CREDICORP LTD
Form 20-F
April 28, 2015

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, 2014

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)

Fernando Dasso Montero
Chief Financial Officer
Credicorp Ltd
Banco de Crédito del Perú:
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La Molina
Lima 12, Perú
Phone (+511) 313 2014
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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. Common Shares, par value $5.00 per share 94,382,317

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

Yes x No ¨

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

Yes ¨ No x

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

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨	International Financial Reporting Standards as issued by the International Accounting Standards Board x	Other ¨

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 x

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

Yes ¨ No x

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ABBREVIATIONS

Abbreviations	**Meaning**
AFM	Administradora de Fondos Mutuos or Mutual Fund Administrators
AFP	Administradora de Fondo de Pensiones or Pension funds private administrators - Peru
AGF	Administradora General de Fondos or General Funds Management
ALCO	Asset and Liabilities Committee
ALICO	American Life Insurance Company
ALM	Asset and Liabilities Management Service
AML	Anti-Money Laundering
AMV	Autorregulador del Mercado de Valores de Colombia or Colombia's Stock Market Self-regulator
ASB	Atlantic Security Bank
ASFI	Autoridad Supervisora del Sistema Financiero or Financial System Supervisory Authority - Bolivia
ASHC	Atlantic Security Holding Corporation
ATM	Automated Teller Machine (cash machine)
ATPDEA	Andean Trade Promotion and Drug Eradication Act
AuMs	Assets under Management
BCB	Banco Central de Bolivia
BCI	Banco de Crédito e Inversiones
BCM	Business Continuity Management
BCP	Banco de Crédito del Perú
BCRP	Banco Central de Reserva del Perú or Peruvian Central Bank
BIS Accord	Basel Committee on Banking Regulations and Supervisory Practices of International Settlements
Bladex	Banco Latinoamericano de Comercio Exterior
BLMIS	Bernard L. Madoff Investment Securities LLC
CAF	Corporación Andina de Fomento or Andean Development Corporation
CARE	Cooperative for Assistance and Relief Everywhere
CGU	Cash-Generating Unit
CID	Corporate and International Division
CIMA	Cayman Islands Monetary Authority
CMAC	Caja Municipal de Ahorro y Crédito or Municipal Savings Bank
COFIDE	Corporación Financiera de Desarrollo S.A. or Peruvian government-owned development bank
CONASEV	Comisión Nacional Supervisora de Empresas y Valores del Perú or National Commission for the Supervision of Corporations and Securities - Peru. Now known as SMV.
COO	Chief Operating Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRAC	Caja Rural de Ahorro y Crédito or Rural Savings Bank
Credicorp Capital	Credicorp Capital Ltd., formerly Credicorp Investments Ltd.
Credicorp Capital Bolsa	Credicorp Capital Sociedad Agente de Bolsa S.A., formerly Credibolsa S.A.
Credicorp Capital Colombia	Credicorp Capital Colombia S.A., formerly Correval S.A.
	Credicorp Capital Sociedad Administradora de Fondos S.A., formerly Credifondos S.A.

Credicorp Capital Fondos	
Credicorp Capital Perú	Credicorp Capital Perú S.A.A., formerly BCP Capital S.A.A.

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Credicorp Capital Servicios Financieros	Credicorp Capital Servicios Financieros S.A., formerly BCP Capital Financial Services S.A.
Credicorp Capital Titulizadora	Credicorp Capital Sociedad Titulizadora S.A., formerly Creditítulos S.A.
CRM	Customer Relationship Management
CSI	Credicorp Capital Securities Inc. formerly Credicorp Securities Inc.
CTS	Severance indemnity Deposits
D&S	Disability and Survivorship
Edyficar	Empresa Financiera Edyficar S.A.
Edpyme	Empresas de Desarrollo de Pequeña y Microempresa or Small and Micro firm Development Institutions
EPS	Entidad Prestadora de Salud or Health Care Facility
ERM	Enterprise Risk Management
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FC	Foreign Currency
FCG	Financial Consolidated Group
FCPA	Foreign Corrupt Practices Act
FED	Federal Reserve System - US
FINRA	Financial Industry Regulatory Authority -US
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IASB	International Accounting Standards Board
IBD	Introducing Broker Dealer
IBNR	Incurred but not reported
ICBC	Industrial and Commercial Bank of China
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGBVL	Índice General de la Bolsa de Valores de Lima or General Index of the Lima Stock Exchange
IGV	Impuesto General a las Ventas or Value Added Tax
IMF	International Monetary Fund
IM Trust	Inversiones IMT S.A.
IPSA	Índice Selectivo de Acciones or Selective Prive Index Shares - Chile
IRB	Internal Ratings-Based
IRS	Interest Rate Swap
KRI	Key Risk Indicators
LC	Local Currency
LIBOR	London InterBank Offered Rate
LTV	Loan to Value
M&A	Mergers and Acquisitions
MALI	Museo de Arte de Lima or Lima's Fine Arts Museum
MILA	Mercado Integrado Latinoamericano or Integrated Latin American Market -among Chile, Colombia and Peru
MMD	Middle-Market Division
MODASA	Motores Diesel Andinos S.A.
MRTA	Movimiento Revolucionario Tupac Amaru

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NEP	Net Earned Premiuns
NIM	Net Interest Margin
NYSE	New York Stock Exchange
OFAC	Office of Foreign Assets Control Regulation Compliance
ONP	Oficina de Normalización Previsional or Public Pension System
OPA	Oferta Pública de Adquisición or Public Tender Offer
OTC	Over-the-counter
PDL	Past-due loan
RAM	Remuneración Asegurable Mensual or Monthly Insurable Remuneration
RB&WM	Retail Banking & Wealth Management Group
RIA	Registered Investment Advisor
ROAE	Return on Average Equity
RWA	Risk-Weighted Assets
S&P	Standard and Poor's
SAM	Standardized Approach Method
SARs	Stock Appreciation Rights
SBS	Superintendencia de Banca, Seguros y AFP or Superintendecy of Banks, Insurance and Pension Funds - Peru
SCTR	Seguro Complementario de Trabajo de Riesgo or Complementary Work Risk Insurance
SEC	U.S. Securities and Exchange Commission
SIPC	Securities Investor Protection Corporation
SME	Small and medium enterprise
SME - Pyme	Small and medium enterprise – Pequeña y microempresa or Small and micro enterprise
SMV	Superintendencia del Mercado de Valores or Superintendence of the Securities Market - Peru
SOAT	Seguro obligatorio para accidentes de tránsito or Obligatory assurance for accidents of traffic
Solucion EAH	Solución Empresa Aseguradora Hipotecaria or Mortgage insurer Company
SPP	Sistema Privado de Pensiones or Private Pension System
SUNAT	Superintendencia Nacional de Aduanas y de Administración Tributaria or Superintendence of Tributary Administration - Peru
SVS	Superintendencia de Valores y Seguros de Chile or Superintendence of Securities and Insurance from Chile
U.S. GAAP	United States Generally Accepted Accounting Principles
VaR	Value at Risk
VRAE	Valley of Rivers Apurimac and Ene - Peru
WBG	Wholesale Banking Group

PRESENTATION OF FINANCIAL INFORMATION

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

We operate primarily through our four operating segments: banking (mainly wholesale banking and retail banking), investment banking, insurance, and pension funds. See information about operating segments in “Item 4.-Information on the Company: (A) History and Development of the Company, and (B) Business Overview”.

Our five principal operating subsidiaries are: (i) Banco de Crédito del Perú (which, together with its consolidated subsidiaries, is referred to as BCP and includes wholesale and retail banking); (ii) Atlantic Security Bank, which we hold through Atlantic Security Holding Corporation (which, are referred to as ASB and ASHC, respectively); (iii) El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (which together with its consolidated subsidiaries, is referred to as Grupo Pacífico); (iv) Prima AFP; and (v) Credicorp Capital (which consolidates the companies of our investment banking platform). As of and for the year ended December 31, 2014, BCP accounted for 86.0% of our total assets, 80.9% of our net income and 70.2% of our net equity. Unless otherwise specified, the individual financial information for BCP, ASB, Grupo Pacífico, Prima AFP and Credicorp Capital included in this Annual Report has been derived from the audited consolidated financial statements of each such entity. See “Item 3. Key Information – 3.A Selected Financial Data” and “Item 4. Information on the Company - 4.A History and Development of the Company.” We refer to BCP, ASB, Grupo Pacífico, Prima AFP and Credicorp Capital as our main operating subsidiaries, and we refer to Grupo Crédito and ASHC as our two main holding subsidiaries.

“Item 3. Key Information - 3.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, 2010, 2011, 2012 2013 and 2014.

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

In light of changes in the Peruvian economy and Credicorp's operations in Peru, the Board of Directors of Credicorp Ltd. determined, in its session held on January 22, 2014, that from and after January 1, 2014 the Peruvian Nuevo Sol would be the functional currency and the currency in which Credicorp's financial statements would be presented. This decision was made in accordance with the International Financial Reporting Standards (IFRS), and specifically IAS 21, based on an analysis performed by Credicorp's management, which revealed that the Nuevo Sol Peruano has become since 2014 the most relevant currency for Credicorp's subsidiaries in Peru, and specifically for Credicorp's main subsidiary, Banco de Credito del Peru. This decision does not change the currency (U.S. Dollar) in which Credicorp's equity and the nominal value of its shares are nominated. In accordance with Credicorp's Bye-lwas, these values remain in U.S. Dollars, the currency in which Credicorp's stock is listed on the New York Stock Exchange (NYSE) and on the Lima Stock Exchange (BVL). For this Annual Report, we have restated in Nuevos Soles the financial information presented for years prior to 2014. The methodology used for the restatement is in accordance with the IFRS and specifically IAS #21 "The Effects of Changes in Foreign Exchange Rates". The methodology applied is explained in "Item 4. Information on the company - 4.B Business overview - (13) Selected Statistical Information".

Some of our subsidiaries maintain their operations and balances in U.S. Dollars and other currencies. As a result, this Annual Report contains certain U.S. Dollars amounts translated into Nuevos Soles solely for the convenience of the reader. You should not construe any of these translations as representations that the U.S. Dollar amounts actually represent such equivalent Nuevo Sol amounts or could be converted into Nuevos Soles at the rate indicated as of the dates mentioned herein, or at all. Unless otherwise indicated, these Nuevo Sol amounts have been translated from U.S. Dollar at an exchange rate of S/.2.986 = US$1.00, which is the December 31, 2014 exchange rate set by the Peruvian Superintendency of Banks, Insurance and Pension Funds (SBS by its Spanish initials). Translating amounts expressed in U.S. Dollars on a specified date (at the prevailing exchange rate on that date) may result in the presentation of Nuevo Sol amounts that are different from the Nuevo Sol amounts that would have been obtained by translating U.S. Dollars on another specified date (at the prevailing exchange rate on that different specified date). See also "Item 3. Key Information – 3.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. Our Bolivian subsidiary operates in Bolivianos, a currency that has been maintained stable over recent years. Our Bolivian subsidiary's financial statements are also presented in Nuevos Soles for consolidation purposes. Our Colombian and Chilean subsidiaries, Credicorp Capital Colombia S.A. Sociedad Comisionista de Bolsa in Colombia (formerly Correval) and Inversiones IMT S.A. Corredores de Bolsa in Chile (formerly IM Trust), operate in Colombian Pesos and Chilean Pesos, respectively, and their financial statements are converted into Nuevos Soles for consolidation purposes.

Our management's criteria for translating foreign currency, for the purpose of preparing the Credicorp Consolidated Financial Statements, are described in "Item 5. Operating and Financial Review and Prospects- 5.A Operating Results—(1) Critical Accounting Policies – 1.2 Foreign Currency Translation."

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). You can find many of these statements by looking for words such as “approximates”, “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans”, “ “may”, or other similar expressions. 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;
- General competitive factors, in each case on a global, regional and/or national basis;
- Effectiveness of our risk management policies; and

- Losses associated with counterparty exposures.

See “Item 3. Key Information - 3.D Risk Factors” and “Item 5. Operating and Financial Review and Prospects”.

We are not under any obligation to, and we expressly disclaim any obligation to, update or alter any forward-looking statements contained in this Annual Report 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

3. A Selected Financial Data

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

The summary of our consolidated financial data as of, and for the years ended, December 31, 2010, 2011, 2012, 2013 and 2014 is derived from the Consolidated Financial Statements audited by Paredes, Zaldívar, Burga & Asociados S.C.R.L, member of EY Global, independent registered public accountants.

The report of Paredes, Zaldívar, Burga & Asociados S.C.R.L on the Consolidated Financial Statements as of December 31, 2013 and 2014 and for the years ended December 31, 2012, 2013 and 2014 appears elsewhere in this Annual Report.

SELECTED FINANCIAL DATA

	Year ended December 31, 2010	2011	2012	2013	2014	2014
	(Nuevos Soles in thousand, except percentages, ratios, and per common share data)					U.S. Dollars in thousand (1)
INCOME STATEMENT DATA:						
IFRS:						
Interest income	4,157,451	5,052,020	6,091,575	7,086,470	8,600,866	3,021,824
Interest expense	(1,169,854)	(1,461,370)	(1,828,827)	(2,116,573)	(2,191,062)	(769,807)
Net Interest income	2,987,597	3,590,650	4,262,748	4,969,897	6,409,804	2,252,017
Provision for loan losses (2)	(493,462)	(590,755)	(996,194)	(1,230,371)	(1,715,809)	(602,831)
Net interest income after provision for loan losses	2,494,135	2,999,895	3,266,554	3,739,526	4,693,995	1,649,186
Fees and commissions from banking services	1,482,784	1,670,963	1,944,242	2,259,927	2,521,829	886,018
Net gains from sales of securities	226,917	170,238	267,000	96,228	220,737	77,554
Net gains on foreign exchange transactions	294,269	380,715	467,912	534,442	453,405	159,299
Net earned premiums	1,356,787	1,579,091	1,856,666	2,142,777	2,189,666	769,316
Other income	268,777	83,498	276,763	441,193	639,572	224,707
Claims on insurance activities	(891,464)	(1,038,461)	(1,227,204)	(1,460,461)	(1,426,733)	(501,268)
Operating expenses	(3,067,540)	(3,381,685)	(4,255,648)	(5,111,490)	(6,075,096)	(2,134,421)
Income before translation result and income tax	2,164,665	2,464,254	2,596,285	2,642,142	3,217,375	1,130,391
Translation result	68,137	104,135	197,949	(309,422)	172,095	60,464
Income tax	(528,488)	(578,687)	(663,309)	(775,177)	(968,224)	(340,175)
Net income	1,704,314	1,989,702	2,130,925	1,557,543	2,421,246	850,679
Attributable to:						
Credicorp's equity holders	1,613,880	1,949,792	2,079,647	1,538,307	2,387,852	838,947
Non-controlling interest	90,434	39,910	51,278	19,236	33,394	11,733
Number of shares as adjusted to reflect changes in capital						
Net income per common share attributable to Credicorp's equity holders (3)	20.31	24.55	26.18	19.35	30.04	10.55
Diluted net income per share	20.26	24.48	26.11	19.31	29.27	10.53
	5.48	6.20	6.63	5.31	5.29	2.19

Cash dividends declared per common share						
BALANCE SHEET DATA:						
IFRS:						
Total assets	79,750,757	82,806,014	104,032,659	114,094,220	134,834,372	45,155,516
Total loans (4)	40,380,381	47,023,473	54,752,692	64,361,927	79,509,360	26,627,381
Reserves for loan losses (2)	(1,260,109)	(1,504,869)	(1,898,496)	(2,385,958)	(3,102,096)	(1,038,880)
Total deposits	49,909,509	50,264,221	61,110,630	68,182,519	76,783,964	25,714,656
Equity attributable to Credicorp's equity holders	8,072,360	9,155,075	10,628,321	11,831,511	13,979,455	4,681,666
Non-controlling interest	158,714	180,203	503,283	511,594	646,570	216,534
Shareholders' equity	8,231,074	9,335,278	11,131,604	12,343,105	14,626,025	4,898,200

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	Year ended December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand, except percentages, ratios, and per common share data)				
SELECTED RATIOS					
IFRS:					
Net interest margin (5)	4.61 %	4.87 %	4.97 %	4.97 %	5.70 %
Return on average total assets (6)	2.20 %	2.40 %	2.23 %	1.41 %	1.92 %
Return on average equity attributable to Credicorp's equity holders (7)	21.25 %	22.93 %	20.78 %	13.77 %	18.50 %
Operating expenses as a percentage of net interest and non-interest income (8)	45.75 %	41.68 %	44.07 %	43.86 %	43.52 %
Operating expenses as a percentage of average assets	3.85 %	4.16 %	4.56 %	4.69 %	4.88 %
Equity attributable to Credicorp's equity holders as a percentage of period end total assets	10.12 %	11.06 %	10.22 %	10.37 %	10.37 %
Regulatory capital as a percentage of risk weighted assets (9)	12.51 %	13.53 %	13.96 %	13.67 %	13.55 %
Total past-due loan amounts as a percentage of total loans (10)	1.46 %	1.49 %	1.73 %	2.23 %	2.53 %
Reserves for loan losses as a percentage of total loans	3.12 %	3.20 %	3.47 %	3.71 %	3.90 %
Reserves for loan losses as a percentage of total loans and other off-balance-sheet items (11)	2.56 %	2.64 %	2.86 %	3.08 %	3.20 %
Reserves for loan losses as a percentage of total past-due loans (12)	196.92 %	196.75 %	181.53 %	162.28 %	148.66 %
Reserves for loan losses as a percentage of substandard loans (13)	111.97 %	118.67 %	117.63 %	107.98 %	103.05 %

(1) The exchange rate used was 2.986 for balance sheet and 2.84625 for Profit and Losses.

(2) Provision for loan losses and reserve for loan losses include provisions and reserves with respect to total loans and off-balance sheet items such as tender, performance bonds; letters of credit; stand-by letters; credit derivatives; among others that are similar in their character of credit substitutes. The figure is net of write-off and recoveries.

(3) As of December 31, 2014, we had 94.4 million common shares issued and outstanding. Of this amount, 14.6 million were held by ASHC, and are therefore considered treasury shares. The per-common-share data given considers net outstanding shares (total outstanding common shares net of shares held by BCP, ASHC and Grupo Pacífico) of 79.8 million. See Notes 18 and 29 to the Consolidated Financial Statements.

(4) Total loans refer to direct loans plus accrued interest minus unearned interest. In our Consolidated Financial Statements, "loans, net of unearned income" refers to direct loans minus unearned interests plus accrued interests. See Note 7 to the Consolidated Financial Statements. In addition to loans outstanding, we had off-balance-sheet items, including those mentioned in note (2), that amounted to S/.8,806.8 million, S/.10,050.7 million, S/.11,526.3 million, S/.13,036.7 million and S/.17,319.5 million, as of December 31, 2010, 2011, 2012, 2013, and 2014, respectively. See Note 21 to the Consolidated Financial Statements.

(5) 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.

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

(7) 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.

(8) 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.

(9) Regulatory capital calculated in accordance with guidelines by the Basel Committee on Banking Regulations and Supervisory Practices of International Settlements (or the BIS II Accord) as adopted by the SBS. See “Item 5. Operating and Financial Review and Prospects – 5.B Liquidity and Capital Resources - (1) Capital Adequacy Requirements for Credicorp - Regulatory Capital and Capital Adequacy Ratios.”

(10) Depending on the type of loan, BCP considers loans past-due for corporate, large business and medium business loans after 15 days; for overdrafts, small and micro business loans after 30 days; and for consumer, mortgage and leasing loans after 90 days. ASB 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.

(11) Other off-balance-sheet items primarily consist of performance bonds, stand-by letters and letters of credit. See Note 21 to the Consolidated Financial Statements.

(12) Reserves for loan and off-balance-sheet items losses, as a percentage of all past-due loans, with no reduction for collateral securing such loans.

(13) Reserves for loan and off-balance-sheet items losses as a percentage of loans classified in categories C, D or E. See “Item 4. Information on the Company - 4.B Business Overview - (13) Selected Statistical Information - 13.3 Loan Portfolio - 13.3.7 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)			
2010	2.857	2.786	2.825	2.806
2011	2.827	2.696	2.753	2.696
2012	2.711	2.552	2.634	2.552
2013	2.809	2.576	2.723	2.797
2014	2.997	2.754	2.839	2.980

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)	
2014		
December	2.997	2.923
2015		
January	3.064	2.971
February	3.101	3.053
March	3.109	3.056
April (through April 21)	3.139	3.083

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 April 21, 2015 was S/.3.131 per US$1.00.

3. B Capitalization and Indebtedness

Not applicable.

3. C Reasons for the Offer and Use of Proceeds

Not applicable.

3. D Risk Factors

Our businesses are affected by many external and other factors in the markets in which we operate. Different risk factors can impact our businesses, our ability to effectively operate and our business strategies. You should consider the risk factors carefully and read them in conjunction with all the information in this document. You should note that the risk factors described below are not the only risks to consider. Rather, these are the risks that we currently consider material. There may be additional risks that we consider immaterial or of which we are unaware, and any of these risks could have similar effects to those set forth below.

(1) Our geographic location exposes us to risk related to Peruvian political, social and economic conditions.

Most operations of BCP, Grupo Pacífico, Prima AFP, and a significant part of Credicorp Capital's operations are located in Peru. In addition, while ASB is based outside of Peru, most of its customers are located in Peru. Therefore, our results are affected by economic activity in Peru. Changes in economic conditions, both international and domestic, or government policies can alter the financial health and normal development of our business. The changes may include, but are not limited to, high inflation, currency devaluation, confiscation of private property and financial regulation. Similarly, terrorist activity, political and social unrest as well as possible natural disasters (i.e. earthquakes, flooding, etc.) can adversely impact our operations.

Peru has a long history of political instability that includes military coups and a succession of regimes with that featured heavy government intervention in the economy. In 1990, Alberto Fujimori took office as president in the middle of hyperinflation (7,649.726% in 1990) and insecurity due to terrorist activities. Market-based reforms and the gradual success of the authorities in capturing terrorist leaders allowed the country to stabilize, and by 1995 Fujimori was re-elected. The administration was accused of authoritarian, especially after closing Congress in 1992 and crafting a new constitution. The administration also faced several corruption charges. Shortly after starting a controversial third term, Fujimori resigned the presidency and a transitional government led by Valentin Paniagua called for elections to be held in April 2001. After spending several years in Japan, Fujimori was brought back to Peru and was sentenced in 2009 to 25 years in prison for human rights violations. The governments that have been elected since 2001 are those of Alejandro Toledo; from 2001 to 2006, Alan García, from 2006 to 2011; and Ollanta Humala, whose current term began in 2011 and ends in 2016. These administrations, despite different policy priorities, have been characterized by political fractioning (more than ten different political organizations have nominated candidates for president in each of the three elections since 2001), low popularity (usually around 20% - 30% approval ratings) and mostly cordial relationships with neighboring countries.

During the last 10 years, Peru has experienced a period of relative economic and political stability, especially compared to the period between 1980 and 2000. This stability has benn reflected in Peru's compounded annual growth rate of 5.3% (2005 – 2014); three consecutive democratic transitions; a relatively consistent free-market approach to economic policy; and GDP per capita, which reached a historical high of US$6,625 (equivalent to S/.19,782 at an exchange rate of S/.2.986) in 2014, according to the IMF. Nevertheless, political risk is still present and it is possible that a radical candidate with more interventionist economic policies could prevail in a presidential election. Current president Ollanta Humala was elected in 2011 on a far-left policy platform, which was cast aside after he assumed office, and there is a sizeable portion of the electorate still demanding an economy that is more reliant on public spending. Therefore, the risk of political and economic change should be carefully considered.

Peru also has a history of domestic terrorism. Between the late 1970s and the early 1990s, both Shining Path (Sendero Luminoso) and MRTA (by its Spanish initials, Movimiento Revolucionario Túpac Amaru) conducted a series of terrorist attacks that caused thousands of casualties and affected normal political, economic and social activities in many parts of the country, including Lima, the capital. In 1992, the leader of Shining Path, Abimael Guzmán, was captured and later sentenced to life in prison (a new trial affirmed the sentence in 2006). Most other members of Shining Path, as well as MRTA, were also captured and sentenced to prison terms by the end of the 1990s. However, in late 1996 a group of MRTA members stormed the residence of Japan's Ambassador to Peru and held a group of politicians, diplomats and public figures hostage for approximately four months. In April 1997, a military operation put an end to the hostage situation: all 14 terrorists died in the confrontation while all but one hostage survived. Since then, and for the following 18 years, terrorist activity in Peru has been mostly confined to small-scale operations in the Huallaga Valley and the VRAE (Valleys of Rivers Apurimac and Ene) areas, both in the Eastern part of the country. In 2012, the Peruvian government captured Florindo Flores, one of the last remaining leaders of Shining Path and thus gravely weakened the organization's activities in the Huallaga Valley.

Despite these efforts, terrorist activity and the illegal drug trade, it has come to protect, continue to be key challenges for Peruvian authorities. The Huallaga Valley and VRAE constitute the largest areas of coca cultivation in the country and thus serve as a hub for the illegal drug trade. Any violence derived from the drug trade or a resumption of large-scale terrorist activities could hurt our operations.

Another source of risk is related to political and social unrest in areas where mining, oil and gas operations take place. In recent years, Peru has experienced protests against mining projects in several regions around the country. Mining is an important part of the Peruvian economy, representing approximately 51% of the country's exports, while oil and gas represent 12% according to the Banco Central de Reserva del Peru (BCRP by its Spanish initials) or the Peruvian Central Bank. In several occasions, local communities have opposed these operations and accused them of polluting the environment and hurting agricultural and other traditional economic activities. In late 2011 and throughout 2012, social and political tension peaked around Conga, a gold project in the northern region of Cajamarca. The launch of Conga, which involved investments of approximately US$4.5 billion, failed to launch as a result of the protests. The government commissioned an Environmental Impact Study developed by international experts which introduced recommendations for the project.

Mining and oil and gas sectors represent approximately 10% and 2% of Peru's GDP, respectively; and they attract significant foreign and local private investment. Therefore, further delays or cancellations of mining projects could reduce economic growth and business confidence, thereby hurting the financial system both directly (many mining projects are at least partially financed by local financial institutions) and indirectly (overall economic activity could decelerate).

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

Since January 1, 2014, the functional currency of our financial statements has been the Nuevo Sol; however, Credicorp’s subsidiaries generate revenues in Nuevos Soles, U.S. Dollars, Bolivian Pesos, Colombian Pesos, and Chilean Pesos. BCP, BCP Bolivia, ASB, Credicorp Capital Colombia and IM Trust are particularly exposed to foreign exchange fluctuations. As a result, the fluctuation of our functional currency against other currencies could have an adverse impact on our results. In addition, any exchange controls implemented in the countries in which we operate may adversely affect our financial condition and results of operations.

The Peruvian government does not impose restrictions on a company’s ability to transfer Nuevos Soles, U.S. Dollars or other currencies from Peru to other countries, to convert Peruvian currency into other currencies. Nevertheless, Peru has implemented restrictive exchange controls in its history, and the Peruvian government might in the future consider it necessary to implement restrictions on such transfers, payments or conversions. See “Item 10. Additional Information- 10.D Exchange Controls”.

Peru’s foreign reserves currently compare favorably with those of many other Latin American countries. However, a reduction in the level of foreign reserves will impact the country’s ability to meet its foreign currency-denominated obligations. 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.

In our banking business, mainly the business we conducted through BCP, we also face foreign exchange risk on credit that we extend. To address this risk, BCP’s Foreign Exchange Credit Risk Management identifies borrowers that may not meet their debt obligations due to currency mismatches by applying sensitivity analyses of the credit rating of companies and the debt-service capacity of individuals. Then, we classify borrowers according to their level of foreign exchange credit risk exposure. We closely monitor these clients and, on an ongoing basis, we revise our risk policies to underwrite loans as well as to manage our portfolio of foreign currency denominated loans; however, these policies may not sufficiently address our foreign exchange risk, resulting in adverse effects on our financial condition and results of operation.

We have taken steps to manage the gap between our foreign currency-denominated assets and liabilities in several ways, including closely matching their volumes and maturities. 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 - (9) Foreign Exchange Risk.”

For information on the macroeconomic scenarios in Bolivia, Colombia and Chile, in which we operate, see “Item 3. Key Information – 3D. Risk factor – (7) Our banking and capital market operations in neighboring countries expose us to risk related to political and economic conditions”.

(3) 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, our Bermuda counsel advised us that courts in Bermuda may not enforce judgments obtained in other jurisdictions, or entertain actions in Bermuda, against us or our directors or officers under the securities laws of those jurisdictions.

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

(4) 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 operating subsidiaries are BCP, Grupo Pacífico, ASB, Prima AFP and Credicorp Capital. 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, ASB, Grupo Pacífico, Prima AFP or Credicorp Capital 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 an unsubordinated 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.

In addition, the value of any dividend paid by our operating subsidiaries that declare dividends in a currency different from Credicorp’s dividends (e.g. ASB, Banco de Crédito Bolivia, IM Trust, and Credicorp Capital Colombia) is exposed to the impact of the depreciation of its dividend’s currency against Credicorp’s functional currency. This would have a negative impact on our ability to pay dividends to shareholders.

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(5) Regulatory changes to sectors in which we operate could impact our earnings and adversely affect our operating performance.

Banking

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

We are mainly subject to extensive supervision and regulation through the SBS's Banking and Insurance System Law (Ley General del Sistema Financiero y del Sistema de Seguros) and the Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates (Reglamento para la Supervisión Consolidada de los Conglomerados Financieros y Mixtos).

The SBS and the Peruvian 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, including pension funds and insurance companies. The SBS and the Peruvian Central Bank have general administrative responsibilities over BCP, including defining capital and reserve requirements. In past years, the Peruvian 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 Peruvian 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 — 4.B Business Overview — (12) Supervision and Regulation — 12.2 BCP". Furthermore, changes in regulation related to consumer protection may also affect our business.

The Superintendency of the Securities Market (Superintendencia del Mercado de Valores or SMV by its Spanish initials) also supervises some of our subsidiaries such as BCP, Credicorp Capital Bolsa and Credicorp Capital Fondos.

In Colombia, we are subject to supervision and regulation through the Superintendencia Financiera de Colombia and the Autorregulador del Mercado de Valores de Colombia. In Chile, we are subject to supervision and regulation through the Superintendencia de Valores y Seguros. See "Item 4. Information on the Company — 4.B Business Overview — (12) Supervision and Regulation — 12.5 Credicorp Capital".

Changes in U.S. laws or regulations applicable to our business, or the adoption of new regulations, such as under the Foreign Account Tax Compliance Act (FATCA) or the Dodd-Frank Wall Street Reform and Consumer Protection Act, may have an adverse effect on our financial performance and operations.

We are also regulated by the United States Federal Reserve System, which shares its regulatory responsibility with the State of Florida Department of Banking and Finance - Office of Financial Regulation, with respect to BCP's Miami agency, and by the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority, Inc. (FINRA), with respect to Credicorp Capital Securities, a U.S. broker dealer.

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 (CIMA). In Bolivia, we are subject to the supervision of the Financial System Supervisory Authority (ASFI by its Spanish initials) that has assumed all regulatory functions held previously by the Superintendency of Banks and Financial Entities and the Superintendency of Pensions, Securities and Insurance.

Finally, in Panama, we are subject to the supervision of the Superintendency of Banks of Panama 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.

On February 15, 2011, the Peruvian government enacted Law No. 29663. On July 21, 2011, Law No. 29663 was amended by Law No. 29757. This law partially modifies the country's income tax regime by subjecting to taxation in Peru capital gains derived from an indirect transfer of shares and expanding the type of income that will qualify as Peruvian-source income. Under the 2011 law, any transfer of shares issued by a non-resident entity will be subject to taxation in Peru (30% or 5%) if at any point during the 12 prior months to such transfer:

- 50% or more of the fair market value of the foreign shares to be transferred is derived from shares or participation rights representing the equity capital of one or more Peruvian entities. There is a rebuttable presumption that the threshold is met if the non-resident entity is a resident in a tax heaven; or/and

- The shares to be transferred represent at least 10% or more of the equity capital of the non-resident entity.

At the same time, the following two new obligations were imposed on Peruvian domiciled companies, which have economic relationships with non-Peruvian sellers:

- Reporting to the Peruvian Tax Administration (SUNAT by its Spanish initials) transfers of its own shares or transfers of the shares of the non-Peruvian domiciled company that is the owner of its shares; and

- Each Peruvian domiciled company is jointly liable for the income tax not paid by a non-Peruvian domiciled transferor that is directly or indirectly linked to the domiciled company (whether by means of control, management or equity participation) in connection with the transfer of the domiciled company's shares, except in the event that the purchaser or acquirer of the shares is a Peruvian individual or entity.

Supreme Decree N° 275-2013-EF enacted by the Peruvian Government on November 7, 2013, defined the concept of economic relationship for purposes of the indirect transfer of Peruvian shares. A Peruvian domiciled company is considered to be economically related to a non-Peruvian domiciled transferor, if, anytime during the 12-month period prior the transfer occurs, one of the following circumstances occur:

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- The non-Peruvian domiciled transferor owns more than 10% of the equity of the Peruvian domiciled company, directly or through a third party.

- The equity of the Peruvian domiciled company and the non-Peruvian domiciled transferor are owned in more than 10% by common shareholders.

- The Peruvian domiciled company and the non-Peruvian domiciled transferor have one or more common directors, managers or administrators, with power to decide on financial, operative and commercial agreements.

- The Peruvian domiciled company and the non-Peruvian domiciled transferor consolidate their financial statements.

- The non-Peruvian domiciled transferor has dominant influence on decisions of the administration bodies of the Peruvian domiciled company or vice versa.

Insurance

Our insurance business is carried out by Pacífico Seguros Generales and Pacífico Vida which together with Pacífico Salud are part of Grupo Pacífico. The insurance business is subject to regulation by the SBS. New legislation or regulations may adversely affect Grupo Pacífico's ability to underwrite and price risks accurately, which in turn would affect underwriting results and business profitability. Grupo Pacífico is unable to predict whether and to what extent new laws and regulations that would affect its business will be adopted in the future. Grupo Pacífico is also unable to predict the timing of any such adoption and the effects any new laws or regulations would have on its operations, profitability and financial condition. However, in years to come we expect Peru to adopt new legislation, similar to the measure enacted by the European Union through Solvency II, which sought to further reduce the insolvency risk faced by insurance companies through improving the regulation regarding the amount of capital that insurance companies in the European Union must hold.

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

Our operating performance and financial condition depend on Grupo Pacífico's ability to underwrite and set premium rates accurately across a full spectrum of risks. Grupo Pacífico must generate sufficient premiums to offset losses, loss adjustment expenses and underwriting expenses in order to be profitable.

To price premium rates accurately, Grupo Pacífico must:

- collect and analyze a substantial volume of data;
- provide sufficient resources to its technical units;
- develop, test and apply appropriate rating formulae;

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- closely monitor changes in trends in a timely fashion; and
- predict both severity and frequency with reasonable accuracy.

If Grupo Pacífico 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 life insurance reserves and property and casualty loss reserves. Reserves are estimates based on actuarial and statistical projections at a given point in time of what Grupo Pacífico ultimately expects to pay out on claims and the related costs of adjusting those claims, based on the facts and circumstances then known. Factors affecting these projections include, among others, in the case of life insurance reserves: changes in mortality/longevity rates, interest rates, persistency rates and regulation; and in the case of property and casualty loss reserves: changes in medical costs, repair costs and regulation. Any negative effect on Grupo Pacífico could have a material adverse effect on our results of operations and financial condition.

Pension fund

Even though private pension fund managers have always been closely regulated by the SBS, in 2012, the Peruvian Government adopted the Law to Reform the Private Pension System (SPP by its Spanish initials). The reform aimed to achieve increased competition and efficiency and to reduce administration costs. The law sets forth a new process by which individuals, which are called affiliates, may become beneficiaries affiliated with the SPP. The relevant changes that are contemplated in this Law are:

- A tender for affiliates will be held every 24 months; bid awards will be made to the AFP that offers the lowest administration fees. In this context, new affiliates to the SPP will be required to affiliate with the AFP that obtains the bid award and must remain with this fund manager for 24 months.
- The tender offered insurance for survivors, disability and burial costs in a single package for all AFPs via a collective policy. Insurance rights are awarded to the insurance company that presents the best economic proposal.
- The AFPs applied a mixed commission to manage funds. This commission is calculated based on monthly remuneration plus a commission on the fund that is set up with new contributions. Affiliates that were already in the system could choose to continue to be subject to a commission on remuneration according to the timeframes and means established by SBS.
- A Zero Fund or a Capital Protection Fund was created; this fund offered stable growth and very low volatility. Its objective is to ensure that the funds of affiliates over the age of 65 maintain its value. This aspect is still pending to

be regulated by SBS.

- The AFPs registered a provision for fee income from new contributions according to IAS rule 18.

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In December 2012, the first tender process was held to determine who would manage the accounts of new affiliates for a two year period. A new participant in the SPP won, and started operations on June 1, 2013. In December 2014, the second tender process was held. Given the requirements to participate in the process, Prima AFP decided not to bid, and instead decided to focus on maintaining customer service levels and the value proposition that the company offers its affiliates.

According to Law No. 29903 and Law No. 30082, as of August 01, 2014, independent workers born after August 1973 are required to make obligatory contributions to one of the two pension systems currently in place (SPP or ONP by its Spanish initials). Nevertheless, on September 18, 2014, Law No. 30237 went into effect and repealed the aforementioned law. This new legislation stipulates that independent workers can voluntarily, rather than obligatorily, choose to affiliate with the SPP or ONP. The obligatory contributions that were collected to comply with the law that was eventually repealed must be returned or included in a pension calculation recognition scheme chosen by the independent worker.

The Law to Reform the Private Pension System will be implemented in phases. See “Item 4. Information on the Company — 4.B Business Overview — (12) Supervision and Regulation— 12.7 Prima AFP”.

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

Given that a significant percentage of our income is related to lending activities, a significant deterioration of loan quality would have a material adverse effect on our business, financial condition and results of operations. We are subject to concentration default risks in our loan portfolio. Problems with one or more of our largest borrowers may adversely affect our financial condition and results of operations. While loan portfolio risk associated with lending to certain economic sectors or clients in certain market segments can be mitigated through adequate diversification, our pursuit of opportunities, in which we can charge higher interest rates, and thereby increase revenue, may reduce diversification of our loan portfolio and expose us to greater credit risk.

In addition, loan concentration in commercial sectors is particularly salient in Peru and significant deterioration in such sectors may have a material adverse effect on our business, financial condition and results of operations. Our current strategy includes increasing our exposure to market segments with heightened credit risk, including middle-market and consumer segments, such as unsecured small companies and consumer loans and consumer mortgages, which have higher risk profiles as compared to loans to large corporate customers. Given the changing composition of our loan portfolio and possible adverse changes in the environment in which we operate, our future results may differ significantly from our past results.

(7) Our banking and capital market operations in neighboring countries expose us to risk related to political and economic conditions.

Banco de Crédito de Bolivia, Credicorp Capital Colombia and IM Trust expose us to risk related to Bolivian, Colombian and Chilean political and economic conditions, respectively. Most economies in Latin America and the Caribbean experienced low economic growth in 2014, due to: (i) weak global demand, (ii) a fall in export prices of some countries, and (iii) sluggish investment. Significant changes to Bolivian, Colombian and Chilean political and economic conditions could have adverse effect on our business, financial condition and results of operations.

Bolivia

Most of the operations and customers of Banco de Crédito de Bolivia, BCP's commercial bank in Bolivia, are located in that country. Accordingly, our results of operations and financial condition depend on Bolivia's economic activity and political environment.

In October 2014, Evo Morales was reelected as president of Bolivia for a period of six years. During this third term, the government is expected to continue the economic policies and reforms of the first two presidential terms of Mr. Morales, which concentrated on redistribution programs through different bonus schemes, on deepening the industrialization of strategic economic sectors and on closing Bolivia's infrastructure gap. Given the government's high dependence on income from exports of natural gas to Brazil and Argentina, declines in the price of the gas exported (which is linked to the price of oil) could strain government finances and reduce its ability to continue the high levels of public spending of the last several years.

During 2014, Bolivia's macroeconomic indicators continued the positive trend observed over the last several years. This trend is reflected in: (i) a GDP growth of 5.5%, one of the highest growth rates in South America, (ii) increasing international reserves (up 4.8% when compared to 2013), and (iii) a stable annual inflation rate of 5.2%. A new financial services law (Ley de Servicios Financieros N° 393) was effective throughout 2014, and all pending regulations related to lending quotas and caps on interest rates were published. These new regulations that look to redirect lending towards productive sectors of the economy and to social housing at controlled rates, could negatively impact interest margins on banks and reduce their ability to generate enough capital to maintain the growth rates in their lending portfolios observed during the last several years.

Colombia

Colombia's principal macroeconomic indicators have been generally positive over the last several years. In 2014, Colombia posted an economic growth of 4.8% led by domestic demand, mainly due to a strong pace of public investment and private consumption. Also, the expansion of Colombia's economic activity was a result of high oil prices in previous years, and reforms carried out in recent years, including: (i) the expansionary fiscal policy that became effective in 2012, (ii) the 2012 tax reform that entailed a reduction of hiring costs for firms, and (iii) the royalty reform that redistributed the resources from oil-mining activity across the country. However, since mid-2014 the sharp reduction in oil prices started to impact the confidence of investors in the local markets, particularly considering the high contribution of the oil sector to fiscal revenues (around 30%). Indeed, the government presented a tax reform to Congress, which was approved in December 2014, in order to increase tax collection by 12.5 trillion Colombian Pesos (1.7% of GDP). The main aspect of the new tax bill is that the corporate income tax will be increased from 34% in 2014 to 43% in 2018, which has negatively affected the performance of the Colombian stock market.

Chile

In Chile, tax reform was enacted along with a greater group of proposed reforms (educational, health, labor, political, etc.) in 2014 which gave rise to uncertainty and negatively affected private investment. This hampered the rest of the economy, lowering the pace of expansion of household consumption, despite the fact that unemployment just worsened marginally. Profits of exchange listed companies also declined, except for the banking system (helped by a higher inflation), and consequently the performance of the Selective Price Index Shares (IPSA by its Spanish initials) was weak. This, together with a stronger dollar, led institutional investors (mainly Pension Funds) to invest abroad, leading to a smaller trading volume locally in Chile. At the end of 2014, lower oil prices and weaker activity from Europe, Japan and China, drove copper prices down, a trend that has continued during the first month of 2015. Although, there is a broad consensus that the copper market has better fundamentals than other commodities, the price of copper has not recovered from its recent lows, and has kept propelling depreciation of the peso. This has resulted in a cycle where the already fragile local economic mood in Chile is worsened by the potential for sustained low copper prices. While lower oil prices help boost consumption and growth, copper has a greater negative impact on Chile's economy.

(8) Our trading activities expose us to volatility in market prices, declines in market liquidity or fluctuations in foreign currency exchange rates, which may result in losses that could have a material adverse effect on our business, financial condition and results of operations.

The securities and derivative financial instruments in our trading portfolio may cause us to record gains or losses, when sold or marked to market, and may fluctuate considerably from period to period due to numerous factors that are beyond our control, including foreign currency exchange rates, interest rate levels, the credit risk of our counterparties and general market volatility. These losses from trading activities could have a material adverse effect on our business, financial condition and results of operations. In this sense, risk is inherent in the Group's trading activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

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(9) Natural disasters in Peru could disrupt our businesses and affect our results of operations and financial conditions

We are exposed to natural disasters in Peru, such as earthquakes, floods and mudslides. Earthquakes in Peru are common occurrences as the country is located in a seismic zone: the interface between the Nazca and South American tectonic plates. Peru has been adversely affected by earthquakes in the past, including a 7.9 magnitude earthquake that struck the central coast of Peru in 2007.

A natural disaster of this nature or any other type of disaster could impair our operational capacity. Our business continuity plans include emergency response, disaster recovery, operations continuity, crisis management, data protection and recovery, and critical systems redundancy. Although we test our business continuity plans annually, these plans may prove to be ineffective which could have a material adverse effect on our ability to carry out our businesses, especially if an incidence or disaster affects computer-based data systems or damages customer or other data. In addition, if a significant number of our employees were affected by the natural disaster, our ability to conduct business could be impaired.

Our subsidiary Grupo Pacífico is further exposed to risks associated with natural disasters in Peru as an insurance business. To protect Grupo Pacífico’s solvency and liquidity, our insurance business historically has obtained reinsurance for a substantial portion of its earthquake-related risks through automatic quota share and excess loss treaties; however, there can be no assurance that a major catastrophe would not have a material adverse impact on our results of operations or financial condition or that our reinsurance policies will be an effective hedge against our exposure to risks resulting from natural disasters. Our current maximum catastrophic exposure, net of reinsurance is S/.5.9 million.

(10) We operate in a competitive banking environment that may limit our potential to grow, particularly in the medium term as more foreign banks establish or expand operations in Peru.

BCP has experienced increased competition, including increased pressure on margins. This is primarily a result 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 the 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 dedicate greater resources to, and be more successful in, the development of technologically advanced products and services that may compete directly with BCP's products and services. Such competition would adversely affect the acceptance of BCP's products and/or lead to adverse changes in the spending and saving habits of BCP's customer base. If competing entities are successful in developing products and services that are more effective or less costly than the products and services developed by BCP, BCP's products and services may be unable to compete successfully. BCP may not be able to maintain its market share if it is not able to match its competitors' loan pricing or keep pace with their development of new products and services. Even if BCP's products and services prove to be more effective than those developed by other entities, such other entities may be more successful in marketing their products and services than BCP because of their greater financial resources, higher sales and marketing capacity or other similar factors.

As a result of Peru's strong economic growth, which has outpaced growth by nearby countries, several banks have sought and obtained authorization to open representative offices in Peru. Itaú Unibanco, Banco Latinoamericano de Comercio Exterior (Bladex), Morgan Stanley Bank and Bank of Tokyo Mitsubishi UFJ (BTMU) are among those banks receiving authorization. With the increased competition, more individuals will have access to credit, and the percentage of the population using baking services will likely climb. This will eventually put downward pressure on interest rates. Any negative impact on BCP as a result of increased competition could have a materially adverse effect on our results of operations and financial condition.

(11) Economic and market conditions in other countries may affect the Peruvian economy and the market price of Peruvian securities.

Economic conditions in other countries and developments in international financial markets can affect Peru's economic growth. The country's exports are highly concentrated in the mining industry, with corporate income taxes levied on the sector representing approximately 7% of the Peruvian government's total revenues. In addition, gold and copper exports represent 42.2% of all shipments. Therefore, Peruvian trade respond significantly to fluctuations in metal prices, especially gold and copper. In 2013 and 2014, reductions in gold and copper prices (28.3% and 7.0% in 2013, 1.4% and 16.8% in 2014, respectively) led to lower trade, which fell 4.7% and 5.7%, respectively.

In addition to changes in prices, Peru is also vulnerable to fluctuations in foreign demand, especially from the United States and China. A more pronounced economic slowdown in China over the next years poses a risk to Peruvian growth as it may hurt exports and foreign direct investment. Lower growth in Latin America can also hurt the Peruvian economy and our business, especially in the cases of Chile, Colombia and Panama, where we have operations, as well as Brazil and Mexico, which have a broad impact throughout the region because of their size.

Finally, financial conditions in global markets also affect the economy, affecting interest rates for local corporate bonds and influencing the exchange rate. Monetary tightening in developed economies, particularly on the part of the Federal Reserve System in the United States, could affect economic activity in Peru to the degree that it strengthens the dollar and increases interest rates, thereby reducing access to funding for some local businesses. Also, since the Peruvian economy is highly dollarized (38% of loans and 41% of deposits), potential balance-sheet effects should also be contemplated since a higher exchange rate could increase debt burdens for individuals and businesses that have taken loans in dollars but have earned their income in local currency.

However, the BCRP has recently taken steps to foster de-dollarization and thus reduce this vulnerability by:

- providing liquidity in local currency to financial institutions for an amount up to 10% of such institution's legal reserve requirements in foreign currency, which will gradually inject S/. 9,000 million into the economy according to the Peruvian Central Bank;
- providing foreign currency to financial institutions at spot prices in order to -finance the re-denomination of their foreign currency loans;
- imposing additional foreign currency reserves requirements on financial institutions whose loans in foreign currency do not fall 5% by June 2015 and 10% by December 2015 in comparison to September 2013 levels; and
- imposing additional foreign currency reserve requirements on financial institutions whose mortgage and vehicle loans in foreign currency do not fall 10% by June 2015 and 15% by December 2015 in comparison to February 2013 levels.

The aforementioned calculations will not include lending to exporters and importers or long-term financing for projects.

(12) A failure in, or breach of, our operational or security systems could temporarily interrupt our businesses, increasing our costs and causing losses.

We have defined and implemented governance with specific roles for risk and control assessment, monitor and awareness programs, security initiatives, business objectives, corporative alignment and regulatory compliance with banking, credit card, insurance and pension fund industry requirements in Peru, Bolivia, Chile, Colombia, Panama, Cayman Island and the United States of America.

Although we have a strong IT infrastructure and high-skilled professionals managing IT operations, our risk exposure could be significant. We are still vulnerable to failure of our operational systems. This could temporarily interrupt our business, increasing our costs and causing losses. Temporary interruptions or failures in hardware and software that support our business and customer's transactions could result in regulatory fines, penalties, and reputational loss.

Credicorp has not experienced any material losses related to cyber-attacks or operational stability. Credicorp is continuously working and investing resources in maintaining and updating control processes in order to prepare and adapt to new technologies. However our use of the internet and telecommunications technologies to conduct financial transactions, as well as the increased sophistication and activities of organized criminals, hackers and other external parties can impact the confidentiality, integrity and availability of critical information.

(13) Acquisitions and strategic partnerships may not perform as expected, which could have an adverse effect on our business, financial condition and results of operation.

Acquisitions and strategic partnerships, including those made in our investment banking and insurance businesses may not perform as expected since our assessment could be based on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions, investments and alliances may not produce the anticipated synergies or perform in accordance with our expectations, which could have an adverse effect on our business, financial condition and results of operation.

ITEM 4. INFORMATION ON THE COMPANY

4. A History and Development of the Company

We are a limited liability company that was formed with the legal name Credicorp Ltd. 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 mainly on Peru, Bolivia, Colombia and Chile along with limited investments in other countries in that region. Our registered address is Clarendon House, 2 Church Street, Bermuda. The management and administrative office (i.e., principal place of business) in Peru of our subsidiary, Banco de Crédito del Perú, is located at Calle Centenario 156, La Molina, Lima 12, Peru, and the phone number is 51-1-313-2000.

As of December 31, 2014, our total assets were S/.134.8 billion and our net equity was S/.14.6 billion. Our net income attributable to our equity holders in 2012, 2013 and 2014 was S/.2,079.6 million, S/.1,538.3 million and S/.2,387.9 million, respectively. See "Item 3. Key Information — 3.A Selected Financial Data" and "Item 5. Operating and Financial Review and Prospects".

We were formed in 1995 for the purpose of acquiring, through an exchange offer, the common shares of BCP, ASHC and Grupo Pacífico. We currently hold 97.7% of BCP, 98.5% of Grupo Pacífico and 100% of ASHC. See "Item 4. Information on the Company — 4.C Organizational Structure".

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 was 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. As of the date of the acquisition, Prima AFP was the second largest pension fund company in terms of market share terms (defined as the amount of affiliates and assets under corporate management). The merger between Prima AFP and Unión Vida AFP closed in December 2006.

In October 2009, BCP acquired from the Cooperative for Assistance and Relief Everywhere Inc. (CARE) – Perú, all the shares that this entity owned of Empresa Financiera Edyficar S.A. (Edyficar), representing 77.12% of Edyficar's capital stock. In accordance with Peruvian legal requirements in effect at the time, BCP made a public offering to Edyficar's non-controlling shareholders to acquire the remaining 22.67% of the company's stock. The total purchase price for the acquisition was US$96.1 million (equivalent to S/.274 million), including related direct acquisition costs. As of December 31, 2014 BCP owned 99.90% of Edyficar.

In October 2010, Credicorp acquired American Life Insurance Company (ALICO)'s 20.1% and 38% stakes in Pacífico Seguros and Pacífico Vida, respectively. Pacífico Vida's shares were acquired through Credicorp Ltd. and its subsidiary, Grupo Crédito, acquired Pacífico Seguros's shares. Consequently, at the conclusion of this transaction, Credicorp and its subsidiary Grupo Crédito held 97.68% of Pacífico Seguros, and jointly controlled 100% of Pacífico Vida. The total investment amounted to approximately US$174 million, making it the largest transaction ever completed in the Peruvian insurance market. We expect the acquisition to permit the Credicorp group to realize synergies in its decision making process and through the integration of all its insurance business lines. The closer proximity between companies will also allow Grupo Pacífico to improve its value proposition to customers, who seek integral insurance solutions. On April 28, 2011, Credicorp transferred its 24% stake in Pacífico Vida to Pacífico Seguros. As a result of that transfer, Pacífico Seguros now directly owns 86% of the shares of Pacífico Vida, and Credicorp directly owns the remaining 14%. This transfer did not affect Credicorp's consolidated financial statements.

In November 2010, Credicorp's Board of Directors approved the transfer of 84.9% of BCP's total shares to Grupo Crédito S.A. (its Peruvian wholly owned subsidiary) through a capital contribution, in order to facilitate Credicorp's future investments in Peru without modifying the controlling structure of BCP. Under the new structure, Credicorp directly holds 12.7% of BCP's total shares and, in conjunction with its subsidiary Grupo Crédito, continues to control the same 97.7% of such shares without modifying the internal governance structure. Before this change in ownership structure, dividends to Credicorp from its Peruvian subsidiaries, such as BCP, were remitted abroad and had to be remitted back to Peru when capital for new investments in the country were required. With the new structure, Grupo Crédito, which acts as the local holding company for some of Credicorp's investments in Peru (Prima AFP, Grupo Pacífico and others), will manage Credicorp's future Peruvian investments, and directly transfer the dividends to Credicorp when it is required to do so under Credicorp's dividend policy. This modified organizational structure will not affect the way Credicorp and BCP manage their day-to-day operations, and Credicorp's dividend policy has not changed as a result of this transaction.

In the second half of 2011, Pacífico Salud invested approximately S/.225.1 million to create its own private medical services network in Peru by acquiring majority shares to directly manage: (i) the El Golf, San Borja and Oncocare clinics in Lima, (ii) the Galeno clinic in Arequipa, (iii) Laboratorios ML, a clinical laboratory, and (iv) Doctor+, which is a house call/ambulance service. In 2012, Pacífico Salud invested S/.102.7 million to increase its integrated insurance and health providing services by acquiring: (i) Clínica Belén S.A., (ii) Centro Odontológico Americano, (iii) Prosemedic S.A., (iv) Clínica Sánchez Ferrer S.A. and Inversiones Marsfe S.R.L., and (v) Bio Pap Service S.A.C. We believe that these acquisitions enable Pacífico Salud to directly benefit from this sector's growth and to strategically defend against potential changes in the healthcare service supply chain, where vertical integration in the insurance business is becoming more frequent.

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During 2012, Credicorp, as part of our strategic plan, initiated the creation of a regional investment banking platform. On April 27, 2012, Credicorp, through its subsidiary BCP, acquired a 51% stake in Credicorp Capital Colombia (formerly Correval S.A. Sociedad Comisionista de Bolsa), a brokerage entity established in Bogota, Colombia, for approximately US$72.3 million (equivalent to S/.190.9 million). In June 2013, BCP transferred its shares to Credicorp Capital Ltd., without affecting Credicorp's consolidated financial statements and without recording any gain or loss. On July 31, 2012, Credicorp, through its subsidiary BCP, acquired 60.6% of IM Trust S.A. (IM Trust, Corredores de Bolsa), an investment banking entity established in Santiago, Chile, for approximately US$131.5 million (equivalent to S/.351.2 million), of which US$110.9 million was paid in cash consideration at the acquisitions date and US$20.6 million was paid in cash in July 2013. In November 2012, BCP transferred its shares to Credicorp Capital Ltd., without affecting Credicorp's consolidated financial statements and without recording any gain or loss. For our investment banking operations in Peru, we created Credicorp Capital Perú S.A.A. (formerly BCP Capital), a company incorporated in Peru that was established in April 2012 through the split of an equity block of BCP. This split resulted in a reduction of BCP's assets, liabilities and net equity in an amount of S/.184.7 million, S/.46.7 million and S/.138.0 million, respectively. Assets transferred included Credicorp Capital Bolsa, Credicorp Capital Titulizadora, Credicorp Capital Fondos and BCP's investment banking activities. The equity block split had no effect in Credicorp's consolidated financial statements; no gains or losses arose from it.

In 2012, we established Credicorp Capital Ltd. in Bermuda to hold the Group's investment banking activities in Chile, Colombia and Peru. As of December 31, 2014, Credicorp Capital held directly and indirectly 60.6% of IM Trust and 51.0% of Credicorp Capital Colombia.

	As of and for the Year ended December 31,						
	2012	2013	2014	2013 - 2012		2014 - 2013	
	(Nuevos Soles in million)			% Change		% Change	
IM Trust							
Assets	795.1	463.4	788.8	-41.7	%	70.2	%
Liabilities	661.7	339.3	662.6	-48.7	%	95.3	%
Equity	133.4	124.1	126.2	-6.9	%	1.7	%
Net income	45.1	13.0	23.3	-71.2	%	79.2	%
Credicorp Capital Colombia							
Assets	2,975.1	1,095.9	1,883.2	-63.2	%	71.8	%
Liabilities	2,856.0	957.8	1,750.7	-66.5	%	82.8	%
Equity	119.1	138.1	132.5	16.0	%	-4.1	%
Net income	12.4	16.3	30.8	31.5	%	89.0	%

At Credicorp Capital's shareholder meeting held on September 11, 2013, the Company agreed to increase Credicorp Capital Ltd.'s share capital in the Company by US$3.9 million (equivalent to S/.10.9 million) in exchange for 100% of the share value of Credicorp Capital Securities Inc., which Credicorp Ltd. controls. Credicorp Capital Securities Inc. is incorporated in the United States of America and provides securities brokerage services, mainly to retail customers in Latin America.

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At Grupo Crédito’s shareholder meeting held on February 3, 2015 approved the draft terms of split of equity block of Grupo Crédito in favour of Credicorp Capital Holding Perú S.A., a company incorporated on September 3, 2014 and a subsidiary of Credicorp Capital Ltd., with the aim of implementing a reorganization of Credicorp’s investments. The equity block is composed of the investment that Grupo Crédito held in Credicorp Capital Peru, whose net equity is approximately S/.511.3 million as of December 31, 2014. As a result, Grupo Crédito will reduce its share capital in approximately S/.491.7 million and its "unrealized results" in approximately S/.19.6 million. Credicorp Capital Holding Peru also will increase its share capital in about S/.491.7 million and its "unrealized results" in approximately S/.19.6 million. In this regard, it will issue 491,686,830 new shares with a nominal value of S/.1.00 each shareholder in favour of Credicorp Ltd (shareholder of Grupo Crédito)

On March 20, 2014, Credicorp, through its subsidiary Empresa Financiera Edyficar S.A., acquired 60.68% stake of Mibanco, Banco de la Microempresa S.A. (Mibanco), a local bank that specialized in the micro and small entities sector, for approximately S/.504.8 million or US$179.5 million, in cash. On April 8, 2014, Grupo Crédito S.A. and Empresa Financiera Edyficar S.A., subsidiaries of Credicorp Ltd., acquired from the International Finance Corporation (IFC) an additional 6.5% of stake in Mibanco (5% through Grupo Crédito S.A. and 1.5% through Empresa Financiera Edyficar S.A.) for an equivalent of S/.54.1 million. In addition, Credicorp’s subsidiaries made a Public Tender Offer (Oferta Pública de Adquisición or OPA by its Spanish initials) to non-controlling shareholders of Mibanco pursuant to the Capital Markets Law. Credicorp acquired in July 2014, an additional 18.56% of Mibanco’s capital stock for approximately S/.153.6 million; and in September 2014, we acquired an additional 1.19% for approximately S/.10 million. As of December 31, 2014, Credicorp held 86.93% of Mibanco’s capital stock and paid an aggregate of approximately S/.722.5 million. As of December 31, 2014, Mibanco’s assets, liabilities, equity and net loss (unaudited figures prepared in accordance with IFRS accounting rules) amounted to S/.5,575.1 million; S/.5,140.8 million; S/.434.3 million; and S/.56.2 million, respectively. On March 2, 2015, the merger between Edyficar and Mibanco closed. The transaction involved a spin-off of the majority of the assets and liabilities of Edyficar and its subsequent merger into Mibanco.

4. B Business Overview

(1) Credicorp Operating Segments

We are the largest financial services holding company in Peru. For management purposes, Credicorp is organized into four operating segments based on our products and services. According to IFRS, an operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity’s chief who makes decisions about resources allocated for the segment and assesses its performance; and for which discrete financial information is available. We conduct our financial services business through our operating segments as follows: banking, insurance, pension funds and investment banking.

The terms “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.

1.1 Banking

Our banking business is principally focused on commercial and consumer loans, credit facilities, deposits, current accounts and credit cards. We conduct our banking business primarily through BCP, the largest (in terms of total assets, loans, deposits, net equity and net income) full-service Peruvian commercial bank, and our ASB private banking and asset management firm.

The majority of our banking business is carried out through BCP which, together with Edyficar and Mibanco, held 33.7% of the Peruvian market share in loans and 33.9% market share in deposits, as of December 31, 2014. A portion of our banking business is also carried out by ASB, which principally serves Peruvian private banking customers through offices in Panama. We conduct banking activities in Bolivia through BCP Bolivia, a full service commercial bank which maintained a 10.5% market share of current loans and a 10.2% market share of total deposits in Bolivia as of December 2014. BCP Bolivia is fourth with respect to loan market share and fifth with respect to deposit market share in the Bolivian banking system.

Our banking business, in terms of lending and investment, is organized into (i) wholesale banking activities, including our corporate and middle-market banking business segments, which are carried out by BCP's Wholesale Banking Group (WBG); (ii) retail banking activities, including our SME-Business, SME-Pyme, mortgage, consumer financing, credit card and wealth management, which are carried out by BCP's Retail Banking & Wealth Management Group (RB&WM); (iii) treasury activities, including money market trades, foreign exchange trading, derivatives and proprietary trading; (iv) microlending, which is conducted through Edyficar and Mibanco; (v) wholesale and retail banking activities in Bolivia; and (vi) private banking, asset management and proprietary investment activities, which we perform through Atlantic Security Bank (ASB), which is a Cayman Islands licensed bank.

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 Chief Operating Officer (COO) 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 "Item 4. Information on the company – 4.B Business Overview - (12) Supervision and Regulation — 12.2 BCP") and the guidelines set forth by our Board of Directors.

Our deposit-taking operations are principally managed by BCP's RB&WM group and ASB's private banking group. See "Item 4. Information on the company – 4.B Business Overview - (13) Selected Statistical Information — 13.3 Deposits."

1.2 Insurance

We conduct our insurance business exclusively through Grupo Pacífico, which is the second largest Peruvian insurance company in terms of premiums, fees and net income. Our subsidiary provides a broad range of insurance products. Grupo Pacífico focuses on three business areas: property and casualty insurance through Pacífico Seguros Generales, life and pension insurance through Pacífico Vida, and health care insurance through Pacífico EPS, which also conducts private hospital operations. Grupo Pacífico, like other major Peruvian insurance companies, sells its products both directly and through independent brokers, agents, banking channels and sponsors.

1.3 Pension funds

Credicorp conducts all of its pension fund activities through its private pension fund administrator Prima AFP. During 2014, Credicorp through its subsidiary Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality service and timely and transparent information to its clients.

The year 2014 was marked by a series of events linked to the implementation of reforms to the SPP. New local and foreign investment regulations gave rise to increased flexibility in SPP's registration process for new investment securities. Under the new regulations, AFPs can make non-complex investments through vehicles such as bonds, shares and mutual funds without authorization from the SBS. Additionally, AFPs can use financial derivatives without authorization from the SBS subject to certain restrictions, such as specific limits regarding each type of fund. These changes are expected to improve the management and risk-return profile of our portfolios while providing flexibility and additional opportunities to execute these kinds of transactions. See "Item 4. Information on the Company - 4.B Business Overview - (12) Supervision and Regulation - 12.7 Prima AFP".

1.4 Investment Banking

The integration of Latin American markets is a strategic focus for Credicorp. The creation of the MILA (by its Spanish initials), a Latin American integrated market shared among Chile, Colombia and Peru, has opened up opportunities to further integrate asset management, brokerage and corporate finance cross-border operations. This can offer benefits for companies that have a significant presence in these markets. Since the formation of the MILA, Credicorp's investment banking business units grouped under Credicorp Capital have been very active. Credicorp Capital carries out its operations in the region through Credicorp Capital Perú, Credicorp Capital Colombia (formerly, Correval) and IM Trust, holding considerable market shares in the Peruvian, Colombian and Chilean markets, respectively. Through these entities we perform operations in three business lines: asset management, sales & trading and corporate finance.

Asset Management

Through the regional platform provided by the MILA, we offer a wide array of products, including mutual, investment and alternative funds, as well as structured, cross-border and offshore initiatives to a broad base of clients, including clients in our retail, private and high net worth, corporate and institutional segments.

Sales & Trading

Through its sell-side research engine, our regional investment banking platform has an active role in secondary markets, particularly equity and fixed income products, as well as exchange rate products and derivatives. Participation in the issuance and placement of equity and debt instruments, vis-à-vis our corporate finance team, is becoming equally relevant.

Corporate Finance

Corporate finance provides advisory services to structure mid- and long-term financing and structure and place equity and fixed income instruments in capital markets. Also offer a wide range of financial advisory services and advisory services for mergers and acquisitions.

(2) Strategy

Credicorp was established to create a financial group that would benefit from synergies among the group’s companies and would become a leader within each business market in which the companies operate to maximize our shareholders’ return on equity. Our long-term strategy consists of four strategic pillars: efficient growth; outstanding risk management; focus on client satisfaction; and motivated employees. We seek to achieve an optimal balance of market share, profitability and operating efficiency.

Efficient growth

Credicorp initiated an efficiency initiative with two approaches, one tactical that is the Continuous Improvement Program and the Efficiency Program.

The Continuous Improvement Program is designed to improve efficiency throughout Credicorp by promoting consciousness in our management of expenses and investments. This approach is based on: i) productivity management; ii) the establishment of new mechanisms for approving, managing and reporting budget execution; and iii) process improvement. The Continous Improvement Program will be based on the Jaw concept; this means it will be focused on managing the gap between income growth and expenses growth, in an effort to achieve higher growth in income than in expenses.

The Efficiency Program is designed address five different strategic areas. The first is our product portfolio. Under the program, we will reduce the complexity of our product portfolio and manage each product based on productivity and client satisfaction. The second area is our service model. Under the program, we will evaluate our footprint and formats, channel efficiency and multichannel strategy. The third strategic area comprises our organization and support functions. With respect to this area, we will evaluate how we are organized, including the span of control, the decision network and the number of layers in our operating units. The fourth strategic area includes operations and IT. In this area we will define key processes and optimize our operational model. The fifth strategic area is culture. Through this strategic area, we will seek to instill the concept of efficient growth as a core value in our organization's culture.

Adequate risk management

This strategic pillar of Credicorp's strategy is based on the corporate principles approved by the Corporate Governance Committee: involvement of executive management; independence of the risk functions; corporate governance, including risk appetite, corporate risk policies, and risk-adjusted performance measures; and sufficiency and quality of resources dedicated to the risk management role.

Credicorp is committed to applying best practices to assess, quantify and manage the different risks to which we are exposed to, such as credit, market, compliance and operational, reputational, and insurance underwriting risks. We are constantly fine-tuning our models for risk management and our stress-testing methodologies. Our strategy is based on implementing an advanced and fully integrated risk management approach to achieve sustainable growth and enhanced profitability.

In the area of credit risk management, we have implemented enhanced risk-adjusted pricing models and in-house credit models (origination, scoring, behavioral and collection models) that maximize the use of our proprietary information and Knowledge about the Peruvian system. These are essential sources of competitive advantage. We have also developed a risk monitoring process that provides a timely and comprehensive picture of risk exposures across risk types and from multiple business lines.

Client satisfaction

We are highly dedicated to providing products and services that offer strong value propositions for the clients we serve through each of our businesses. We will continue to educate our customers by helping them understand the different financial products and services they can access through our distribution channels network and sales force.

We have improved our communication with clients to keep them well informed of the products and services we launch and the product enhancement we implement. We continuously upgrade our platform in response to questions, complains and requests from customers.

Motivated employees

In human resources management we continue to focus on maximizing the efficiency of our talent management, developing an adequate structure for incentives and benefits to otivate employees, and improving our selection and training processes.

Specific strategies

In the banking business, we will continue to implement our strategy to enter different segments of retail banking, with particular emphasis on the SME segment. We will use risk and collections models that are calibrated and aligned with pricing models designed to achieve the profitability we seek. In the microlending business we will work on our microfinance business model to consolidate the integration of Edyficar and Mibanco, primarily to ensure that Edyficar's culture is well acclimated as we take advantage of the strengths of Mibanco, in addition to optimizing the branch network and the risk and collections model.

In terms of our insurance business we aim to recover profitability levels in the car line by implementing adequate pricing schemes and improving risk assessment. In property and casualty insurance, we are defining a long-term strategy to ensure that it adds value to the organization at acceptable risk retention levels. At the same time, we are strengthening the "bancassurance" business. We will also focus on the consolidation of the health care and health insurance businesses.

In the pension fund business, the strategy of medium and long term is to maintain the attractiveness and profitability of the business by growing efficiently with a thorough risk management. The focus is on providing affiliates adequate profitability of their funds, advisory service and excellent level of information and service channels according to our clients' needs. For the aforementioned, the management of pension funds will be strengthened with the incorporation of best international practices

In the investment banking platform, we will continue to consolidate Credicorp Capital's regional position to capture the growth potential of our three main business lines (asset management, sales and trading, and corporate finance) in the capital markets of Chile, Colombia and Peru and the Latin American region in general.

(3) Review of 2014

3.1 Credicorp

The following table provides certain financial information about our principal business segments as of and for the year ended December 31, 2014 (see Note 30 to the Consolidated Financial Statements):

	As of and for the Year ended December 31, 2014		
	Total Revenues	Operating Income(1)	Total Assets
	(Nuevos Soles in million)		
Banking	11,145	6,167	121,801
Insurance	2,674	1,002	8,653
Pension fund	391	-	913
Investment Banking	416	4	3,467
Credicorp	14,626	7,173	134,834
Assets Under Management (2)			61,292

(1) Operating income includes the net interest income from banking activities; and in the case of Insurance, the amount of the net earned premiums, less insurance claims plus net interest income

(2) Off-balance sheet.

3.1.1 Consolidated Contributions

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

	2012	2013	2014	2014 - 2013 % Change	
	(Nuevos Soles in million, except percentages)				
BCP (1)	1,702.5	1,227.0	1,903.2	55	%
ASHC	127.6	140.2	159.8	14	%
Grupo Pacífico	174.0	92.0	199.3	117	%
PRIMA AFP and others (2)	75.5	79.1	125.6	59	%
Total	2,079.7	1,538.3	2,387.9	55	%

(1) Includes Banco de Crédito de Bolivia, which contributed S/.68.0 million in 2014, S/.47.6 million in 2013, S/.54.2 million in 2012; Edyficar, which contributed S/.77.6 million in 2014, S/.96.1 million in 2013, S/.96.2 million in 2012. This amount also includes Inversiones BCP Ltda, Inversiones Credicorp Bolivia, Solución EAH and

Mibanco.

(2) Includes Prima AFP (which recorded a net income of S/.151.1 million in 2014, S/.137.8 million in 2013, S/.100.7 million in 2012), Credicorp Capital Perú (which includes Credicorp Capital SAF, Credicorp Capital SAB, Credicorp Capital Sociedad Titulizadora and Credicorp Capital Servicios Financieros), Credicorp Capital Ltd. (which includes BCP Chile, BCP Colombia and Credicorp Capital Securities) and 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 Grupo Pacífico, and others).

3.1.2 Financial performance

In 2014, we recorded net income after non-controlling interest of S/.2,387.9 million (S/.1,538.3 in 2013 and S/.2,079.6 million in 2012), which resulted in a return on average shareholder's equity (ROAE) of 18.5%. The 2014's result represented an increase of 55.2% with regard to our net income in 2013, even though 2014's result was impacted by income and expenses related with non-core activities, which after tax adjustments totaled approximately -S/.74 million. The main income and expenses related with non-core activities are:

- Expenses of S/.54.2 million as a result of the implementation of Edyficar's business model in Mibanco and the capture of synergies during the integration process of both institutions; and a charge of S/.23.5 million due to the amortization of Edyficar's brand, because after the consolidation of Edyficar and Mibanco, the combined entity will operate under Mibanco brand and Edyficar's brand will be retired;

- An impairment of goodwill for S/.67.5 million associated with the acquisition of IM Trust in Chile (see Note 11(b) to our consolidated financial statements);

- A provision of S/.52.6 million due to the valuation of the put and call options related to our right purchase the remaining non-controlling interest of IM Trust in Chile and Credicorp Capital Colombia in Colombia. See "Item 4. Information on the Company - 4.B Business Overview - (1) Introduction - Review of 2014 - 1.5 Investment banking segment – 1.5.4 Put and call options over non-controlling interest";

- A tax provision of S/.23.9 million resulting from lower expected future deferred tax due to the progressive reductions of the corporate tax rate, which is scheduled to decrease from 30% in 2014 to 26% in 2019 onwards, pursuant to the economic measures adopted by the Peruvian Central Government;

- The expense of S/.7.6 million related to the shut-down of Tarjeta Naranja; and

- A gain of S/.153.5 million, primarily as a result of the sale of assets and non-strategic investments, as well as the compensation received from insurers for losses incurred during the 2008 crisis by the Madoff case.

Our total assets amounted to S/.134.8 billion in 2014 (S/.114.1 billion in 2013 and S/.104 billion in 2012). The 18.2% increase in total assets in 2014 was primarily a result of the continued growth of our loan portfolio, which grew by 23.5% in 2014 (compared to a growth of 17.6% in 2013 and 16.4% in 2012). The growth in assets from our loan portfolio was partially offset by the 13.5% decrease in Investments available-for-sale (-3.6% in 2013 and 18.5% in 2012).

In terms of portfolio quality, our past-due loan ratio (which includes loans under legal collection) was 2.5% at the end of 2014 (2.2% in 2013 and 1.7% in 2012).

	Credicorp		
	2012	2013	2014
Past-due loan ratio (1)	1.73 %	2.23 %	2.53 %
Coverage of PDLs (2)	187.7%	157.5%	148.6%
Return on average shareholder's equity (3)	20.9 %	13.5 %	18.5 %

(1) Past-due loans / total loans. Total loans refer to direct loans plus accrued interest minus unearned interest.

(2) Allowance for loan losses / past-due loans.

(3) Annualized net income / average shareholder's equity. Averages are determined as the average of period-beginning and period-ending balances.

3.2 Banking segment

3.2.1 BCP and subsidiaries

BCP's year-end 2014 net income totaled S/.1,948.8 million, which represented an increase of 55% in comparison to 2013's result, and resulted in a ROAE of 21.4%.

	2012	2013	2014	2013 - 2012	2014 - 2013
	Nuevos Soles in million, except percentages			% Change	% Change
Net income, after non-controlling interest	1,744	1,257	1,949	-41.0 %	55.0 %
Return on average shareholder's equity (1)	25.9 %	16.1 %	21.4 %	-	-

(1) Annualized net income / Average shareholder's equity. Averages are determined as the average of period-beginning and period-ending balances.

However, BCP's financial performance in 2014 was impacted by income and expenses related to non-core activities, which after tax adjustments totaled approximately -S/.110.7 million:

- Expenses of S/.52.8 million as a result of the implementation of Edyficar's business model in Mibanco and the capture of synergies during the integration of both institutions; and a charge of S/.23.5 million due to the amortization of Edyficar's brand; and

- Tax provisions of S/.34.4 million resulting from lower expected future deferred tax assets due to the progressive reductions of the corporate tax rate that is schedule to decrease from 30% in 2014 to 26% in 2019 onwards, pursuant to economic measures adopted by the Peruvian Central Government.

Performance in 2014 was primarily a result of:

- A 30.7% growth in net interest income and dividends. This growth was due to an increase of 21.8% in interest income, which was in turn attributable to a 23.4% expansion in BAP's total loans. This, coupled with the 1.1% increase in interest expenses, led to a Net Interest Margin of 6%; and

- A 17.8% increase in non-financial income, attributable to an expansion of fee income, gains on foreign exchange transactions and gains on sales of securities.

The aforementioned enabled BCP to offset:

- The increase of 36% in provisions for loan losses, which was attributable to the deterioration of BCP’s loan portfolio for its SME segments and the incorporation of Mibanco’s past-due loan portfolio since the acquisition of this entity in March 2014; and

- The 21.8% growth in operating expenses, primarily due to an increase in compensation and administrative expenses, which were in turn related to the expansion of our business and the initiatives to reengineer the SME business model, as well as the incorporation of Mibanco’s operating expenses.

The following table shows changes to the principal assets of BCP from 2012 through 2014:

	2012	2013	2014	2013 - 2012	2014 - 2013
	Nuevos Soles in million			% Change	% Change
Total Assets	90,530	98,205	115,750	8.5 %	17.9 %
Loans net of provisions	51,132	60,110	74,155	17.6 %	23.4 %
Total Loans (1)	52,913	62,371	77,141	17.9 %	23.7 %
Past-due loans	945	1,436	2,008	52.0 %	39.8 %
Refinanced loans	363	372	648	2.5 %	74.2 %
Allowance for loan losses	1,781	2,262	2,986	27.0 %	32.0 %
Total Loans in average daily balances (2)	51,701	62,504	75,939	20.9 %	21.5 %
Investments (3)	12,168	12,316	11,649	1.2 %	-5.4 %
Other Assets (4)	27,230	25,779	29,946	-5.3 %	16.2 %
Past-due loan ratio (5)	1.79 %	2.30 %	2.60 %	-	-
Coverage of PDLs (6)	188.5 %	157.5 %	148.7 %	-	-

(1) Total loans refer to direct loans plus accrued interest minus unearned interest.

(2) Total loans in average daily balances include BCP, Mibanco, Edyficar, BCP Bolivia, work out unit and other banking.

(3) Includes trading securities, investments available-for-sale and Investments held to maturity.

(4) Includes cash and due from banks, property, furniture and equipment and other assets.

(5) Past-due loans / total loans. Total loans refer to direct loans plus accrued interest minus unearned interest.

(6) Allowance for loan losses / past-due loans

BCP’s total assets increase was a result of the 23.4% expansion in BCP’s loans net of provisions that totaled S/.74.2 billion at the end of 2014. The following table shows the composition of BCP’s total loan portfolio in average daily balances:

Average daily	2012	2013	2014	2013 - 2012	2014 - 2013	2014 - %	
balances (1)	Nuevos Soles in million			% Change	% Change	Local currency	Foreign currency
Wholesale banking	23,968	29,052	34,459	21.2 %	18.6 %	35.4 %	64.6 %
Retail banking	23,388	27,689	30,313	18.4 %	9.5 %	72.0 %	28.0 %
Mibanco	-	-	4,136	-	-	87.3 %	12.7 %
Edyficar	1,803	2,504	3,203	38.9 %	27.9 %	99.3 %	0.7 %
Bolivia	2,209	2,862	3,371	29.5 %	17.8 %	0.0 %	100.0 %
Others (2)	334	397	457	19.0 %	15.0 %	27.1 %	72.9 %

Total	51,701	62,504	75,939	20.9	%	21.5	%	53.9	%	46.1	%

(1) Average daily balances of the last quarter of each financial year.

(2) Includes work out unit and other banking.

The following table shows the composition of BCP's loan portfolio for loans issued in local currency in average daily balances:

Average daily balances -	2012	2013	2014	2013 - 2012		2014 - 2013	
Local currency (1)	Nuevos Soles in million			% Change		% Change	
Wholesale banking	4,687	7,730	12,191	64.9	%	57.7	%
Retail banking	15,991	19,608	21,840	22.6	%	11.4	%
Mibanco	-	-	3,609	-		-	
Edyficar	1,775	2,477	3,179	39.5	%	28.4	%
Bolivia	-	-	-	-		-	
Others (2)	123	149	124	21.1	%	-17.0	%
Total	22,576	29,964	40,942	32.7	%	36.6	%

(1) Average daily balances of the last quarter of each financial year.

(2) Includes work out unit and other banking.

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The following table shows the composition of BCP's loan portfolio in foreign currency in average daily balances:

Average daily balances - Foreign currency (1)	2012	2013	2014	2013 - 2012		2014 - 2013	
	U.S. Dollars in million			% Change		% Change	
Wholesale banking	7,492	7,647	7,570	2.1	%	-1.0	%
Retail banking	2,874	2,898	2,880	0.8	%	-0.6	%
Mibanco	-	-	179	-		-	
Edyficar	11	10	8	-10.4	%	-16.2	%
Bolivia	858	1,026	1,146	19.6	%	11.6	%
Others (2)	82	89	113	8.7	%	27.2	%
Total	11,318	11,670	11,896	3.1	%	1.9	%

(1) Average daily balances of the last quarter of each financial year.

(2) Includes work out unit and other banking.

The average daily balances of BCP's wholesale banking total loan book grew by 18.6% in 2014, while the local currency (LC) denominated wholesale banking portfolio grew 57.7% and the foreign currency (FC) denominated portfolio reduced -1%. The expansion in the LC portfolio reflects our corporate clients' reactions to a continuous devaluation of the Nuevo Sol against the U.S. Dollar, and better loan conditions in LC due to a reduction in the reference rate and reserve requirements, which allowed companies to migrate financing drawn in FC in previous years (in some cases with financial institutions outside of Peru) or to take on new financing in the local market and in Nuevos Soles. As a result, BCP continued to lead the Peruvian financial system with a market share of 45.5% for the corporate segment (43% in 2013 and 46.7% in 2012) and 34.2% for the middle- market (34.5% in 2013 and 35.4% in 2012).

The average daily balances of BCP's retail banking loan portfolio grew 9.5% in 2014 led by the mortgage, credit card and SME-business segments. This allowed BCP to offset the decrease of -0.9% from the SME-pyme loan book, which occurred as a result of changes in the business and risk models that were implemented mainly in the first half of 2014. Nevertheless, BCP's SME portfolio continues to lead this banking business segment with a market share of 15.2% at the end of 2014 (excluding the market share of Edyficar and Mibanco). Furthermore, the mortgage loan segment reported a 13.6% increase and maintained its leadership position in this segment, with a market share of 32% at the end of 2014. The credit card portfolio grew 20.2% year-over-year, driven by campaigns during the end of the year; and reached a market share of 22.4% at the end of 2014. Finally, the SME- business and Consumer segments recorded a 20.3% and a 4.5% growth year-over-year, respectively.

	2012	2013	2014	2013 - 2012		2014 - 2013	
Retail Banking (1)	Nuevos Soles in million			% Change		% Change	
SME	8,326	9,797	10,268	17.7	%	4.8	%
SME – Pyme	6,112	7,151	7,084	17.0	%	-0.9	%
SME - Business	2,214	2,646	3,184	19.5	%	20.3	%

Mortgage	8,004	9,704	10,951	21.2	%	12.8	%
Consumer	4,466	5,356	5,863	19.9	%	9.5	%
Credit card	2,591	2,832	3,232	9.3	%	14.1	%
Total	23,388	27,689	30,313	18.4	%	9.5	%

(1) Average daily balances of the last quarter of each financial year.

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In terms of portfolio quality, our past-due loan ratio (which includes loans under legal collection) was 2.6% at the end of 2014. This ratio includes Mibanco's portfolio as of December 31, 2014. BCP maintains adequate provisioning and long-term risk management policies. The total cumulative provisions for BCP's loan portfolio reached S/.2,986 million as of December 31, 2014, which is 32% higher than provisions in the previous year.

On the liabilities side, BCP's deposits increase not only continues to reinforce BCP's funding structure, as deposits account for 68.9% of all funding sources, but also serves to maintain BCP's status as an industry leader with a market share of 33.9%. The expansion of deposits was due primarily to increases in savings deposits, demand deposits and time deposits, which were attributable to the campaigns held in these segments throughout the year. The increase of 6.7% in time deposits is explained mainly by the inclusion of Mibanco's deposits in our results. Local currency deposits represented 50.5% of deposits at year-end (49.5% in 2013 and 54.2% in 2012). The following table sets forth BCP's total deposits from 2012 to 2014:

	2012	2013	2014	2013 - 2012		2014 - 2013	
	Nuevos Soles in million			% Change		% Change	
Demand deposits	19,310	20,772	23,775	7.6	%	14.5	%
Saving deposits	15,516	17,764	21,214	14.5	%	19.4	%
Time deposits	17,097	18,813	20,082	10.0	%	6.7	%
CTS	5,693	6,719	6,866	18.0	%	2.2	%
Bank's negotiable certificates	427	480	581	12.3	%	21.1	%
Interest payable	162	200	232	23.6	%	16.1	%
Total Deposits	58,204	64,747	72,750	11.2	%	12.4	%
Payables related to repurchase agreements and security lending activities	-	-	6,791	-		-	
Due to banks and correspondents	9,441	12,034	11,019	27.5	%	-8.4	%
Bonds and notes issued	9,325	11,429	12,913	22.6	%	13.0	%
Other Liabilities	6,386	1,670	2,189	-73.8	%	31.1	%
Total Liabilities	83,355	89,880	105,662	7.8	%	17.6	%

Due to banks and correspondents, including payables related to repurchase agreements and security lending activities, increased 48% due to higher levels of debt with the BCRP in 2014. This was associated with an increase in Repo operations and swaps, which aim to inject liquidity and to mitigate exchange rate volatility.

During 2014, BCP's bonds and notes issued increased 13% due to a reopening of BCP's 2027 subordinated note for US$200 million.

In 2014, BCP continued expanding its distribution channel network as part of its customer service focus. By providing quality and widespread customer access to BCP's financial services, BCP sought to increase its penetration of the Peruvian market. In 2013, the BCP continued its plan to grow more cost-efficient alternatives such as Automated Teller Machines (ATMs) and Agentes BCP:

	2012	2013	2014	2013 - 2012 % Change		2014 - 2013 % Change	
Branches (1)	568	637	811	12.1	%	27.3	%
ATM's (1)	2,051	2,337	2,545	13.9	%	8.9	%
Agentes (1)	5,739	5,870	8,517	2.3	%	45.1	%
Total number of transactions (in thousand, except percentages) (2)	79,636	84,319	90,808	5.9	%	7.7	%

(1) The table above includes information of BCP, Edyficar, Mibanco and BCP Bolivia. In our previous Annual Reports the data included only BCP. Mibanco's figures were incorporated in 2014.

(2) BCP stand-alone

Overall, despite volatility in the exchange rate and financial markets, BCP's operating performance in 2014 was solid and in line with the growth of the Peruvian economy, which posted a 2.4% real GDP growth in 2014 despite uncertainty about the global economy.

(i) BCP Bolivia

BCP Bolivia's net income in 2014 was S/.68.0 million, which represented a 48.2% increase from its 2013 net income of S/.45.9 million. This increase was the result of: (i) higher net interest income, (ii) lower levels of loan provisions, and (iii) a decrease in administrative expenses. Shareholder's equity increased 24% year-over-year, due to higher net income and to the reinvestment of 55% of 2013's net income.

In 2014, 2013 and 2012 BCP Bolivia maintained its position as one of the leading banks in Bolivia. In 2014, BCP Bolivia reported a return on average equity of 15.1%, a PDL ratio of 1.4%, and a coverage ratio of PDLs of 270.1%, compared to industry averages of 17.1%, 1.5% and 276.8%, respectively.

	2012		2013		2014	
Return on average shareholder's equity (1)	16.6	%	12.2	%	15.1	%
Past-due loan ratio (2)	1.24	%	1.33	%	1.37	%
Coverage of PDLs (3)	301.3	%	281.0	%	270.1	%

(1) Annualized net income / Average shareholder's equity. Averages are determined as the average of period-beginning and period-ending balances.

(2) Past-due loans / Total loans. Total loans refer to direct loans plus accrued interest minus unearned interest.

(3) Allowance for loan losses / Past-due loans.

BCP Bolivia's loan portfolio grew from S/.2,312.9 million in December 2012 to S/.2,999.0 million in December 2013 and to S/.3,525.3 million in December 2014. The loan portfolio growth in 2014 was driven primarily by an 11.7% increase in retail banking loans.

Although, BCP Bolivia made a positive contribution to our results in each of the last three years, the bank's earnings generation capacity is increasingly under pressure due to a more stringent regulatory environment and a significantly higher tax burden.

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(ii) Edyficar

Edyficar focuses on SME lending, and it held a 9.9% market share in terms of loans (7.7% and 5.8% at year-end 2013 and 2012, respectively), which is in line with the increase of net loans. The following table shows changes to key line items of Edyficar's Balance Sheet from 2012 through 2014 on a stand-alone basis:

	2012	2013	2014	2013 - 2012	2014 - 2013
	Nuevos Soles in million			% Change	% Change
Total Assets (1)	2,714.2	3,369.2	5,295.5	24.1 %	57.2 %
Net Loans (2)	1,940.9	2,661.4	3,211.6	37.1 %	20.7 %
Total Liabilities (3)	2,463.4	3,012.5	4,231.4	22.3 %	40.5 %
Net shareholders 'equity (4)	250.8	356.7	1,064.1	42.2 %	198.3 %
Past-due loan ratio(5)	3.86 %	3.86 %	4.03 %		
Return on average shareholder's equity (6)	26.5 %	21.6 %	9.0 %		

(1) This figure is for Edyficar as a stand-alone entity and includes the impact of Mibanco's acquisition, which is classified as an Investment in subsidiaries.

(2) Net loans include direct loans plus accrued intrest less unearned interest less allowance for loan losses. This figure is for Edyficar as a stand-alone entity and does not include Mibanco's loan book because in the stand-alone accounting it is reflected in Investments in subsidiaries.

(3) This figure is for Edyficar as a stand-alone entity and it was not impacted by the acquisition of Mibanco, because the transaction is reflected on a net basis as an Investment in subsidiaries in the total assets.

(4) This figure for Edyficar is a stand-alone entity does reflect the acquisition of Mibanco.

(5) This figure corresponds to Edyficar as a stand-alone entity using the following formula: Past-due loans / total loans. Total loans refer to direct loans plus accrued interest minus unearned interest.

(6) Annualized net income / Average shareholder's equity. Averages are determined as the average of period-beginning and period-ending balances. It includes goodwill of US$50.7 million.

The consolidation of Edyficar's results into BCP's financial statements resulted in a total contribution to BCP of S/.77.4 million in 2014, compared to S/.98.8 million in 2013 and S/.96 million in 2012. Furthermore, Edyficar's net financial income was S/.703.1 million in 2014, representing an increase of 19.8% compared to the S/.586.9 million of net financial income recorded in 2013 (S/.400.5 million in 2012). Nevertheless, the income growth in 2014 was offset by higher operating expenses of S/.406.6 million (S/.308.4 million in 2013 and S/.227.7 million in 2012) associated with the increase in personnel (3,129; 4,051 and 5,606 in 2012, 2013 and 2014, respectively) and the expansion of Edyficar's branches (162, 190 and 214 in 2012, 2013 and 2014, respectively).

Also, as of December 31, 2014, Edyficar had increased its client base to 611,920 clients, representing an increase of 17.2% compared to the client base reported in 2013. In 2013, Edyficar had a client base of 522,056 clients, which represented an increase of 20.5% compared to the 433,406 clients reported in 2012. The average amount of an Edyficar loan was S/.5,563 in 2014, S/.5,027 in 2013 and S/.4,411 in 2012.

Mibanco

In February 2014, Edyficar reached an agreement with Grupo ACP Corp (ACP) to buy the shares ACP held in Mibanco, the country's largest micro-lending operation, which represented 60.68% of Mibanco's total shares.

During 2014, Credicorp focused on implementing Edyficar's business model in the operations of Mibanco and on capturing synergies during the integration process. As a consequence, Mibanco spent S/.52.2 million, mainly due to system migrations, amortization of intangibles and branch closings resulting in a net loss to Mibanco of -S/.59 million.

The following table shows Mibanco's results in 2014:

	2014 Nuevos Soles in million	
Total Assets	5,575.1	
Loans net of provisions	306.1	
Total Loans (1)	4,181.1	
Past-due loans	188.8	
Refinanced loans	70.7	
Total Liabilities	5,140.8	
Total Deposits	3,992.8	
Due to banks and correspondants	705.0	
Total Equity	434.3	
Net interest income	515.0	
Net provisions for loan losses	-266.9	
Non-financial income	40.0	
Operating expenses	-368.1	
Net income	-56.2	
Past-due loan (2)	4.5	%
Coverage of PDL (3)	141.4	%

(1) Total loans refer to direct loans plus accrued interest minus unearned interest.

(2) Past-due loans / Total loans. Total loans refer to direct loans plus accrued interest minus unearned interest.

(3) Stock of provisions / Past-due loans

As a result of the acquisition, the combined business of Edyficar and Mibanco became a leading specialist in microfinance in Peru, as the fifth largest bank in the Peruvian Financial System with a market share of 22% in loans from the SME segment as of December 2014. The legal merger between Edyficar and Mibanco became effective on March 2, 2015.

3.2.2 Atlantic Security Bank (ASB)

In 2014, the global economy was affected by high volatility in global markets. The Euro Zone ended the year with a fragile economy, low performance and political and economic transformations in Greece. The year was also marked by declining commodity prices and a controlled slowdown in China. Despite these trends, at the end of 2014, the United States economy continued its recovery. In this context, ASB carried out a strategic reallocation of its investment portfolio and an increase in the volume of interest earning assets and non-financial income. As a result, Credicorp received a contribution of S/.159.8 million from ASB, in 2014 (S/.140.2 million in 2013 and S/. 127.6 million in 2012).

The following table shows changes to key line items of ASB's Financial Income Statement and to ASB's total assets from 2012 through 2014:

	2012	2013	2014	2012 - 2013		2013 - 2014	
	Nuevos Soles in million			% Change		% Change	
Net interest and dividend income	101.8	110.1	115.6	8.2	%	5.0	%
Non-financial income	50.1	57.9	79.5	15.6	%	37.3	%
Operating expenses	-24.2	-26.1	-32.8	7.9	%	25.7	%
Net Income	127.6	137.5	159.4	7.8	%	15.9	%
Total Assets	4,509.6	4,987.1	5,670.7	10.6	%	13.7	%
Assets under Management	10,100.6	10,542.1	13,457.7	4.4	%	27.7	%

The increase in net interest and dividend income was primarily due to the ASB's investment strategies, which included asset reallocation designed to increase the financial margin and the volume of interest earning assets. ASB also benefited from lower funding cost as a result of low rates during the past three years. Short-term customer deposits, which bear interest rates that reset frequently, allowed ASB to pay low rates on deposit accounts while earning higher interest income on assets engaged for middle and long terms.

ASB's non-financial income includes income from fees, sales of securities, foreign exchange transactions and other income. In 2014, the two main non-financial income accounts, income from fees and sale of securities, totaled S/.21.9 million (S/.23.5 million in 2013 and S/.24.2 million in 2012) and S/.23.3 million (S/.34.4 million in 2013 and S/.20.3 million in 2012), respectively. Additionally, in 2014 ASB received an extraordinary income of S/.40.9 million, as a result of a settlement with an insurance company related to a claim dating back to 2008 (see "Item 8. Financial Information - 8. A Consolidated Statements and Other Financial Information - (1) Legal Proceedings - Madoff Trustee Litigation").

The increase of ASB's total assets from 2012 to 2014 was mainly a result of significant growth in balance deposits (which exclude assets under management, AuMs). Over the same period the increase in AuMs, funds that ASB manages on behalf of its clients, was related to the positive performance of the Peruvian economy.

Finally, ASB's AuMs increase of 27.7% in 2014 was a result of ASB's diversified offering of services and investment products to our customers. Also, at cost value, AuMs increased S/.2,052.3 million from 2013 to 2014, which was primarily due to an increase in the global positions of ASB's customers.

3.3 Insurance segment

In 2014, Grupo Pacífico, which includes Pacífico Seguros Generales (Property and Casualty), Pacífico Vida (Life Insurance) and Pacífico EPS (Collective Health Insurance), reported a net income of S/.180.8 million (S/.89.8 million in 2013 and S/.155.5 million in 2012), after deducting non-controlling interest. The increase from 2013 to 2014 was a consequence of a higher underwriting result and a positive translation result.

The improvement in the underwriting result was due to:

· an increase in net earning premium, primarily in Pacifico Seguros Generales and EPS;

· a decrease in the underwriting expenses, primarily in Pacifico Seguros Generales;

· a decline in claims, due to a drop in loss ratio of 66.7% in 2013 to 63.3% in 2014 (65.9% in 2012), primarily in Pacífico Vida (Disability and Survivorship) and Pacifico Seguros Generales (Automobile);

· an increase in our underwriting result in Medical Subsidiaries, in line with the increase of 2.1% in gross margin.

In terms of premium turnover, Grupo Pacífico reported written premiums of S/.3,156.4 million and net earned premiums of S/.2,252.8 million, which represent an increase of 2% and 2.5%, respectively with regard to 2013. This growth in turnover was evident in two businesses: EPS (increased 14.7%) and PPS (increased 1.5%).

The following table shows changes to key line items of Grupo Pacífico's Financial Income Statement from 2012 through 2014 (without eliminations with Credicorp entities):

	2012	2013	2014	2013 - 2012	2014 - 2013
	Nuevos Soles in million			% Change	% Change
Net earned premiums	1,910.0	2,190.5	2,252.8	14.7 %	2.8 %

Net claims	1,259.6	1,460.5	1,426.7	15.9	%	-2.3	%
Net commissions	314.9	388.3	422.6	23.3	%	8.8	%
Net underwriting expenses	82.1	88.0	75.9	7.1	%	-13.7	%
Underwriting result	253.4	253.7	327.6	0.1	%	29.1	%
Medical Services gross margin	57.0	64.0	98.2	12.2	%	53.5	%
Total Underwriting result	310.4	317.6	425.8	**2. 3**	%	34.1	%
Operating expenses	460.8	527.6	536.5	14.5	%	1.7	%
Traslations results	19.4	-21.3	4.6	-209.9	%	-121.6	%
Net income (1)	155.5	89.8	180.8	-42.3	%	101.4	%

(1) This figure deducts the total non-controlling interest, which includes Grupo Credito’s participation. Therefore, the portion of net income attributable to Credicorp’s partial ownership in Grupo Crédito is excluded from this figure).

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The contribution received from Grupo Pacífico was S/.202.7 million in 2014 (S/.108.5 million in 2013 and S/.175.1 million in 2012). This contribution includes net income after non-controlling interest and the participation of Grupo Crédito (Credicorp's subsidiary) in the non-controlling interest.

Performance in 2014 can be explained as follows:

- Pacifico Seguros Generales reported net income of S/.32.6 million at the end of 2014, higher than the -S/.2.5 million loss posted at the end of 2013. This was a result of our improvement in the underwriting result, lower operating expenses, and a higher miscellaneous income.

The improvement in the underwriting result was due to (i) an increase in the net earned premium in all business segments, primarily in Medical Assistance and Automobile, (ii) a decrease in the underwriting expense due to a recovery of uncollectible reinsurances, and (iii) a decrease in the loss ratio in our automobile segment, resulting from adjustments to our product's pricing model and a lower frequency of claims as a consequence of an increase in deductibles. P&C reduced its overall loss ratio to 56.8% in 2014 from 62% in 2013 (56.1% in 2012). Also, lower operating expenses resulted from the decline in our loss ratio, primarily due to strict cost controls we imposed.

- Pacifico Vida's net income totaled S/.159.3 million at the end of 2014, which represents a 17.0% increase compared to 2013's results (S/.136.1 million). This improvement was due to an increase in investment income and a higher translation result, despite a decline in our underwriting result, higher operating expenses and lower miscellaneous income.

The increase in investment income was due to higher interest income on fixed instruments and higher earnings for leases, which were offset by lower gains from sales of securities.

The decrease in our underwriting result was a consequence of (i) a decrease in net earning premiums, due to the expiration of a contract between Pacífico Vida and Prima AFP, where Pacifico Vida did not receive premiums from Disability and Survivorship (D&S) policies; and (ii) an increase in acquisition cost due to higher commissions in our Credit Life business related to an increase in premiums. These effects were mitigated by lower claims in Pacifico Vida's D&S line, as a result of the end of its contract with Prima AFP.

- Pacífico EPS reported a net income of S/.9.3 million at the end of 2014. Net income in 2014 fell 13.5% below the S/.10.8 million posted in 2013 (-S/.11.4 million in 2012). However, when excluding income tax and translation results, net income increased 5.2% year-over-year (from S/.14.9 million in 2013 million to S/.15.7 million in 2014). This result was attributable to an increase in the underwriting result and higher investment income, which offset the growth in operating expenses. The improvement in the underwriting result was primarily due to higher net earned premiums in our Group and Facultative insurance lines. Nevertheless, this was offset by a higher loss ratio (from 83.6% in 2012 to 82.6% in 2013 and to 83.9% in 2014) due to an increase in: (i) the average cost of claims and (ii) Group Health's share of total premiums relative to SCRT Health's share (Group Health's loss ratio was 87% and SCTR Health's was 52%).

- Our medical subsidiaries, reported net income of S/.0.8 million in 2014, which was higher than the loss of –S/.24 million in 2013, as a result of (i) an increase in sales due to higher occupancy levels, the entry of new lines of business and an increase in average client billing; and (ii) a strategic plan to contain costs.

At the end of 2014, Pacífico and Grupo Banmédica, formalized a partnership that enabled us to consolidate our position as the largest group of private healthcare businesses in Peru by strengthening our healthcare and health insurance offerings. This agreement will allow us to develop together the healthcare business in Peru, including: medical services, health insurance and health plans. Due to this agreement, Credicorp will lose the control over its subsidiary Pacífico EPS, which will become an associate entity. The agreement is effective since January 1, 2015.

We believe that there is substantial growth potential in Peru's insurance market, given industry's low market penetration. Our ability to improve efficiency, manage risk and capitalize on synergies between the insurance business and our distribution channels will continue to be key indicators in measuring Grupo Pacífico's performance. These factors will lead Grupo Pacífico to increase penetration in the insurance market. Also, developing alternative sales channels, efficiently using BCP's network, maintaining relationships and market share through traditional brokerage channels, and expanding services in underserved regions of Peru are essential components of Grupo Pacífico's growth strategy for 2015

3.4 Pension fund segment

Due to the adoption of the Law to Reform the Private Pension System, a tender process is conducted every 24 months to determine which company will have the exclusive right to manage the accounts of new SPP affiliates for a two year period. In December 2012, a tender was held for the exclusive right to market and to enroll new affiliates into the SPP. The process was open to the existing pension funds private administrators (AFPs by its Spanish initials) in the SPP and to any potential new AFPs to the SPP. A new AFP eventually won the process and, beginning on June 1, 2013, it had the exclusive right to market and enroll new affiliates for a period of two years. In December 2014, a tender process was conducted for the exclusive right to enroll new affiliates into the SPP for the two year period beginning in June 2015, and the company that won the first tender was eventually awarded the exclusive right for an additional two years (June 2015 – May 2017).

In 2014, the volume of new accounts opened in the SPP totaled 294,000, representing an increase of 18.1% over the number opened in 2013. With respect to the entire SPP, in 2014 contribution level was 51.5% relative to the total pior year, and contributions to pension funds totaled S/.8.1 billion, which represent 6.1% increase year-over-year.

As of December 31, 2014, the value of funds under management by the SPP reached S/.114.5 billion, representing a 12.2% increase compared to December 2013 (S/.102.1 billion). As of December 31, 2012, the SPP had S/.96.9 billion in funds under management.

During 2014, Prima AFP was able to strengthen its position in the market by adjusting its processes and organization to provide high-quality service and timely and transparent information to its clients. As a result we received a contribution of S/.153.4 million in 2014, as compared to S/.137.8 million in 2013. In 2012, Prima AFP's contribution was S/.100.7 million.

Funds under management at Prima AFP increased from S/.32.4 billion in 2013 to S/.36.7 billion as of December 2014 (13.5%). In 2012, this indicator reached S/.30.5 billion. At year-end 2014, Prima AFP's market share of total funds under management was 32.1%, higher than the 31.7% market share reported at the end of 2013. The profitability of our funds in the 12 months ended December 31, 2014 was 7.8%, 9.6% and 7.6% for Funds 1, 2 and 3, respectively. Using these metrics, Prima AFP is ranked fourth in Fund 1 and first in Funds 2 and 3 with regard to profitability system-wide.

Prima AFP's fee income in 2014 totaled S/.391.9 million, a 6.3% increase compared to 2013 (S/.368.8 million). In 2012, fee income reached S/.308.9 million. This improvement was a result of a stable and high-quality portfolio of contributing members.

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

In 2014, a series of reforms to the SPP were implemented. These reforms are discussed in "Item 4. Information on the Company - 4.B Business Overview - (12) Supervision and Regulation - 12.7 Prima AFP".

3.5 Investment banking segment

In 2014, Credicorp Capital reported a net loss of S/.13.6 million, mainly due to a loss of S/.90.3 million that resulted from impairment on goodwill following the acquisition of IM Trust in Chile. Out of the total impairment, S/.67.5 million corresponds to Credicorp, and S/. 22.7 million to minority shareholders. The aforementioned was the result of the assessment of the recoverable amount of IM Trust's CGU, which in turn amounted to S/.314.7 million (S/.440.1 million as of December 31, 2013), a figure that declined in 2014 due to the generated revenues were lower than those originally budgeted by the Management (see Note 11(b) to our consolidated financial statements). This loss was registered under non-financial income and as a consequence, Credicorp Capital's non-financial income posted an increase of 2.7% year-over-year. This increase is a result of higher income from advisory services; fixed income and equity transactions; and activity with market making, the company's portfolio and excess in liquidity resources.

Credicorp Capital's operating expenses were up 9.3% due to higher variable payments and provisions for compensation tied to the growth in income achieved excluding the impairment loss, transaction costs related to the higher activity in certain markets, and administrative expenses, particularly consultancy services, related to the development of new businesses.

The following table shows changes in key items of Credicorp Capital's Financial Income Statement from 2013 and 2014:

	2013	2014	2014 – 2013
	Nuevos Soles in million		% Change
Net financial income	5.0	2.5	-50.6 %
Non-financial income	379.0	389.1	2.7 %
Operating expenses	-355.2	-388.4	9.3 %
Operating income	28.7	3.1	-89.0 %
Net loss	-7.4	-13.6	-83.4 %

At the end of 2014, Credicorp Capital Peru, Credicorp Capital Colombia and IM Trust each extended or maintained their status as leader in their local fixed income markets with market shares of 39.6%, 10.9% and 21.8% respectively.

Market share	Peru	Colombia	Chile
Equity	43.0%	19.6 %	9.3 %
Fixed Income	39.6%	10.9 %	21.8%

These market share positions were achieved, despite economic conditions in markets where Credicorp Capital operates, which experienced contractions in traded volumes as indicated in the chart below:

	2012	2013	2014
	U.S. Dollars in million		
IGBVL	17	10	12
IPSA	440	758	535
IGBC	196	92	87

3.5.1 Asset Management

With regard to the asset management business, as of December 31, 2014 Credicorp Capital Peru posted assets under management of S/.14,778 million, of which S/.8,008 million corresponded to mutual funds (that represent a market share in Peru of 42.6%), and S/.6,770 million in investment funds managed. Credicorp Capital Colombia posted assets under management of S/.5,335 million, including S/.3,401 million in mutual funds and S/.1,933 million in investment funds managed. Finally, IM Trust posted assets under management of S/.5,453 million, including S/.825 million in mutual funds and S/.4,628 million in investment funds managed. In regards to assets under custody, Credicorp Capital posted a total of S/.36,789 million, of which Credicorp Capital Perú represented 78%, Credicorp Capital Colombia 12 % and IM Trust 10%.

	2012	2013	2014
	Nuevos Soles in million		
AuM - Credicorp Capital Perú*	11,710	11,600	14,778
AuM - Credicorp Capital Colombia	4,106	5,089	5,335
AuM - IM Trust	3,191	3,878	5,453
AuC - Credicorp Capital	34,366	34,012	36,789

* Includes AuMs which there is a service agreement between ASB and Credicorp Capital for the latter to perform functions as Portfolio Manager (ASB funds in Nuevos Soles million are: S/.3,504, S/.4,223 and S/.5,683 in 2012, 2013 and 2014, respectively)

3.5.2 Sales & Trading

In 2014, Credicorp Capital Perú traded a total of S/.9,430 million in equity securities and S/.2,455 million in fixed income securities, which represented a market share of 43.0%% and 39.6%, respectively. In the same period, Credicorp Capital Colombia traded a total of S/.20,436 million in equity securities and S/.185,860 million in fixed income securities, which represented market shares of 19.6% and 10.9% (stock exchange), respectively. IM Trust traded a total of S/.15,588 million in equity securities instruments (S/.12,383 million and S/.14,331 million in 2013 and 2012, respectively) and S/.13,436 million in fixed income instruments, which represented market shares of 9.3% and 21.8% among boutiques, respectively.

	2012	2013	2014
	Nuevos Soles in million		
Equity securities - Credicorp Capital Peru	5,286	3,712	9,430
Fixed income - Credicorp Capital Peru	1,303	2,183	2,455
Equity securities - Credicorp Capital Colombia	18,725	26,794	20,436
Fixed income - Credicorp Capital Colombia	179,043	250,787	185,860
Equity securities - IM Trust	14,331	12,383	15,588
Fixed income - IM Trust	7,760	13,039	13,436

3.5.3 Corporate Finance

In 2014, Credicorp Capital’s corporate finance business participated in the international issuance of instruments for an aggregate amount of US$1,250 million (equivalent to S/.3,733 million, at the exchange rate of S/.2.986, set by the SBS at December 31, 2014). The primary transactions were:

· a S/.1,459 million international bond for Rutas de Lima

- a US$300 million international bond for Mivivienda

- a US$430 million for two international bonds for BCP

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3.5.4 Put and call options over non-controlling interest

In prior years, we acquired a controlling interest in Credicorp Capital Colombia (formerly, Correval) and IM Trust. The purchase agreements through which we acquired a controlling interest in these entities include put and call options to acquire the remaining non-controlling interests.

As of December 31, 2014, financial liabilities related to put options granted to non-controlling interests of Credicorp Capital Colombia and IM Trust amounted to S/.204.8 million and S/.211.4 million, respectively. As of December 31, 2013, the financial liabilities amounted to S/.159.6 million and S/.181.1 million for Credicorp Capital Colombia and IM Trust, respectively; and as of December 31, 2012 liabilities were S/.151 million and S/.159.6 million, respectively.

The formula used to calculate the amount of these put option commitments was fixed contractually and is based on the application of multiples on the average consolidated net income over the last eight quarters and the average net equity over the last four quarters before the exercise date of each option. The amount resulting from such formula is discounted using a market rate, which reflects the remaining periods and the credit risks related to each flow. Likewise, the call options are valued using the same formula.

In 2014, the purchase agreements were amended to make the exercise dates, multiples and financial information used to compute multiples, the same for both Credicorp Capital Colombia and IM Trust.

As of December 31, 2013, the holders of put options could require us to purchase non-controlling interest, as follows:

Credicorp Capital Colombia	Three months after the: - Second year of acquisition, from April 27, 2014; and - Fourth year of acquisition, from April 27, 2016.
IM Trust	Five days after the: - 48th month of acquisition, from July 1, 2016; - 51st month of acquisition, from October 1, 2016; and - 54th month of acquisition, from January 1, 2017.

Likewise, as of December 31, 2013, Credicorp Ltd. could exercise its call options, as follows:

Credicorp Capital Colombia	Three months from July 27, 2016. If non-controlling interests did not exercise their put options until July 26, 2016.
IM Trust	Between the 20th and 24th business day of January 2017. If non-controlling interests did not exercise their put options until 5th business day of January 2017.

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As of December 31, 2014, the new exercise dates of the put options by holders of non-controlling interests in Credicorp Capital Colombia and IM Trust are:

(i) between July 15, and July 23, 2016;
(ii) between October 15, and October 23, 2016; and
(iii) between January 15, and January 23, 2017.

As of December 31, 2014, Credicorp can exercise its call options between January 24 and 31, 2017.

(4) BCP and Subsidiaries

4.1 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, a branch in Panama and a subsidiary in Bolivia.

BCP and its principal subsidiaries as of December 31, 2014 are as follows:

- Banco de Crédito de Bolivia, or BCP Bolivia, is BCP's commercial bank in Bolivia. BCP owns 95.84% of BCP Bolivia (directly and indirectly) and Credicorp Ltd. holds the remaining interest. BCP Bolivia maintained a 10.5% market share of current loans. It also has 10.2% of total deposits in Bolivia and a network of 46 branches located throughout Bolivia. BCP Bolivia's results are consolidated in BCP's financial statements.

- Empresa Financiera Edyficar S.A. was acquired in October 2009 and is 99.947% owned by BCP. It is engaged in micro finance in Peru. In March and July 2014, Edyficar acquired Mibanco. Edyficar owned 81.93% of Mibanco at the end of 2014. Starting on March 2, 2015 the consolidated entity will be Mibanco and it will have the license to operate as a financial institution. The "consolidated" Mibanco represents an exception to the Peruvian Law, which established that no person is allowed to be the owner of two financial institutions of the same type, because Mibanco was created by a Law that allowed us after the acquisition to keep the license even when the acquirer is a financial institution.

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Solución Empresa Administradora Hipotecaria S.A. was established in 1979 under the name Solución Financiera de Crédito del Perú S.A. and is 100% owned by BCP. Its business included mortgage lending, consumer lending and SME financing. In the company's shareholders meeting on November 19, 2009, Solución Financiera de Crédito del Perú S.A.'s shareholders decided to change the company from a finance company to a mortgage administrator company and to change the company's name to Solución Empresa Administradora Hipotecaria S.A. These changes were necessary because, according to Peruvian Law, no person is allowed to be the owner of two financial institutions of the same type. As a result, the company will primarily engage in the administration of mortgage portfolios. These changes were approved by the SBS through resolution SBS 47-2010 on May 21, 2010.

- Inversiones BCP was incorporated in Chile in 1997, with the special purpose of investing in the stocks of Banco de Crédito e Inversiones (BCI) Chile. Inversiones BCP is 99.99% owned by BCP.

- Inversiones Credicorp Bolivia was established in February 2013 and is 95.84% owned by BCP. Currently, Inversiones Credicorp Bolivia owns 99.92% of Credifondo SAFI Bolivia and 99.8% of Credifondo Bolivia.

4.2 General

BCP's activities include wholesale banking, retail banking and wealth management and treasury. As of December 31, 2014, the consolidated operations of BCP ranked first among Peruvian banks in terms of total assets (S/.115.7 billion), total loans (S/.77.1 billion), deposits (S/.72.7 billion) and net equity (S/.10.1 billion).

At the end of 2014, BCP's loans, which included BCP, Edyficar and Mibanco, represented approximately 33.7% of total loans in the Peruvian financial system (31.1% and 30.9% at the end of 2013 and 2012, respectively). BCP's deposits, which included BCP, Edyficar and Mibanco, represented approximately 33.9% of total deposits in the Peruvian banking system (compared to 31.6% in 2013 and 33.4% in 2012).

As of December 31, 2014, BCP had the largest branch network of any commercial bank in Peru with 437 branches. BCP also operates an agency in Miami and a branch in Panama. In addition, as of December 31, 2014, BCP Bolivia, Mibanco and Edyficar had 46, 114 and 214 branches, respectively, through which they serve their clients.

As of and for the year ended December 31, 2014, BCP accounted for 86.1% of our total assets, 80.2% of our net income and 69% of our net equity. BCP's operations are supervised and regulated by the SBS and the Peruvian Central Bank.

BCP groups its client base according to the following criteria:

Client Segmentation

Subsidiary	**Business**	**Group**	**Income/Sales/Total debt**
Banco de Crédito del Perú	Wholesale Banking Group (WBG) (1)	Corporate	Annual sales higher than $100 million (equivalent to S/.299 million)
		Middle-Market	Annual sales from $8 million to $100 million (equivalent to S/ 24 million to S/.299 million)
	Retail Banking Wealth Management Group (RB&WM)	Affluent	At least an individual monthly income of at least S/.5,000
		Consumer	Focus on medium-low income individuals who receive their payroll through BCP.
		SME - Business	Annual Sales from S/.10 million to S/.27 million; or Total debt from S/.0.7 million to S/.4.9 million.
		SME- Pyme	Total debt up to S/.0.7 million.
BCP Bolivia (1)	Wholesale Banking	Large companies	Annual sales higher than S/.30 million
		Medium companies	Annual sales from S/.6 million to S/.30 million
	Retail Banking	Small Business	Annual sales from S/.896 to S/.6 million
		Micro Business	At least annual sales of S/.896
		Consumer	Payroll workers and self-employed workers
		Mortgage Banking	Payroll workers, independent professionals and business owners
Edyficar - Mibanco	SME & Microlending	SME - medium	Annual sales up to S/.20 million. Total debt higher than S/.0.3 million and not issued debt in the capital market.
		SME - small	Total debt from S/.0.02 million to S/.0.3 million.
		Micro-Business	Total debt up to S/.0.02 million.
		Consumer	Focus on debt unrelated to business.
		Mortgage	Focus on individuals for acquisition, construction of homeownership and granted with mortgages.

(1) Converted into Nuevos Soles at the exchange rate of S/.2.986, December, 2014 - SBS.

This segmentation was a result of an analysis, which addressed multiple factors such as the size and volume of activity for each client, our clients’ affiliation with other companies or groups, the degree of follow-up required, and their credit ratings.

4.3 BCP Stand-alone - Business Lines

4.3.1 Wholesale Banking Group (WBG)

BCP’s WBG competes with local and foreign banks. BCP’s traditional long term relationships with medium-sized and large corporate companies provide its WBG with a competitive advantage.

BCP’s WBG maintained a positive trend in loan placements, posting average portfolio levels of S/.24,322 million in 2012 (a 5.4% year-over-year increase), S/.27,653 million in 2013 (a 13.7% year-over-year increase) and S/.33,108 million in 2014 (a 19.7% year-over-year increase). It also maintained its leadership in the wholesale banking market with a 40% market share in loans. BCP has established longstanding client relationships with virtually all of the major industrial and commercial groups in Peru. The WBG provides its customers with cash management solutions, short- and medium-term loans in local and foreign currencies, foreign trade-related financing and lease and project financing.

The WBG is divided into the following two divisions:

- Corporate and International Division (CID):

  - WBG's corporate banking subdivision, which provides loans and other credit and financial services, focuses on serving large-sized companies that have an annual turnover of more than US$100 million, corporate governance, audited financial statements and dominant market positions in their particular brands or product areas. Even if clients do not meet any of these criteria, the CID may provide services to firms under this category if they belong to a large economic group of an industry that is important to Peru's economy.

  - WBG's international banking and leasing subdivision manages BCP's relationship with financial institutions (locally and abroad), trade products, international operational services and financial leasing products.

  - WBG's cash management and transactional services subdivision develops products and services to support clients' daily activities of cash management, collections, payments, and investments, among others.

- Middle-Market Division (MMD):

  - WBG's middle-market banking subdivision serves mid-sized companies. In determining which clients are best served by this subdivision, WBG considers a mix of different characteristics, such as annual revenues, financial leverage, overall debt and product penetration and complexity. BCP's middle-market clients' annual revenues generally vary from US$8 million to US$100 million, and are serviced nationwide by 13 BCP regional managers.

  - WBG's institutional banking subdivision focuses principally on serving for profit and for non-profit organizations, state-owned companies and other major institutions.

Net interest income from BCP's WBG reached S/.749 million in 2012, S/.822 million in 2013 and S/.932 million in 2014. Fee income was S/.508 million in 2012, S/.518 million in 2013 and S/.549 million in 2014.

(i) Corporate and International Division (CID)

BCP continues to meet the needs of its corporate clients, assisting them with financial services, cash management solutions and short and medium-term financing through the CID. As a result, BCP's corporate banking loans grew from S/.14,827 million in 2012 to S/.17,240 million in 2013 and S/.20,485 million in 2014. These increases, coupled with a low PDL ratio (0.06%), enabled the CID to obtain a net interest and fee income of S/.646 million in 2014, which represents 43.6% of the total net income of the WBG. The CID obtained a net interest and fee income of S/.614

million in 2013 and S/.573 million in 2012.

The moderate pace of the CID’s growth is due to (i) intense competition from foreign banks, which finance their operations at lower costs due primarily to the fact that our monetary authority has high reserve requirements for foreign currency for local banks, and (ii) the availability of alternative financing through capital markets, especially in international capital markets. Nevertheless, BCP has a leading position in the Peruvian banking system with 45.5% market share for loans in corporate segment.

The CID offers a broad range of products and tailors its product offerings to meet each client’s unique requirements. In general, this division is expected to offer high-value-added products, advisory and financial services, particularly cash management solutions, at competitive prices.

The CID’s financing is provided to fund capital expenditures and investments, sales, international trade and inventories. To finance capital expenditures, the CID offers medium and long term financing, financial leases and project finance.

International Banking Unit

The International Banking Unit focuses on obtaining and providing short-term funding for international trade. Medium-term lines of credit funded by international commercial banks and other countries’ governmental institutions are also provided to clients. In addition, this unit earns fees by confirming guarantees issued by international banks and other fees as a result of the international payment business. The International Banking Unit also promotes international trade activities with its local clients by structuring trade products and services, organizing and sponsoring conferences and advising customers through a wide range of trade products.

Since September 2008, the International Banking Unit has also been supervising our trade back-office unit (International Operations). BCP maintains business relationships with correspondent banks, development banks, and 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.

BCP’s import business volume amounted to S/.36.5 billion in 2012, S/.38.0 billion in 2013 and S/.36.7 billion in 2014, which represented 29.7% of total Peruvian imports in 2014. According to BCRP, total Peruvian imports grew from S/.121 billion in 2012 to S/.125.3 billion in 2013 and subsequently declined slightly to S/.123.6 billion in 2014.

BCP's export business reached a volume of S/.49.1 billion in 2014, a figure that represented 42.4% of total Peruvian exports (S/.53.9 billion in 2013 and S/.46.2 billion in 2012). According to BCRP, total Peruvian exports remained decreased from S/.118.8 billion in 2012 to S/.116.1 billion in 2013, and decreased again to S/.115.7.8 billion in 2014. This fall is due to an international economic environment where the Chinese and European economies, which are important Peruvian commercial partners, have been suffering from an economic deceleration that impacts demand for Peruvian products.

BCP has access to a wide network of foreign correspondent banks and can offer several internationally competitive products to its customers. It has correspondent banking relationships and uncommitted credit lines with more than 100 banks for foreign trade operations and financing of working capital as well as medium and long-term investment projects. BCP also has a direct presence abroad through its agency in Miami, its branch in Panama, representative offices in Chile and Colombia and a commercial bank subsidiary in Bolivia.

Leasing is one of our most important and profitable products. In connection with our leasing activities, BCP specializes in providing financing to our clients in order to allow them to acquire assets and BCP also supports their investment projects. This product is primarily focused on our Corporate and Middle-market clients.

In 2014, our leasing stock portfolio reached the considerable figure of S/.8.9 billion (a 1.5% year-over-year increase). Peru has a very active leasing market with a volume of S/.22.1 billion in 2012, S/.22.8 billion in 2013 and S/.23.1 billion in 2014. Following this trend, BCP has established its leadership in the leasing business with a market share of 38.5% in 2012, 38.4 % in 2013 and 38.5% in 2014.

Cash Management and Transactional Services Unit

Our Cash Management and Transactional Services Unit is in charge of developing transactional services that handle the exchange of information and money transfers among corporations, midsize companies, institutions and micro-business companies. This unit is responsible for both, the development and marketing of transactional (or “cash management”) services for our corporate and institutional clients. We offer more than 30 products aimed at strengthening ties with clients and assuring their loyalty. Our electronic channels allow us to reduce costs and increase fee income. Services managed by this unit include collections (automated trade bill collection), automated payments (loans to personnel and suppliers’ accounts, reverse factoring and money transfers), electronic office banking and electronic lending solutions, and cash management through checking accounts with special features.

In 2014, transactional services accounted for 21.6% of BCP’s overall earnings. The monthly average number of checking accounts increased by 3% during in 2014, after increasing by 7% in 2013 and 2012. Fee income in 2014 was S/.65 million, a 1.6% increase compared to 2013, due to an increase in fee income from our checking accounts (2.4% in 2013 and 2.5% in 2012). Other sources of income, such as bills of exchange and collection services have increased by 5% and 23.6%, respectively, compared to 2013, due to performance across all market segments. Additionally, the acquisition of new clients, together with the number of established clients in our office banking service (Telecrédito), has generated a growth of 8% in the number of transactions (compared to 20% growth in 2013). Tax collections grew 10% in 2014, compared to growth of 10.6% in 2013 and 35.1% in 2012. We continue to introduce electronic products that will eventually replace conventional promissory notes. Likewise, the transaction volume generated by reverse factoring increased 23% in 2014 after increasing 21.1% in 2013 and 9.7% in 2012.

(ii) Middle-Market Division (MMD)

BCP's MMD provides banking services targeted at medium-sized companies from various economic sectors. The products offered to middle-market clients are similar to those offered to corporate banking clients. The major types of products are:

- Revolving credit lines to finance working capital needs and international trade financing;
- Stand-by letters of credit and bond guarantees;
- Structured long-term and medium-term financing, through loans or financial leasing; and
- Cash management, transactional products and electronic banking.

The MMD has a client portfolio of approximately 6,439 companies, including 1,176 economic groups. Generally, these clients are not listed on any stock exchange; however in certain cases they have accessed capital markets either for bonds or commercial paper. These companies are typically family-controlled but professionally managed, and their financial information is audited.

The MMD has continued to make progress toward implementing its strategic goals by:

- Creating dedicated points of contact to meet the needs of its customers more efficiently;
- Streamlining its lending processes to provide middle-market customers with prompt service;
- Introducing new electronic financial products to make its services more accessible to customers;
- Incorporating sophisticated technical tools in order to implement a risk-based pricing model;
- Focusing on fee income and loan portfolio growth;
- Introducing a new commercial planning model that employs an efficient and standardized methodology; and

- Maintaining risk controls using sophisticated tools created by BCP’s Risk Management Unit.

According to internal reports, net interest income and fee income from the MMD reached S/.684 million in 2012, S/.727 million in 2013 and S/.836 million in 2014. This trend was consistent with the performance of the MMD loan portfolio, which reached S/.9,495 million in 2012, S/.10,413 million in 2013 and S/.12,623 million in 2014. As of December 31, 2014, BCP had a market share of 34.2% in this segment.

Institutional Banking Unit

BCP’s Institutional Banking Unit, which operates within the MMD, serves 1,236 clients throughout Peru. In Lima, a specialized team in wholesale banking serves governmental entities, educational institutions, religious organizations, international bodies, non-governmental organizations, civil associations and regulated entities such as microfinance institutions, insurance companies, pension funds and private funds. In other provinces, a specialized remote team partners with BCP’s retail banking area to serve clients.

The annual average deposit amount in BCP's Institutional Banking Unit (Lima and provinces) increased 21%, reaching S/.8,491 million in 2014. The Institutional Banking Unit is also important because its clients offer great potential for generating fee income and other cross-selling opportunities. BCP's strategy in this unit is focused on building customer loyalty by offering customized services at competitive rates and providing outstanding service. Our institutional banking typically requires remote office banking, collections, automated payroll payment services and structured long-term and medium-term financing loans.

4.3.2 Retail Banking and Wealth Management (RB&WM) Group

At the end of 2014, RB&WM related loans represented 46.8% of BCP's total loans, while deposits accounted for 58.2% of BCP's total deposits. Net income from RB&WM constituted 45.8% of BCP's net income, while income from related fees constituted 66.1% of BCP's total fee income.

In 2014, the RB&WM Group's loan volumes increased to S/.32,023 million from S/.28,713 million in 2013 and S/.24,929 million in 2012. This 12% growth in 2014 is a result of sound increases in all lending businesses, which include home mortgages, installment loans and credit cards, and small and micro business loans. With respect to deposits, RB&WM related deposits have also shown consistent growth. Deposits increased 12% in 2014, and totaled S/.46,425 million as of December 31, 2014. Deposits totaled S/. 41,609 million as of December 31, 2013 and S/.37,407 million as of December 31, 2012.

With the segmentation of its retail client base, BCP is able to focus on cross-selling its products and improving per-client profitability. The RB&WM 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 RB&WM businesses to continue being one of the principal growth areas for BCP's activities.

BCP's RB&WM serves high net worth individuals and small-sized companies with annual sales levels of up to S/.27 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 type of client. 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 most direct sales forces and branches, which in turn are organized geographically. Each branch is responsible for servicing and selling products to three customer groups: affluent, small business and consumer. In addition, each branch manager is responsible for overseeing the different channels offered within the branch and brand personnel, such as account managers, customer service representatives and tellers. Telemarketing, mid-size business banking and real estate developer financing are not managed directly by local branches because of the specialty level and high growth potential associated with these products.

Since 2008, BCP has made an unprecedented investment in infrastructure and human resources to support its "banking the unbanked" market penetration strategy in Peru. As a result, between 2012 and 2014, BCP experienced substantial growth in its various channels, including 1,029 new customer contact locations (71 branches, 403 ATMs and 555 Agentes BCP). Demonstrating its leadership in attracting new customers, BCP now services over 5.6 million clients with its network of 437 branch offices, 2,220 ATMs and 5,157 Agentes BCP (these figures do not include the customer contact locations under Edyficar's management, which we account for separately).

(i) Affluent Banking

BCP is constantly improving the value proposition it offers to affluent customers to increase their loyalty and ultimately their profitability. In May 2012, BCP created a new super affluent segment called BCP Enalta. This segment and the Private Banking segment operate under the Wealth Management Group.

Private Banking is a segment composed of customers that have over US$400,000 in AuMs. Customers in private banking receive not only local but also global investment advice. Its value plan is composed of (i) high quality standards in client service by expert account managers, (ii) close and personalized service, (iii) special interest rates, and (iv) exclusive branches. Customers in this segment total approximately 2,650.

Customers served by the BCP Enalta segment must have monthly incomes in excess of S/.25,000 or have at least US$200,000 in AuMs. BCP Enalta customers have access to six exclusive branches in Lima, where they can perform financial transactions and obtain personalized advice from investment, insurance and loan experts based on their risk profiles and financial needs. BCP Enalta also offers customers: (i) access to exclusive products, (ii) specialized account managers and/or expert phone banking, (iii) preferential service by tellers at branches, and (iv) preferential interest rates on loans. BCP Enalta has approximately 14,200 customers. The Wealth Management Group generates 10% of the RB&WM Group's net income, 10% of the RB&WM Group's loan volume and 19% of its deposit volume.

Customers in BCP's "mass affluent" segment must have a positive credit record and a monthly income of at least S/.5,000. They 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) preferential service by tellers at branches and (iv) preferential interest rates on loans. Approximately 96,400 of the mass affluent clients are serviced through specialized account 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. BCP has approximately 174,000 mass affluent customers. The mass affluent banking segment generates 21% of the RB&WM Group's net profit while managing 3.2% of the RB&WM Group's total customer base, 25% of its loan volume and 18% of its deposit volume.

(ii) *SME - Business and SME - Pyme*

BCP's SME – Business and SME - Pyme Banking Segments account for approximately 386,000 clients. Customers are divided into two groups with different business models, services levels, and product access. The first group, SME – Business, serves approximately 11,800 clients with debts between S/.0.7 million and S/.4.9 million and/or annual sales between S/.10 million and S/.27 million. The other group, SME – Pyme, serves approximately 374,000 small business clients, which have debts up to S/.0.7 million.

According to BCP's internal reports, the SME – Business and SME - Pyme consolidated loan portfolios grew from S/.9,257 million in 2012 to S/.10,960 million in 2013, and by the end of 2014 the loan portfolio was S/.11,669 million. In terms of deposits, this group increased deposits from S/.6,454 million in 2012 to S/.7,195 million in 2013 and S/.8,212 million by the end of 2014.

(iii) *Consumer Banking*

Our Consumer Banking division is in charge of developing strategies for the retail customers who are not included in affluent banking or small business banking. Its customer base consists of approximately 4.8 million medium to low income individuals. Consumer Banking focuses on customers who receive their payroll through BCP (which represent slightly more than 1.2 million clients). Its strategies vary from basic acquisition of new accounts for wage-earners with special terms regarding fees and interest rates, to more sophisticated, aggressive cross-sell and retention programs that expand benefits to non-banking products (i.e., access to discounted products) and access to payroll advances.

(iv) *Mortgage Lending*

As of December 31, 2014, BCP was the largest mortgage lender in Peru with a market share of 32% of total mortgage loans in the Peruvian banking system. This was largely the result of BCP's extensive marketing campaigns and its improvements to procedures for extending credit and establishing guarantees.

BCP expects the mortgage lending business to continue to grow because of:

- low levels of penetration in the financial market;
- increasing demand for housing;

- availability of funds for the Peruvian government's MiVivienda low-income housing program; and

- current economic outlook for controlled inflation and economic growth in Peru.

BCP had S/.10,970 million in outstanding mortgage loans as of December 31, 2014 (as compared to S/.9,788 million at year-end 2013 and S/.8,151 million at year-end 2012).

All of our mortgage-financing programs are available to customers with a minimum monthly income of S/.1,400. In the past, the Peruvian government sponsored a home ownership program known as the MiVivienda program, which provided assistance to purchasers of homes valued at up to S/.269,500. Under the program, BCP financed up to 90% of the appraised value of a property (in either U.S. Dollars or in local currency) where monthly mortgage payments did not exceed 30% of the client's stable net income. The maximum maturity of the mortgage loans BCP offered under the program was 25 years.

In May 2006, the original MiVivienda program was terminated. However, local banks (with government 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 people with a lower income profile. The conditions of the new program are almost identical to those of the first MiVivienda program, except that all financing is in local currency. In June 2009, the Peruvian government re-launched the MiVivienda program with the objective of financing mortgages between S/.53,900 and S/.269,500 using government funds (the government offers guarantees to the lending bank or financial institution through Corporación Financiera de Desarrollo S.A., COFIDE). In 2014, nearly 9,452 MiVivienda loans were sold throughout the Peruvian banking system, 26% of them were sold through BCP.

In 2011, BCP stopped offering variable and LIBOR-based home mortgages. BCP now only offers fixed interest rates on home mortgage loans denominated in both U.S. Dollars and Nuevos Soles. BCP's mortgage portfolio is predominantly fixed rate and in Nuevos Soles.

As of December 31, 2014, mortgage loans in the Peruvian banking systems totaled approximately S/.34,550 million, representing 16.1% of total loans in the Peruvian banking system and 7.4% of the Peruvian GDP. Comparatively, as of December 31, 2014, mortgage loans accounted for 16% of Credicorp's total loan portfolio, with an average LTV (loan-to-value) of 61% and past-due-loan ratio of 1.94%. Through its subsidiary BCP, Credicorp has increased lending to lower socio-economic segments of the population in Peru through programs sponsored by the government (MiVivienda and Mi Hogar). Mortgage loans to this sector represent approximately 15.9% of Credicorp's total mortgage loans and 2.53% of Credicorp's total loans.

Mortgage loans are associated with low losses because of their low LTV, and they have the added benefit of generating opportunities for cross selling other banking products, which has had a positive impact on Credicorp's results of operations.

(v) 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 in Peru. BCP expects the strong demand for these products to continue. In addition to interest income, BCP derives income from customer application, maintenance, retailer transaction merchant processing, finance and credit card penalty fees.

Peru's economic growth has had a major impact on the consumer credit market, which grew by a total of 15% in 2012, 12% in 2013 and 12% in 2014. The outstanding balance of consumer loans (monthly average) in Peru is slightly under S/.38.7 billion, consisting of S/.14.5 billion in credit card loans and S/.24.2 billion in installment loans. BCP's market share in consumer lending has consistently increased since 2011, growing from 20.7 % to 22.5% by year-end 2014. This growth in consumer lending was achieved while maintaining a past-due Loan ratio (for over 30 days) of 4.0%.

During 2012 and 2013, installment loans grew 23% and 20%, respectively. In 2014, these loans grew by another 9%. These results were due, in part, to a strategic change by BCP, which was designed to broaden its customer base.

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 for example. These programs, coupled with BCP's own travel program, enabled BCP to reach record levels, both in points that clients gained for using their credit cards and in points that clients spent to obtain products or services available under loyalty plans. To attract customers in the lower income segment, BCP is streamlining its risk assessment and card delivery processes and generating partnerships with other retailers.

In 2011, the RB&WM Group launched a new product called Movistar BCP MasterCard Credit Card, in partnership with Movistar, a global leader in the telecom business. The product is designed to strengthen BCP's position in Peru's low income market and it is the first MasterCard credit card offered by BCP. In addition, the Movistar BCP MasterCard Credit Card complements BCP's existing AMEX and VISA products.

BCP has been improving its credit monitoring systems and optimizing its scoring models, which include, among others, behavior, payments and income forecasting. As a result, BCP achieved an increase of over S/.704 million in outstanding balances from credit cards from 2012 to 2014 (monthly average). According to BCP's internal records, the number of active credit cards has constantly increased from 910,000 in 2012 to 984,000 in 2013 and 1,083,000 in 2014.

In addition, BCP has developed sales capacities in alternative channels, such as sales through telephone contact centers, which now represent 39% of total credit card sales.

4.3.3 Treasury

Treasury, Foreign Exchange, Derivatives 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 money markets denominated in Nuevos Soles and in other currencies. It has also been active in the auctions of certificates of deposit by the Peruvian Central Bank as well as in financings through certificates of deposit, interbank transactions and guaranteed negotiable notes, among other instruments.

BCP's derivative group helps companies, ranging from SME to large corporations, hedge their market risks. This group offers forwards, exchange options, interest rate swaps, cross currency swaps, as well as tailor-made derivatives for its clients. In addition to its local presence, the derivative group has a regional presence, serving clients in the Andean region. BCP's derivative group is closely supervised by BCP's treasury risk unit, which includes professionals trained in best practices related to risk in international markets. This allows BCP to minimize risk and provide competitive prices to its clients.

In 2013, BCP restructured its Assets and Liabilities Management group (or ALM) to strengthen governance by separating its banking and trading oversight units. ALM is responsible for managing BCP's balance sheet and for accepting reasonable interest rate and liquidity risks through management of short- and long-term transfer rates under the oversight of our Asset and Liabilities Committee (or ALCO). ALM is also responsible for compliance with LCR (Liquidity Coverage Ratio) based on Basel III standards and maintaining our liquidity asset portfolio.

BCP's proprietary trading consists of short-term investments in securities (corporate and governmental), which includes instruments from various countries. BCP is one of the main liquidity providers in the government bond local market where it is part of the Market Maker Program of the Ministry of Economy of Peru.

Additionally, as of December 31, 2014, trading securities, investments available-for-sale and investments held-to-maturity totaled S/.8,651 million, which represented 8.46% of BCP's total assets. Approximately S/. 3,774 million were financial instruments rated in Peru, of which nearly 87.8% were instruments from the Peruvian Central Bank (the Peruvian Government's current rating is BBB+ in both domestic and foreign currency, according to S&P and Fitch; and Baa2 according to Moody's) and approximately 11.2% had local ratings equal to or above A-. Approximately S/.4,877 million of BCP's trading securities, investments available-for-sale and investments held-to-maturity were financial instruments rated abroad, of which 97.4% held international ratings equal to or above BBB-. Approximately 83.7% of BCP's total trading securities, investments available-for-sale and investments held-to maturity were exposed to Peru country risk; and 2.1% are exposed to United States country risk.

4.4 BCP Bolivia

4.4.1 Wholesale banking

(i} Large companies

Loans to Large companies account for 27.4% of BCP Bolivia's total loans. This segment accounts for approximately 500 customers whose annual sales exceed S/.30 million, with appropriate levels of risk and additionally aims to customers with a professionalized and / or sophisticated administrative structure, with great potential for business.

(ii) Medium companies

Loans to Medium companies account for 9.2% of BCP Bolivia‘s total loans. This segment accounts for approximately 800 customers whose annual sales are between S/.6 million and S/.30 million with a professionalized management structure, but usually under family management.

4.4.2 Retail Banking

At the end of 2014, retail banking loans accounted for 63.4% of total loans of BCP Bolivia, while deposits accounted for 36.3% of BCP's total deposits.

(i) Small and Micro Business Banking

The Small and Micro business banking accounts for 27.4% of total loans of BCP Bolivia, this segment accounts for approximately 16,000 clients. Customers are divided into two groups with different business models. The first group is top-end small business banking, which serves approximately 12,000 clients with annual sales that go from S/.896 to S/.6 million. The next group (Micro Business) serves approximately 4,000 business clients, with sales under S/.896.

(ii) Consumer Banking

The consumer banking accounts for 10.2% of total loans of BCP, our consumer banking division is in charge of developing strategies for their respective customers who are not included in mortgage banking or small and micro business banking. Its customer base consists of approximately 33,000 Payroll and self-employed workers. Our strategies are based on cross-selling and retention programs that expand benefits to non-banking products.

(iii) Mortgage Banking

This segment serves 6,000 customers, representing 25.7% of BCP’s total loans. This type of loan is destined to the purchase of land for housing construction and acquisition, construction, renovation, remodeling, expansion and improvement of individual homes or condominiums.

BCP Bolivia's mortgage segment has an average LTV of 49% and represents 1.1% of Credicorp's total loans.

4.5 Edyficar – Mibanco

Credicorp also serves the microfinance market through Edyficar and Mibanco. The client segmentation in both companies follows the structure established by the SBS.

As of December 31, 2014, Edyficar registered 611,920 clients with a total loan portfolio of S/.3,449.9 million, which represented an increase of 29.6% year-over-year. Mibanco registered 297,088 clients at the end of 2014. The number of clients is a consolidated figure for each entity, which means that the client is considered once when it has more than one product.

4.5.1 SME - Medium

SME – Medium segment is focused on financing production, trade or service activities, granted to companies which (1) total debt in the last 6 months was higher than S/.300,000, (2) annual sales up to S/.20 million in the last 2 consecutive years and (3)that have not participated in the capital market. This segment represents 1% and 6% of total loans in Edyficar and Mibanco, respectively, and each registered 171 and 2,796 clients.

4.5.2 SME - Small

SME – Small segment is focused on financing production, trade or service activities, granted to companies which total debt is between S/.20,000 and S/.300,000 in the last 6 months (without including mortgage loans). This segment represents 43% and 63% of total loans in Edyficar and Mibanco, respectively, and each registered 55,060 and 78,071 clients.

4.5.3 Micro-Business

Micro-Business loans focus on financing production, trade or service activities, granted to companies which total debt is up to S/.20,000 in the last 6 months (without including mortgage loans). Micro-Business loans represent 44% and 18% of total loans in Edyficar and Mibanco, respectively, and each registered 393,100 and 188,525 clients.

4.5.4 Consumer

Consumer loans focus on financing individuals to cover payments of goods and services or expenses no related to business. Consumer loans represents 12% and 4% of total loans in Edyficar and Mibanco, respectively and each registered 164,149 and 27,344 clients.

4.5.5 Mortgage

Mortgage loans focus on financing individuals for the adquisition, construction, renovation, remodeling, expansion, improvement and subsivision of homeownership. Mortgage loans represent 0% and 9% of total loans in Edyficar and Mibanco, respectively and each registered 163 and 4,713 clients.

Edyficar and Mibanco’s mortgage segment has an average LTV of 52% and 77%, respectively.

4.6 Lending Policies and Procedures

The Bank has adopted a risk appetite framework and established objective metrics and thresholds to periodically monitor the Bank’s evolving risk profile. The framework was approved by the Board of Directors, and will be managed and monitored by the Risk Management Unit within the Bank’s Central Risk Management Group. The adoption of a risk appetite framework reflects the Bank’s commitment to aligning its forward-looking business strategy with its corporate risk vision.

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 administered in accordance with guidelines established by the Peruvian financial sector laws and SBS regulations. See “Item 4. Information on the company – 4.B Business Overview - (12) Supervision and Regulation – 12.2 BCP”.

BCP’s credit approval process is based primarily on an evaluation of each borrower’s repayment capacity and 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 the quality of any collateral to be provided. In addition, BCP’s credit officers analyze the corporate client’s ability to repay obligations, determine the probability of default of the client using an internal risk rating model, and define the maximum credit exposure that BCP wants to hold with the client.

BCP’s individual and small business borrowers are evaluated by considering the client’s repayment capacity, a documented set of policies (including, among other issues, the client’s financial track record), and, in most cases, credit scores, which assign loan-loss probabilities relative to the expected return of each market segment. In BCP, about 80% of credit-card and consumer loan application decisions are made through automatic means. Mortgage and small business loan application decisions are made by credit officers who use credit scores and profitability models as inputs for their evaluations and report to a centralized unit.

Our success in small business and personal lending areas depends largely on BCP’s ability to obtain reliable credit information about prospective borrowers. The SBS has an extensive credit bureau which has expanded its credit exposure database service to cover businesses and individuals that have borrowed any amounts from Peruvian financial institutions. This database includes risk classifications for each borrower: “Normal,” “Potential Problem,” “Substandard,” “Doubtful” and “Loss.”

BCP has a strictly enforced policy that limits 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, which is operated by officers that have specific lending limits. In addition to the controls built into the loan approval workflow systems, the credit department and BCP's internal auditors regularly examine credit approvals to ensure that loan officers and credit analysis officers are complying with lending policies.

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 COO, executive committee or, if the amount of the proposed facility is sufficiently large, board of directors.

In Nuevos Soles (thousand)	Risk without collateral or with only personal collateral or guarantee	Risk with preferred Guarantees (1)
Board of Directors	Regulatory limit	Regulatory limit
Executive Committee	S/. 1,270,377	S/. 1,270,377
Chief Operating Officer	S/. 179,160	S/. 179,160
Risk Division Manager/ Credit Division Manager	S/. 40,311	S/. 80,622
Credit Risk Manager	S/. 13,437	S/. 42,998
Credit Risk Chiefs	S/. 5,375	S/. 16,124
Retail Credit Risk Manager	S/. 3,583	S/. 5,972

(1) Preferred guarantees include deposits in cash, stand-by letters, securities and other liquid assets with market prices, mortgages, non-real estate property guarantees and assets generated by leasing operations. The limit for the Executive Committee is 10% of the Regulatory Capital of BCP as of December 2014.

In addition, BCP has approved concentration limits by industry, based on its target market share and loan portfolio participation.

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, training is based on a three-month "Bank Specialization Program". Trainees in this program are taught all aspects of banking and finance. After the training program finishes, trainees are hired as loans officers and receive specialized training in credit risk. Loan officers also receive training in specific matters throughout their careers at BCP and also through a comprehensive training program called "Triple AAA". Laterally-hired officers generally are required to have prior experience as loan officers.

BCP operates in a substantial part as a secured lender. As of December 31, 2014, approximately S/. 44.2 billion of our loan portfolio and off-balance-sheet exposure were secured by collateral, which represents 53.1% of the total loan portfolio based upon our unconsolidated figures, as compared to 51.4% in 2013 and 49.6% in 2012.

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Liquid collateral is a small portion of BCP's total collateral. In general, when BCP requires collateral for the extension of credit, it requires collateral valued at between 110% and 150% of the principal amount of the credit facility granted. The appraisal of illiquid collateral, in particular real estate assets, machinery and equipment, is performed by independent experts when required for specific reasons.

Pursuant to a Peruvian regulation (Article 222° under Law No. 26702) that became effective in December 1998, the existence of collateral does not affect the loan classification process. For Peruvian accounting purposes, secured loans (or the portion of any loans covered by collateral) that are classified in Class "B," "C," or "D", risk categories or that are otherwise classified as substandard loans (see "Item 4. Information on the Company - 4.B Business Overview - (13) Selected Statistical Information – 13.3 Loan Portfolio – 13.3.7 Classification of the Loan Portfolio"), have a lower loan loss provision requirement than similar unsecured loans. If a borrower is classified as substandard or below, then BCP's entire credit exposure to that borrower is so classified.

BCP's internal audit division conducts selected revisions and analyses on borrower's financial statements, consistent with the local banking regulations of the jurisdictions in which it operates.

4.7 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 such as demand deposits, savings and Severance Indemnity Deposits or CTS deposits. The nature of CTS deposits is similar to unemployment insurance. Twice a year (in the months of May and November) employers pay 50% of each employee's montly remuneration into the employee's deposits account, but the employee (who is the beneficial owner of the account) may only access the account when the employment relationship ends, or under certain limited exceptions. Exceptions that have been allowed in the past include the free withdraw of 40% of the CTS deposit made in May 2010 and 30% of CTS deposit made in November 2010. Since the year 2011, employees have been able to withdraw 70% of the excess of six gross monthly remunerations. In August 2014, extraordinary measures were established to stimulate the Peruvian economy, and employees were authorized to freely withdraw up to 100% of the excess of four gross monthly remunerations, as long as they did so by December 31, 2014.

As of December 31, 2014, deposits represented 68.9% of BCP's total funding source. BCP's extensive branch network facilitates access to this source of stable and low-cost funding. BCP's corporate clients are also an important source of funding for BCP.

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4.8 Support Areas

BCP's commercial banking operations are supported by its Risk Unit, which evaluates and helps administer credit relationships, establishes credit policies and monitors credit risk. See "Item 4. Information on the company – 4.B Business Overview — (4) BCP and Subsidiaries — 4.4 Lending Policies and Procedures."

BCP's Planning and Finance Unit is in charge of planning, accounting and investor relations functions and is also responsible for analyzing economic, business and competitive environments 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.

4.8.1 Information Technology (IT)

BCP considers its technology platform as one of its main competitive strengths and continues to invest in this area to maintain a competitive position in the banking sector. During 2012, our IT division changed its operating model, outsourcing the administration and operation of IT infrastructure, application development and maintenance of some applications to three companies, each leader in their respective fields: IBM, Tata Consulting Services and Everis. During 2013 and 2014, we continued to expand the scope of our IT services. As a result in 2014, our IT division delivered more projects/requirements (41% more than 2011), met its time-to-market objectives (since 2011) and strengthened our contingency and business continuity plan.

BCP's investments in IT reached S/.149.7 million in 2012, S/.199.3 million in 2013 and S/.126.3 million in 2014. BCP's IT expenses totaled S/.501.2 million in 2012, S/.544.2 million in 2013 and S/.588.1 million in 2014. The 8% increase in expenses in 2014 was primarily due to expenses we incurred to achieve greater economies of scale in consumption of outsourced infrastructure and outsourced applications development. As we expected, the rate of IT expenses as a percent of revenue improved from 8.2% in 2012 to 7.9% in 2013 and 6.9% in 2014.

4.8.2 Marketing

BCP continually works to protect and strengthen the BCP brand. BCP has a proactive attitude towards competition and is focused on change and innovation. The company promotes its products and services by constantly improving them. In this manner, BCP aims to grow and be a leader in every retail financial market by offering the highest possible value for its clients and shareholders. During 2014, BCP continued its strategy which was based on generating value.

BCP also continues to develop strategies to approach different retail customer groups through our customized outreach strategy known as Customer Relationship Management (CRM). This has enabled BCP to reach customers proactively and provide them with personalized offers and terms, in a timely manner while using cost effective channels and maximizing efficiency.

Another key element for BCP in creating value is innovation. BCP has launched several innovative products, including new service products for wealthy customers and new benefits for customers whose wages are paid directly into their BCP accounts. BCP is also constantly evaluating and improving its internal systems, operations and organizational structure in order to achieve leaner and more efficient processes which enhance the banking experience for our customers. Since 2009, BCP has streamlined processes by making adjustments to branch layouts, tellers, ATM cash management and mortgage lending practices. We have also implemented more standardized and sustainable commercial practices.

Quality service is a permanent goal for BCP and the company aims to proactively meet or exceed regulations promulgated under Peru’s Consumer Protection Law. BCP has made significant investments in improving service and keeping customers informed about its products and services, with a special focus on reducing claims.

4.9 Corporate Compliance

Our Corporate Compliance programs cover all companies within the group and have been developed under a comprehensive approach based on international best practices and ethical principles and values of the corporation.

We follow a risk-based approach, which focuses on reducing the level of exposure to fines or penalties that may negatively impact the reputation of the corporation while adding value to the business.

Compliance is responsible for managing the following corporate programs:

· Anti-Money Laundering (AML)

· Office of Foreign Assets Control Regulation Compliance (OFAC)

· Foreign Account Tax Compliance Act (FATCA)

- Regulatory Compliance
- Ethics and Conduct
- Anti-Corruption
- Market Abuse Prevention
- Protection of Personal Information
- Occupational Safety and Health
- Promoting Stability and Transparency in Financial System (based on Dodd Frank Act)

4.9.1 Anti-Money Laundering Program

Peruvian law for the prevention of money laundering and terrorist financing (SBS Resolution N° 838-2008), establishes that companies must have a program in place that ensures and prevents products and/or services offered be used for illegal purposes related to money laundering and/or terrorist financing, and is subject to warnings, fines, withdrawal of operating license and even imprisonment.

Credicorp has developed an Anti-Money Laundering program, according to the standards of both local and international regulations, including Financial Action Task Force (FATF) recommendations and resolutions issued by the UN.

4.9.2 OFAC Program

Credicorp also has an OFAC Program whose corporate policy ensures that Credicorp companies doing business in and with the United States or who enter such jurisdiction comply with the restrictions issued by the Office of Foreign Assets Control. It is our policy to not do any transactions with any sanctioned countries.

4.9.3 Anti-Corruption Program

Our Anti-Corruption Program is aligned with the requirements of the Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act. Compliance maintains an anonymous whistle blowing system which is available to employees, suppliers, customers, investors and persons who wish to report fraud, bad accounting practices or violations of our code of conduct. In addition, we have a strict non retaliation policy, which we ensure is adhered to all times.

4.10 Employees

As of December 31, 2014, BCP and Subsidiaries had 27,750 employees (including 1,662 employees from BCP Bolivia, 5,606 employees from Edyficar and 3,667 employees from Mibanco) compared to 22,657 employees as of December 31, 2013 and 21,774 employees as of December 31, 2012.

(5) Atlantic Security Bank (ASB)

ASB is a Cayman Islands licensed bank that engages in private banking, asset management and proprietary investment. It was incorporated in September 1984, in the Cayman Islands and principally serves Peruvian-based customers. ASB has an international licensee branch in Panama, through which it conducts all commercial business.

As of December 31, 2014, ASB had total assets of S/.5,670.7 million and shareholders' equity of S/.663.1 million. As of December 31, 2013, ASB total assets and shareholders' equity reached S/.4,987.1 million and S/.559.9 million, respectively (compared with S/.4,509.6 million and S/.560.5 million, respectively, as of December 31, 2012). ASB reported a net income of S/.159.4 million in 2014, compared with S/.137.5 million in 2013 and S/.127.6 million in 2012.

ASB's clients have traditionally provided a stable funding source, as many are long-time clients who roll-over deposits on a permanent basis. As of December 31, 2014, ASB had approximately 3,212 clients, 94% of whom were Peruvian. ASB deposits reached S/.4,815.6 million in 2014 from S/.4,037.8 million in 2013 and S/.3,562.0 million in 2012.

ASB trades on its own account primarily by making medium-term investments in investment grade fixed-income securities and sovereign debt. Non-investment grade fixed-income securities represent a distant second in terms of portfolio allocation, while equity and hedge-fund positions, though present, are less relevant. As of December 31, 2014, ASB's investment portfolio was S/.2,650.2 million, compared to S/.2,398.7 million in 2013 and S/.2,046.3 million in 2012.

Third-party asset management is an important activity for ASB. Total AuMs reached S/.13,457.7 million as of December 31, 2014, compared to S/.10,542.1 million as of December 31, 2013 and S/.10,100.6 million as of December 31, 2012. These assets comprise a range of unsolicited securities directly to ASB, in which case ASB acts as an intermediary in the management and custody of these investments and mutual funds.

ASB also maintains a sizable loan portfolio. Total loans were situated at S/.2,520.4 million, S/.2,197.8 million and S/.2,042.9 million at year-ended 2014, 2013 and 2012, respectively. Between 96% and 98% of these loans were guaranteed by client's deposits or investments. At year-end 2014, for example, only S/.47.5 million of this total represented unsecured loans. This level of collateralization is reflected in ASB's level of non-performing loans, which is consistently less than 1% of its total loan portfolio. The majority of ASB's loans are granted to Peruvian individuals and companies, while those that are not are otherwise directed exclusively to Latin American borrowers.

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

(6) Grupo Pacífico

In 2014, the seven most significant business lines collectively generated 85.4% of total premiums written by Grupo Pacífico as compared to 78.4% in 2013 and 77.4% in 2012.

S/. in Thousand	2012	2013	2014
TOTAL WRITTEN PREMIUMS(*)	2,698,165	3,082,126	3,156,365
Health Insurance (**)	832,333	978,986	1,082,323
Individual Annuity Line	280,090	288,147	343,294
Automobile	275,621	325,777	331,850
Credit Life	160,344	227,120	259,636
Individual Life	195,998	224,936	254,960
Fire and Allied Lines	203,488	207,754	244,978
Group Life	141,345	163,542	177,875
Others	608,946	665,864	461,449

* Without eliminations.

** Includes Medical Assistance

Grupo Pacífico is the second largest Peruvian insurance company, with a market share of 26.3% based on direct premiums earned in 2014. This market share calculation includes premiums from Pacífico Seguros Generales, Pacífico Vida and Pacífico EPS and represents our total market share in the insurance market and the healthcare sector.

Pacífico Seguros Generales is Grupo Pacífico's property and casualty insurance subsidiary. Pacífico Seguros Generales' total written premiums increased 1.5% in 2014 and 15.9% in 2013 (from S/.1,106.2 million in 2012 to S/.1,281.8 million in 2013 and to S/.1,300.8 million in 2014). Pacífico Seguros Generales total written premiums includes Medical Assistance and Personal Accident premiums for an amount of S/.350.1 million and Property and Casualty premiums ascend to S/.950.7 million in 2014 (S/.333.4 million and S/.948.4 million in 2013 and S/.275.7 million and S/.830.5 million in 2012, respectively).

The higher written premiums of the period was accompanied by lower claims, as a result of a decrease of the loss ratio in the Automobile business line (50% in 2012, 66.9% in 2013 and 56.8% in 2014) due to adjustments to the product's pricing model and to a decrease in claims following an increase in deductibles. Also, the reduction of the acquisition costs is associated with uncollectible releases executed in the Property and Casualty business in 2014. Additionally, the fall in general expenses was a result of controlling expenses as part of the company's effort to achieve operating efficiency, which is reflected in the drop of operating expenses to net earned premiums ratio from 31.6% in 2012, 29.5% in 2013 to 26.7% in 2014. The results of 2013 incorporated one-time income from the sale of real estate assets (S/.36.4 million) and the sale of shares (S/.23.8 million) recorded in financial income.

Pacífico Seguros Generales			
S/. in Million	2012	2013	2014
Total written premiums	1,106.2	1,281.8	1,300.8
Financial Income	89.5	105.3	49.4
Net Income	36.2	-2.5	32.6

Pacífico Vida is Grupo Pacífico's life insurance subsidiary. Pacífico Vida recorded a 5.6% decrease of total written premiums in 2014 compared to 2013, and a 12.2% increase in 2013 compared to 2012. The decrease in total premiums in 2014 is explained by the expiration of the contract with AFP Prima, which used to provide Pacifico Vida premiums on the D&S line of business. Nevertheless, all lines of business, excluding D&S, grew by an average of 15% with respect to 2013.

Pacifico Vida's performance was consistent with the improved performance of the Peruvian life insurance market overall. Pacifico Vida reported a 21% market share based on direct premiums earned as of December 2014.

Individual Annuity premiums achieved a growth of 19.1% compared with 2013 (2.9% and 2.7% in 2013 and 2012, respectively) due to an improvement in sales rate offered. Additionally, we currently have the fourth market share in this sector of the insurance industry with 17.7% at the end of 2014.

Credit Life premiums, which are derived from life insurance policies that pay credit card and mortgage loan debt in case of the death of the borrower, increased 14.3% in 2014 (compared to a 36.4% and 41.6% in 2013 and 2012, respectively). The strong gains from these premiums are attributable to Pacífico Vida's partnership with Banco de Crédito. Currently, Pacífico Vida has the highest market share in the insurance industry with 31.1%, of the market in comparison to 30.9% in 2013 and 29.6% in 2012; with its market share in 2014, 14.3% higher than its nearest competitor.

As a result of a tender process for the exclusive right to manage the collective insurance policy for D&S and burial expenses in Peru's private pension system, Pacífico Vida did not issue and has not received premiums D&S line business through SPP from October 2013 until the end of 2014. This resulted in a 98.7% decrease in Pacífico Vida written premiums in 2014 (compared to a -2.0% decrease and a 32.3% increase in 2013 and 2012, respectively). At the end of 2014, Pacifico won a new tender process, which as of February has acoounted for 14% of the total premiums in the D&S business line.

Group Life total premiums increased by 8.8% in 2014 (compared to an increase of 15.7% and 17.5% in 2013 and 2012, respectively), mainly through increases in the premiums collected from Group Life and SCTR. Employers in high-risk industries and employers who have personnel with four years of working tenure are required by law (Vida Ley) to purchase these types of insurance. This growth was primarily the result of macroeconomic gains experienced across the country, the higher number of formal businesses in Peru and the strong development of Peru's mining and construction industries.

Individual Life's premiums increased 13.3% in 2014 (compared to an increase of 14.8% and 9.9% in 2013 and 2012, respectively), above the market growth (10.5%). This result was mainly due to the development of our distribution channels, which include our main channel, our exclusive agencies and bancassurance, brokers and sponsors. Exclusive agencies are in 21 Peruvian cities, represents 87.4% of this line production. As a result, we had a 40.4% market share, leading this sector of the insurance industry.

Pacífico Vida reported net income of S/. 159.3 million at the end of 2014, 17.0% above the S/. 136.1 million posted in 2013. This increase is due to higher investment income and a favorable translation result, despite a lower underwriting result, higher general expenses and lower miscellaneous income. The increase in investment income is due to higher interest on fix instruments and more income for lease, which were offset by lower sales of securities.

Written Premiums	Pacífico Vida		
S/. in Thousand	2012	2013	2014
Individual annuity	280,090	288,147	343,294
Individual Life	195,998	224,936	254,960
Credit Life	160,344	227,120	259,636
Disability and Surv.	208,540	204,458	2,719
Group Life	141,345	163,542	177,875
Personal Accident	49,069	53,858	58,633
Total Written Premiums	1,035,386	1,162,061	1,097,117
Net Income	157,257	136,111	159,269

Total written premiums in Health Insurance amounted to S/.1,082.3 million during 2014. This line is classified into the following contracts: (i) medical assistance policies whose written premiums amounted to S/.323.9 million and (ii) collective health policies whose written premiums amounted to S/.758.4 million, as described the paragraph below.

Pacífico Seguros's medical assistance had total written premiums of S/.323.9 million during 2014, a 5% increase in comparison with 2013. The improvement was mainly due as a result of acquiring more customers and price adjustment made in the majority of the medical assistance's products.

Pacífico EPS reported total written premiums of S/. 758.4 million in 2014, a 14.7% increase in comparison with 2013. The company registered a gain of S/. 10.1 million in 2014, compared with the net loss of S/. 13.2 million in 2013 (net loss of S/. 15.1 million in 2012).

The gain in 2014 was mainly due to an improvement of the Medical Subsidiaries business, which registered a net gain of S/.0.8 million compared with the net loss of S/.24 million in 2013. This result was primarily due to an increase of sales and an efficient expenses management. On the other hand, Pacífico EPS's Insurance Business (collective health policies) registered a net income of S/.9.3 million in 2014 (S/.10.8 million in 2013 and -S/.11.4 million in 2012).

Pacífico EPS			
Nuevos Soles in million	2012	2013	2014
Total Premiums	556.6	661.0	758.4
Net Loss Ratio	83.60%	82.64%	83.87%
Insurance Business Net (Loss) / Income	-11.4	10.8	9.3
Medical Subsidiaries Business Net income/ (Loss)	-3.6	-24.0	0.8
Net (Loss) / Income	-15.0	-13.2	10.1

This improvement in Medical Subsidiaries business net income was primarily due to an increase of the gross margin by 2.1%. This effect is explained by the growth of 15% of sales due to (i) improvements in occupancy levels; (ii) creation of new line of business; and (iii) an increase in the average tickets. Furthermore, the costs management and savings have also contributed to the increase of gross margin, by centralizing the purchase of supplies and drugs. During 2014, Grupo Pacífico pursued a cost control strategy which enabled Medical Subsidiaries to decrease its general expenses by S/.1.1 million.

Finally, in order to consolidate our leadership position and facilitate the process of expanding hospitals as part of our Clinics business, Pacífico EPS has established an association with Grupo Banmédica since January 1, 2015, one of the major health conglomerates in Latin America. Grupo Banmédica has experience in the insurance business and delivery of health services has operations in three markets of Latin America (Peru, Colombia and Chile); and manages over 1,500 hospital beds. The association with this group will contribute to consolidating our leadership position.

6.1 Underwriting, Clients and Reinsurance

Underwriting guidelines for substantially all of Pacífico Seguros Generales property & casualty, and health insurance risks are elaborated by profit centers in conjunction with the actuarial staff. Pacífico Seguros Generales own engineering staff, which inspects most medium and medium-to-large higher commercial property insured risks prior to underwriting, whereas third party surveyors are employed to inspect smaller risks and/or lower risk. Underwriting guidelines, rates and approval thresholds for these types of insurance are periodically reviewed by the profit centers with the actuarial staff, and informed to Pacífico Seguros Generales' risk committee.

Pacífico Seguros Generales transfers risks to reinsurers in order to limit its maximum aggregate potential losses and minimize exposures on large individual risks. Reinsurance is placed with reinsurance companies based on the evaluation of the credit quality of the reinsurer, terms of coverage and price. Pacífico Seguros Generales's main reinsurers in 2014 were, among others, Lloyd's, Munich Re, Swiss Re, Hannover Re, Transatlantic Re, Gen Re, Everest Re, and the AIG group. Pacífico Seguros Generales acts as a reinsurer on a very limited basis, providing excess facultative reinsurance capacity to other Peruvian insurers that are unable to satisfy their reinsurance requirements, and/or to interests of Peruvian clients in the Latin American region.

Pacífico Seguros Generales historically has obtained reinsurance for a substantial portion of its earthquake-related insurance portfolio through excess loss reinsurance treaties. In addition, in 2012 Pacífico Seguros Generales negotiated proportional reinsurance support for this portfolio, which it maintains as of 2014. Pacífico Seguros Generales has property catastrophe reinsurance coverage in place that covers its probable maximum loss under local regulatory requirements. However, there can be no assurance that a major catastrophe would not have a material adverse impact on Pacífico's financial condition and/or its operations.

Regarding to life insurance, underwriting decisions as to life insurance are made with the support of Pacífico Vida's subsidiary Subscription Management and its technical staff. Underwriting guidelines are approved by reinsurer's policies if necessary. Pacífico Vida mainly holds excess of loss reinsurance contracts for Individual Life, Personal Accident, Group Life and Credit Life products; and in the case of Work Compensation Risk Insurance, it holds a quota share contract. Catastrophic reinsurance contracts cover all the company's lines (Individual Life, Personnel Accident, Group Life, Credit Life, SCTR and D&S), except for Individual Annuity line Pacifico Vida's reinsurers in 2014 were: Swiss Re, Hannover Re, Gen Re, Scor Global Life and Arch Re. Premiums ceded to reinsurers represented less than 3% of written premiums in 2014.

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Grupo Pacífico’s total premiums ceded to reinsurers represented 14.5% of gross group written premiums in 2014.

6.2 Claims and Reserves

Net claims paid by Grupo Pacífico as a percentage of net premiums written (i.e., the net loss ratio) in 2014 reached 63.3%, which decreased compared to the net loss ratio of 66.7% and 65.9% recorded in 2013 and 2012, respectively.

Pacífico Seguros Generales’s net loss ratio, which includes Medical Assistance and Personal Accidents lines, increased from 56.1% in 2012 to 62.0% in 2013, and then decreased to 56.8% in 2014. The decrease is attributable to premium adjustments and an increase in deductibles in automobile products in response to increased claims cost.

The net loss ratio in the Life Insurance lines decreased from 39.3% in 2013 to 29.5% in 2014 (29.4% in 2012), primarily due to the expiration of the contract with Prima AFP on October 2013. Nevertheless, the net loss ratio in the health businesses increased from 82.6% in 2013 to 83.9% in 2014 (83.6% in 2012).

Grupo Pacífico is required to establish (i) claims reserves related to pending claims in its Property-Casualty business, (ii) reserves for future benefit obligations under its in-force life and accident insurance policies, (iii) unearned premium reserves related to that portion of premiums written that is allocated to the unexpired portion of the related policy periods, and (iv) unallocated loss adjustment expenses (collectively, “Technical Reserves”). Grupo Pacífico establishes claims reserves with regard to claims when reported, as well as for incurred but not reported (IBNR) claims. Such reserves are reflected as liabilities in Grupo Pacífico financial statements.

Grupo Pacífico 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, Grupo Pacífico establishes pre-event reserves for catastrophic risks with respect to earthquake coverage. See “Item 4. Information on the company – 4.B Business Overview — (12) Supervision and Regulation — 12.6 Grupo Pacífico — 12.6.5 Reserve Requirements”. In accordance with IFRS principles, the pre-event reserves and income charges for these catastrophic reserves are not considered in Credicorp’s consolidated financial statements.

Even though Grupo Pacífico maintains reserves to reduce its exposure, there is always some risk that claims might exceed Grupo Pacífico's reserves. To address this issue Grupo Pacífico evaluates its reserves estimates on a periodic basis, by third party experts and by means of sensitivity analysis, IBNR's sufficiency analysis (backtesting) and explanation of variations. As a Management control, reserves are evaluated by Towers Watson each year no significant deviation from their estimates up to the date.

6.3 Investment Portfolio

Grupo Pacífico's investments are made primarily to meet its solvency equity ratio and to provide reserves for its claims. Grupo Pacífico manages its investments under three distinct portfolios, designed to contain sufficient assets to match the liabilities of the group's property and casualty, life and annuities lines, and health care lines. Each portfolio is managed under the authority of its own committee, which reviews portfolio strategy on a monthly basis. Grupo Pacífico's invests in local and international markets, emphasizing investments in Peru, the U.S. and Latin America. Grupo Pacífico's has adopted strict policies related to investment decisions. Its investment strategies and policies are reviewed and approved by Grupo Pacífico's Board of Directors. Senior management also takes a leading role in devising investment strategies.

Grupo Pacífico constantly monitors its investment policy in order to apply best international risk management practices and tools. Also, Grupo Pacífico has incorporated into its investment policy recommendations of Solvency II and Basel II, with a view to developing hedges against the group's liabilities; especially in connection with obligations vis-à-vis Grupo Pacífico's insured customers.

As of December 31, 2014, the market value of Grupo Pacífico's investment portfolio (which includes Pacífico Seguros Generales, Pacífico Vida and Pacífico EPS) was S/.6,671 million, which included mainly S/.471.5 million in equity securities, S/.798.2 million on investment properties, which are valued at its cost, S/.5,401 million in fixed income instruments. The portfolio is well diversified and it follows an asset-liability management strategy which is based on matching assets (portfolio) and liabilities (reserves): (i) cash flow and duration matching; (ii) currency matching and (iii) to improve the capital structure of the company.

Grupo Pacífico's consolidated financial income increased 1.5% in 2014 (from S/.332.3 million in 2013 to S/.337.2 million in 2014) and 3.9% in 2013 (from S/.319.8 million in 2012 to S/.332.3 million in 2013). These amounts are the net result; do not consider transactions between entities that belong to Grupo Pacífico. The increase observed in 2014 is mainly attributed to the growth of Pacífico Vida's business lines (especially the life insurance business) and Pacífico Seguros Generales's property and casualty businesses.

Pacífico Seguros Generales' portfolio had a market value of S/. 582.5 million at year-end 2014; which included equity investments, and fixed income instruments. Also, Pacífico Seguros Generales maintains investment properties in an amount of S/.168.2 million, which are valued at its cost and the fair value of these properties amounts to S/.486.0 million as of December 31, 2014. Pacífico Vida's portfolio had a market value of S/.5,232.3 million at year-end 2014; it mainly consisted of high grade long-term debt instruments. Pacífico EPS' portfolio had a market value of S/.69.9 million.

In 2014, Pacífico Seguros Generales' 2014 financial income was S/.49.4 million, a decrease of 53% compared to S/. 104 million in 2013; a year earlier in 2012 financial income was S/.89.4 million. The performance reflected our strategy of maximizing capital appreciation. The decrease was primarily due to lower level of capital gains from the sale of real estate investments.

Pacífico Vida's 2014 financial income (before deductions) grew to S/.285.7 million, an increase of 7.8% compared to S/.264.8 million in 2013; a year earlier in 2012 financial income was S/.234.7 million. This increase was primarily due to (i) growth in the annuities business line, (ii) increased leasings, and (iii) growth of the Peruvian consumer price index, which had a positive effect of S/.23.4 million on inflation adjusted bonds.

(7) Prima AFP

In 2012, the Peruvian Government published the Law to Reform the Private Pension System. The law sets forth a new process by which individuals, which are called affiliates, may become beneficiaries affiliated with the SPP. Under the new law, tenders are held every 24 months to determine which company will have the exclusive right to manage the accounts of new SPP affiliates for a two year period. A competitive bidding process took place in September 2012 to determine which company would manage the accounts during a transitional period from September 2012 through the end of January 2013 (subsequently extended to May 2013). Prima AFP won the September tender and managed the accounts of new affiliates during the transitional period.

In December 2012, the first tender was held to determine who would manage the accounts for the first full two year period. A new participant in the system won the tender, but that participant did not have the operational capacity to manage new affiliate accounts as of February 1, 2013. As a result, Prima AFP continued managing the new accounts until May 31, 2013. The new participant started operations on June 1, 2013.

Between October 2012 and May 2013, Prima AFP had the exclusive right to capture new affiliates. Over this eight-month period, the company's commercial efforts increased its client base by 200,000 new affiliates. As a result, Prima AFP strengthened its position in the market and gained competitiveness. This has reinforced the company's commitment to providing premium customer service while obtaining good results with its prudent approach to pension fund management.

On May 2013, the process requiring affiliates to choose a fee scheme ended. A new fee scheme was established for the system. Prima AFP's fee scheme is as follows, each are mutually exclusive options:

- Fee based on flow: 1.60% applied to the affiliates' monthly remuneration.
- Mixed Fee: composed of a flow fee of 1.51%, which is applied to affiliates' monthly remuneration, plus a fee of 1.25% a year, which is applied to the new balance (generated as of February 2013 for new affiliates to the system and beginning in June 2013 for old affiliates who have chosen this commission scheme).

In 2014, Prima AFPs commercial efforts were focused on maintaining its existing affiliate portfolio. The RAM indicator decreased from 34.4% in 2013 to 33.1% in 2014. In terms of collections, Prima AFP experienced a decreased in its market share from 34.4% in 2013 to 32.6% in 2014. The reduction in both were primarily a result of the entrance of a new competitor in 2013, who won the last 2 tenders for new affiliates.

Prima AFP managed 1.5 million affiliate accounts in 2014, similar to the number of accounts managed in the previous year. This represented a 25.5% market share.

Funds under management at Prima AFP increased from S/. 32.4 billion in 2013 to S/. 36.7 billion as of December 2014 (13.5%). In 2012, this indicator reached S/. 30.5 billion. By year-end 2014, Prima AFP's market share of total funds under management was 32.1%, representing a year-over-year increase of 37 basis points. The profitability of our funds in the last 12 months (December 2014/December 2013) was 7.8%, 9.6% and 7.6% for Funds 1, 2 and 3, respectively.

Given that pension funds are long-term investments, it is best to observe their returns over a long period. For the December 2006 to December 2014 period, covering the life of Prima AFP's three funds to date, nominal annual profitability has been 6.50%, 7.43% and 7.02% in funds 1, 2 and 3 respectively. These figures place the company first, second and third, respectively, for profitability in the SPP system.

In 2014, Prima AFP registered total revenues of S/.391.9 million (S/.368.8 million in 2013 and S/.308.9 million in 2012) and net income of S/.153.4 million (S/.137.8 million in 2013 and S/.100.7 million in 2012). This was accomplished by expanding Prima AFP's revenue base and controlling its operating expenses. Net income incorporates a positive adjustment of S/.5.9 million in 2014 in the income tax line, due to the tax changes decreed by the Peruvian government, which cut corporate income taxes as of 2015. In this context, Prima AFP made adjustments to the deferred income tax liability in December 2014.

(8) Credicorp Capital

In 2014, Credicorp Capital's investment banking business continues establishing in the MILA markets, through:

- Its position as first in trading on the bond markets of the three countries, and first, second and fourth in trading on the equity markets in Peru, Colombia and Chile, respectively;

- Corporate Finance, which was actively involved in issuances and transactions in the region, and reached a market share of 23.5%, according to Credicorp Capital's estimates and league tables (Source: Bloomberg); and

- The management of some funds in the region, such as: Fonval Dynamic - Colombian Equity Fund and Partners Fund - Bond Fund Chileno.

In Corporate Finance, we strengthened our regional presence by participating in cross border operations:

- The Peruvian team advised Gloria Group, Graña y Montero (Peru) and Morelco (Colombia).

- The team in Chile supported the acquisition of the shares of Maestro Home Center Peru. In the same transaction our Peruvian team made the purchases and sales of shares on the Lima Stock Exchange, BCP provided bridge financing and the teams of Chile and Peru worked together in international bond issuance.

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At the end of 2014, Credicorp Capital held AuM of S/.25.6 billion (S/.20.6 billion in 2013), of which 58% corresponded to Credicorp Capital Peru, 21% to Credicorp Capital Colombia and 21% to IM Trust. Additionally, Credicorp Capital reported S/.36.8 billion in assets under custody (AuC, S/.34.0 billion in 2013 and S/.34.4 billion in 2012), 78% of which were attributable to Credicorp Capital Peru, 12% of which were attributable to Credicorp Capital Colombia, and 10% of which were attributable to IM Trust.

In terms of net income by business units, asset management represented over 13% of Credicorp Capital’s business; capital markets represented approximately 30%; corporate finance represented approximately 25%; and local fiduciaries and other businesses collectively accounted for approximately 32% of net income in 2014.

(9) Competition

9.1 Banking

9.1.1 Overview

In recent years, several foreign companies have showed interest in entering the Peruvian market while financial companies already in Peru have taken steps to expand operations and develop new businesses. In 2006, the Canadian bank with the largest international presence formed Scotiabank Peru pursuant to a merger between Banco Wiese Sudameris and Banco Sudamericano. In addition, in 2006, one of the largest financial organizations worldwide entered the Peruvian market for the first time by forming HSBC Bank Peru.

In 2007, Banco Santander re-joined the Peruvian banking segment and started operations in October. In 2008, two foreign-owned banks initiated operations in Peru: Banco Azteca and Deutsche Bank (Peru), a subsidiary of the German bank of the same name. In 2009, BCP acquired Financiera Edyficar; however, Edyficar continued to operate independently and maintained its own brand until March 2, 2015. In the same year, Banco del Trabajo, a subsidiary of Scotiabank, started operations as a finance corporation (Crediscotia Financiera).

In 2010 and 2011 no major commercial banks entered the Peruvian financial system. In 2012, Banco Cencosud from the Chilean group of the same name, in a joint enterprise with the Peruvian group Wong, started operations in the first half 2012. Later that year, GNB Sudameris Group, a Colombia-based entity, acquired HSBC Peru and renamed it Banco GNB Peru. In 2013, there was a merger between the rural savings bank (CRAC by its Spanish initials), Nuestra Gente and the financial firm Confianza. The entity resulting from the merger operates as a financial firm by the name of Financiera Confianza.

Finally, in 2014, ICBC Group established its first subsidiary in Peru, ICBC Bank Peru, and became the first Chinese-owned bank in entering the Peruvian financial system. In February 2014, Financiera Edyficar reached an agreement with Grupo ACP Corp to buy the shares that they held in Mibanco (60.68% of total shares). The integration of Mibanco and Edyficar, took place in March 2, 2015. In May 2014, the SBS intervened the municipal savings bank Pisco (CMAC by its Spanish initials), due to its financial instability and to the failure of the Financial Recovery Plan.

While new entries into the Peruvian banking system over the last two years have not been as pronounced as in previous years, there is evidence that foreign-owned banks are taking steps to begin operations in the Peruvian market. For example, Itaú Unibanco, Bladex, Morgan Stanley Bank, Bank of Tokyo Mitsubishi and Sumitomo Mitsui Banking opened representative offices in Peru.

9.1.2 Peruvian Financial System

According to the SBS, as of December 2014, the Peruvian financial system is composed of 64 financial institutions and three state-owned banks (not including the Peruvian Central Bank): Banco de la Nación, COFIDE and Banco Agropecuario.

	As of December 31, 2014			
	Number of entities	Assets	Deposits	Loans
		(Nuevos Soles in million)		
Mutiple Banking	17	289,482	177,978	193,128
Financial firms	12	14,893	5,695	11,311
Municipal savings banks	12	17,106	13,305	13,438
Rural savings banks	10	2,282	1,627	1,593
Edpymes	11	1,557	-	1,318
Leasing companies	2	587	-	491
Total	64	325,906	198,606	221,280

(i) Multiple Banking

Major Peruvian Banks	As % of Peruvian Financial System (1)			As % of Multiple Banking		
as of December 31, 2014	Assets	Deposits	Loans	Assets	Deposits	Loans
BCP Stand-alone	28.7 %	27.7 %	29.3 %	35.3 %	34.5 %	34.3 %
BBVA Banco Continental	17.7 %	17.9 %	19.3 %	21.7 %	22.3 %	22.7 %
Scotiabank Perú	12.4 %	11.3 %	13.3 %	15.3 %	14.1 %	15.6 %
Interbank	9.3 %	9.3 %	9.6 %	11.4 %	11.6 %	11.3 %
Banco Interamericano de Finanzas	2.6 %	2.8 %	3.0 %	3.2 %	3.5 %	3.5 %

(1) Excludes stated-owned banks.

Source: SBS

As of December 31, 2014, BCP stand-alone ranked first among all Peruvian banks in terms of assets, deposits and loans with a market share of 28.7% of assets, 27.7% of deposits and 29.3% of loans, in the Peruvian Financial System.

In 2014, the Peruvian banking system reported a balance of loans of S/.110,325 million in local currency and US$27,730 million in foreign currency. These figures represented an annual expansion of 20.3% and a decrease of 0.4%, respectively (21.5% and -0.9%, respectively, from December 31, 2012 to December 31, 2013). As a result, the dollarization of loans reached 42.9% at the end of 2014 (compared to 45.9% in 2013 and 49.7% in 2012). Nevertheless, as of December 31, 2014, the total amount of deposits was S/.177,978 million, which represented a dollarization rate of 47% (compared to 47.4% in 2013 and 41.6% in 2012).

Peru's capital ratio (regulatory capital/risk-weighted assets) reached 14.13% as of December 2014, which was above the 10% legal minimum that became effective in July 2011. This represented an increase of 44 basis points from the capital ratio reported at the end of December 2013 (13.69%). In 2013, the ratio decreased 44 basis points from the ratio of 14.1% in December 2012.

Peru's loan portfolio quality indicators deteriorated in 2014. Past-due loans over total loans reached 2.47%, 33 basis points more than the ratio reported as of December 31, 2013 (2.14%). At the end of 2013, the ratio increased 39 basis points compared to December 31, 2012 (1.75%). Also, the past-due, refinanced and re-structured loans over total loans was 3.5%, as of December 31, 2014, 44 basis points higher than the figure reported in 2013, 3.1% (2.8% in 2012). Similarly, the coverage ratio of Peru's past-due loan portfolio was 165% as of December 31, 2014 (compared to 188.1% as of December 31, 2013 and 223.6% as of December 31, 2012).

Finally, the liquidity of the banking system remained at high and comfortable levels. The local currency liquidity ratio and foreign currency liquidity ratio closed 2013 at 24.4% and 54.7%, respectively (30.8% and 56.1% in 2013; and 46.29% and 46.24% in 2012, respectively). These ratio levels were well above the minimums required by SBS regulations (8% in local currency and 20% in foreign currency).

(ii) Other Financial Institutions

BCP faced strong competition from these credit providers, primarily with respect to consumer loans and small and micro-business loans.

Small and micro-business loan providers lent S/. 17.2 billion in 2014, compared to the S/. 15.7 billion in 2013 and S/. 14.6 billion in 2012. In 2014, small and micro-business loans of other financial institutions represented 55% of the total in the financial system (compared to 50.9% in 2012 and 48.6% in 2011).

Consumer loan providers lent S/. 6.9 billion in 2014, compared to the S/. 6.2 billion and S/. 5.5 billion in 2013 and 2012, respectively. In 2014, loans to consumers of other financial institutions represented 17.1% of total loans in the financial system (compared to 17.3% in 2012 and 17.1% in 2011).

9.2 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 local and international capital markets. In recent years, AFPs’ funds under management and mutual fund assets have increased at rates over those experienced by the banking system. The private pension fund system in Peru reached S/.114.5 billion as of December 31, 2014 (representing 12.2% year-over-year increase) from S/.102.1 billion in 2013 and S/.96.9 billion in 2012. Total mutual funds reached S/.18.7 billion in 2014, S/.16.5 billion in 2013 and S/.18 billion in 2012.

9.3 Investment Banking

In 2014, Credicorp Capital consolidated its structure around on business units. Currently Credicorp Capital is based on three generating business units: Asset Management, Sales & Trading and Corporate Finance. In addition, we have organized a regional platform support team, structured and integrated regional sales force and we have made the treasury area independent.

In the Asset Management business, we started our first funds in Luxembourg (August 2014): Credicorp Capital Latin American Corporate Debt Fund and Credicorp Condor Capital Equity Fund. Besides our alternative funds: Fund Inmoval Real Estate Development in Colombia, and IM Trust Fund - Commercial Patio I in Chile; and our first Real Estate Investment Fund in Peru. At December 2014, in the Mutual Funds, Credicorp Capital Peru has a market share of 42.6% of total AuMs at the end of 2014.

In Sales & Trading, we continue to consolidate our business in trading and started refocusing our business on the platform of our broker in the United States, which received approval from FINRA to expand business activities. At December 2014, Credicorp Capital Peru, Credicorp Capital Colombia and IM Trust increased its market share in their local fixed income markets: 39.6%, 10.9% and 21.8%, respectively.

The Corporate Finance business expanded in Colombia and we participated in transactions in the MILA region. The fourth quarter of 2014 was characterized by cross border operations with teams from Peru, Chile and Colombia working together and advising customers. In Peru, two mergers and acquisitions represented 87% of total income of the Corporate Finance business.

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9.4 Insurance

The Peruvian insurance market is highly concentrated. As of December 2014, four companies commanded 80.3% of the market share by premiums, and the leading two had a combined market share of 59.7%. Together, Pacífico Seguros Generales and Pacífico Vida constituted the second largest insurance company in Peru with a 23.5% market share. Peruvian insurance companies compete principally on the basis of price, as well as on the basis of brand recognition, customer service and product features. Grupo Pacífico's insurance businesses believe that their competitive pricing, strong and positive image, and quality of customer service are significant aspects of their overall competitiveness. While increased foreign entry into the Peruvian insurance market may put additional pressure on premium rates, particularly for commercial coverage, Grupo Pacífico believes that in the long-term foreign competition will increase the quality and strength of the industry. Grupo Pacífico 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. A loss by Grupo Pacífico to competitors of even a small number of major customers or brokers could have a material impact on Grupo Pacífico's premium levels and market share

(10) Peruvian Government and Economy

While we are incorporated in Bermuda, most of BCP's and Grupo Pacífico'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. Therefore, the results of our operations and our financial health could be affected by changes in economic or other policies of the Peruvian government. We are also exposed to other types of changes in Peruvian economic conditions, such as the devaluation of the Nuevo Sol relative to the U.S. Dollar or social unrest related to extractive industries such as mining. The level of economic activity in Peru is also very important for our financial results and the normal conduction of our business.

10.1 Peruvian Government

During the past several decades, Peru has had a history of political instability that has included several military coups and multiple government changes. In many occasions, government changes have taken place in order to alter the nation's economy, financial system, agricultural sector, etc. See "Item 3. Key Information - 3.D Risk Factors". In 1987, President Alan García attempted to nationalize the banking system, including BCP. At that time, the majority shareholders of BCP sold a controlling interest in BCP to its employees, which prevented the government from assuming BCP's control. See "Item 4. Information on the company – 4.C Organizational Structure".

Starting in 1990, President Alberto Fujimori implemented a series of market-oriented reforms; since that time, they have for the most part remained in place. See "Item 3. Key Information — 3.D Risk Factors". After president Fujimori resigned in November 2000 following a series of corruption scandals, a transitory government was arranged and elections were called in April 2001. Alejandro Toledo won elections and took office that year, maintaining most of the economic policies of the prior decade. In 2006, former president Alan García was elected again and, unlike his first term in the 1980s, maintained the same economic policies of prior governments.

In 2011, Ollanta Humala was elected president. While his initial proposals as a candidate were designed to radically change the existing market-oriented policies and move toward a more state-run economy, his first cabinet upon taking office reflected a change in approach, especially after he chose Luis Castilla, who had worked in the previous administration, to serve as Minister of Finance. President Humala also decided to ratify the Central Bank's president, Julio Velarde, which was perceived as an attempt to gain confidence from business leaders and financial markets. Both appointments contributed to a recovery in Peru's investment climate, which had deteriorated during the presidential campaign. Economic growth in 2011 and 2012 reached 6.5% and 6.0%, respectively, and both rates were seen as being in line with the country's potential output. In 2013, however, the economy's growth rate decelerated to 5.8% amid concerns about metal prices (especially gold, which fell 28.3% that year), monetary policy in the United States and Chinese growth, which also affected the performance of other emerging markets. In 2014, supply-side shocks in the mining and fishing industries led to a 2.1% contraction in the primary sector, its worst performance since 1992. This added to the pressures of a difficult international environment and as a result the economy grew 2.4%.

10.2 Peruvian Economy

The adoption of market-oriented macroeconomic policies since the early 1990s and a positive outlook for Peru's economy among international investors has allowed Peru to grow at an average rate of 5.3% over the last decade. Peru's economy even experienced a positive albeit small growth rate during the global financial crisis in 2009 (0.9%). In subsequent years, and as international financial conditions improved and growth resumed in most economies, Peru continued to outperform the global economy, growing 6.0% in 2012 and 5.8% in 2013. In 2014, the economy decelerated and grew 2.4% as a result of lower international prices for metals, supply-side shocks in the mining, fishing and coffee industries and a contraction of public investment at the subnational level.

Peruvian economic policy is based on three pillars: trade policy, fiscal policy and monetary policy.

Peru's has maintained an open trade policy for more than a decade. In 2007, Peru signed a Free Trade Agreement (FTA) with the United States and made permanent the special access to the U.S. market previously enjoyed under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). It entered into effect in 2009. Trade between Peru and United States was US$6.5 billion in 2014 (24.6% of total exports from Peru). Another trade agreement was signed with China in 2009 and entered into effect in 2011. Trade between China and Peru reached US$3.2 billion in 2014 (12.2% of total exports). In addition, Peru has also signed trade agreements with the European Union, Japan, South

Korea, Singapore and Thailand, among others. Within Latin America, Peru has trade agreements with Chile, Colombia and Mexico and is a founding member of the Alliance of the Pacific together with these other three countries.

In 2014, exports totaled US$39.3 billion, which represents a decline of 9.3% with regards to the same period last year. Imports totaled US$40.8 billion, falling 3.3%. In this context, the trade deficit was US$1.5 billion. This took place in a scenario in which the terms of trade fell 5.7%. The weak trade balance continued to affect the current account's results. According to the BCRP, the current account deficit for the whole year was 4.1% of GDP.

Peruvian policymakers have also maintained an orthodox approach with regards to fiscal policy and government spending. Since 1999, the debt-to-GDP ratio has fallen from 51.1% to 19.7% as government cut its spending and privatized some state-run enterprises. The fiscal position has also benefited from the accumulation of surpluses over the major part of the last decade. In 1999, Congress approved the Law of Fiscal Responsibility and Transparency, which includes the following rules: (i) the fiscal deficit cannot exceed 1% of GDP; (ii) spending corresponding to government consumption cannot grow above 4% in real terms; (iii) in years in which general elections take place, government spending in the first seven months of the year shall not exceed 60% of the budget for such year. In 2013, these measures were further refined, following the best international practices, with the approval of the Law Strengthening Fiscal Responsibility and Transparency, which introduced a structural-guidance approach based on the evolution of structural commodity prices and potential GDP. While the 1999 framework helped the country to reduce its debt levels, the changes introduced in 2013 allow for the implementation of counter-cyclical policy (when a negative output gap of more than 2% of potential GDP exists, the spending limit can be adjusted by, at most, 0.5% of GDP, and corrective measures should be employed once the output gap falls below 2%) and delineates the responsibilities of national, regional and local governments (the latter two can only borrow for capital projects and debt cannot exceed the four-year moving average of annual revenues). These rules, together with low debt levels and savings for about 15% of GDP have allowed Peru to not only retain its investment grade status but also to improve its credit rating, standing at BBB+ for Standard & Poor's as well as Fitch Ratings and A3 for Moody's.

In 2014, the non-financial public sector reported a small deficit of S/.755 million, which is equivalent to 0.1% of GDP, after registering a surplus of 0.9% in 2013. This is the first deficit registered since 2010 and is the result of an increase of 9.9% in real terms of public expenditure (to S/.123.5 billion). Also, late that year the government announced a new fiscal stimulus package of measures for the equivalent of 2.2% of GDP to boost expectations and reactivate private investment. These measures include: (i) reducing taxes (0.8% of GDP), (ii) increases in expenditure that is not contemplated in the Budget Bill 2015 (0.8% of GDP), and (iii) continuity and maintenance of investments (0.6% of GDP). The main tax measures include modifications to corporate income tax to encourage earnings reinvestment and investment: third category corporate income tax will be gradually reduced from 30% to 26% by 2019 (in 2015, it fell to 28%) while the dividend rate will increase from 4.1% to 9.3% in 2019 (in 2015 it will increase to 6.8%). Personal income tax will also fall in the low income segment from 15% to 8%. Additionally, steps have been taken to simplify the system for General Sales Tax (IGV by its Spanish initials) withholding to free up resources in the private sector for the equivalent of 0.4% of GDP.

Monetary policy is the responsibility of the BCRP. The BCRP is officially autonomous and presides over a system of fractional reserve banking. In 2002, BCRP set an inflation target of 2.5% (+/-1 %), which it later reduced to 2.0% (+/-1%) in 2007. The 2.0% target is the lowest in Latin America and reflects the Central Bank's commitment to price stability. BCRP also has considerable foreign reserves, which have grown to approximately 31% of GDP in December 2014, and other mechanisms to provide liquidity to Peru's domestic financial system. The Central Bank also sets regulations for the financial system, including pension funds, in coordination with the SBS (by its Spanish initials). Finally, the currency regime in Peru does not have currency controls or barriers to capital inflows but has the Central Bank as an important player in the market, selling or buying foreign currency in order to soften volatility.

During 2014, and in response to the deceleration in economic activity, BCRP made two cuts to its reference rate, from 4.00% to 3.75% in July, and from 3.75% to 3.50% in September. It also lowered marginal reserve requirements from 14% at the beginning of the year to 9.00% by December. Inflation in that year was 3.2%, which is slightly higher than BCRP's target (2.0% +/- 1pp); nevertheless, the variation in prices was lower than that observed in various countries in the region such as Colombia (3.5%), Mexico (4.2%), Chile (5.3%), and Brazil (6.5%). Also, at the end of 2014, the exchange rate was situated at S/.2.9795 (Nuevo Sol / U.S. Dollar), which represents an annual depreciation of 6.54% (the majority of which took place in the second half of the year (6.47%). Nevertheless, currency depreciation in 2014 was lower than that seen in Peru's regional peers: Colombia (23.2% in 2014), Chile (15.4% in 2014), Brazil (12.5% in 2014) and Mexico (12.4% in 2014). Additionally, depreciation in 2014 was lower than 2013's figure of 9.6%. The factors that drove these depreciatory pressures at the regional level include: (i) the fact that the dollar rallied worldwide against all currencies, including G10 and emerging currencies, due to the expectation that the FED would increase its interest rate and growth would increase in the USA; (ii) the decline in international prices for raw materials such as oil and copper; and (iii) weakness and in some cases deceleration in local economies.

(11) 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.

11.1 General

On December 31, 2014, the Peruvian financial system consisted of the following principal participants: the Peruvian Central Bank, the SBS, 17 banking institutions (not including Banco de la Nación, a Peruvian state-owned bank), 12 finance companies, 2 leasing companies, 12 municipal saving banks, 10 rural saving banks, and 11 Edpymes, which totaled 64 entities as of December 31, 2014.

Law 26702 regulates Peruvian financial and insurance companies. In general, it provides for 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.

11.2 The Peruvian Central Bank

The Peruvian 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 Peruvian 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 at the International Monetary Fund (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 Peruvian 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 Peruvian Central Bank is one of the executive branch nominees but must be approved by Peru's Congress.

The Peruvian 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 Peruvian Central Bank.

11.3 The Superintendency of Banks, Insurance and Pension Funds (SBS)

The SBS, whose authority and activities are discussed in "—(12) Supervision and Regulation" is the regulatory authority in charge of implementing and enforcing Law No. 26702 and, more generally, supervising and regulating all financial, insurance and pension fund institutions in Peru.

In June 2008, Legislative Decree 1028 and 1052 were approved modifying Law No. 26702 with the following objectives: (i) to strengthen and to increase competitiveness, (ii) to implement Basel II and (iii) to adapt Peru's existing regulatory framework to the FTA signed between Peru and the United States.

The main amendments defined in Law No. 1028 were designed to promote the development of Peruvian capital markets by extending the range of financial services that could be offered by microfinance institutions (i.e., non-banks) without requiring SBS authorization. Law No. 1028 also modified the framework in which the Peruvian financial system is to be harmonized with the international standards established by the Basel II Accord (which aims to minimize the issues regarding regulatory arbitrage). Since July 2009, Peruvian financial institutions generally have applied a standardized method to calculate their capital requirement related to credit, market and operational risk. As an alternative to the standardized method, financial institutions may request authorization from the SBS to use different models for calculating the reserve amount associated with any of these three risks. In July 2009, the SBS started receiving applications to use alternative models, referred to as Internal Models Methods. If the amount of an institution's reserve requirements would be higher using the standard model than it would be using the approved Internal Models Method, then the institution will have to maintain between 80% and 95% of the standard amount during a phase in period. Even after the phase in period, institutions using an Internal Models Method will be subject to regulatory capital floors.

Law No. 1052 aims to include and synchronize Law No. 26702 and the FTA's framework, particularly regarding insurance services. The amendments allow companies to offer cross-border services and have simplified the process for international institutions to enter into the Peruvian market by establishing subsidiaries

11.4 Financial System Institutions

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

11.4.1 Banks

A bank is defined by Law No. 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 Peruvian 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, a bank may also act a trustee for trust agreements.

Law No. 26702 authorizes banks to operate, through their subsidiaries, warehouse companies and securities brokerage companies Banks may also establish and administer mutual funds.

Peruvian branches of foreign banks enjoy the same rights and are subject to the same obligations as Peruvian banks. Multinational banks, with operations in various countries, may perform the same activities as Peruvian banks, although their foreign activities are not subject to Peruvian regulations. To carry out banking operations in local Peruvian markets, multinational banks must maintain a certain portion of their capital in Peru, in at least the minimum amount that is required for Peruvian banks.

11.4.2 Finance Companies

Under Law No. 26702, finance companies are authorized to carry out the same operations as banks, with the exception of (i) issuing loans as overdrafts in checking accounts and (ii) participating in derivative operations. These operations can be carried out by finance companies only if they fulfill the requirements stated by the SBS.

11.4.3 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. Over the past five years the entry of new participants, including foreign banks and non-bank financial institutions, has increased the level of competition in Peru.

11.4.4 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 No. 26702 and the regulations issued by the SBS.

Law No. 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 18 companies in 2014.

(12) Supervision and Regulation

12.1 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 are conducted primarily through our subsidiaries in Peru, the Cayman Islands, Bolivia, Chile, Colombia and Panama, a summary of the main regulations governing our businesses is set forth below.

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

We are, along with BCP, subject to certain requirements set forth in Peruvian Law No. 26702 ("Peruvian Banking Law" or "Law No. 26702") as well as certain banking statutes issued by the Peruvian banking regulator, SBS, including SBS Resolution No. 11823-2010, enacted in September 2010 and which approved the "Regulation of the Consolidated Supervision of Financial and Mixed Conglomerates". Resolution N° 11823-2010 was partially amended by Resolution N° 2945-2013 enacted in May 2013. These regulations affect BCP and us primarily in the areas of reporting, risk control guidelines, limitations, ratios and capital requirements.

Since our common shares are listed on the Lima Stock Exchange in addition to the New York Stock Exchange, we are subject to certain reporting requirements to Superintendencia del Mercado de Valores, the Peruvian securities market regulator, and the Lima Stock Exchange. See "Item 9. The Offer and Listing — 9.C Markets — (1) The Lima Stock Exchange – 1.2 Market Regulation".

12.2 BCP

12.2.1 Overview

BCP's operations are regulated by Peruvian law. The regulations governing operations in the Peruvian financial sector are stated in Law 26702. The SBS periodically issues resolutions under Law 26702. See "Item 4. Information on the company – 4.B Business Overview – (11) The Peruvian Financial System". The SBS 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 obtain the SBS's authorization before beginning operations.

BCP's operations are supervised and regulated by the SBS and the Peruvian Central Bank. Those who violate Law 26702 and its underlying regulations are subject to administrative sanctions and criminal penalties. Additionally, the SBS and the Peruvian 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.

The Superintendencia del Mercado de Valores (SMV), formerly known as CONASEV, is the Peruvian government institution in charge of (i) promoting the securities market, (ii) making sure fair competition takes place in the securities markets, (iii) supervising the management of businesses that trade in the securities markets and (iv) regulating their activities and accounting practices. BCP must inform SMV of significant events that affect its business and is required to provide financial statements to it and the Lima Stock Exchange each quarter. BCP is also regulated by SMV when it conducts operations in the local Peruvian securities market.

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.

12.2.2 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, which are regulated by SMV), insurance and reinsurance companies, companies that receive deposits from the general public, AFPs and other similar entities as defined by the Law 26702. The SBS is also responsible for supervising the Peruvian Central Bank to ensure that it abides by its statutory charter and Bye-laws.

The SBS has administrative, financial and operating autonomy. Its objectives include protecting the public interest, ensuring the financial stability of the institutions over which it has authority and punishing violators of its regulations. Its responsibilities include: (i) reviewing and approving, with the assistance of the Peruvian 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 Bank's 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). The SBS is also responsible for setting criteria for the establishment of financial or mixed conglomerates in Peru and for supervising these entities. As a result, in addition to its supervision of BCP, the SBS also supervises Credicorp Ltd. because Credicorp Ltd. is a financial conglomerate conducting the majority of its operations in Peru.

12.2.3 Management of Operational Risk

SBS Resolutions No. 37-2008, which sets forth the guidelines for enterprise risk management (ERM), and 2116-2009 collectively established guidelines for operational risk management. Under these resolutions, operational risks management is defined broadly to include those resulting from the possibility of suffering financial losses due to inadequate or failed internal processes, people and systems, or from adverse external events. The resolutions also establish responsibilities for developing policies and procedures to identify, measure, control and report such risks. Banks are required to adequately manage risks involved in the performance and continuity of their operations and services in order to minimize possible financial losses and reputation damage due to inadequate or non-existent policies or procedures. Banks also are required to develop an information security model to guarantee physical and logical information integrity, confidentiality and availability.

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

In evaluating operational risks and potential consequences, we mainly assess risks related to critical processes, critical suppliers, critical information assets, technological components, new products and significant changes on our services, and channels. To support the operational risk management process we have developed a Business Continuity Management (BCM) discipline, which involves the implementation of continuity plans for critical business processes, incident management, and training and testing. In addition, our methodology and data processing team has developed procedures to register, collect, analyze and report operational risk losses, using advanced models for operational risk capital allocation. Lastly, we have monitoring and reporting procedures, designed to monitor Key Risk Indicators (KRI) and other performance metrics.

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 training our operational units to mitigate risks directly.

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, 2014. We have developed internal methods to identify and evaluate risk and controls over our critical processes to determine how effective internal controls are over financial reporting.

12.2.4 Capital Adequacy Requirements for BCP

Capital adequacy requirements applicable to us are set forth in the Peruvian Banking Law, as amended (Law 26702). We are monitored and regulated by the SBS. Law 26702 was enacted in December 1996 and amended in June 2008 through Legislative Decree 1028. The amendment became effective in July 2009 and was aimed at adapting the Peruvian Banking Law to the capital guidelines and standards established by the second Basel Accord (Basel II). Capital adequacy requirements are also included in Peruvian GAAP accounting guidelines.

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

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

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

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

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

Implementation date	Regulatory capital (% of total weighted assets)	Total risk-weighted assets
July 1st, 2009	9.5%	10.5 *times* the regulatory capital needed to cover market risks; *plus* 10.5 *times* regulatory capital needed to cover operational risks; *plus* Total amount of credit risk-weighted assets.
July 1st, 2010	9.8%	10.2 *times* the regulatory capital needed to cover market risks; *plus* 10.2 *times* the regulatory capital needed to cover operational risks; *plus* Total amount of credit risk-weighted assets.
July 1st, 2011	10%	10 *times* the regulatory capital needed to cover market risks; *plus* 10 *times* the regulatory capital needed to cover operational risks; *plus* Total amount of credit risk-weighted assets.

On July 20, 2011, the SBS issued SBS Resolution 8425-2011, establishing the methodologies and the implementation schedule of additional capital requirements consistent with Pilar 1 of Basel II and certain aspects of Basel III. The new capital requirements, which are aimed at covering risks not contemplated in Pilar I of Basel II, include requirements to cover concentration, interest rate and systemic risk. Additionally, pro-cyclical capital requirements were also established. These new requirements will be implemented over a period of five years starting in July 2012.

The SBS has not approved rules adopting Basel III or implementing it in the Peruvian Financial System.

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

- Basic Capital: Basic Capital or Tier 1 capital is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock);

(ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS, such as hybrid securities; and

(iii) unrealized gains and retained earnings in Subsidiaries.

Items deducted from Tier 1 capital include:

(a) current and past years' unrealized losses;

(b) deficits of loan loss provisions;

(c) goodwill resulting from corporate reorganizations or acquisitions; and

(d) half of the amount referred to in "Deductions" below. Absent any Tier 2 capital, 100% of the amount referred to in "Deductions" below must be deducted from Tier 1 capital.

The elements referred to in item (ii) above should not exceed 17.65% of the amount resulting from adding components (i) and (iii) of Tier 1 capital net of the deductions in (a), (b) and (c) in this paragraph.

- Supplementary Capital: Supplementary capital is comprised of the sum of Tier 2 and Tier 3 capital. Tier 2 capital elements include:

(i) voluntary reserves that may be reduced without prior consent from the SBS;

(ii) the eligible portion of redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS;

(iii) for banks using the Standardized Approach Method (SAM), the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the IRB Method, the generic loan loss provision up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law); and

(iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk, as referred to in Article 233 of the Law.

- Deductions: The following elements are deducted from Tier 1 and Tier 2 capital:

(i) all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies;

(ii) all investments in shares and subordinated debt issued by an affiliate with which the bank consolidates its financial statements, including its holding company and such subsidiaries referred to in Articles 34 and 224 of the Law;

(iii) the amount in which an investment in shares issued by a company with which the bank does not consolidate its financial statements and which is not part of the bank's negotiable portfolio, exceeds 15% of the bank's regulatory capital;

(iv) the aggregate amount of all investments in shares issued by companies with which the bank does not consolidate its financial statements and which are not part of the bank's negotiable portfolio, exceeds 60% of the regulatory capital;

(v) when applicable, the amount resulting from the formula prescribed in Article 189 of the Law.

For the purposes herein, "regulatory capital" excludes the amounts referred to in (iii), (iv) and (v) of this paragraph.

Article 185 of the Law 26702 also provides that the following limits apply when calculating regulatory capital:

(i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital;

(ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 elements net of the deductions in (i), (ii), and (iii) in “Basic Capital” above;

(iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 elements net of the deductions (i), (ii), and (iii) in “Basic Capital” above in the amounts assigned to cover market risk.

SBS Resolution 8548-2012, adopted in 2012, modified the regulatory capital requirements for credit risk weighted assets in SBS Resolution 14354-2009 and established a schedule for implementing the modifications.

As of December 31, 2014, BCP’s regulatory capital was 14.45% of its unconsolidated risk-weighted assets, indicating that BCP had risk-weighted assets that were 6.92 times the amount of regulatory capital. As of December 31, 2013 and December 31, 2012, BCP’s regulatory capital was 14.46% and 14.72% of its unconsolidated risk-weighted assets, respectively.

In November 2013, BCP’s board of directors approved BCP’s tracking and recordation of a Basel III ratio known as Common Equity Tier 1. Common Equity Tier 1 is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock),

(ii) legal and other capital reserves,

(iii) accumulated earnings,

(iv) unrealized profits (losses),

(v) deficits of loan loss provisions,

(vi) intangibles,

(vii) deferred taxes that rely on future profitability,

(viii) goodwill resulting from corporate reorganizations or acquisitions; and

(ix) 100% of the amount referred to in "Deductions" above.

As of December 31, 2014, BCP's Common Equity Tier 1 Ratio was approximately 7.45% of its unconsolidated risk-weighted assets, just below the 7.50% limit that BCP set for itself. This limit will increase to 8.00% in December 2015 and 8.50% in December 2016. BCP's Basel III Common Equity Tier 1 Ratio is estimated based on BCP's understanding, expectations and interpretation of the proposed Basel III requirements in Peru, anticipated Basel III modifications to its existing ratio calculation methodology and other regulatory guidance available in Peru.

The following table shows, regulatory capital and capital adequacy requirements from BCP (unconsolidated) as of December 31, 2012, 2013 and 2014, which are set forth in the Peruvian Banking Law, as amended (Law 26702):

Regulatory Capital and Capital Adequacy Ratios			
Nuevos Soles in thousand	2012	2013	2014
Capital stock	3,102,897	3,752,617	4,722,752
Legal and other capital reserves	2,194,828	2,422,230	2,761,777
Accumulated earnings with capitalization agreement	388,200	504,000	1,000,000
Loan loss reserves (1)	705,382	834,388	1,007,150
Perpetual subordinated debt	637,500	698,750	746,500
Subordinated debt	2,786,582	3,417,962	4,146,707
Unrealized profit (loss)	-	-	-
Investment in subsidiaries and others, net of unrealized profit and net income	-762,931	-752,765	-1,559,037
Investment in subsidiaries and others	1,389,978	1,384,340	2,186,066
Unrealized profit and net income in subsidiaries	627,047	631,575	627,029
Goodwill	-122,083	-122,083	-122,083
Total Regulatory Capital	8,930,375	10,755,099	12,703,766
Tier 1 (2)	6,133,400	7,194,919	8,642,942
Tier 2 (3) + Tier 3 (4)	2,796,975	3,560,180	4,060,824
Total risk-weighted assets	60,662,813	74,379,368	87,938,921
Market risk-weighted assets (5)	1,246,720	2,767,876	1,189,463
Credit risk-weighted assets	56,290,344	66,751,001	80,572,032
Operational risk-weighted assets	3,125,749	4,860,491	6,177,426
Capital ratios			
Tier 1 ratio (6)	10.11 %	9.67 %	9.83 %
Common Equity Tier 1 ratio (7)	7.36 %	7.52 %	7.45 %
BIS ratio (8)	14.72 %	14.46 %	14.45 %
Risk-weighted assets / Regulatory Capital (9)	6.79	6.92	6.92

(1) Up to 1.25% of total risk-weighted assets.

(2) Tier 1 = Capital + Legal and other capital reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill - (0.5 x Investment in Subsidiaries) + Perpetual subordinated debt (maximum amount that can be included is 17.65% of Capital + Reserves + Accumulated earnings with capitalization agreement + Unrealized profit and net income in subsidiaries - Goodwill).

(3) Tier 2 = Subordinated debt + Loan loss reserves - (0.5 x Investment in subsidiaries).

(4) Tier 3 = Subordinated debt covering market risk only.

(5) It includes capital requirement to cover price and rate risk.

(6) Tier 1 / Risk-weighted assets

(7) Common Equity Tier I = Capital + Reserves – 100% of applicable deductions (investment in subsidiaries, goodwill, intangibles and deferred tax assets that rely on future profitability) + retained earnings + unrealized gains.

(8) Regulatory Capital / Risk-weighted assets (legal minimum = 10% since July 2011)

(9) Since July 2012, Risk-weighted assets = Credit risk-weighted assets * 1.00 + Capital requirement to cover market risk * 10 + Capital requirement to cover operational risk * 10 * 0.8 (since July 2013).

12.2.5 Legal Reserve Requirements

In accordance with Peruvian regulation - article 67 of Law 26702-, a reserve of up to at least 35% of paid-in capital of the Group's subsidiaries operating in Peru is required to be established through annual transfers of at least 10% of their net income. In accordance with Bolivian regulation, a reserve of up to at least 50% of paid-in capital of the Group's subsidiaries operating in Bolivia is required to be established through annual transfers of at least 10% of their net income. As of December 31, 2014, 2013 and 2012, these reserves amounted to approximately S/.2,731.7 million, S/.2,017.2 million and S/.1,581.8 million, respectively.

12.2.6 Provisions for Loan Losses

Credicorp's allowance model is an IFRS compliant loss estimation model that comprises a number of methodologies which estimate losses for Wholesale Banking and Retail Banking in line with IASC39. Depending on the portfolio analyzed, each methodology takes into consideration collateral recovery projections, outstanding debt and qualitative aspects that reinforce the estimate. Some examples of qualitative aspects are the complexity of the recovery processes, sector trends, and officers' judgment of the estimated recovery values.

The methodology includes three estimation scenarios: base, upper threshold and lower threshold. These scenarios are generated by modifying some assumptions, such as collateral recovery values and adverse effects due to changes in the political and economic environments. The process to select the best estimate within the range is based on management's best judgment, complemented by historical loss experience and the Company's strategy (e.g. penetration in new segments). See "Item 4. Information on the Company - 4.B Business Overview - (13) Selected Statistical Information - 13.3 Loan Portfolio - 13.3.12 Allocation of Loan Loss Reserves"

12.2.7 The Peruvian Central Bank Reserve Requirements

The reference interest rate is periodically revised by the Peruvian Central Bank in accordance with its monetary policy objectives. Once a month the board of directors of the Peruvian Central Bank approves and announces the monetary program through a press release. In 2014, the Peruvian Central Bank retained the more accommodative position it adopted towards the end of 2013 (rate cut from 4.25% to 4.00% in November 2013) and cut the reference interest rate in July (from 4.00% to 3.75%) and September (from 3.75% to 3.50%). It also announced a rate cut in January 2015, from 3.50% to 3.25%. The more accommodative stance of the Peruvian Central Bank seeks to support economic growth in a context where inflation is expected to move back to its inflation target range (2%, +/-1%) in 2015 after reaching 3.2% in 2014.

Under Law 26702, banks and financial institutions are required to maintain legal reserve requirements for certain obligations. The Peruvian Central Bank requires financial institutions to maintain marginal reserve requirements for local and foreign currency obligations. The exact level and method of calculation of the reserve requirement is established by the Peruvian Central Bank. The reserve requirements in Peru apply to obligations such as demand and time deposits, savings accounts, securities, certain bonds and funds administered by the bank. Additionally, the Peruvian Central Bank requires reserves on amounts due to foreign banks and other foreign financial institutions. Furthermore, as of January 2011, obligations of foreign subsidiaries and affiliates are also subject to the reserve requirement.

The Peruvian Central Bank has set the minimum level of reserves for banks at 9%. However, the Peruvian Central Bank also establishes a marginal reserve requirement for funds that exceed the minimum legal requirement of 9% when such reserves are deposited in the Peruvian Central Bank's current account. Foreign currency cannot be used to comply with reserve requirements for liabilities in domestic currency, and vice versa. The Peruvian Central Bank oversees compliance with the reserve requirements.

In 2014, the Peruvian Central Bank cut reserve requirements in local currency from 15% at the close of 2013 to 9.5% at the end of December 2014 (since then, the BCRP cut reserve requirements again, from 9.5% to 9.0% in January 2015, to 8.5%, in February 2015 and to 8.0% in March 2015). It made reductions in nine of the twelve months of the year. In addition, the Central Bank announced in late December that it will increase the marginal reserve requirement in foreign currency from 50% to 60% starting in 2015. The measures seek to increase lending in local currency and support local economic activity. In addition to overall changes in reserve requirements, the Central Bank cut the minimum for current account deposits subject to reserve requirements, from 3.0% to 2.0% by the end of 2014 (in January 2015, the Central Bank cut the minimum again, to 1.5%) and abolished the requirement for obligations shorter than two years, formerly at 120% overall, these measures have injected liquidity to the financial system for a total of S/.11,608 million since mid-2013 and S/.5,820 million in 2014 only.

In order to reduce the dollarization of the financial system (loans: 38% and deposits: 40%), and in light of the sharp depreciation observed in 2013 (9.6%) and 2014 (6.8%), the Peruvian Central Bank also introduced an additional reserve requirement for operations with foreign currency derivatives that surpass a daily maximum of US$ 100 million or 10% of the financial institution’s capital (the weekly maximum is US$ 40 million or 30% of capital). It has also established additional reserve requirements in foreign currency for institutions whose foreign currency lending has not decreased in 5% with respect to September 2013 levels by June 2015 and 10% with respect to such levels by December 2015. The additional requirement will amount to 30% of the total deviation from such threshold. Operations involving long-term financing of projects and international trade are exempt. Another additional requirement will be imposed to financial institutions whose mortgage and vehicle credit portfolios in foreign currency do have no decreased by 10% with respect to February 2013 levels by June 2015.

Finally, the Central Bank introduced two new mechanisms for injecting liquidity in local currency for up to S/.9,000 million. First, it will provide financial institutions with local currency in exchange of foreign currency, which will be subtracted from said institution’s reserve requirement in foreign currency. Second, it will sell foreign currency to financial institutions at the spot price to support changes in denomination, from foreign to local currency, in their credit portfolios. Together with the rising exchange rate, the measures adopted by the Peruvian Central Bank have kept the growth of credit at double digits, expanding 10.5% in 2014, although it has decelerated compared to 2013 (12.9%) and 2012 (15.4%). By denomination, loans in local currency grew 18.6% and loans in foreign currency fell 0.6%.

12.2.8 Lending Activities

Law 26702 sets the maximum amount of credit that a financial institution may extend to a single borrower. A single borrower includes an individual or an economic group. An economic group constituting a single or common risk includes a person, such person’s close relatives and the companies in which such person or close relatives have significant share ownership or decision-making capability. 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.

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The limit on credit that may be extended to one borrower varies 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, 2014, 2013 and 2012, the 10.0% credit limit per borrower of BCP, unconsolidated, was S/.1,270.4 million, S/.1,075.2 million and S/. 892.8 million, respectively, for unsecured loans, and the 30.0% limit for secured loans was S/.3,811.1 million, S/.3,226.0 million and S/.2.678.8 million, respectively, for the last three years.

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

12.2.9 Related Party Transactions

Law 26702 regulates transactions between financial institutions on the one hand and related parties and or affiliates on the other. SBS and SMV have also enacted regulations that define indirect ownership, related parties and economic groups, in order to limit transactions with related parties and affiliates. These regulations also provide standards for the supervision of financial and mixed conglomerates formed by financial institutions.

The total amount of loans to directors, employees or close relatives of any such persons may not exceed 7% of a bank's regulatory capital. All loans made to any single director or employee borrower, considering his/her close relatives may not exceed 0.35% of such regulatory capital (i.e., 5% of the overall 7% limit).

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

12.2.10 Ownership Restrictions

Law 26702 establishes certain restrictions on the ownership of a bank's shares. Banks must have a minimum of two shareholders. Among other restrictions, those convicted of drug trafficking, money laundering, terrorism and other felonies, or those who are directors, employees and advisors of public entities that regulate and supervise the activities of banks, are subject to ownership limitations. All transfers of shares in a bank must be recorded at the SBS. Transfers involving the acquisition by any individual or corporation, whether directly or indirectly, of more than 10% of a bank's capital stock require prior authorization from the SBS. The SBS may deny authorization to such transfer of shares if the purchasers (or their shareholders, directors or employees 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, among others. The decision of the SBS is final, and cannot be overturned by the courts. If a transfer is made without obtaining the prior approval of the SBS, the purchaser shall be fined with an amount equivalent to the value of the transferred shares and is obligated to sell the shares within 30 days, or the fine is doubled. In addition, the purchaser is not allowed to exercise its voting rights at the 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, directly or indirectly, 1% of the capital stock of a bank in a period of 12 months or acquire a 3% or more share participation, have the obligation to provide the information that the SBS may require to identify such individuals' or corporations' main economic activities and assets structure.

12.2.11 Risk Rating

Law 26702 and SBS Resolutions No. 672 and 18400-2010, require that all financial companies be rated by at least two risk rating companies on a semi-annual basis, in addition to the SBS's assessment. Criteria to be considered in the rating include risk management and control procedures, loan quality, financial strength, profitability, liquidity and financial efficiency. Five risk categories are assigned, from "A" (lowest risk) to "E" (highest risk), allowing for sub-categories within each category. As of September 2014, BCP was assigned the "A+" risk category by its two rating agencies, Equilibrium Clasificadora de Riesgo and Apoyo and Associates International. As of December 2014, BCP maintained the risk category of "A+"

12.2.12 Deposit Insurance Fund

Law 26702 provides for mandatory deposit insurance to protect the deposits of financial institutions by establishing the Fondo de Seguro de Depósitos (Deposit Insurance Fund or the Fund) for individuals, associations, not-for-profit companies, and demand deposits of non-financial companies. Financial institutions must pay an annual premium calculated on the basis of the type of deposits accepted by the entity and the risk classification of such entity, made by the SBS and at least two independent risk-rating agencies. The annual premium begins at 0.65% of total funds on deposit under the coverage of the Fund and increases to 1.45% applicable to banks in the highest risk category. BCP is currently classified in the lowest risk category. The maximum amount (defined on a monthly basis) that a customer is entitled to recover from the Fund is S/.94,182 as of December 31, 2014.

12.2.13 Intervention by the SBS

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

During the intervention regime, rather than seizing the operations and assets of a bank, the SBS may adopt other measures, including (i) placing additional requirements on the bank, (ii) ordering it to increase its capital stock or divest certain or all of its assets, or (iii) imposing a special supervision regime during which the bank must adhere to a financial restructuring plan.

The SBS intervention regime stops a bank's operations for up to 45 days and may be extended for an additional 45 days. During this time, the SBS may institute measures such as: (i) canceling losses by reducing reserves, capital and subordinated debt, (ii) segregating certain assets and liabilities for transfer to another financial institution and (iii) merging the intervened bank with an acquiring institution according to the program established by Urgent Decree No. 108-2000, enacted in November 2000. After the intervention, the SBS will liquidate the bank unless it is merged with an acquiring institution, as described in (iii) above.

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

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

12.2.15 Regulation from the Superintendency of Banks in Panama

BCP Panama is a branch of BCP that is registered in the Republic of Panama. It began operating in June 2002 under an International License issued by the Panamanian Superintendence of Banks, in accordance with Law Decree No. 9 of February 26, 1998, as amended. BCP Panama is subject to an inspection made by auditors and inspectors of the

Panamanian Superintendence of Banks, to determine, among other things, its compliance with the Decree Law No. 2 and No. 42 Law on the Prevention of Money Laundering.

12.3 Atlantic Security Bank (ASB)

12.3.1 General

ASB, a subsidiary of ASHC, is a Cayman Islands bank with a branch in Panama. ASB is regulated by the regulatory authorities of the Cayman Islands while its Panama branch is regulated by the banking authorities of Panama.

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

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

There are no ratio or liquidity requirements under the Cayman Banking Law, but the Authority expects observance of prudent banking practices. As a matter of general practice, the ratio of liabilities to capital and surplus should not exceed 40-to-1 and the ratio of risk-weighted assets to capital and surplus should not exceed 8.33-to-1 (approximately 12%). There is a statutory minimum net worth requirement of US$480,000 (approximately S/.1,433,280), but the Authority generally requires a bank or trust company to maintain a higher paid-in capital appropriate to its business. The Authority requires compliance with the guidelines promulgated by the Basel Accord on Banking Regulations and Supervisory Practices although, in special circumstances, different gearing and/or capital risk asset ratios may be negotiated. Compliance with the Cayman Banking Law is monitored by the Authority.

12.3.2 Continuing Requirements

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

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

12.4 BCP Bolivia

Until November 2013, the Bolivian banking system operated under the Law of Banks and Financial Entities No. 1488, enacted on April 14, 1993 and later modified by Law 3076 of June 20, 2005. On August 21, 2013, the Bolivian Government enacted a new Banking Law (Law 393), which came effective on November 21, 2013. This new law envisions a more active role of government in the financial services industry and emphasizes the social objective of financial services.

Pursuant to Supreme Decree 29894, in May 2009 the ASFI was vested with the authority to regulate the Bolivian banking system. ASFI also supervises brokerage and mutual fund management activities that Credicorp Ltd. conducts through BCP Bolivia’s affiliates, Credibolsa and Credifondo. These affiliates operate under the Securities Markets Law No. 1834, enacted on March 31, 1998. Additionally, the Central Bank of Bolivia (BCB by its Spanish initials) regulates financial intermediation and deposit activities, determines monetary and foreign exchange policy, and establishes reserve requirements on deposits.

In 2012, the Bolivian government imposed an additional income tax of 12.5% on earnings before taxes, which applied to all financial institutions with a ratio of earnings before taxes to equity in excess of 13%. Additionally, in November 2012, the government approved a new tax on sales of foreign exchange. This new tax levies all sales of foreign exchange with a 0.70% rate applicable on the amount of foreign currency sold.

In 2014, ASFI suspended the collection of other fees and established the creation of a guarantee fund for new mortgages without down payment. This fund will be created with 6% of the net income and becomes effective from 2015.

12.5 Credicorp Capital

12.5.1 Credicorp Capital Securities (CSI)

CSI operates from one location in Coral Gables, Florida, United States of America. All new accounts and all security transactions are reviewed and approved at the Coral Gables office. All representatives are assigned to and supervised from the Coral Gables Main Office.

CSI is registered with the SEC, is a member of FINRA and the Securities Investor Protection Corporation (SIPC). As a member of SIPC, CSI protects customers' investment accounts up to US$500,000 of which US$100,000 may be in cash and US$400,000 may be in securities.

There are three Principals at CSI all of which are Series 7 and Series 24 licensed (General Securities Principal). At the trading desk, employees are Series 7 licensed (Registered Representative), Series 55 licensed (Equity Trader), and Series 4 licensed (Registered Options and Security Futures Principal). We also have an in-house Series 27 (Financial and Operations Principal). Members of CSI's back-office staff are either Series 99 licensed (Operations Professional) or Series 7 licensed.

12.5.2 Credicorp Capital Perú S.A.A.

The company falls under the supervision of the Superintendencia de Mercado de Valores (SMV), a specialized technical body attached to the Ministry of Economics and Finance, aimed to ensure the protection of investors, efficiency and transparency of the markets, as well as the diffusion of the information required for such purposes. It enjoys functional, administrative, economic, technical and budgetary autonomy.

The Securities Market Law as amended, approved by Legislative Decree Nº 861, governs the public offering and trading of securities, listed in the SMV and the Lima Stock Exchange. The latter institution, as the only stock exchange in Peru, also provides internal regulations which form part of the regulations and administrative rulings that govern the offering and trading of securities.

12.5.3 Credicorp Capital Colombia

Credicorp Capital Colombia falls under the supervision of the Superintendencia Financiera de Colombia, an entity whose main function is to oversee the financial and insurance sectors. Although it has an important role monitoring and surveillance, it also has certain regulatory powers which permit it to issue laws and decrees.

Additionally, the Autorregulador del Mercado de Valores de Colombia (AMV) supervises and regulates the conduct of security intermediaries, as well as the certification of those who carry out such activities. AMV is a private entity, and is the product of a self-regulation scheme established after the termination of Law 964 of 2005.

Correval Panama S.A., is regulated and supervised by the Superintendencia del Mercado de Valores de Panama S.A.

12.5.4 Inversiones IMT (IM Trust)

IM Trust's principal legal framework comes from Law 18,046. All companies involved in the stock market are supervised directly by the Superintendencia de Valores y Seguros (SVS). The SVS ensures that persons or supervised institutions, from formation until liquidation, comply with laws, regulations, statutes and other provisions governing the functioning of these markets. The SVS also authorizes companies to manage mutual funds (Mutual Fund Administrators and General Fund Management or AFM and AGF, respectively, by its Spanish initials) and oversees these companies and funds to ensure compliance with laws and regulations by monitoring their legal, financial and accounting information.

In Chile, there are laws, regulations and rules that govern the various sectors of the stock market. One such law is the Securities Market Law, which governs the functioning of the Chilean market and the laws relating to corporations, management of third-party funds (investment funds, mutual funds, pension funds and others) and the deposit and custody of securities.

12.6 Grupo Pacífico

12.6.1 Overview

Grupo Pacífico's operations are regulated by Law 26702 and the SBS. Peruvian insurance companies must submit regular reports to the SBS concerning their operations. In addition, the SBS conducts on-sight reviews on an annual basis. The SBS conducts these reviews primarily to evaluate 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.

On May 27, 2013, a new Peruvian insurance law, Insurance Act No. 29946, became effective. The Insurance Act governs all insurance contracts, except for those that are expressly governed by other regulations. It substantially changes how insurance policies are offered by insurance companies, regulates the information provided by the insured, and includes changes to termination and arbitration clauses included in insurance contracts. The Act also provides a list of terms and conditions that cannot be included in any insurance contract and ensures that any changes in the contract can only be made if 45 days' notice is given to the policiyholder prior to renewal of the policy. Other measures include restrictions on the duration and renewal of contracts, consumer protection rules, and regulations governing how to address non-payment of premium installments required under insurance contracts.

In September 2013, the Superintendency of Banks, Insurance and Pension funds – SBS, initiated reforms to Peru's private pensions system (SPP), by establishing a tender process for the exclusive right to manage the SPP's collective insurance policy for D&S and burial expenses. Tender offers, for the collective insurance contract were submitted on September 13, 2013 and the winning tender obtained the right to manage the SPP's collective insurance policies from October 01, 2013 until December 2014. The tender submitted by our subsidiary Pacifico Vida was not selected, and as a result Pacífico Vida has not issued insurance policies to SPP for D&S and burial expenses since October 2013. However on December 2014, Pacifico Vida won the tender process and will issue policies for D&S and burial expenses in the SPP system, from January 2015 to December 2016.

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

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

12.6.2 Establishment of Insurance Company

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

12.6.3 Solvency Requirements

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

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

12.6.4 Legal Reserve Requirements

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

12.6.5 Reserve Requirements

Pursuant to Law 26702 and regulations issued by the SBS, Peruvian insurance companies must establish technical reserves. Law 26702 also requires insurance companies to create a reserve for IBNR claims that are reflected as a liability, net of recoveries and reinsurance, in our consolidated financial statements. Reserves for IBNR claims are estimated by using generally accepted actuarial reserving methods. See Note 3(e) to our consolidated financial statements. Finally, Grupo Pacífico 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 Item 4. Information on the company — (6) Grupo Pacífico — 6.2 Claims and Reserves".

12.6.6 Investment Requirements

Pursuant to Law 26702, the total amount of an insurance company's solvency equity and technical reserves must be permanently supported by diversified assets, which may not be pledged or otherwise encumbered. The investment regulations further state that deposits in and bonds of one financial institution together cannot exceed 10% of the total of an insurer's solvency equity and technical reserves combined. In general, no more than 20% of an insurance company's combined solvency equity and technical reserves may be invested in instruments (including stocks and bonds) issued by a company or group of companies. In order for an insurance company to invest in non-Peruvian securities, the securities must be rated by an internationally recognized credit rating company and the asset class must be authorized by Peruvian SBS regulations. Securities owned by insurance companies must be registered in the Public Registry of Securities of Peru or the comparable registry of their respective country.

12.6.7 Related Party Transactions

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

12.6.8 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 "Item 4. Information on the company – 4.B Business overview — (12) Supervision and Regulation — 12.2 BCP 12.2.1 Overview".

12.7 Prima AFP

Prima AFP's operations are regulated in Peru by the Unified Text of the Private System for the Administration of Funds Act, approved by Supreme Decree No. 054-97-EF. Operations are controlled and supervised by the SBS. In addition, AFPs are under the supervision of the SMV. AFPs must submit reports to the SBS, members and beneficiaries in general, with regard to the administration of pension funds and any information linked to the AFP's operations.

Under Peruvian legislation, AFPs can only have one type of business activity; they can only offer services linked to the administration of pension funds under the category of individual capital accounts. Also, AFPs must pay benefits provided by Law and administer retirement, disability, death benefit and funeral expense risks. AFPs must submit audited financial information, in accordance with SBS regulations. There are certain limitations on the ownership and transfer of AFP shares.

SBS authorization is required for an AFP to begin operations. Peruvian law establishes a minimum capital requirement, paid in cash by the shareholders.

SBS has put in place investment limits, which, among others, restrict investments in certain asset classes, economic groups, and issuers. In addition, some of these limits vary according to the risk profile of the fund. The limits are:

- The total amount invested in instruments issued or guaranteed by the Peruvian State cannot exceed 30% of the fund value;
- The total amount invested in instruments issued or guaranteed by BCRP cannot exceed 30% of the fund value;
- The total amount jointly invested under the two aforementioned limits cannot exceed 40% of the fund value and;

The total amount invested in instruments issued by the government, financial institutions, and non-financial institutions whose commercial activities are mostly abroad, cannot exceed 50% of the fund value. For this specific limit, the SBS sets the maximum and the Peruvian Central Bank administers the effective level (operating limit). As of December 31, 2014, the operating limit is situated at 41.5 % and it will be increased 50 basis points every month until it reaches the 42% level in January 2015.

SBS requires a guaranteed minimum profitability for funds under management. Part of the guarantee is an obligatory reserve, which must be funded by the AFP. The amount will depend on the instruments in the portfolio, but is, on average, 1% of funds under management. In addition, Peruvian law establishes that companies must set up a legal reserve equivalent to 10% of net income, until the reserve is at least 20% of the capital.

12.7.1 Private Pension System Reform:

Material changes to Peru's private pension system in 2014 include:

(i) Second Tender for Affiliates.-

In accordance with Circular N° 143-2014, the second affiliate tender in the Private Pension System (SPP) took place on December 18, 2014. Based on the guidelines and conditions to participate in this tender, Prima AFP decided not to participate in order to focus on maintaining customer service levels and the value proposition that the company offers its affiliates. The overall objective is to strengthen Prima AFP's position in the market. The company that won the first tender was eventually awarded the exclusive right to capture new affiliates for an additional 2 years (June 2015 – May 2017).

(ii) Second Tender for a Collective Insurance Policy.-

The tender process for insurance companies interested in managing D&S and burial insurance in the SPP under a collective policy was held on December 19, 2014. As a result, six companies won the right to collectively manage this insurance. The new insurance premium is equivalent to 1.33% of an affiliate's monthly remuneration and is applicable to all affiliates in the SPP. This represents an increase with regard to the current premium of 1.23%. This new premium will be applicable during the period that will run from January 01, 2015 to December 31, 2016.

(iii) The repeal of the law that stipulates the obligatory affiliation with a pension system for independent workers under the age of 40.-

According to Law N° 29903 / Law N° 30082, as of August 01, 2014, independent workers born after August 1973 are required to make obligatory contributions to one of the two pension systems currently in place (SPP or ONP). Due to this legislation, the volume of new affiliates to the SPP this quarter was higher than in previous periods. Nevertheless, on September 18, 2014, Law N° 30237 went into effect and repealed the aforementioned law. This new legislation stipulates that independent workers can voluntarily, rather than obligatorily, choose to affiliate to the SPP or ONP. The obligatory contributions that were collected to comply with the norms that were eventually repealed must be returned or included in the pension calculation recognition scheme chosen by the independent worker.

(iv) Investment Reform.-

In 2014 the Resolution SBS N°1293-2014 was published. This document contains the rules and regulations that pension funds must follow when investing abroad. The main changes instituted by this resolution stipulate that AFPs can make non-complex investments through vehicles such as bonds, shares and mutual funds without authorization from the SBS. Additionally, AFPs can use financial derivatives without authorization from the SBS, but these vehicles are subject to certain restrictions.

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Both changes will improve the management and risk/return profile of our portfolios while providing flexibility and opportunities to execute these kinds of transactions.

In addition, notification N°032-2014-BCRP, from the Board of BCRP, has approved a move to increase the investment limit that pensions funds managed by AFPs can invest in instruments issued by governments, financial entities and non-financial entities that conduct the majority of their economic activities abroad. This increase in the foreign investment limit, from 40% to 42%, will take place gradually beginning on October 01, 2014 and ending on January 01, 2015 (increase of 0.5% each month). This provision went into effect on September 18, 2014.

(13) 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 – 5.A Operating Results” and the Consolidated Financial Statements (and the notes that accompany the financial statements). The statistical information and discussion and analysis given below for the years 2010 through 2014 reflect our consolidated financial position as well as that of our subsidiaries, as of December 31, 2010, 2011, 2012, 2013 and 2014 and our results of operations for such years.

Credicorp’s Board decided that from January 1, 2014, the Peruvian Nuevo Sol would be the company’s functional and presentation currency of our financial statements. For this reason, we have restated the financial statements for the past four years using Nuevos Soles as the presentation currency and have prepared the financial statements for 2014 using Nuevos Soles as both the functional and presentation currency. For this restatement, we have used the methodology of IFRS and specifically IAS #21 “The Effects of Changes in Foreign Exchange Rates”. The methodology applied is as follows:

Income Statement

Income and expenses expressed in U.S. Dollars was converted to Nuevos Soles using the weighted average exchange rate for each year as showed below. These rates were obtained from the Superintendencia de Banca, Seguros y AFP (SBS).

The accumulated result of every period corresponds to the sum of the restated figures of each month of the period. This accumulated result of the period is presented as part of the entity’s net shareholders’ equity.

The difference between the restated retained earnings according to the aforementioned methodology and the restated net shareholders' equity at the end of the period is recognized under the line reserves.

Balance Sheet

The balance of each account in the balance sheet expressed in U.S. Dollar is converted to Nuevos Soles using the period-end exchange rate defined by the SBS.

Inside net shareholders' equity, each account is restated using the closing exchange rate; except for retained earnings that is restated following the methodology aforementioned. Likewise, foreign currency translation reserve is restated as explained in note 3 (c) of the Consolidated Financial Statements. The differences are included in reserves/lo

	Income Statement (1)	Balance Sheet (2)
Exchange rate	Nuevo Sol / U.S. Dollar	
December 2013	2.7126855	2.795
December 2012	2.6365422	2.550
December 2011	2.7490035	2.696
December 2010	2.8249155	2.809

(1) Weighted average exchange rate for each year.
(2) Month-end or period-end exchange rate defined by the SBS.

13.1 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 U.S. Dollars have been converted into Nuevos Soles using the applicable SBS exchange rate as of the date of such balance. Our management does not believe that the stated averages present trends materially different from those that would be presented by daily averages.

Average Balance Sheets

Assets, Interest Earned and Average Interest Rates

	Year ended December 31,							
	2012			2013			2014	
ASSETS:	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned	Nominal Avg. Rate	Average Balance	Interest Earned
	(Nuevos Soles in thousand, except percentages)							
Interest-earning assets:								
Deposits in BCRP								
Nuevos Soles	3,902,015	212,754	5.45 %	5,147,359	189,042	3.67 %	1,645,794	10,690
Foreign Currency	8,365,796	26,832	0.32	11,069,711	14,175	0.13	13,173,216	4,730
Total	12,267,811	239,586	1.95	16,217,070	203,217	1.25	14,819,010	15,420
Deposits in other banks								
Nuevos Soles	252,077	(126,220)	(50.07)	100,026	(109,001)	(108.97)	430,106	24,765
Foreign Currency	2,123,016	(5,680)	(0.27)	2,451,230	(424)	(0.02)	5,724,966	12,058
Total	2,375,093	131,900	(5.55)	2,551,256	(109,425)	(4.29)	6,155,072	36,823
Investment securities								
Nuevos Soles	10,575,596	454,766	4.30	10,217,379	424,107	4.15	9,050,225	267,716
Foreign Currency	8,510,135	269,719	3.17	9,753,897	330,446	3.39	8,539,506	493,431
Total	19,085,731	724,485	3.80	19,971,276	754,553	3.78	17,589,731	761,147
Total loans (1)								
Nuevos Soles	21,131,972	3,538,740	16.75	26,581,051	4,395,273	16.54	36,120,184	5,387,81
Foreign Currency	29,814,904	1,598,488	5.36	33,390,609	1,761,621	5.28	35,815,461	2,279,67
Total	50,946,876	5,137,228	10.08	59,971,660	6,156,894	10.27	71,935,645	7,667,48
Total dividend-earning assets								
Nuevos Soles	540,509	23,435	4.34	655,182	21,677	3.31	905,467	974
Foreign Currency	546,511	19,683	3.60	721,994	26,898	3.73	998,855	59,172
Total	1,087,020	43,118	3.97	1,377,176	48,575	3.53	1,904,322	60,146
Total interest-earning assets								
Nuevos Soles	36,402,169	4,103,475	11.27	42,700,997	4,921,098	11.52	48,151,775	5,691,95
Foreign Currency	49,360,362	1,909,042	3.87	57,387,441	2,132,716	3.72	64,252,005	2,849,06
Total	85,762,531	6,012,517	7.01	100,088,438	7,053,814	7.05	112,403,780	8,541,02
Noninterest-earning assets:								
Cash and due from banks								
Nuevos Soles	1,692,066			1,758,449			2,539,133	
Foreign Currency	864,772			982,244			984,684	
Total	2,556,838			2,740,693			3,523,817	

Reserves for loan losses								
Nuevos Soles	(957,341)			(1,278,036)			(1,723,438)	
Foreign Currency	(692,292)			(814,739)			(901,813)	
Total	(1,649,633)			(2,092,775)			(2,625,251)	
Premises and equipment								
Nuevos Soles	1,283,607			1,671,963			1,959,998	
Foreign Currency	115,723			65,352			81,398	
Total	1,399,330			1,737,315			2,041,396	
Other non-interest-earning assets and gain from derivatives instruments and other interest income								
Nuevos Soles	2,766,259	11,093		3,892,443	12,199		5,358,489	(57,891
Foreign Currency	3,618,530	67,965		4,802,058	20,457		3,770,343	117,736
Total	6,384,789	79,058		8,694,501	32,656		9,128,832	59,845
Total non-interest-earning assets								
Nuevos Soles	4,784,591	11,093		6,044,819	12,199		8,134,182	(57,891
Foreign Currency	3,906,733	67,965		5,034,915	20,457		3,934,613	117,736
Total	8,691,324	79,058		11,079,734	32,656		12,068,794	59,845
Total average assets								
Nuevos Soles	41,186,760	4,114,566	9.99	48,745,816	4,933,298	10.12	56,285,957	5,634,06
Foreign Currency	53,267,095	1,977,007	3.71	62,422,356	2,153,173	3.45	68,186,618	2,966,80
Total	94,453,855	6,091,575	6.45	111,168,172	7,086,470	6.37	124,472,574	8,600,86

(1) Figures for total loans include past-due loans, but do not include accrued but unpaid interest on such past-due loans in the year in which such loans became past-due. Accrued interest is included.

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Average Balance Sheets

Liabilities, Interest Paid and Average Interest Rates

LIABILITIES	Year ended December 31, 2012 Average Balance	Interest Paid	Nominal Avg. Rate	2013 Average Balance	Interest Paid	Nominal Avg. Rate	2014 Average Balance	Interest Paid	No Av Ra
	(Nuevos Soles in thousand, except percentages)								
Interest-bearing liabilities:									
Demand deposits									
Nuevos Soles (1)	7,994,636	110,772	1.39%	9,070,759	113,385	1.25 %	9,240,730	37,191	0.4
Foreign Currency (1)	12,006,948	53,622	0.45	11,743,770	51,875	0.44	14,444,526	23,093	0.1
Total	20,001,584	164,394	0.82	20,814,529	165,260	0.79	23,685,256	60,284	0.2
Savings deposits									
Nuevos Soles (1)	7,842,584	115,794	1.48	9,466,952	125,702	1.33	14,962,519	83,141	0.5
Foreign Currency (1)	6,672,645	45,432	0.68	7,130,512	43,625	0.61	12,116,310	30,151	0.2
Total	14,515,229	161,226	1.11	16,597,464	169,327	1.02	27,078,829	113,292	0.4
Time deposits									
Nuevos Soles (1)	12,391,941	385,157	3.11	15,146,576	463,100	3.006	10,045,326	543,595	5.4
Foreign Currency (1)	10,609,634	267,596	2.52	13,643,739	266,288	1.95	11,917,359	217,459	1.8
Total	23.001,575	652,753	2.84	28,790,315	729,388	2.53	21,962,685	761,055	3.4
Due to banks and correspondents									
Nuevos Soles	1,544,180	143,013	9.26	2,352,738	146,937	6.25	5,471,918	236,336	4.3
Foreign Currency	3,580,267	75,228	2.10	6,814,785	99,285	1.46	8,217,776	184,281	2.2
Total	5,124,447	218,241	4.26	9,167,523	246,222	2.69	13,689,695	420,617	3.0
Bonds									
Nuevos Soles	1,400,870	88,700	6.33	2,131,442	136,996	6.43	2,144,157	465,143	21
Foreign Currency	10,162,326	550,044	5.41	11,571,055	635,010	5.49	12,474,898	271,844	2.1
Total	11,563,196	638,744	5.52	13,702,497	772,006	5.63	14,619,055	736,897	5.0
Total interest-bearing liabilities									
Nuevos Soles	31,174,211	843,436	2.71	38,168,467	986,119	2.58	41,864,650	1,365,407	2.2
Foreign Currency	43,031,820	991,922	2.31	50,903,861	1,096,084	2.15	59,170,870	726,828	1.2
Total	74,206,031	1,835,358	2.47	89,072,328	2,082,203	2.34	101,035,520	2,092,235	1.6

Non-interest-bearing liabilities and net equity:									
Other liabilities and loss from derivatives instruments and other interest expenses									
Nuevos Soles	2,535,439	(82,647)		3,265,720	(116,912)		4,127,986	13,102	
Foreign Currency	7,432,994	76,117		7,131,467	151,282		5,824,504	107,926	
Total	9,968,433	(6,530)		10,397,187	34,370		9,952,491	121,028	
Equity attributable to Credicorp equity holders									
Nuevos Soles	10,007,217			11,171,201			12,905,483		
Foreign Currency	10,007,217			11,171,201			12,905,483		
Total									
Non-controlling interest									
Nuevos Soles									
Foreign Currency	272,175			527,456			579,081		
Total	272,175			527,456			579,081		
Total non-interest-bearing liabilities and equity									
Nuevos Soles	2,535,439	(82,647)		3,265,720	(116,912)		4,127,986	13,102	
Foreign Currency	17,712,386	76,117		18,830,124	151,282		19,309,069	107,926	
Total	20,247,825	(6,530)		22,095,844	34,370		23,437,055	121,028	
Total average liabilities and equity									
Nuevos Soles	33,709,650	760,789	2.26	41,434,187	869,207	2.10	45,992,636	1,378,509	1.9
Foreign Currency	60,744,206	1,068,039	1.76	69,733,985	1,247,366	1.79	78,479,939	812,553	1.0
Total	94,453,856	1,828,828	1.94	111,168,172	2,116,573	1.90	124,472,575	2,191,062	1.3

(1) Includes the amount paid - for the deposit insurance fund.

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

	2013/2012 Increase/(Decrease) due to changes in:			**2014/2013** Increase/(Decrease due to changes in:		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(Nuevos Soles in thousand)					
Interest Income:						
Interest-earning deposits in BCRP						
Nuevos Soles	56,819	(80,531)	(23,712)	(75,671)	(102,681)	(178,352)
Foreign Currency	6,067	(18,724)	(12,657)	1,724	(11,169)	(9,445)
Total	62,886	(99,255)	(36,369)	(73,947)	(113,850)	(187,797)
Deposits in other banks						
Nuevos Soles	120,915	(103,696)	17,219	(170,346)	304,112	133,766
Foreign Currency	(467)	5,723	5,256	3,164	9,318	12,482
Total	120,447)	(97,972)	22,475	(167,181)	313,429	146,248
Investment securities						
Nuevos Soles	(15,136)	(15,523)	(30,659)	(41,486)	(114,905)	(156,391)
Foreign Currency	40,778	19,949	60,727	(55,656)	218,641	162,985
Total	25,642	4,426	30,068	(97,142)	103,736	6,594
Total loans(1)						
Nuevos Soles	906,761	(50,228)	856,533	1,500,110	(507,572)	992,538
Foreign Currency	190,177	(27,044)	163,133	141,137	376,916	518,053
Total	1,096,938	(77,272)	1,019,666	1,641,247	(130,656)	1,510,591
Total dividend-earning assets						
Nuevos Soles	4,383	(6,141)	(1,758)	4,275	(24,978)	(20,703)
Foreign Currency	6,429	786	7,215	13,358	18,916	32,274
Total	10,812	(5,355)	5,457	17,633	(6,062)	11,571
Total interest-earning assets						
Nuevos Soles	717,977	99,646	817,623	636,253	134,605	770,858
Foreign Currency	304,383	(80,709)	223,674	279,750	436,599	716,349
Total	1,022,360	18,937	1,041,297	916,003	571,204	1,487,207
Interest Expense:						
Demand deposits						
Nuevos Soles	14,181	(11,568)	2,613	1,404	(77,598)	(76,193)
Foreign Currency	(1,169)	(578)	(1,747)	8,124	(36,906)	(28,782)
Total	13,012	(12,146)	866	9,528	(114,504)	(104,975)
Savings deposits						
Nuevos Soles	22,776	(12,868)	9,908	51,753	(94,314)	(42,561)
Foreign Currency	2,959	(4,766)	(1,807)	21,455	(34,929)	(13,474)
Total	25,735	(17,634)	8,101	73,209	(129,244)	(56,035)
Time deposits						
Nuevos Soles	84,920	(6,977)	77,943	(216,009)	296,505	80,496
Foreign Currency	67,872	(69,179)	(1,308)	(32,598)	(16,231)	(48,829)
Total	152,791	(76,156)	76,635	(248,607)	280,274	31,667

Due to banks and correspondents and issued bonds						
Nuevos Soles	62,691	(58,767)	3,924	164,762	(75,363)	89,399
Foreign Currency	57,544	(33,487)	24,057	25,951	59,045	84,996
Total	120,234	(92,253)	27,981	190,713	(16,318)	174,395
Bonds						
Nuevos Soles	46,607	1,689	48,296	1,788	326,359	328,147
Foreign Currency	76,779	8,187	84,966	34,649	(397,815)	(363,166)
Total	123,387	9,875	133,262	36,437	(110,765)	(35,019)
Total interest-bearing liabilities						
Nuevos Soles	184,968	(42,285)	142,683	108,022	271,265	379,287
Foreign Currency	175481	(71,319)	104,162	139,778	(509,034)	(369,255)
Total	360,449	(113,604)	246,845	247,801	(237,769)	10,032

(1) Figures for total loans include past-due loans, but do not include accrued but unpaid interest on such past-due loans in the year in which such loans became past-due. Accrued interest is included.

13.1.2 Average Interest-Earning Assets, Net Interest Margin and Yield Spread

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

	Year ended December 31,					
	2012		2013		2014	
	(Nuevos Soles in thousand, except percentages)					
Average interest-earning assets						
Nuevos Soles	36,402,169		42,700,997		48,151,775	
Foreign Currency	49,360,362		57,387,441		64,252,005	
Total	85,762,531		100,088,438		112,403,780	
Net interest income from interest-earning assets						
Nuevos Soles	3,260,039		3,934,979		4,326,549	
Foreign Currency	917,120		1,036,632		2,122,237	
Total	4,177,159		4,971,611		6,448,786	
Gross yield (1)						
Nuevos Soles	11.27	%	11.52	%	11.82	%
Foreign Currency	3.87	%	3.72	%	4.43	%
Weighted-average rate	7.01	%	7.05	%	7.60	%
Net interest margin (2)						
Nuevos Soles	8.96	%	9.22	%	8.99	%
Foreign Currency	1.86	%	1.81	%	3.30	%
Weighted-average rate	4.87	%	4.97	%	5.74	%
Yield spread (3)						
Nuevos Soles	8.57	%	8.94	%	8.56	%
Foreign Currency	1.56	%	1.56	%	3.21	%
Weighted-average rate	4.54	%	4.71	%	5.53	%

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

13.1.3 Interest-Earning Deposits with Other Banks

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

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Nuevo Sol-denominated:			
The Peruvian Central Bank	5,370,228	2,578,667	1,372,728
Commercial banks	79,040	221,345	123,195
Total Nuevo Sol-denominated	5,449,268	2,800,012	1,495,923
Foreign Currency-denominated:			
The Peruvian Central Bank (U.S. Dollars)	10,454,082	13,055,599	12,631,028
Commercial banks (U.S. Dollars)	1,183,075	1,542,795	2,622,341
Other Commercial banks (other currencies)	4,052	13,405	187,693
Total Foreign Currency-denominated	11,641,209	14,611,799	15,441,062
Total	17,090,477	17,411,810	16,936,985

13.2 Investment Portfolio

The following table shows the fair value of our trading, available-for-sale and held to maturity investment securities without interest designated by type of security at the dates indicated (see Note 6 to the Consolidated Financial Statements):

	On December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Nuevo Sol-denominated:			
Peruvian Government Bonds	1,228,549	2,110,977	3,515,935
Equity securities	829,987	923,921	826,055
Bonds	970,400	969,245	1,399,061
The Peruvian Central Bank certif. notes	7,561,548	6,175,983	4,607,896
Other investments	720,612	566,647	677,089
Total Nuevo Sol-denominated	11,311,096	10,746,773	11,026,036
Foreign Currency-denominated:			
Equity securities	864,496	942,547	892,740
Bonds	5,112,403	5,715,370	5,980,271
Peruvian Government Bonds	675,095	653,479	800,767
The Peruvian Central Bank certif. notes	-	121,197	-
Other investment	1,908,650	2,040,755	2,011,318
Total Foreign Currency-denominated	8,560,644	9,473,348	9,685,096
Total securities holdings:	19,871,740	20,220,121	20,711,132

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

The weighted-average yield on our Nuevo Sol-denominated interest-earning investment securities was 4.3% in 2012, 4.2% in 2013 and 3.0% in 2014. The weighted-average yield on our foreign currency-denominated portfolio was 3.2% in 2012, 3.4% in 2013 and 5.8% in 2014. The total weighted-average yield of our investment securities was 3.8% in 2012, 3.8% in 2013 and 4.3% in 2014.

The weighted-average yield on our Nuevo Sol-denominated dividend-earning assets was 4.3% in 2012, 3.3% in 2013 and 0.1% in 2014. The weighted-average yield on our foreign currency-denominated portfolio was 3.6% in 2012, 3.7% in 2013 and 5.9% in 2014. The total weighted-average yield of our dividend-earning assets was 4.0% in 2012, 3.5% in 2013 and 3.2% in 2014.

As of December 31, 2014, the investments available for sale and held to maturity pledged as collateral amounted to S/.3,879.6 million (see note 6 to the Consolidated Financial Statements).

The following table shows the maturities of our trading, available-for-sale and held to maturity investment securities designated by type of security on December 31, 2014:

	Within 1 year	After 1 year but within 3 years	Maturing after 3 years but within 5 years	Maturing after 5 years but within 10 years	After 10 Years	Total
	(Nuevos Soles in thousand)					
Nuevo Sol-denominated:						
Peruvian government bonds	277,056	757,395	131,436	1,712,773	637,275	3,515,935
Equity securities (1)	826,055	-	-	-	-	826,055
Bonds and debentures	29,538	127,100	134,765	300,659	806,999	1,399,061
The Peruvian Central Bank certif. notes	4,091,732	516,164	-	-	-	4,607,896
Other investments	522,948	13,785	21,738	23,974	94,644	677,089
Total Nuevo Sol-denominated	5,747,329	1,414,444	287,939	2,037,406	1,538,918	11,026,036
Foreign Currency-denominated:						
Peruvian government bonds	85,310	11,419	235,973	64,043	404,022	800,767
Equity securities (1)	892,740	-	-	-	-	892,740
Bonds	633,969	1,052,207	831,254	1,980,903	1,481,938	5,980,271
The Peruvian Central Bank certif. notes	-	-	-	-	-	-
Other investments	1,196,266	173,977	288,526	6,429	346,120	2,011,318
Total Foreign Currency-denominated	2,808,285	1,237,603	1,355,753	2,051,375	2,232,080	9,685,096
Total securities holdings:	8,555,614	2,652,047	1,643,692	4,088,781	3,770,998	20,711,132
Weighted-average yield						3.68 %

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

The maturities of our investment securities classified as trading and available-for-sale, as of December 31, 2014, are described in “Item 11. Quantitative and Qualitative Disclosures about Market Risk.”

Pursuant to the criteria described below, our management has determined that the unrealized losses as of December 31, 2014 and 2013 were temporary and intends to hold each investment for a sufficient period of time to allow for a potential recovery in fair value. This holding period will last until the earlier of the investment’s recovery or maturity.

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

- The length of time and the extent to which fair value has been below cost;
- The severity of the impairment;
- The cause of the impairment and the financial condition and near-term prospects of the issuer; and
- Activity in the market of the issuer which may indicate adverse credit conditions.

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

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

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

13.3 Loan Portfolio

13.3.1 Loans by Type of Loan

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

	On December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand)				
Loans	31,297,985	37,188,077	43,108,459	50,774,283	63,804,147
Leasing transactions	5,683,832	6,327,210	7,568,023	8,588,951	9,280,086
Discounted notes	1,341,885	1,488,820	1,421,186	1,499,540	1,661,592
Factoring	704,986	686,175	832,567	831,803	1,002,893
Advances and overdrafts	293,526	67,750	142,497	456,689	560,743
Refinanced loans	215,470	258,900	362,628	371,833	647,802
Past-due loans	589,632	698,399	949,699	1,437,253	2,009,328
Unearned interest	(20,233)	(19,592)	(39,642)	(75,378)	(117,160)
Total loans, net of unearned income and without accrued interest	40,107,083	46,695,739	54,345,417	63,884,974	78,849,431
Total past-due loans amounts	(589,632)	(698,399)	(949,699)	(1,437,253)	(2,009,328)
Total performing loans	39,517,451	45,997,340	53,395,718	62,447,721	78,840,103

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

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

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

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

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

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

- Refinanced Loans: Loans that were refinanced because the client was unable to pay at maturity. A loan is categorized as a refinanced loan when a debtor is experiencing payment problems, unless the debtor is current on all interest payments and pays down at least 20% of the principal amount of the original loan.

- Past-Due Loans: Includes overdue loans. See "Item 4. Information on the company — 4.B Business Overview — (13) Selected Statistical information — 13.3 Loan Portfolio — 13.3.9 Past-Due Loan Portfolio" for further detail.

13.3.2 Loans by Economic Activity

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

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	At December 31,					
	2010		2011		2012	
	(Nuevos Soles in thousand, except percentages)					
	Amount	% Total	Amount	% Total	Amount	% Total
Economic Activity						
Manufacturing	8,436,733	21.04 %	8,950,237	19.17 %	9,127,432	16.80 %
Consumer Loans (1)	10,690,529	26.65	13,489,040	28.89	16,449,448	30.27
Small Business	2,678,084	6.68	3,044,105	6.52	3,801,741	7.00
Commerce	5,425,418	13.53	6,750,272	14.46	7,927,088	14.59
Realty Business and Leasing Services	2,000,935	4.99	2,612,295	5.59	3,235,165	5.95
Mining	2,508,844	6.26	2,307,167	4.94	1,921,853	3.54
Communication, Storage and Transportation	2,024,584	5.05	1,924,801	4.12	1,871,544	3.44
Electricity, Gas and Water	2,723,149	6.79	3,005,468	6.44	3,481,229	6.41
Agriculture	824,961	2.06	888,084	1.90	1,150,838	2.12
Fishing	378,684	0.94	444,142	0.95	513,460	0.94
Financial Services	710,309	1.77	802,362	1.72	1,030,404	1.90
Education, Health and Other Services	497,772	1.24	609,444	1.31	831,348	1.53
Construction	372,240	0.93	688,976	1.48	1,250,699	2.30
Others (2)	1,798,336	4.48	2,383,132	5.10	1,792,808	3.30
Sub total	41,070,578	102.4	47,899,525	102,58	54,385,057	100.07
Unearned interest	(963,495)	(2.4)	(1,203,786)	(2.58)	(39,642)	(0.07)
Total	40,107,083	100.00 %	46,695,739	100.00 %	54,345,417	100.00 %

	At December 31,			
	2013		2014	
	(Nuevos Soles in thousand, except percentages)			
	Amount	% Total	Amount	% Total
Economic Activity				
Manufacturing	10,580,629	16.56 %	13,082,471	16.59 %
Consumer Loans (1)	19,338,230	30.27	24,145,410	30.62
Small Business	4,118,941	6.45	3,813,398	4.84
Commerce	9,163,740	14.34	11,427,341	14.49
Realty Business and Leasing Services	3,579,330	5.60	5,134,696	6.51
Mining	2,933,733	4.59	2,508,209	3.18
Communication, Storage and Transportation	2,436,731	3.81	3,766,683	4.78
Electricity, Gas and Water	3,015,101	4.72	3,932,016	4.99
Agriculture	1,379,604	2.16	1,740,497	2.21
Fishing	580,815	0.91	426,458	0.54
Financial Services	792,103	1.24	1,397,287	1.77
Education, Health and Other Services	867,451	1.36	1,052,337	1.33
Construction	1,327,429	2.08	1,884,714	2.39
Others (2)	3,846,518	6.02	4,655,074	5.90
Sub total	63,960,352	100.12	78,966,591	100.15
Unearned interest	(75,378)	(0.12)	(117,160)	(0.15)

Total	63,884,974	100.00 %	78,849,431	100.00 %

(1) These amounts comprise:

	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand)				
Personal Loans	3,222,693	3,923,219	4,920,171	5,742,434	8,270,517
Mortgage Loans	5,782,054	7,343,446	8,887,992	10,730,628	14,498,191
Credit card	1,685,782	2,222,375	2,641,285	2,865,168	3,376,702
	10,690,529	13,489,040	16,449,448	19,338,230	24,145,410

(2) Includes community services, hotels and restaurants and other sector.

As of December 31, 2014, 94.8% was concentrated in Peru, and 4.4% of the loan portfolio was concentrated in Bolivia.

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13.3.3 Concentrations of Loan Portfolio and Lending Limits

As of December 31, 2014, loans and other off-balance-sheet exposure to our 20 largest customers (considered economic groups), equaled S/.16,299.3 million (US$5,458.6 million), and represented 21.3% of our total loan portfolio. See "—(12) Supervision and Regulation—(ii) BCP—Lending Activities" for the definition of "economic group". Ou total loans and other off-balance-sheet exposure outstanding to each of these customers ranged from S/.1,455.4 million (US$487.4 million) to S/. 467.4 million (US$156.5 million), including 18 customers with over S/.537.5 million (US$180.0 million). Total loans and other off-balance-sheet exposure outstanding to our 20 largest customers were ranked in the following risk categories as of December 31, 2014: Class A (normal)—94.0%; Class B (potential problems)—2.2%; Class C (substandard)—0.9%; Class D (doubtful)—1.3%; and Class E (loss)—1.5%. See "—Classification the Loan Portfolio".

BCP's loans to a single borrower are subject to lending limits imposed by Law 26702 of Peruvian regulation. See "Item 4 Information on the company — 4.B Business Overview — (12) Supervision and Regulation — 12.2 BCP — 12.2.8 Lending Activities". The lending limits depend on the nature of the borrower involved and the type of collateral received. The sum of BCP's loans to and deposits in either another Peruvian universal bank or Peruvian financial institution, plus any guarantees of third party performance received by BCP from such institution, may not exceed 30% of BCP's regulatory capital (as defined by the SBS). The sum of BCP's loans to and deposits in non-Peruvian financial institutions, plus any guarantees of third party performance received by BCP from such institutions, are limited to 5%, 10% or 30% of BCP's regulatory capital, depending upon the level of government supervision of the institution and whether the institution is recognized by the Peruvian Central Bank as an international bank of prime credit quality. The limits on lending to non-Peruvian financial institutions increases to 50% of BCP's regulatory capital if the amount by which such loans exceed the 5%, 10% or 30% limits is backed by certain letters of credit.

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

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

Including the regulatory capital of BCP (without subsidiaries), which amounted to S/.12,703.8 million on December 31, 2014, BCP's legal lending limits varied from S/.1,270.4 million to S/.6,351.9 million. Our consolidated lending limits, based on our regulatory capital on a consolidated basis of S/.16,377.8 million on December 31, 2014, ranged from S/.1,637.8 million to S/.8,188.9 million. As of December 31, 2014, BCP was in compliance with the lending limits of Law 26702.

As of December 31, 2014, we complied with the applicable legal lending limits in each of the jurisdictions in which we operate. These limits are calculated quarterly based upon our consolidated equity plus reserves for impaired loans not specifically identified at quarter-end. We have also set internal lending limits, which are more restrictive than those imposed by law. A limited number of exceptions to our internal limits have been authorized by our board of directors based on the credit quality of the borrower, the term of the loan, and the amount and quality of collateral provided. We may, in appropriate and limited circumstances, increase or choose to exceed these internal limits as long as our credit exposure does not exceed the legal lending limits.

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

13.3.4 Loan Portfolio Denomination

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

	At December 31,					
	2010		2011		2012	
	(Nuevos Soles in thousand, except percentages)					
Total loan portfolio:						
Nuevo Sol-denominated	15,211,724	37.93%	18,823,704	40.31%	23,089,571	42.49%
Foreign Currency-denominated	24,895,358	62.07%	27,872,035	59.69%	31,255,845	57.51%
Total loans (1)	40,107,083	100 %	46,695,739	100 %	54,345,417	100 %

	At December 31,			
	2013		2014	
	(New Soles in thousand, except percentages)			
Total loan portfolio:				
Nuevo Sol-denominated	30,158,394	47.21%	39,275,539	49.81%
Foreign Currency-denominated	33,726,580	52.79%	39,573,892	50.19%
Total loans (1)	63,884,974	100 %	78,849,431	100 %

(1) Net of unearned interest and without accrued interest.

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13.3.5 Maturity Composition of the Performing Loan Portfolio

The following table sets forth an analysis of our performing loan portfolio on December 31, 2014, by type and by time remaining to maturity. Loans are stated before deduction of the reserves for loan losses.

	Maturing					
	Amount at December 31, 2014	Within 3 months	After 3 months but within 12 months	After 1 year but within 3 years	After 3 years but within 5 years	After 5 years
	(Nuevos Soles, except percentages)					
Loans	63,804,147	13,102,984	15,040,642	14,202,141	7,481,014	13,977,366
Leasing transactions	9,280,086	603,834	2,881,933	2,569,810	1,921,753	1,302,756
Discounted notes	1,661,592	1,427,080	234,512	-	-	-
Refinanced loans	647,802	221,746	95,697	113,617	109,802	106,940
Factoring	1,002,893	1,002,273	620	-	-	-
Advances and overdrafts	560,743	560,743	-	-	-	-
Total	76,957,263	16,918,660	18,253,404	16,885,568	9,512,569	15,387,062
Past-due Loans	2,009,328					
Unearned interest	(117,160)					
Total Loans (1)	78,849,431					
% of total performing loan portfolio	100 %	21.98 %	23.72 %	21.94 %	12.36 %	19.99 %

(1) Net of unearned interest and without accrued interest.

13.3.6 Interest Rate Sensitivity of the Loan Portfolio

The following table sets forth the interest rate sensitivity of our loan portfolio on December 31, 2014, by currency and by the time remaining to maturity over one year:

	Amount at December 31, 2014	Maturing After 1 year
	Nuevos soles in thousand	
Variable Rate		
Nuevo Sol-denominated	402,070	479,610

Foreign Currency-denominated	10,641,834	4,699,572
Total	11,043,904	5,179,182
Fixed Rate (1)		
Nuevo Sol-denominated	38,873,468	19,246,070
Foreign Currency-denominated	28,932,059	17,359,947
Total	67,805,527	36,606,017
Total (2)	78,849,431	41,785,199

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

(2) Net of unearned interest and without accrued interest.

13.3.7 Classification of the Loan Portfolio

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

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

	At December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand) (1)				
Commercial loans	28,305,725	27,457,110	30,635,660	36,671,426	43,418,239
Micro-business	957,774	5,866,426	7,260,308	7,875,318	11,285,782
Consumer loans	4,818,016	6,025,212	7,561,456	8,607,602	11,647,219
Residential mortgage loans	6,025,566	7,346,990	8,887,992	10,730,628	12,498,191
Total loans	40,107,083	46,695,739	54,345,417	63,884,974	78,849,431

(1) Net of unearned interest and without accrued interest.

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

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

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

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

We classify all loans into one of five categories depending upon each loan's degree of risk of non-payment. We review our loan portfolio on a continuing basis. We classify our loans based upon risk of nonpayment by assessing the following factors: (i) the payment history of the particular loans, (ii) the history of our dealings with the borrower, (iii) the borrower's management, (iv) the borrower's operating history, (v) the borrower's repayment capability, (vi) the borrower's availability of funds, (vii) the status of any collateral or guarantee, (viii) the borrower's financial statements, (iv) the general risk of the sector in which the borrower operates, (x) the borrower's risk classification made by other financial institutions and (xi) other relevant factors. The classification of the loan determines the amount of the required loan loss provision.

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

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

Potential problems (Class B): Debtors with commercial loans in this category demonstrate certain deficiencies at the time of evaluation, which, if not corrected in a timely manner, imply risks regarding recovery of the loan. Common characteristics of loans or credits in this category include: (i) delays in loan payments which are promptly covered, (ii) a general lack of information required to analyze the credit, (iii) out-of-date financial information, (iv) temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, (v) market conditions that could affect the economic sector in which the debtor is active. Consumer and micro-business loans are categorized as Class B when payments are between 9 and 30 days past-due. Residential mortgage loans are categorized as Class B when payments are between 31 and 90 days past-due.

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

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

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

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

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

(i) Individually Assessed Allowance

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

(ii) Collectively Assessed Allowance

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

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

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

When a borrower is located in a country where there is an increased risk of difficulty servicing external debt, we assess the political and economic conditions in that country, and factor additional country risk into our assessment.

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

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

	At December 31,				
	2010		2011		2012	
	(Nuevos Soles in thousand, except percentages)					
Level of Risk Classification	Amount	% Total	Amount	% Total	Amount	% Total
A: Normal	39,082,131	95.0 %	45,582,178	95.0 %	53,043,970	95.1 %
B: Potential Problems	868,048	2.2 %	1,054,230	2.3 %	1,051,901	1.9 %
C: Substandard	361,249	0.9 %	379,680	0.8 %	491,161	0.9 %
D: Doubtful	340,858	0.8 %	421,997	0.9 %	592,028	1.1 %
E: Loss	423,291	1.1 %	461,439	1.0 %	530,721	1.0 %
Total (1)	41,070,578	100.0 %	47,899,524	100.0 %	55,709,781	100.0 %
C+D+E	1,125,398	2.8 %	1,268,116	2.7 %	1,613,910	3.0 %

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	At December 31,			
	2013		2014	
	(Nuevos Soles in thousand, except percentages)			
Level of Risk Classification	Amount	% Total	Amount	% Total
A: Normal	60,559,195	94.7 %	74,255,334	94.0 %
B: Potential Problems	1,191,500	1.9 %	1,701,045	2.2 %
C: Substandard	673,075	1.1 %	736,088	0.9 %
D: Doubtful	779,020	1.2 %	1,054,541	1.3 %
E: Loss	757,562	1.2 %	1,219,583	1.5 %
Total (1)	63,960,352	100 %	78,966,591	100 %
C+D+E	2,209,657	3.5 %	3,010,212	3.8 %

(1) Net of unearned interest and without accrued interest. – The unearned interest from impaired classifications (C+D+E) amounted to approximately, S/.127,160 in 2009, S/.446,631 in 2010, S/.32,352 in 2011, S/.175,950 in 2012 and S/.30,745 in 2013.

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

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

Past-due and impaired loans are disclosed in accordance with the following rules. The time periods used to determine whether an installment or an entire loan balance is past-due depends on their type. BCP, Edyficar and Mibanco consider loans as past-due: (i) after 15 days for corporate, large business and medium business loans; (ii) after 30 days for small and micro business loans; (iii) after 30 days for overdrafts; (iv) after 90 days for consumer, mortgage and leasing loans. In the case of consumer, mortgage and leasing loans, the past-due installments are considered past-due after 30 to 90 days. After 90 days, the outstanding balance of the loan is considered past-due. ASB considers all overdue loans past-due, except for consumer loans, which are considered past-due when the scheduled principal and/or interest payments are overdue for more than 90 days. BCP Bolivia considers loans past-due after 30 days. The entire loan balance under IFRS 7 is considered past-due when debtors have failed to make a payment on the due date contractually agreed. For more detail, see note 34.1 (c) (i) of the consolidated financial statements.

As of December 31, 2014, Credicorp did not have any loans that were overdue by more than 90 days and that were still accruing interest. Interest income is suspended when the collection of loans is doubtful, such as when overdue by more than 90 days. When a borrower or securities issuer defaults earlier than 90 days, the income is excluded from interest income until it is received. Uncollected income on these loans is applied against income. When management determines that the debtor's financial condition has improved (a debtor's financial condition is only considered improved once the debtor has paid the principal and interest due on its loans), we continue recording interest on an accrual basis. Therefore, we do not accrue interest on past-due loans, but interest on past-due loans is recognized only if and to the extent received.

Over the past five years, we have recognized interest income on these loans of S/.42.3 million in 2011, S/. 55.4 million in 2012, S/.65.1 million in 2013 and S/.93.4 million in 2014. Accrued but unpaid interest is reversed for past-due loans, with the exception of discounted notes and overdrafts.

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

	At December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand, except percentages)				
Current	40,480,946	47,201,126	54,760,082	62,523,099	76,957,263
Past-due:					
Overdue 16 - 90 days (2)	129,458	173,520	271,563	439,842	228,702
Overdue 90 days or more	460,173	524,879	678,136	997,411	1,708,626
Subtotal	589,631	698,399	949,699	1,437,253	2,009,328
Total loans	41,070,577	47,899,525	55,709,781	63,960,352	78,966,591
Past-due loan amounts as % of total loans	1.47 %	1.50 %	1.75 %	2.25 %	2.54 %

(1) Net of unearned interest and without accrued interest.

(2) The amount in 2014 would increase to S/.364,366 thousand, approximately, if the outstanding balance of consumer, mortgage and leasing loans overdue to 90 days or less are included.

With respect to consumer, mortgage and leasing loans, BCP recognizes payments as past-due installments if the loan is less than 90 days past-due. The entire amount of the loans is considered past-due if any amount is past-due more than 90 days. For IFRS 7 disclosure requirements on past-due loans, see Note 34.1 to the Consolidated Financial Statements.

13.3.9 Past-Due Loan Portfolio

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

	At December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand)				
Past-due loan amounts:					
Loans	514,209	598,871	827,909	1,255,583	1,716,823
Discounted notes	8,163	7,936	6,814	14,134	16,421
Advances and overdrafts in demand deposits	10,440	6,946	8,342	10,254	13,085

Leasing transactions	4.054	21,910	22,476	23,820	44,374
Refinanced loans	52,764	62,735	84,157	133,461	218,624
Total past-due portfolio	589,632	698,399	949,699	1,437,253	2,009,328
Less: Reserves for loan losses (1)	1,260,109	1,504,869	1,898,496	2,385,958	3,102,096
Total past-due portfolio net of reserves	(670,479)	(806,471)	(948,797)	(948,703)	(1,092,768)

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

As of December 31, 2014 total past-due loans were S/.2,009.3 million and refinanced loans were S/.647.8 million. Therefore, non-performing loans (past-due and refinanced loans) amounted to S/.2,657.1 million.

We recognize interest on past-due loans and loans in legal collection when the loans are collected. The interest income that would have been recorded for these credits in accordance with the terms of the original contract is approximately S/.415.6 million and S/.274.5 million as of December 31, 2014 and 2013, respectively.

13.3.10 Total Non-performing Loans

Non-performing loans include past-due loans as well as refinanced loans. As of December 31, 2014, total past-due loans were S/.2,009.3 million and refinanced loans were S/.647.8 million. Therefore, total non-performing loans equaled S/.2,657.1 million. As of December 31, 2014 our delinquency ratio (past-due-loan ratio) was 2.54% and our non-performing loan ratio (including past-due and refinanced loans) was 3.36%. See "Item 4, Information on the Company - 4.B Business Overview - (3) Review of 2014 – 3.2 Banking Segment – 3.2.1 BCP.

13.3.11 Loan Loss Reserves

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

	Year ended December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand)				
Reserves for loan losses at the beginning of the year	1,056,321	1,260,109	1,504,871	1,898,496	2,385,958
Additional provisions (reversals)	490,682	579,365	996,194	1,230,371	1,715,809
Acquisitions and transfers	-	-	-	-	-
Recoveries of write-offs	97,205	111,728	122,074	139,744	198,333
Write-offs	(400,945)	(418,983)	(648,033)	(990,147)	(1,272,218)
Monetary correction and other	16,846	23,342	21,010	(83,895)	74,215
Total reserves for loan losses at the end of the year	1,260,109	1,504,871	1,898,496	2,385,958	3,102,096

For a discussion of the risk elements in the loan portfolio and the factors considered in determining the amount of specific reserves, see "—Classification of the Loan Portfolio." The balance of the reserve for loan losses for the years 2011, 2012, 2013 and 2014 are included in Note 7(d) to the Consolidated Financial Statements.

Our reserves for loan losses, as of December 31, 2014, included S/.2,986.9 million for credit losses and S/.115.2 million for indirect or off-balance-sheet exposure losses as compared to S/.2,263.7 million and S/.122.3 million, respectively, in 2013. Our reserves for indirect credit losses are included in the "Other liabilities" caption of our consolidated balance sheet. See Notes 7(d) and 12(a) to the Consolidated Financial Statements.

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

13.3.12 Allocation of Loan Loss Reserves

The following table sets forth the amounts of our reserves for loan losses attributable to commercial, consumer and residential mortgage loans at the dates indicated (see also Note 7(d) to the Consolidated Financial Statements):

	At December 31,				
	2010	2011	2012	2013	2014
	(Nuevos Soles in thousand)				
Commercial loans	528,184	473,803	392,017	448,435	709,029
Micro-business	285,201	355,996	648,794	865,469	1,124,072
Consumer loans	299,746	549,046	724,075	927,482	1,128,778
Residential mortgage loans	146,978	126,025	133,610	144,572	140,217
Total reserves	1,260,109	1,504,870	1,898,496	2,385,958	3,102,096

13.4 Deposits

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

	At December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Demand deposits:			
Nuevo Sol-denominated	9,063,728	8,985,992	9,495,471
Foreign Currency-denominated	11,502,356	13,226,069	15,662,983
Total	20,566,084	22,212,061	25,158,454
Savings deposits:			
Nuevo Sol-denominated	8,840,192	10,034,779	11,700,430
Foreign Currency-denominated	6,674,207	7,719,491	9,508,401
Total	15,514,399	17,754,270	21,208,831
Time deposits:			
Nuevo Sol-denominated	10,457,859	9,033,046	11,057,606
Foreign Currency-denominated	8,452,202	11,984,415	11,850,300
Total	18,910,061	21,017,461	22,907,906
Foreign Currency Bank Certificates			
Foreign Currency-denominated	427,232	479,692	660,376
Severance Indemnity Deposits (CTS):			
Nuevo Sol-denominated	2,888,061	3,661,079	4,041,690
Foreign Currency-denominated	2,804,793	3,057,956	2,806,707
Total	5,692,854	6,719,035	6,848,397

Total deposits:			
Nuevo Sol-denominated	31,249,840	31,714,896	36,295,197
Foreign Currency-denominated	29,860,791	36,467,623	40,488,767
Total deposits and obligations without interest payable	61,110,630	68,182,519	76,783,964

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The following table presents the non interest demand deposits and the interest demand deposits:

	At December 31, 2012	2013	2014
	(Nuevos Soles in thousand)		
Nuevo Sol-denominated Demand deposits:			
Non interest demand deposits	7,150,508	7,515,091	9,134,072
Interest demand deposits	1,913,220	1,470,901	361,399
Total	9,063,728	8,985,992	9,495,471
Foreign Currency-denominated Demand deposits:			
Non interest demand deposits	9,735,741	10,874,064	15,355,986
Interest demand deposits	1,766,615	2,353,005	306,997
Total	11,502,356	13,226,069	15,662,983

The following table sets forth information regarding the maturity of our time deposits in denominations of S/.298,600 (US$100,000) or more on December 31, 2014:

	At December 31, 2014
	(Nuevos Soles in thousand)
Certificates of deposit:	
Maturing within 30 days	7,921
Maturing after 30 but within 60 days	1,572
Maturing after 60 but within 90 days	739
Maturing after 90 but within 180 days	9,012
Maturing after 180 but within 360 days	103,870
Maturing after 360 days	4,063
Total certificates of deposits	660,376
Time deposits:	
Maturing within 30 days	10,018,999
Maturing after 30 but within 60 days	2,373,565
Maturing after 60 but within 90 days	1,413,074
Maturing after 90 but within 180 days	2,079,158
Maturing after 180 but within 360 days	2,532,285
Maturing after 360 days	2,640,231
Total time deposits	22,907,906
Total	21,184,489

13.5 Return on Equity and Assets

At December 31,

	2012	2013	2014
Return on assets (1)	2.23 %	1.41 %	1.92 %
Return on equity (2)	20.78%	13.77%	18.50%
Dividend payout ratio (3)	25.32%	27.44%	21.74%
Equity to assets ratio (4)	10.88%	10.52%	10.83%
Shareholders' equity to assets ratio (5)	10.59%	10.05%	10.37%

(1) Net income attributable to our equity holders as a percentage of average total assets, computed as the average of period beginning and period ending balances.

(2) Net income attributable to our equity holders as a percentage of average net equity attributable to our equity holders, computed as the average of monthly balances.

(3) Dividends declared per share divided by net income attributable to our equity holders per share.

(4) Average equity attributable to our equity holders divided by average total assets, both averages computed as the average of month-ending balances.

(5) Average equity attributable to our equity shareholders divided by average total assets, both averages computed as the average of month-ending balances.

13.6 Short-Term Borrowing

Our short-term borrowing, other than deposits, equaled S/.4,478.9 million, S/.5,756.3 million, and S/.9,509.4 million, as of December 31, 2012, 2013, and 2014, respectively. Our average balances of borrowed amounts increased in 2014 and 2013 due to growth in foreign trade transactions. As of December 31, 2012, 2013, 2014, no repurchase transactions by the Peruvian Central Bank were included in the outstanding balance.

The following table sets forth our short-term borrowing:

	At December 31,					
	2012		2013		2014	
	(Nuevos Soles in thousand, except percentages)					
Year-end balance	4,478,895		5,756,270		9,509,444	
Average balance	3,159,830		4,485,756		6,644,335	
Maximum quarter-end balance	4,478,895		5,756,270		9,509,444	
Weighted-average nominal year-end interest rate	2.08	%	1.84	%	2.33	%
Weighted-average nominal interest rate	1.99	%	1.98	%	2.23	%

4. C Organizational Structure

(1) Credicorp

The following tables show our organizational structure and the organization of our principal subsidiaries as of December 31, 2014 and their relative percentage contribution to our total assets, total revenues, net income and net equity at the same date:

(1) Credicorp Capital Ltd. owns 60.6% of IM Trust through its subsidiary BCP Chile, 51.0% of Credicorp Capital Holding Colombia through its subsidiary Credicorp Capital Colombia and 100% of Credicorp Capital Securities.

(2) Credicorp Capital Perú includes Credicorp Capital Sociedad Agente de Bolsa, Credicorp Capital Sociedad Administradora de Fondos, Credicorp Capital Sociedad Titulizadora and Credicorp Capital Servicios Financieros.

(3) Grupo Crédito ows 36.35% of Pacífico Peruano Suiza.

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	As of and for the Year ended December 31, 2014 (1)							
	Total Assets		Total Revenue		Net Income (Loss)		Net Equity	
Banco de Crédito del Perú	86.2	%	75.0	%	80.2	%	71.0	%
Atlantic Security Holding Corporation	4.4	%	2.0	%	6.6	%	4.6	%
El Pacífico-Peruano Suiza Compañía de Seguros y Reaseguros (2)	6.4	%	19.4	%	8.5	%	12.1	%
Prima AFP	0.7	%	2.7	%	6.3	%	4.3	%
Others (3)	2.3	%	0.9	%	-1.6	%	8.0	%

(1) Percentages determined based on the Consolidated Financial Statements.
(2) Includes Grupo Pacífico, Pacífico Vida, Pacífico EPS Consolidated and Private Hospitals.
(3) Includes Credicorp Capital Perú (which includes Credicorp Capital SAF, Credicorp Capital SAB, Credicorp Capital Sociedad Titulizadora and Credicorp Capital Servicios Financieros), Credicorp Capital Ltd. (which includes BCP Chile, BCP Colombia and Credicorp Capital Securities), Grupo Crédito S.A., CCR Inc and others.

(2) BCP

(1) We hold an additional 4.08% stake of BCP Bolivia directly through Credicorp Ltd.

The following tables show the organizational structure of BCP and its principal subsidiaries as of December 31, 2014:

	As of and for the Year ended December 31, 2014 (1)							
	Total Assets		Total Revenue		Net Income (Loss)		Net Equity	
Banco de Crédito del Perú	85.2	%	81.2	%	94.9	%	73	%
Banco de Crédito de Bolivia	4.5	%	3.7	%	3.5	%	4.9	%
Empresa Financiera Edyficar S.A. (2)	9.3	%	14.4	%	-0.8	%	15.2	%
Solución Empresa Administradora Hipotecaria S.A.	0.4	%	0.3	%	0.7	%	1.0	%
Others (3)	0.6	%	0.4	%	1.8	%	5.9	%

(1) Percentages determined based on BCP’s consolidated financial statements as of and for the year ended December 31, 2014.
(2) Includes Mi Banco.
(3) Includes Inversiones BCP Ltd and Inversiones Holding Bolivia

(3) Credicorp Capital

Credicorp's regional investment banking platform is built mainly around three business units: asset management, sales & trading and corporate finance business. These business units are present in each of the countries through which we operate using several companies group under Credicorp Capital Perú, Credicorp Capital Colombia and Inversiones IMT (IM Trust - Chile).

The following chart shows the main subsidiaries of the investment banking platform as of December 31, 2014:

(1) Investment bank business and subsidiaries split from BCP.

Credicorp Investments Ltd. was formed on August, 2012 in Bermuda. It is 100% owned by Credicorp. Later in 2013, Credicorp Investments changed his name to “Credicorp Capital Ltd”.

The following chart shows Credicorp Capital’s target organizational structure once the regional investment banking platform concludes its consolidation under Credicorp Capital Ltd. in line with Credicorp’s strategic plan:

3.1 Credicorp Capital Securities Inc. (CSI)

CSI is an introducing broker dealer (IBD) incorporated under the laws of the State of Florida in the United States of America and provides access to the global securities markets by offering a wide spectrum of brokerage services. In 2013, the company changed its name from “Credicorp Securities Inc.” to “Credicorp Capital Securities Inc.” and 100% of the outstanding shares of the firm were transferred from Credicorp Ltd. to Credicorp Capital Ltd. with the approval of FINRA.

CSI began operations in March 2003 as an IBD and registered investment advisor (RIA). Since then CSI transferred the functions formerly performed under its RIA license to the Asset Management Division at BCP, which is in the process of cancelling its RIA license.

The objectives of CSI are to (i) act as a broker to its affiliate’s brokerage activities and those of its customers and provide products; and, (ii) add new customers to the brokerage business. As an IBD, CSI can open custodial accounts on behalf of its customers with only one clearing broker. Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation serves as CSI’s clearing broker.

CSI’s core business includes purchasing and selling stocks, fixed income and money market instruments. Its brokerage services involve corporate debt securities, U.S. Treasury bonds, equities, exchange-listed over-the-counter (OTC) securities, mutual funds (both domestic and international), and options (options represent only 0.08% of the business and correspond to vanilla options transactions). Mutual fund sales are not actively solicited.

CSI is approved to engage in trading for its own account in fixed income instruments. It is subject to a US$250,000 net capital requirement and files a Focus Report on a monthly basis.

3.2 Credicorp Capital Perú (formerly BCP Capital)

During 2013, BCP Capital S.A.A. changed its name to “Credicorp Capital Perú S.A.A.”. Credicorp Capital Perú is the holding company through which we conduct our investment banking businesses in Peru. It was established from a spin-off from BCP. The spin-off resulted in a reduction of BCP’s assets, liabilities and net equity in an amount of S/.198.8 million, S/.60.8 million and S/.138.0 million, respectively. Assets that transferred from BCP to Credicorp Capital Perú included the ownership of Credicorp Capital Sociedad Agente de Bolsa (formerly, Credibolsa Sociedad Agente de Bolsa), Credicorp Capital Sociedad Titulizadora (formerly, Credititulos Sociedad Titulizadora), Credicorp Capital Sociedad Administradora de Fondos (formerly, Credifondo Sociedad Administradora de Fondos) and BCP’s investment banking activities, that combined into a new company initially named BCP Capital Financial Services, now Credicorp Capital Servicios Financieros. Through each of these companies, Credicorp Capital Perú is a market leader in the investment banking segment and it offers a wide range of products and services to corporate and retail clients.

3.3 Credicorp Capital Colombia (formerly, Correval)

In 2013, 100% of the outstanding shares of BCP Colombia (owner of 51% of Credicorp Capital Colombia) were transferred from BCP to Credicorp Capital Ltd., with the approval of the Colombian banking authority, the Superintendencia Financiera de Colombia.

Credicorp Capital Colombia is a brokerage firm formed in 1987. Over the last 25 years it has been the leader in the brokerage market. The firm has a nationwide presence through its offices in Bogota, Medellin, Cali and Barranquilla. It also opened an office in Panama in early 2011.

The firm offers a wide array of products and services, including asset management (mutual and discretionary funds), sales and trading (foreign exchange, fixed income, stock, derivatives and hedging products, e-trading) and corporate finance (M&A and advisory, among others).

3.4 Inversiones IMT (IM Trust)

BCP Chile held a 60.6% stake in Inversiones IMT S.A (IM Trust). IM Trust is one of the leading financial corporations in Chile, with over 25 years of experience in the Chilean market. In early 2008, IM Trust expanded operations to Peru and Colombia.

The firm provides, through several companies, services in corporate finance (capital markets and M&A), sales & trading (equity, fixed income, and derivatives), and asset management (investment funds, mutual funds, advisory and mandates), servicing the retail, corporate, institutional and private segments.

4. D Property, Plants and Equipment

As of December 31, 2014, we owned 450 properties (442 in Peru, 6 in Bolivia and 2 in Chile) and rented 723 properties (663 in Peru, 48 in Bolivia, 10 in Colombia, 1 in Panamá and 1 in Chile), all of which we used for the operation of our network of branches and our business; we do not hold any lease agreements for these purposes. We own the buildings where our headquarters are located in Lima, Peru and La Paz, Bolivia. As of December 2014, we had 811 branches, of which 437 were branches of BCP in Peru. There are no material encumbrances on any of our properties.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5. A Operating Results

(1) Critical Accounting Policies

1.1 Consolidation

1.1.1 Subsidiaries

The consolidated financial statements comprise the financial statements of Credicorp and its subsidiaries for all the years presented. Control is achieved when Credicorp is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Credicorp controls an investee if and only if Credicorp has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when Credicorp has less than a majority of the voting or similar rights of an investee, Credicorp considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,

- Credicorp’s voting rights and potential voting rights.

Credicorp assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when Credicorp obtains control over the subsidiary and ceases when Credicorp loses control of the subsidiary. The consolidated financial statements include assets, liabilities, income and expenses of Credicorp and its subsidiaries.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of Credicorp and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with Credicorp’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of Credicorp are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Assets in custody or managed by Credicorp, such as investment funds and private pension funds (AFP funds), are not part of Credicorp's consolidated financial statements.

1.2 Change in functional currency

Until December 31, 2013, Credicorp and its subsidiaries operating in Peru, except for private hospitals, determined that their functional and presentation currency was the U.S. Dollar. Due to changes in the economic environment in Peru, where Credicorp's main subsidiaries operate, and in accordance with IFRS, management conducted a review of the functional currency of Credicorp and its subsidiaries in Peru and decided to change Credicorp's functional currency from the U.S. Dollar to the Peruvian Nuevo Sol, effective as of January 1, 2014.

In accordance with IAS 21, paraghaphs 9 to 12, the main indicators that management considered were:

- Changes in the economic environment of the country where the main subsidiaries operate.
- The gradual increase of loans and deposits, financial income and expenses denominated in Nuevos Soles.
- The regulatory and competitive factors presented in the Peruvian financial system; and,
- General de-dollarization of the Peruvian economy.

The principal changes in the economic environment that the management considered were:

a) Inflation has remained within the target range set by the BCRP. In December 2013, inflation was 2.96%, which was within the target range set by the BCRP.

b) The Peruvian economy has shown a sustained growth over the last 10 years with CAGR of 5.3% (during the period 2005-2014).

c) It should be noted that among major emerging economies, Peru is a country that shows low vulnerability to possible external financial turbulence, which is reflected in its international financial and fiscal solvency indicators, such as the level of international reserves that exceeded US$65 billion at the end of 2013, equivalent to 32% of GDP figure.

The aforementioned allowed the Government to reduce exchange rate volatility and mitigate the impact of lower capital inflows.

d) The participation of foreign currency loans in the total loan book has maintained its downward trend (from % in 2006 a % in 2013).

e) In the last two years BCRP and SBS have been focused on incentivating financial institutions to de-dollarize their loan portfolios. Some of the measures taken are:

(i) High reserve requirements for foreign currency deposits and obligations.

(ii) Specific de-dollarization targets to reduce the participation of foreign currency loans not only for the total loan portfolio, but also in mortgages and car loans.

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(iii) Higher risk weights that increase capital requirement for mortgage and consumer lending granted in foreign currency.

f) Development of capital markets in Nuevos Soles as it is reflected in:

(i) The highest issuances of long-term treasury bonds were denominated in Nuevos Soles.

(ii) Existence of longer maturities on debt issued by the Central Government and Peruvian companies.

(iii) Increase of Peruvian companies' issuances in Nuevos Soles.

The Board of Directors discussed and approved the change in fuctional currency form the U.S. Dollar to Nuevo Sol in its session held on January 22, 2014.

The change in functional currency was implemented prospectively starting January 1, 2014. To give effect to this change, balances as of January, 1, 2014 have been translated to Nuevos Soles as follows in accordance with IAS 21 "The effect of changes in foreign exchange rates" following the methodology explained in Item 4. Information on the company - 4.B Business overview - (13) Selected Statistical Information.

Correval, IM Trust, Atlantic Security Bank and Banco de Crédito de Bolivia each have mantained their functional currencies (Colombian Pesos, Chilean Pesos, U.S. Dollars and Bolivian Bolivianos, respectively).

1.3 Income and expense recognition from banking activities

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

Interest income is suspended when collection of loans becomes doubtful, when loans are overdue by 91 days or more or when the borrower or securities issuer defaults, if earlier than 90 days from the due date; in each case, such income is excluded from interest income until collected. Uncollected income on such loans is provisioned. When management determines that the debtor's financial condition has improved, the recording of interest thereon is reestablished on an accrual basis.

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

Fees and commission income are recognized on an accrual basis. Fees related to off-balance-sheet exposures that are likely to be drawn and other credit related fees are deferred (together with any direct incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

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

1.4 Insurance activities

1.4.1 Accounting policies for insurance activities

For the adoption of IFRS 4, “Insurance contract”, management concluded that U.S. GAAP used as of December 31, 2004 was the relevant framework, as permitted by IFRS 4. These policies are described in note 3(e) of Credicorp consolidated financial statements.

Insurance contracts are those contracts pursuant to which Credicorp (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. This definition includes reinsurance contracts that Credicorp holds. As a general guideline, Credicorp determines whether it has significant insurance risk by comparing premiums paid with benefits payable if the insured event were to occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Life insurance contracts offered by Credicorp include retirement, disability and survival insurance, annuities and individual life, which include unit-linked insurance contracts. The non-life insurance contracts mainly include automobile, fire and allied, technical lines and healthcare.

Credicorp cedes insurance risk in the normal course of operations for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Reinsurance ceded is placed on both a proportional and non–proportional basis.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims and ceded premiums associated with the reinsurer’s policies and are in accordance with the related reinsurance contract.

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

Ceded reinsurance arrangements do not relieve Credicorp from its obligations to a policyholder.

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

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

1.5 Financial Instruments: Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.

Credicorp classifies its financial instruments in one of the categories defined by IAS 39: financial assets and financial liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial investments; held-to-maturity financial investments and other financial liabilities. Credicorp determines the classification of its financial instruments at initial recognition.

The classification of financial instruments at initial recognition depends on management’s intention when acquiring the financial instrument and the purpose of the financial instrument. All financial instruments are measured initially at their fair value plus any directly attributable incremental cost of acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

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

1.5.1 Financial assets and financial liabilities at fair value through profit or loss

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

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

Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that otherwise would be required by the contract.

Changes in fair value of designated financial assets through profit or loss upon initial recognition are recorded in the caption "Net gain on financial assets designated at fair value through profit and loss" of the consolidated statements of income. Interest earned is accrued in the consolidated statements of income in the caption "Interest and similar income" or "interest and similar expenses", according to the terms of the contract. Dividend income is recorded when the collection right has been established.

1.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

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

An allowance for loan losses is established if there is objective evidence that Credicorp will not be able to collect all amounts due according to the original contractual terms of the loans. The allowance for loan losses is established based on an internal risk classification and considering any guarantees and collaterals received.

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1.5.3 Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at a fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve, net of its corresponding deferred tax and non-controlling interest, until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statements of income in the caption "Net gain on sale of securities", or until the investment is determined to be impaired, at which time the impaired amount is recognized in the consolidated statements of income in the caption "Impairment loss on available–for–sale investments" and removed from the available-for-sale reserve.

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

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

Credicorp evaluates whether its ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, Credicorp is unable to trade these financial assets due to inactive markets, Credicorp may elect to reclassify these financial assets if management has the ability and intention to hold such assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate.

During the years 2013 and 2014, Credicorp did not reclassify any of its available-for- sale financial investments.

1.5.4 Held-to-maturity financial investments

Held-to-maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which Credicorp has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the caption “Interest and similar income” of the consolidated statements of income. The losses arising from impairment of such investments are recognized in the consolidated statements of income.

As of December 31, 2013 and 2014, Credicorp has not recognized any impairment loss on held-to-maturity investments.

If Credicorp were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, Credicorp would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

As of December 31, 2013 and 2014, Credicorp did not sell or reclassify any of its held-to-maturity investments.

1.5.5 Repurchase and reverse repurchase agreements and security lending and borrowing transactions

Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statements of financial position as Credicorp retains substantially all of the risks and rewards of ownership. The cash received is recognized as an asset with a corresponding obligation to return it, including accrued interest, as a liability in the caption "Payables from repurchase agreements and security lendings", reflecting the transaction's economic substance as a loan to Credicorp. The difference between the sale and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate and is recognized in the caption "Interest and similar expenses" of the consolidated statements of income.

When the counterparty has the right to sell or repledge the securities, Credicorp reclassifies those securities in the caption "Investments available-for-sale pledged as collateral" or "Investments held-to-maturity pledged as collateral", as appropriate, of the consolidated statements of financial position.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statements of financial position. The consideration paid, including accrued interest, is recorded in the caption "Receivables from reverse repurchase agreements and security borrowings" of the consolidated statements of financial position, reflecting the transaction's economic substance as a loan by Credicorp. The difference between the purchase and resale price is recorded in the caption "Interest and similar income" of the consolidated statements of income and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale in the consolidated statements of financial position caption "Financial liabilities designated at fair value through profit or loss" and measured at fair value, with any gains or losses included in the consolidated statements of income caption “Net gain on sale of securities”.

Securities lending and borrowing transactions are usually collateralized by securities and cash. The transfer of the securities to counterparties is only reflected on the consolidated statements of financial position if the risks and rewards of ownership are also transferred.

1.5.6 Put and call options over non-controlling interest

Put options granted to non-controlling interests give rise to a financial liability for the present value of the redemption amount. When the financial liability is recognized initially, the present value of the amount payable upon exercise of the option is recorded in equity. All subsequent changes in the carrying amount of the liability, due to a re-measurement of the present value of the amount payable on exercise, are recognized in the consolidated statements of income.

Call options are initially recognized as a financial asset at their fair value, with any subsequent changes in their fair value recognized in profit or loss. If the call options are exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest. If the call options lapse unexercised, any carrying amount for the call option is expensed in profit or loss.

Put and call options do not give Credicorp present access to the benefits associated with the ownership interest.

1.6 Derecognition of financial assets and financial liabilities

1.6.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) Credicorp has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either Credicorp has transferred substantially all the risks and rewards of the asset, or Credicorp has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.6.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability; the difference between the carrying amount of the original financial liability and the consideration paid is recognized in the consolidated statements of income.

1.6.3 Offsetting financial instruments

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

1.6.4 Impairment of financial assets

Credicorp assesses at each date of the consolidated statements of financial position whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred "loss event"), has an impact on the estimated future cash flows of the financial asset or of Credicorp financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments; that the borrower or a group of borrowers has a greater probability of entering bankruptcy or another legal financial reorganization process and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Criteria used for each category of financial assets are as follows:

(i) Financial assets carried at amortized cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of income. A loan, together with the associated allowance, is written off when (i) the loan is classified as loss, (ii)th loan is fully provisioned and (iii) there is real and verifiable evidence that

(a) the loan is irrecoverable and collection efforts concluded without success and (b) foreclosures will not be possible or all collateral has been realized or transferred to Credicorp. If in any subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If in the future a write-off loan is later recovered, the recovery is recognized in the consolidated statements of income, as a credit to the caption "Provision for loan losses, net of recoveries".

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

For collective assessment of impairment, financial assets are grouped considering Credicorp's internal credit grading system, which considers credit risk characteristics; for example: asset type, industry, geographical location, collateral type and past-due status and other relevant factors.

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

(ii) Available-for-sale financial investments

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

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

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

(iii) Renegotiated loans

When a loan is modified, it is no longer considered as past-due, but it maintains its previous classification as impaired or not impaired. If the debtor complies with the new agreement during the following six months, and an analysis of its payment capacity supports a new improved risk classification, it is classified as not impaired. If subsequent to the loan modification the debtor fails to comply with the new agreement, it is considered as impaired and past-due.

1.7 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, Credicorp elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the caption "Administrative expenses" of the consolidated statements of income.

When Credicorp acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, "Financial Instruments: Recognition and Measurement", is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Acquisition of a non-controlling interest is recorded directly in equity; the difference between the amount paid and the share of the net assets acquired is a debit or credit to equity. Therefore, no additional goodwill is recorded upon purchase of a non-controlling interest, nor is a gain or loss recognized upon disposal of a non-controlling interest.

Equity attributable to the non-controlling interest is presented separately in the consolidated statements of financial position. Income attributable to the non-controlling interest is presented separately in the consolidated statements of income and in the consolidated statements of comprehensive income.

1.8 Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, Credicorp re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated financial income caption.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of Credicorp's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

1.9 Impairment of non-financial assets

Credicorp assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Credicorp estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

The reversal is limited so that the carrying amount of the asset exceeds neither its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.

1.10 Share-based payment transactions

1.10.2 Equity-settled transactions

Since 2009, a new supplementary remuneration plan has replaced the previous SARs plan (see (i) above).

The cost of this equity-settled plan is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees became fully entitled to the award ('the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Credicorp's best estimate of the number of equity instruments that will ultimately vest. The expense is recorded in the caption "Salaries and employee benefits" of the consolidated statements of income.

When the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

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1.11 Derivative financial instruments:

1.11.1 Trading

Credicorp negotiates derivative financial instruments in order to satisfy clients' needs. Credicorp may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes.

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

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

1.11.2 Hedge

Credicorp uses derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, Credicorp applies hedge accounting for transactions which meet the specified criteria.

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

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

The accounting treatment is established according to the nature of the hedged item and compliance with the hedge criteria, as follows:

(i) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the caption “Cash flow hedges reserve”, while any ineffective portion is recognized immediately in the consolidated statements of income.

Amounts recognized as other comprehensive income are transferred to the consolidated statements of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

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

(ii) Fair value hedges

The change in the fair value of fair value hedges is recognized in the caption "Interest and similar income" or "Interest and similar expenses" of the consolidated statements of income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is recognized in the consolidated statements of income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value of these items, as a result of discontinuation of the hedge, will be amortized through the consolidated statements of income over the remaining term of the hedge. Amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated statements of income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statements of income.

(iii) Embedded derivatives

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

Credicorp has certificates indexed to the price of Credicorp Ltd. shares that will be settled in cash, and investments indexed to certain life insurance contracts liabilities, denominated “Unit Linked”. These instruments have been classified at inception by Credicorp as “Financial instruments at fair value though profit or loss”.

1.12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to Credicorp. Also, the fair value of a liability reflects its non-performance risk.

When available, Credicorp measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then Credicorp uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurring basis, Credicorp determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, Credicorp has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

1.13 Segment reporting

Credicorp reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity's Chief Operating Decision Maker ("CODM") in making decisions about how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments.

(2) Historical Discussion and Analysis

Credicorp monitors the results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Regarding Credicorp's segments, total revenues from the banking segment amounted to 76.2%, 71.3% and 74% of Credicorp's total revenue in 2014, 2013, and 2012; therefore, the following historical discussion and analysis is presented principally for the banking segment (that includes BCP and subsidiaries and ASHC), except when otherwise indicated, and is based upon information contained in our Consolidated Financial Statements and should be read in conjunction therewith. The discussion in this section regarding interest rates is based on nominal interest rates.

The financial information and the discussion and analysis presented below for 2012, 2013 and 2014 reflect the financial position and results of operations of our subsidiaries for 2012, 2013 and 2014. See "Item 3. Key Information - 3.A Selected Financial Data."

On December 31, 2014, approximately 48.1% of our deposits and 43.6% of our loans were U.S. Dollar-denominated. Despite these high proportions, U.S. Dollar-denominated loans have decreased from 49.3% in 2013 to 43.6% in 2014 due to the appreciation of the U.S Dollar.

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2.1 Results of Operations for the Three Years Ended December 31, 2014

The following table sets forth, for the years 2012, 2013 and 2014, the principal components of our net income:

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Interest income	6,091,575	7,086,470	8,600,866
Interest expense	(1,828,827)	(2,116,573)	(2,191,062)
Net interest income	4,262,748	4,969,897	6,409,804
Provision for loan losses	(996,194)	(1,230,371)	(1,715,809)
Net interest income after Provision	3,266,554	3,379,526	4,693,995
Noninterest income	2,955,917	3,331,790	3,835,543
Insurance premiums earned net of claims on insurance activities	629,462	682,316	762,933
Other expenses	(4,255,648)	(5,111,490)	(6,075,096)
Income before translation result and income tax	2,596,285	2,642,142	3,217,375
Translation result (loss) gain	197,949	(309,422)	172,095
Income tax	(663,309)	(775,177)	(968,224)
Net income	2,130,925	1,557,543	2,421,246
Net income attributable to:			
Equity holders	2,079,647	1,538,307	2,387,852
Non-controlling interests	51,278	19,236	33,394

Our net income increase from 2013 to 2014 was primarily due to an increase in translation results of approximately S/.481.5 million, net interest income of S/.1,439.9 million and non-interest income of S/.503.8 million. See Item 5. Operating and financial review and prospects - 5. A Operating Results - (2) Historical Discussion and Analysis - 2.1 Results of Operations for the Three Years Ended December 31, 2014 - 2.1.6 Translation Result.

Net income attributable to our equity holders increased from S/.1,538.3 million in 2013 to S/.2,387.9 million in 2014, which represented an increase of 55.23% from 2013 to 2014, primarily due to an increase in translation results, net interest income and non-interest income.

On the other hand, other expenses increased 18.85% in 2014 to S/.6,075.1 million, primarily due to an increase in administrative cost of S/. 191.5 million, or 11%, and an increase in Salaries and benefits of S/.395.4 million or 17.36%.

Net gain from sales of securities included in non-interest income also increase in S/.124.5 million or 129.4% and Banking services commissions increase S/.261.9 million or 11.6%.

2.1.1 Net Interest Income

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

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Interest income:			
Interest on loans	5,137,229	6,156,893	7,667,485
Interest on investments available-for-sale	707,669	723,631	690,605
Interest on due from banks	107,687	93,794	52,243
Dividends from investments available-for-sale and trading securities	43,118	48,576	60,145
Interest on trading securities	16,816	30,922	70,542
Other interest and similar income	79,056	32,654	59,846
Total interest income	6,091,575	7,086,470	8,600,866
Interest expenses:			
Deposits and obligations	750,958	821,160	831,350
Bonds and notes issued	660,307	788,796	749,691
Due to banks and correspondents	218,242	246,222	420,617
Loss from hedging derivatives instruments	51,381	63,660	-
Other interest expenses	147,939	196,735	189,404
Total interest expense	1,828,827	2,116,573	2,191,062
Net interest income	4,262,748	4,969,897	6,409,804

Our net interest income increased by 29.0% in 2014 over 2013, and increased by 16.6% in 2013 over 2012.

Interest income increased by 21.4% in 2014 compared to 2013, after increasing by 16.3% in 2013 compared to 2012. The increase in 2014 was primarily due to higher average volume and higher interest rates on loans. The increase in 2013 was also primarily due to higher average volume and higher interest rates on loans and higher volume on investment securities.

Our average nominal interest rates earned on loans increased from 10% in 2012 to 10.3% in 2013, and then 10.7% in 2014. The average nominal interest rate for foreign currency-denominated loans increased from 5.3% in 2013 to 6.37% in 2014. Interest rates for Nuevo Sol-denominated loans decreased from 16.8% in 2012 to 16.5% in 2013, and then to 14.9% in 2014.

The average balance of our foreign currency denominated loan portfolio increased by 7.3% to S/.35,815.5 million in 2014, as compared to S/.33,390.6 million in 2013. In 2013, the average balance increased by 12.0% over the S/.29,814.9 million average balance recorded in 2012. The average balance of our Nuevo Sol denominated loan portfolio increased by 25.8% from S/.21,132.0 million in 2012 to S/.26,581.1 million in 2013, and increased by 35.9% to S/.36,120.2 million in 2014. Credicorp's loan portfolio expanded despite an economic slowdown in Peru (5.8% real GDP growth in 2013 vs. 2.4% in 2014) due to growth in Wholesale Banking, the acquisition of Mibanco inMarch 2014, a recovery in Retail Banking (mainly in the second half of 2014) and the appreciation of the U.S. dollar in 2014 (which had a favorable impact on a significant portion of the 46% of Credicorp loans that are denominated in foreign currency).

Interest expense increased in 2014 by 3.5% over the interest expense of 2013, which in 2013increased by 15.7% in 2013 over 2012. The increase in interest expense during 2014 was principally due to higher average volume on deposits and bonds issued.

Average nominal interest rates paid on foreign currency-denominated deposits decreased from 1.25% in 2012 to 1.11% in 2013 and then 0.70%% in 2014. Average nominal interest paid on Nuevo Sol-denominated deposits decreased from 2.17%% in 2012 to 2.08% in 2013 and decreased to 1.94% in 2014. This decrease was also a product of the monetary policy discussed above. See “Item 4. Information on the Company - 4.B Business Overview - (9) Competition” and “- (13) Selected Statistical Information.”

Our average foreign currency denominated deposits increased 18.33% to S/.38,478 million in 2014 from S/.32,518 million in 2013. This followed an 11.2% increase in 2013 from S/.28,229 million in 2012. Our average Nuevo Sol-denominated deposits increased by 1.68%% in 2014 to S/.34,248 million from S/.33,684 million in 2013, and increased by 19.32% in 2013 from S/.29,289 million in 2012.

Our net interest margin (net interest income divided by average interest-earning assets) was 5.76% in 2014, 4.97% in 2013 and 4.87% in 2012. See "Item 4. Information on the Company – 4.B Business Overview - (13) Selected Statistical Information".

2.1.2 Provision for Loan Losses

We classify all of our loans and other credits by risk category. We establish our loan loss reserves based on criteria established by IAS 39 (see "Item 4. Information on the Company – 4.B Business Overview - (13) Selected Statistical Information – 13.3 Loan Portfolio – 13.3.7 Classification of the Loan Portfolio"). We do not anticipate that the expansion of our loan portfolio or the development of our subsidiaries' activities will require a change in our reserve policy.

The following table sets forth the changes in our reserve for loan losses:

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Reserves for loan losses at the beginning of the year	1,504,871	1,898,496	2,385,958
Additional provisions	996,194	1,230,371	1,715,809
Recoveries of written-offs	122,074	139,744	198,333
Writte-offs	(648,033)	(990,147)	(1,272,218)
Monetary correction and Other	(76,610)	107,494	74,214
Reserves for loan losses at the end of the year	1,898,496	2,385,958	3,102,096

We recorded S/.1,715.8 million loan loss provisions in 2014 and S/.1,230.4 million in 2013. Total write-offs amounted to S/.1,272.2 million in 2014 and S/.990.1 million in 2013. Total recoveries of write-offs reached S/.198.3 million in 2014 and S/.139.7 million in 2013, constituting a 41.9% increase in 2014. Provision expense in 2014 included S/.28.7 million required by BCP Bolivia (compared to S/.34.7 million in 2013).

Total reserves, which amounted to S/.3,102.1 million in 2014, include the allowance for direct and indirect credits of approximately S/.2,986.9 million and S/.115.2 million, respectively.

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2.1.3 Non-Interest Income

The following table reflects the components of our non-interest income:

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Fees and commissions from banking services	1,944,242	2,259,927	2,521,829
Net gains from sales of securities	267,000	96,228	220,737
Net gains on foreign exchange transactions	467,912	534,442	453,405
Other income	276,763	441,193	639,572
Total non-interest income	2,955,917	3,331,790	3,835,543

Our non-interest income, without including net earned premiums, increased by 15.1% to S/.3,835.5 million in 2014. Non-interest income increased by 12.7% in 2013 compared to 2012 from S/.2,955.8 million in 2012 to S/.3,331.8 million in 2013. The revenue increase in 2014 was primarily due to an increase in fees and commissions from banking services, net gains on foreign exchange transactions and other income.

Fees income from banking services increased by 11.6% to S/.2,521.8 million in 2014. In 2013, fees and commissions income from banking services were S/.2,259.9 million, a 21.3% increase from the S/.1,944.2 million in income in 2012. The increases in fees and commissions income from banking services from 2012 to 2014 were primarily due to an increase in account maintenance, banking transfers commissions, credit/debit card services and fund management fees.

Net gains from sales of securities increased 129.4% to S/.220.7 million in 2014 as compared to S/.96.2 million in 2013. This followed a decrease of 63.9% in 2013 from the S/.267.0 million of net gains from sales of securities in 2012. The increase in 2014 was primarily due to the increased volatility observed in capital markets, which caused the appreciation of stock prices in our investment portfolio. The decrease in 2013 was primarily due to an increase in interest rates for the U.S. Dollar, which generated mark downs in the values for the securities in our portfolio across markets.

Net gains on foreign exchange transactions decreased 15.2% to S/.453.4 million in 2014 as compared to S/.534.4 million in 2013, following an increase of 14.22% from S/.467.9 million in 2012. Lower gains in 2014 compared to 2013's level were primarily due to smaller spread in our currency exchange positions.

Other income increased by 44.9% to S/.639.6 million in 2014, as compared to S/.441.2 million in 2013. This followed an increased of 59.41% in 2013, from S/.276.8 million in 2012. The increase in 2014 was primarily due to an increase in income from medical services and sales of medicines, which amounted to S/.460.8 million in 2014 (S/.344.5 million in 2013). Furthermore, ASB, after an arbitrage process, received compensation from reinsurers for S/.40.8 million, which was related to the Madoff case.

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2.1.4 Insurance Premiums and Claims on Insurance Activities

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

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Written premiums	2,247,128	2,594,336	2,658,798
Premiums ceded to reinsurers, net	(402,331)	(471,193)	(493,016)
Assumed from other companies	11,869	19,634	23,884
Net earned premiums	1,856,666	2,142,777	2,189,666
Net claims incurred	(225,746)	(295,045)	(270,756)
Increase in costs for future benefits for life and health policies	(1,001,459)	(1,165,416)	(1,155,977)
Total net premiums and claims	629,461	682,316	762,933

NEP amounted to S/.1,856.7 million in 2012, S/.2,142.8 million in 2013 and S/.2,189.7 million in 2014.

	2012		2013		2014	
	Nuevos Soles in Thousand					
	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)
Automobile	275,621	252,705	325,777	306,235	331,850	338,378
Fire and Allied L.	203,488	191,476	207,754	148,349	244,978	163,984
Theft and R.	47,890	45,501	59,153	57,314	67,688	67,446
Transport	47,231	44,125	44,700	46,007	51,712	48,825
SOAT	30,167	29,801	30,455	31,310	26,266	28,381
Marine hull	21,675	19,263	18,053	20,923	21,301	17,671
Others	204,374	214,030	255,187	250,478	233,130	244,522
Life Insurance	1,035,386	674,791	1,162,061	786,239	1,097,117	671,380
Health Insurance	832,333	775,436	978,986	947,481	1,082,323	1,078,211
Total	2,698,165	2,247,128	3,082,126	2,594,336	3,156,365	2,658,798

(*) Net of annual variation of unearned premiums and other technical reserves

Property and Casualty business total written premiums, which accounted 31% of total premiums, increased by 2% in 2014. The increase in total written premiums in 2014 was mainly due health insurance premiums, which represented 34.3% of general insurance premiums, and increased 10.6% in 2014 (14.9% in 2013).

Life Insurance business total written premiums, which accounted 35% of total premiums, decreased by 5.6% in 2014 (9.1% in 2013).

	2012		2013		2014	
	Nuevos Soles in Thousand					
	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)	Written Premiums	Earned Premiums (*)
Individual life and personal accident	245,067	154,691	278,794	207,723	313,593	218,661
Disability and Survivorship	208,540	210,433	204,458	204,108	2,719	2,344
Group Life	141,345	135,690	163,542	156,964	177,875	168,912
Credit Life	160,344	159,152	227,120	212,352	259,636	271,269
Annuities	280,090	14,825	288,147	5,092	343,294	10,194
Total	1,035,386	674,791	1,162,061	786,239	1,097,117	671,380

(*) Net of annual variation of unearned premiums and other technical reserves

The increase in total written premiums in 2014 was mainly due to Annuities (+19.1%), Credit Life (+14.3%), Individual Life and Personal Accidents (+12.5%), Group Life (+8.8%). Disability and Survivorship products decreased premiums by 98.7% in 2014 (compared to a decrease 2.0% in 2013) following the completion of the contract with Prima AFP occurred in October 2013. Almost all business lines showed positive trends in 2014 as compared to 2013.

Health business total written premiums, which accounted 34.3% of total premiums, increased by 10.6% (17.6% in 2013). The increase was mainly due Regular insurance premiums which represented 71.1% of health insurance premiums, and increase 11.7% in 2014 (compared to 15.6% in 2013).

During 2014, net claims on insurance activities (net claims incurred plus increase in cost for future benefits for life and health policies) decreased by 2.3% from S/. 1,426.7 million (US$501.3 million) in 2014 to S/. 1,460.5 million (US$538.4 million in 2013).

2.1.5 Operating Expenses

The following table reflects the components of our operating expenses:

	Year ended December 31,		
	2012	2013	2014
	(Nuevos Soles in thousand)		
Salaries and employee benefits	2,058,438	2,278,054	2,673,431
General and administrative	1,415,103	1,738,951	1,930,483

Depreciation and amortization	286,091	328,354	433,787
Other	496,016	766,131	1,037,395
Total operating expenses	4,255,648	5,111,490	6,075,096

Personnel expenses increased by 17.4% in 2014, after a 10.7% increase in 2013. The number of our personnel increased to 32,313 employees in 2014 from 27,638 in 2013 and 26,541 in 2012.

Considering only BCP and its subsidiaries, the number of personnel increased to 27,750 employees in 2014 from 22,657 in 2013 and 22,330 in 2012.

Our general and administrative expenses (which include taxes other than income taxes) increased by 11.0% in 2014, after increasing 22.9% in 2013. The increase in 2014 was related to higher expenses in systems outsourcing, transportation, communication, rental, taxes and institutional expenses in BCP. Likewise, general administrative expenses in Grupo Pacífico, Prima AFP, Banco de Crédito de Bolivia, BCP chile and BCP Colombia also increased.

Depreciation and Amortization increased by 32.1% to S/.433.8 million in 2014 from S/.328.4 million in 2013.

Other expenses increased by 35.4% in 2014, after increasing 39.1% in 2013. The increase in 2014 was mainly due to higher cost of medical services and sale of medicines, which amounted to S/.310.2 million in 2014 S/.280.5 million; higher commissions from insurance activities, which amounted to S/.262.7 million in 2014 S/.217.8 million in 2013; and an impairment loss on goodwill of IM Trust and Willis Corredores de Seguros which amounted to S/.67.5 million in 2014, S/.55.1 million in 2013 Also due to non-recurrent expenses in Mibanco and Edyficar S/.77.7 million in 2014 and the shutdown of Tarjeta Naranja S/.7.6 million.

2.1.6 Translation Result

The translation result reflects exposure to appreciation of net monetary positions in foreign currencies, principally U.S. Dollars in 2014 and Nuevos Soles in previous years. We recognized a S/.172.0 million translation gain in 2014 S/.309.5 million translation loss in 2013, and a S/.198.0 million translation gain in 2012.

Credicorp manages foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. We measure our performance in Nuevos Soles (since 2014 considering the change in functional currency, before it was measure in U.S. Dollars), so if the net foreign exchange position (e.g. U.S. Dollar) is an asset, any depreciation of Nuevo Soles with respect to this currency would affect positively Credicorp's consolidated statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated statements of income.

As of December 31, 2014, Credicorp's net foreign exchange balance is the sum of its positive open non-Nuevo Soles positions (net long position) less the sum of its negative open non-Nuevo Soles positions (net short position). As of December 31, 2013, Credicorp's net foreign exchange balance was the sum of its positive open non-U.S. Dollar positions (net long position) less the sum of its negative open non-U.S. Dollar positions (net short position). Any devaluation/revaluation of the foreign exchange position would affect the consolidated statements of income. A currency mismatch would leave Credicorp's consolidated statements of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

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2.1.7 Income Taxes

We are not subject to income taxes or taxes on capital gains, capital transfers or equity or estate duty under Bermuda law. However, some of our subsidiaries are subject to income tax and taxes on dividends paid to us, depending on the legislation of the jurisdictions in which they generate income.

Our Peruvian subsidiaries, including BCP, are subject to corporate taxation on income under Peruvian tax law. The statutory income tax rate payable in Peru since 2004 is 30% of taxable income. Through Law N°30296, published in December 31, 2014, the income tax rate was reduced according to the following terms:

Effective for years	%
2015 and 2016	28
2017 and 2018	27
From 2019 onward	26

An additional 4.1% withholding tax is applied on dividends, which we register as income tax based on the liquid amount received from BCP, Grupo Crédito and Grupo Pacífico. Through Law N°30296, published on December 31, 2014, the withholding tax on dividends for the profits generated will increase according to the following terms:

Rate for the profits generated in the years	%
2015 and 2016	7
2017 and 2018	8
From 2019 onward	9

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

The Chilean statutory Income Tax rate to resident legal persons is 21% for 2014. On the other hand, natural or legal persons do not domiciled in Chile are subject to additional tax, which is applied with an overall rate of 35%. It operates in general on the basis of withdrawals and distributions or income remittances abroad, other Chilean source. Affected taxpayers this tax is entitled to a credit of First Category Tax paid by companies on income withdrawn or distributed. For 2015 and 2016 the tax rate will be 22.5% and 24%. In the last quarter of 2016, companies resident in Chile must choose between the “Income Tax attributed system” or “Income Tax partially attributed system” for determining the income tax from the financial year 2017. Credicorp decided to choose the “Income Tax attributed system”. The additional tax rate has not been changed.

The Colombian statutory income Tax rate is 25%. As of January 1, 2013 is applicable income tax for equity-CREE with a rate of 9% in the first three years and 8% in the following years. In addition the rate of income tax payable in Colombia amounted to 34%. Since 2015, the rate of 9% CREE be permanent, leaving aside the 8% reduction would operate from 2016. In addition, a surcharge of CREE is created, equivalent to excess of 5% of US$336,000, the same shall be 6% in 2016, 8% in 2017 and 9% in 2018.

ASHC is not subject to taxation in Panama since its operations are undertaken offshore. The Cayman Islands currently have no income, corporation or capital gains tax and no estate, duty, inheritance or gift tax.

Tax expense paid by the subsidiaries increased to S/.968.2 million in 2014 from S/.775.1 million in 2013, which increased from S/.663.3 million in 2012. Income tax growth in these periods reflects increases in our taxable income. Since 1994, we have paid the Peruvian income tax at the statutory rate. The effective tax rates in 2012, 2013 and 2014 were 23.74%, 34.17%, and 28.57%, respectively.

Factors like inflation, currency fluctuation, and government policies, are not material.

(3) Financial Condition

3.1 Total Assets

As of December 31, 2014, Credicorp had total assets of S/.134.83 billion, increasing by 18.18% compared to total assets of S/.114.09 billion as of December 31, 2013. In 2012, total assets were S/.104.03 billion. In 2014, net loans increased by 23.23%, however cash and due from banks decreased by 0.34% due to lower amounts maintained with the Peruvian Central Bank. Investments increased by 2.72% due mainly to an increase in governments' treasury bonds

As of December 31, 2014, our total loans, which correspond to direct loans including accrued interest and excluding unearned interest, were S/.79,509.4 million that represented 58.97% of total assets. Loans net of reserves for loan losses, were S/.76,522.5 million. As of December 31, 2013, our total loans were S/.64,361.9 million, which represented 56.4% of total assets, and net of reserves for loan losses were S/.62,098.3 million. From December 31, 2012 to December 31, 2013 our total loans increased by 23.53%, and net of loan loss reserves increased by 23.23%.

Our total deposits with the Peruvian Central Bank decreased to S/.14,003.8 million as of December 31, 2014 from S/.15,634.4 million as of December 31, 2013 (our total deposits with the Peruvian Central Bank were S/.15,824.3 million in 2012). Our securities holdings (which include marketable securities, available for sale and held to maturity investments) increased by 2.72% to S/.20,941.6 million as of December 31, 2014 from S/.20,387.8 million as of December 31, 2013 as compared to S/.20,012.7 million in 2012. The increase of the securities portfolio in 2014 was primarily due to higher investments in governments' treasury bonds.

3.2 Total Liabilities

As of December 31, 2014, we had total liabilities of S/.120.2 billion, an 18.1% increase from S/.101.8 billion as of December 31, 2013, as compared to S/.92.9 billion in 2012; and we had total deposits of S/.77.1 billion, a 12.6% increase from S/.68.4 billion on December 31, 2013, as compared to S/.61.3 billion in 2012.

We have structured our funding strategy around maintaining a diversified deposit base. As of December 31, 2014, on an unconsolidated basis, we had 40.6% of total savings deposits in the Peruvian banking system, 38.6% of demand deposits, 28.8% of time deposits and 34.5% of total deposits, the highest of any Peruvian bank in all three types of deposits, according to the SBS. As of December 31, 2014, we had 49.9% of the entire Peruvian banking system's CTS deposits, decreasing from 52.7% as of December 31, 2013, and 54.9% as of December 31, 2012, according to SBS statistics. We believe that we have traditionally attracted a high percentage of the savings and CTS deposit market because of our reputation as a sound institution, our extensive branch network and the quality of our service.

5. B Liquidity and Capital Resources

(1) Capital Adequacy Requirements for Credicorp

On September 29, 2010, a new SBS Resolution 11823-2010 established the methodologies for calculating the regulatory capital and capital requirements for financial and mixed conglomerates.

Article 4 of SBS Resolution 11823-2010 identifies two consolidated groups: (i) the financial system consolidated group, and (ii) the insurance system consolidated group. The combined group of companies formed by these two categories of entities is called the financial group.

Articles 5 and 9 of SBS Resolution 11823-2010, provide that the financial system consolidated group, the insurance system consolidated group, and the financial group are required to hold regulatory capital that is greater than or equal to the capital requirements of each group.

The capital requirements for the consolidated groups are the sum of the capital requirements of the companies that belong to each group. For unsupervised companies, their capital requirements should be the greater of: (i) 10% of third party assets and (ii) the ratio of third party assets over total assets multiplied by the sum of paid-in-capital, legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements net of current and past years' losses. The capital requirements for the financial group are the sum of the capital requirements of each consolidated group.

Article 6 of SBS resolution 11823-2010, provides that regulatory capital of the consolidated groups is comprised of the sum of basic capital and supplementary capital, and is calculated as follows:

- Basic Capital: Basic Capital or Tier 1 capital is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock);

(ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS; and

(iii) unrealized gains and retained earnings in Subsidiaries.

Items deducted from Tier 1 capital include:

(a) current and past years' losses;

(b) deficits of loan loss provisions;

(c) goodwill resulting from corporate reorganizations or acquisitions; and

(d) half of the amount referred to in "Deductions" below. Absent any Tier 2 capital, 100% of the amount referred to in "Deductions" below must be deducted from Tier 1 capital.

The elements referred to in item (ii) above should not exceed 17.65% of the amount resulting from adding components (i) and (iii) of Tier 1 capital net of the deductions in (a), (b) and (c) in this paragraph.

- Supplementary Capital: Supplementary capital is comprised of the sum of Tier 2 and Tier 3 capital. Tier 2 capital elements include:

(i) paid-in-capital, legal reserves, supplementary capital premiums, and voluntary reserves that may be reduced without prior consent from the SBS;

(ii) the eligible portion of the consolidated redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS;

(iii) for banks using the SAM, the generic loan loss provision up to 1.25% of credit risk-weighted assets; or, alternatively, for banks using the IRB, the generic loan loss provision up to 0.6% of total credit risk-weighted assets (pursuant to article 189 of the Law); and

(iv) half of the amount referred to in “Deductions” below. Tier 3 capital is comprised of consolidated redeemable subordinated debt that is incurred with the exclusive purpose of covering market risk.

- Deductions: The following elements are deducted from Tier 1 and Tier 2 capital:

(i) for the financial system consolidated group all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies; for the insurance system consolidated group, all investments in shares and subordinated debt issued by other local or foreign insurance companies;

(ii) all investments in shares and subordinated debt issued by entities that are part of the holding but do not belong to any of the consolidated groups;

(iii) for the financial system group, the amount by which (a) an investment in shares issued by a real sector company which is neither part of the holding nor of the negotiable portfolio exceeds (b) 15% of the financial system consolidated group's regulatory capital; and

(iv) the aggregate amount of all investments in shares issued by real sector companies which are not part of the holding and which are not part of the financial system consolidated group's negotiable portfolio exceeds 60% of the regulatory capital.

Article 7 of SBS resolution 11823-2010 provides that the following limits apply when calculating regulatory capital: (i) the aggregate amount of supplementary capital must not exceed the aggregate amount of basic capital; (ii) the amount of redeemable Tier 2 subordinated instruments must be limited to 50% of the amount resulting from the sum of Tier 1 in "Basic Capital" above; (iii) the amount of Tier 3 capital must be limited to 250% of the amount resulting from the sum of Tier 1 elements.

Article 10 of SBS resolution 11823-2010, provides that regulatory capital of the financial group is comprised of the sum of basic capital and supplementary capital, and is calculated as follows:

- Basic Capital: Basic Capital or Tier 1 capital is comprised of:

(i) paid-in-capital (which includes common stock and perpetual non-cumulative preferred stock), legal reserves, supplementary capital premiums, voluntary reserves distributable only with prior SBS approval, and retained earnings with capitalization agreements (earnings that the shareholders or the Board of Directors, as the case may be, have committed to capitalize as common stock); and,

(ii) other elements that have characteristics of permanence and loss absorption that are in compliance with regulations enacted by the SBS.

Items deducted from Tier 1 capital include:

(i) current and past years' losses;

(ii) deficits of loan loss provisions;

(iii) goodwill resulting from corporate reorganizations or acquisitions; and

(iv) half of the amount referred to in “Deductions” below. Absent any Tier 2 capital, 100% of the amount referred to in “Deductions” below must be deducted from Tier 1 capital.

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- Supplementary Capital: Supplementary capital is comprised of the sum of Tier 2 and Tier 3 capital. Tier 2 capital elements include:

(i) paid-in-capital, legal reserves, supplementary capital premiums, and voluntary reserves that may be reduced without prior consent from the SBS;

(ii) the eligible portion of the consolidated redeemable subordinated debt and of any other components that have characteristics of debt and equity as provided by the SBS;

(iii) the generic loan loss provision included in the supplementary capital of the financial consolidated group; and

(iv) half of the amount referred to in "Deductions" below. Tier 3 capital is comprised of consolidated redeemable subordinated debt computed in the consolidated groups.

- Deductions: The following elements are deducted from Tier 1 and Tier 2 capital:

(i) all investments in shares and subordinated debt issued by other local or foreign financial institutions and insurance companies;

(ii) all investments in shares and subordinated debt issued by entities that are part of the holding but do not belong to any of the consolidated groups;

(iii) all investment in shares issued by real sector companies which are not part of the holding and the negotiable portfolio, computed as deductions in the financial system consolidated group.

The following table shows regulatory capital and capital adequacy requirements under IFRS rules, as of December 31, 2012, 2013 and 2014:

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Regulatory Capital and Capital Adequacy Ratios			
Nuevos Soles in Thousand	2012	2013	2014
Capital stock	1,288,171	1,386,437	1,413,751
Legal and other capital reserves (1)	5,881,730	8,115,308	9,316,314
Non-controlling interest (2)	243,397	298,498	420,920
Loan loss reserves (3)	759,454	904,001	1,144,288
Perpetual subordinated debt	580,125	635,863	746,500
Subordinated debt	2,944,781	3,576,943	4,598,249
Investments in equity and subordinated debt of financial and insurance companies	-506,828	-500,730	-500,100
Goodwill	-999,847	-920,939	-762,112
Deduction for subordinated debt limit (50% of Tier I excluding deductions) (4)	-53,160	-	-
Deduction for Tier I Limit (50% of Regulatory capital) (4)	-	-	-
Total Regulatory Capital (A)	10,137,823	13,495,381	16,377,810
Tier I (5)	5,529,831	8,017,505	9,637,886143
Tier II (6) + Tier III (7)	4,607,990	5,477,876	6,739,922
Financial Consolidated Group (FCG) Regulatory Capital Requirements	8,587,587	10,644,716	13,425,648
Insurance Consolidated Group (ICG) Capital Requirements	700,281	897,352	871,955
FCG Capital Requirements related to operations with ICG (8)	-61,656	-169,081	-137,255
ICG Capital Requirements related to operations with FCG (9)	0	0	0
Total Regulatory Capital Requirements (B)	9,226,211	11,372,986	14,160,348
Regulatory Capital Ratio (A) / (B)	1.1	1.19	1.14
Required Regulatory Capital Ratio (10)	1	1	1

(1) Legal and Other capital reserves include restricted capital reserves (S/. 8,071 million) and optional capital reserves (S/.1,245 million)

(2) Non-controlling interest includes S/.419 million from non-controlling interest Tier I capital stock and reserves and S/.2 million from non-controlling interest Tier II capital stock and reserves

(3) Up to 1.25% of total risk-weighted assets of Banco de Crédito del Perú, Solución Empresa Administradora Hipotecaria, Financiera Edyficar and Atlantic Security Bank

(4) Tier II + Tier III cannot be more than 50% of total regulatory capital

(5) Tier I = Capital + Restricted capital Reserves + Tier I capital stock and reserves from non-controlling interest - Goodwill - (0.5 x Investment in equity and subordinated debt of financial and insurance companies) + Perpetual subordinated debt.

(6) Tier II = Subordinated debt + non-controlling interest tier II capital stock and reserves + Loan loss reserves - (0.5 x Investment in equity and subordinated debt of financial and insurance companies).

(7) Tier III = Subordinated debt covering market risk only.

(8) Includes regulatory capital requirements of the financial consolidated group.

(9) Includes regulatory capital requirements of the insurance consolidated group.

(10) Regulatory Capital / Total Regulatory Capital Requirements (legal minimum = 1.00)

(2) Liquidity Risk

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

The growth of our deposit base over the years has enabled us to significantly increase our lending activity. BCP is subject to SBS Resolution No. 9075-2012, enacted in December 2012, which set responsibilities for liquidity management within the different committees and risk units, and by which minimum liquidity ratios were established. The ratio of liquid assets as a percentage of short-term liabilities, as strictly defined by the SBS, must exceed 8% for Nuevos Soles-based transactions, and 20% for foreign exchange-based transactions. BCP's average daily ratios during the month of December 2014 were 23.55% and 46.31% for Nuevos Soles and foreign exchange-based transactions, respectively, demonstrating our excess liquidity. We have never defaulted on any of our debt or been forced to reschedule any of our obligations. Even during the early 1980s, when the government of Peru and many Peruvian companies and banks were forced to restructure their debt as a result of the Latin American debt crisis and government restrictions, BCP and Grupo Pacífico complied with all of their payment obligations.

The available sources of excess liquidity for Nuevos Soles and foreign exchange-based transactions at BCP (without including subsidiaries) are as follows:

	2010 S/. 000	2011 S/. 000	2012 S/. 000	2013 S/. 000	2014 S/. 000
CURRENT ASSETS					
Cash	1,035,056	1,292,638	1,333,246	2,007,983	2,550,062
Deposits in BCRP and deposits in Peruvian banks	11,898,306	3,023,812	4,705,925	3,208,205	831,326
Peruvian Government treasury bonds and BCRP certificates of deposit	1,476,236	5,787,720	7,754,813	5,066,398	3,363,310
Others	439	40,496	1,031	4,363	14,131
Total	14,410,038	10,144,666	13,795,015	10,286,950	6,758,828
CURRENT LIABILITIES					
Demand deposits, and tax and investments liabilities	7,457,802	7,778,281	9,563,505	9,235,497	10,006,248
Saving deposits	5,409,287	6,636,569	8,527,519	9,644,537	10,481,434
Time deposits	8,995,488	7,539,702	9,574,264	8,287,408	7,845,596
Others	512,973	150,338	395,878	1,839,144	608,878
Total	22,375,549	22,104,891	28,061,166	29,006,586	28,942,157
Current ratio	64.4	45.89	49.16	35.46	23.35

The capability of replacing interest-bearing deposits at their maturity is a key factor in determining liquidity requirements, as well as the exposure to interest and exchange rate risks. Our principal source of funding is customer deposits with BCP's retail banking group and ASB's private banking group, and premiums and amounts earned on invested assets at Grupo Pacífico. We believe that funds from our deposit-taking operations generally will continue to meet our liquidity needs for the foreseeable future.

BCP's retail banking group has developed a diversified and stable deposit base and its private banking group has developed a stable deposit base that, in each case, provides us with a low-cost source of funding. This deposit base has traditionally been one of our greatest strengths. The deposit gathering strategy has focused on products considered as BCP’