,859	1.60%	1.60%	
1,777,200	56,970	3.20	3.21	1,438,954	46,921	3.25	3.26	1,959,282	37,914	1.90%	1.90%	
43,684	1,762	2.99	4.03	30,337	1,224	2.99	4.04	68,990	2,821	3.20%	3.20%	
711,694	35,154	4.94	4.94	1,002,633	57,672	5.75	5.75	778,822	30,396	3.90%	3.90%	
755,378	36,916	4.83	4.89	1,032,970	58,896	5.67	5.70	847,812	33,217	3.90%	3.90%	
985,054	49,916	4.02	5.07	2,110,943	138,028	5.47	6.54	2,453,796	192,987	6.20%	6.20%	
1,589,978	85,789	5.40	5.40	2,131,911	93,734	4.40	4.40	3,355,232	110,865	3.20%	3.20%	
2,575,032	135,705	4.87	5.27	4,242,854	231,762	4.93	5.46	5,809,028	303,852	4.20%	4.20%	