Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2008 and 2007 together with the Report of Independent Auditors

ERNST & YOUNG

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2008 and 2007

Content

Independent auditor's report

To the shareholders and Board of Directors of Credicorp Ltd.

We have audited the accompanying consolidated financial statements of Credicorp Ltd. and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2008 and 2007, and the consolidated statements of income, changes in equity and cash flows for each of the three years ended December 31, 2008, 2007 and 2006, and the summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements of Credicorp Ltd. in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

Independent auditor's report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Credicorp Ltd. and Subsidiaries as of December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years ended December 31, 2008, 2007 and 2006; in accordance with International Financial Reporting Standards.

Lima, Peru,
February 26, 2009

Medina, Zaldívar, Paredes
& Asociados

Countersigned by:

Cristian Emmerich
C.P.C. Register Nº19-289

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2008 and 2007

	Note	2008 US$(000)	2007 US$(000)
Assets			
Cash and due from banks:	4		
Non-interest bearing		1,057,416	620,918
Interest bearing		2,708,755	2,452,947
		3,766,171	3,073,865
Investments:			
Trading securities		36,084	50,995
Investments available-for-sale	5	4,959,068	5,228,641
		4,995,152	5,279,636
Loans, net:	6		
Loans, net of unearned income		10,546,378	8,250,819
Allowance for loan losses		(224,337)	(211,319)
		10,322,041	8,039,500
Financial assets designated at fair value through profit or loss	7	129,631	213,153
Premiums and other policies receivable	8	111,561	85,495
Accounts receivable from reinsurers and coinsurers	8	165,144	116,141
Property, furniture and equipment, net	9	329,458	274,935
Due from customers on acceptances		232,580	35,901
Seized assets, net		11,454	19,615
Intangible assets and goodwill, net	10	246,957	227,272
Other assets	11	510,920	340,385
Total assets		20,821,069	17,705,898

	Note	2008 US$(000)	2007 US$(000)
Liabilities and equity			
Deposits and obligations:	12		
Non-interest bearing		3,213,529	2,926,308
Interest bearing		10,736,908	8,424,406
		13,950,437	11,350,714
Financial liabilities designated at fair value through profit or loss	7	-	50,561
Due to banks and correspondents	13(a)	1,179,991	1,453,261
Bankers' acceptances outstanding		232,580	35,901
Accounts payable to reinsurers and coinsurers	8	55,841	33,963
Technical reserves, insurance claims reserves and reserves for unearned premiums	14	967,770	803,478
Borrowed funds	13(b)	1,150,716	870,404
Bonds and subordinated notes issued	15	785,230	702,298
Other liabilities	11	702,399	590,045
Total liabilities		19,024,964	15,890,625
Equity	16		
Capital and reserves attributable to Credicorp's equity holders:			
Capital stock		471,912	471,912
Treasury stock		(73,107)	(73,107)
Capital surplus		140,693	140,693
Reserves		815,387	587,218
Other reserves		(45,393)	179,550
Retained earnings		379,680	369,743
		1,689,172	1,676,009
Minority interest		106,933	139,264
Total equity		1,796,105	1,815,273
Total liabilities and equity		20,821,069	17,705,898

The accompanying notes are an integral part of these consolidated balance sheets.

Credicorp Ltd. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2008, 2007 and 2006

	Note	2008 US$(000)	2007 US$(000)	2006 US$(000)
Interest and dividend income	20	1,400,334	1,065,974	782,002
Interest expense	20	(577,411)	(432,000)	(283,478)
Net interest and dividend income		822,923	633,974	498,524
Provision for loan losses, net of recoveries	6(d)	(48,760)	(28,439)	4,243
Net interest and dividend income after provision for loan losses		774,163	605,535	502,767
Other income				
Banking services commissions	21	394,247	324,761	243,778
Net gain on foreign exchange transactions		108,709	61,778	41,638
Net gain on sale of securities		51,936	46,376	27,281
Net gain on financial assets and liabilities designated at fair value through profit or loss	7(b)	-	65,088	3,521
Other	24	37,672	24,934	22,676
Total other income		592,564	522,937	338,894
Insurance premiums and claims				
Net premiums earned	22	393,903	297,272	251,261
Net claims incurred for life, property and casualty and health insurance contracts	23	(341,910)	(238,600)	(186,522)
Total premiums earned less claims		51,993	58,672	64,739

Consolidated statements of income (continued)

	Note	2008 US$(000)	2007 US$(000)	2006 US$(000)
Other expenses				
Salaries and employees benefits		(365,201)	(409,037)	(303,332)
Administrative expenses		(269,291)	(206,966)	(172,304)
Net loss on financial assets and liabilities designated at fair value through profit or loss	7(b)	(67,060)	-	-
Depreciation and amortization	9(a) and 10(a)	(57,369)	(51,013)	(50,317)
Provision for seized assets		(1,067)	(3,057)	(6,387)
Merger expenses		-	-	(5,706)
Impairment loss on available-for-sale investments	5(c)	(60,435)	(5,017)	-
Other	24	(101,876)	(71,999)	(52,718)
Total other expenses		(922,299)	(747,089)	(590,764)
Income before translation result and income tax		496,421	440,055	315,636
Translation result		(17,650)	34,627	15,216
Income tax	17(b)	(109,508)	(102,287)	(83,587)
Net income		369,263	372,395	247,265
Attributable to:				
Equityholders of Credicorp Ltd.		357,756	350,735	230,013
Minority interest		11,507	21,660	17,252
		369,263	372,395	247,265
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp Ltd. (in United States dollars)	25	4.49	4.40	2.88

The accompanying notes are an integral part of these consolidated financial statements.

Credicorp Ltd. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2008, 2007 and 2006

	Attributable to Credicorp´s equity holders									
	Number of shares issued, note 25 (In thousands of units)	Capital stock US$(000)	Treasury stock US$(000)	Capital surplus US$(000)	Reserves US$(000)	Other reserves US$(000)	Retained earnings US$(000)	Total US$(000)	Minority interest US$(000)	Total net equity US$(000)
Balances as of January 1st, 2006	94,382	471,912	(73,107)	140,693	269,527	83,302	298,113	1,190,440	101,515	1,291,955
Changes in equity for 2006 -										
Net unrealized gain from investments available-for-sale, note 5(c) and 16(c)	-	-	-	-	-	69,411	-	69,411	20,728	90,139
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 5(c) and 16(c)	-	-	-	-	-	(6,620)	-	(6,620)	(379)	(6,999)
Net gain on cash flow hedge, note 16(c)	-	-	-	-	-	1,316	-	1,316	-	1,316
Income for the year recognized directly in equity	-	-	-	-	-	64,107	-	64,107	20,349	84,456
Net income	-	-	-	-	-	-	230,013	230,013	17,252	247,265
Total recognized income for the period	-	-	-	-	-	64,107	230,013	294,120	37,601	331,721
Transfer of retained earnings to reserves, note 16(c)	-	-	-	-	210,375	-	(210,375)	-	-	-
Cash dividends, note 16(d)	-	-	-	-	-	-	(87,738)	(87,738)	-	(87,738)
Dividends of subsidiaries and other	-	-	-	-	-	-	-	-	(2,170)	(2,170)
Balances as of December 31, 2006 carried forward	94,382	471,912	(73,107)	140,693	479,902	147,409	230,013	1,396,822	136,946	1,533,768
Changes in equity for 2007 -										
Net unrealized gain from investments available-for-sale, note 5(c) and 16(c)	-	-	-	-	-	85,129	-	85,129	(426)	84,703
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 5(c) and 16(c)	-	-	-	-	-	(12,617)	-	(12,617)	-	(12,617)
Net loss on cash flow hedge, note 16(c) and 11(b)(ii)	-	-	-	-	-	(40,371)	-	(40,371)	-	(40,371)
Income for the year recognized directly in equity	-	-	-	-	-	32,141	-	32,141	(426)	31,715
Net income	-	-	-	-	-	-	350,735	350,735	21,660	372,395
Total recognized income for the period	-	-	-	-	-	32,141	350,735	382,876	21,234	404,110
Transfer of retained earnings to reserves, note 16(c)	-	-	-	-	107,316	-	(107,316)	-	-	-
Cash dividends, note 16(d)	-	-	-	-	-	-	(103,690)	(103,690)	-	(103,690)
Dividends of subsidiaries and other	-	-	-	-	-	-	1	1	(18,916)	(18,915)
Balances as of December 31, 2007 carried forward	94,382	471,912	(73,107)	140,693	587,218	179,550	369,743	1,676,009	139,264	1,815,273
Changes in equity for 2008-										
Net unrealized loss from investments available-for-sale, note 5(c) and 16(c)	-	-	-	-	-	(164,302)	-	(164,302)	(32,876)	(197,178)
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss and impairment, note 5(c) and 16(c)	-	-	-	-	-	20,048	-	20,048	-	20,048
Net loss on cash flow hedge, note 16(c) and 11(b)(ii)	-	-	-	-	-	(80,689)	-	(80,689)	(604)	(81,293)
Net loss for the year recognized directly in equity	-	-	-	-	-	(224,943)	-	(224,943)	(33,480)	(258,423)
Net income	-	-	-	-	-	-	357,756	357,756	11,507	369,263
Total recognized income for the period	-	-	-	-	-	(224,943)	357,756	132,813	(21,973)	110,840
Transfers of retained earnings to reserves, note 16(c)	-	-	-	-	228,169	-	(228,169)	-	-	-
Cash dividends, note 16(d)	-	-	-	-	-	-	(119,648)	(119,648)	-	(119,648)
Dividends of subsidiaries and other	-	-	-	-	-	-	(2)	(2)	(10,358)	(10,360)
Balances as of December 31, 2008	94,382	471,912	(73,107)	140,693	815,387	(45,393)	379,680	1,689,172	106,933	1,796,105

The accompanying notes are an integral part of these consolidated financial statements.

Credicorp Ltd. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 2008, 2007 and 2006

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Cash flows from operating activities			
Net income	369,263	372,395	247,265
Add (deduct)			
Provision (recoveries) for loan losses	48,760	28,439	(4,243)
Depreciation and amortization	57,369	51,013	50,317
Provision for seized assets	1,067	3,057	6,387
Provision for sundry risks, note 24	37,549	8,096	6,461
Deferred income tax, note 17(b)	(4,394)	(14,921)	(4,786)
Net gain on sales of securities available-for-sale	(51,936)	(46,376)	(27,281)
Impairment loss on available-for-sale investments	60,435	5,017	-
Net loss (gain) on financial assets and liabilities designated at fair value through profit and loss	67,060	(65,088)	(3,521)
Gain on sales of property, furniture and equipment	(979)	(42)	(169)
Translation result	17,650	(34,627)	(15,216)
Purchase (sale) of trading securities, net	14,911	(5,859)	15,649
Net changes in assets and liabilities:			
Increase in loans	(2,339,675)	(2,172,418)	(871,970)
Increase in other assets	(463,273)	(404,175)	(100,570)
Increase in deposits and obligations	2,614,020	2,269,568	1,632,960
(Decrease) increase in due to banks and correspondents	(274,714)	875,447	(455,381)
Increase in other liabilities	299,106	470,963	114,717
Net cash provided by operating activities	452,219	1,340,489	590,619
Cash flows from investing activities			
Acquisition of subsidiaries net of cash received, note 2	-	-	(140,085)
Net sale (purchase) of investments available-for-sale	125,416	(1,541,621)	(433,702)
Purchase of property, furniture and equipment	(91,353)	(53,901)	(43,973)
Sales of property, furniture and equipment	1,775	951	7,546
Net cash provided (used in) investing activities	35,838	(1,594,571)	(610,214)

Consolidated statements of cash flow (continued)

	2008 US$ (000)	2007 US$ (000)	2006 US$ (000)
Cash flows from financing activities			
Issuance of bonds and subordinated debt	257,509	256,014	167,247
Redemption of bonds and subordinated debt	(190,402)	(75,728)	(91,925)
Increase in borrowed funds	300,000	499,792	90,612
Payments of borrowed funds	(19,688)	-	-
Cash dividends	(119,648)	(103,690)	(87,738)
Net cash provided by financing activities	227,771	576,388	78,196
Translation (loss) gain on cash and cash equivalents	(23,522)	18,029	14,114
Net increase in cash and cash equivalents	692,306	340,335	72,715
Cash and cash equivalents at the beginning of the year	3,073,865	2,733,530	2,660,815
Cash and cash equivalents at the end of the year	3,766,171	3,073,865	2,733,530
Supplementary cash flows information:			
Cash paid during the year for -			
Interest	549,655	415,157	265,838
Income tax	124,754	86,754	96,284
Cash received during the year for -			
Interest	1,378,633	1,106,972	810,266

The accompanying notes are an integral part of these consolidated financial statements.

1. **Operations**

Credicorp Ltd. (hereinafter "Credicorp" or "the Group") is a limited liability company incorporated in Bermuda in 1995 to act as a holding company and to coordinate the policies and administration of its subsidiaries. It is also engaged in investing activities.

Credicorp Ltd., through its banking and non-banking subsidiaries, provides a wide range of financial services and products throughout Peru and in certain international markets. Its major subsidiary is Banco de Crédito del Perú (hereinafter "BCP" or the "Bank"), a Peruvian universal bank. Credicorp's address is Claredon House 2 Church Street Hamilton, Bermuda; likewise, administration offices of its representative in Peru are located in Calle Centenario Nº156, La Molina, Lima, Peru.

Credicorp is listed in Lima and New York stock exchanges.

The consolidated financial statements as of and for the year ended December 31, 2007 were approved in the General Shareholders' Meeting dated on March, 28, 2008. The accompanying consolidated financial statements as of and for the year ended December 31, 2008, were approved by the Audit Committee and Management on February 25, 2009 and will be submitted for their approval at the Board of Directors and the General Shareholders' Meeting that will occur within the period established by law; in Management's opinion, they will be approved without modifications.

2. **Acquisition of AFP Unión Vida S.A.**

On August 24, 2006, Credicorp, through its subsidiary Prima AFP, acquired for approximately US$141.5 million AFP Unión Vida S.A. (a private pension fund management company operating in Peru) from Grupo Santander Perú S.A.

At the General Shareholder's Meeting of Prima AFP, held on September 6, 2006, the merger with AFP Unión Vida S.A. was approved, with effective date December 1, 2006.

The acquisition of AFP Unión Vida S.A. was recorded using the purchase method, as required by IFRS 3, "Business Combinations". Assets and liabilities were recorded at their estimated market values at the acquisition date, including the identified intangible assets acquired. Book value and fair values of the identified assets and liabilities at their acquisition date were as follows:

	Book value of the entity acquired US$(000)	**Fair value recognition** US$(000)	**Fair value of the entity acquired** US$(000)
Assets -			
Cash and cash equivalents	1,428	-	1,428
Restricted mutual fund	32,265	-	32,265
Client relationships, note 10(a)	-	88,378	88,378
Other Intangibles	3,424	9,603	13,027
Property, furniture and equipment	2,060	-	2,060
Goodwill	-	49,047	49,047
Other assets	5,605	-	5,605
Liabilities -			
Trade accounts payable	4,688	-	4,688
Other accounts payable	5,352	-	5,352
Other liabilities	7,433	32,824	40,257
Net acquired assets	27,309	114,204	141,513

On January 2007, the arbitration proceeding between Credicorp and Grupo Santander Peru S.A. ended; as a result Credicorp received a reimbursement of approximately US$4.5 million, which was recorded as a reduction of goodwill, note 10(b).

3. Significant accounting policies

Significant accounting principles used in the preparation of Credicorp's consolidated financial statements are set out below and were consistently applied to all of the years presented, unless otherwise stated.

(a) Basis of presentation and use of estimates -

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements were prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments, the share based compensation and financial assets and financial liabilities designated at fair value through profit or loss, which were measured at fair value. The consolidated financial statements are presented in United States dollar (US$), and all values are rounded to the nearest US$ thousand, except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in notes to the consolidated financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Actual results could differ from those estimates. The most significant estimates comprised in the accompanying consolidated financial statements are related to the computation of the allowance for loan losses, the measurement of financial instruments, the technical reserves for claims and premiums, the provision for seized assets and the valuation of derivatives. The accounting criteria used for each of these items are described in this note.

The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted those new IFRS and revised IAS mandatory for years beginning on or after January 1, 2008. The adoption of the new and revised standards did not have a significant effect on the accompanying consolidated financial statements; therefore, it has not been necessary to amend the comparative figures. In summary:

- IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 7, "Financial Instruments: Disclosures" – "Reclassification of Financial Assets" (Amendment). This amendment allows reclassifications of certain financial instruments out of held for trading and available for sale categories since July 1, 2008. Due to the fact that Credicorp did not reclassify any of its financial instruments, this standard does not have any impact on the Group's consolidated financial statements.

- IFRIC 11, IFRS 2 – "Group and Treasury Share Transactions", this interpretation requirements arrangements whereby an employee is granted rights to an entity´s equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group has no transactions to be considered under this interpretation.

- IFRIC 12, "Service Concession Arrangements", this interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has no impact on the Group.

IFRIC 14 - IAS 19, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", addresses how to assess the limit, under IAS 19 "Employee Benefits", on the amount of the surplus that can be recognized as an asset particularly when a minimum funding requirement exists. This standard does not have any impact on the Group's consolidated financial statements.

(b) Consolidation -

Subsidiaries:

Subsidiaries are all entities (including special purpose entities) in which the Group has the power to govern their financial and operating policies. This situation is generally evidenced by controlling more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date control ceases. The consolidated financial statements include the assets, liabilities, income and expenses of Credicorp and its Subsidiaries. Transactions between the Group's entities, including balances, gains or losses are eliminated.

Acquisition of a subsidiary is recorded using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets received, equity instruments issued and liabilities incurred or assumed at the date of acquisition, plus directly attributable cost. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and intangible assets acquired is recorded as goodwill.

Assets in custody or managed by the Group, such as investment funds and private pension funds (AFP funds), are not part of the consolidated financial statement of the Group, note 3(z).

Net equity and net income attributable to the minority interest are shown separately on the consolidated balance sheets and the consolidated statements of income, respectively.

Associates:

An associate is an entity over which the Group has significant influence but not control. Investments in these entities represent shareholding between 20 and 50 percent of the voting rights; and are recognized initially at cost and then are accounted for by the "equity method". The Group does not have significant investments in associates; therefore, they are included in the caption "Other assets" in the consolidated balance sheets; gains resulting from the use of the equity method of accounting are included in the caption "Other income" of the consolidated income statement.

Minority interest:

Transactions with minority interests are treated as transactions with third parties. Disposals of minority interests result in gains or losses which are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, which is the difference between any consideration paid and the carrying value of the subsidiary's net assets.

As of December 31, 2008 and 2007, the following entities comprise the Group (individual financial statements data is presented in accordance with IFRS and before eliminations for consolidation purposes, except for the elimination of Credicorp´s treasury stock and its related dividends):

Entity	Percentage of participation (direct and indirect)		Assets		Liabilities		Equity		Net income (loss)	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Banco de Crédito del Perú and Subsidiaries (i)	97.41	97.33	18,514,133	15,171,338	17,112,683	14,038,774	1,401,450	1,132,564	423,529	331,652
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	1,453,915	1,738,697	1,360,471	1,401,237	93,444	337,460	(50,395)	20,537
El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	75.74	75.74	1,307,547	1,197,943	1,155,405	932,765	152,142	265,178	(20,994)	21,979
Grupo Crédito S.A. and Subsidiaries (iv)	100.00	100.00	335,854	389,577	101,748	125,089	234,106	264,488	18,271	7,662
CCR Inc. (v)	99.99	99.99	1,152,336	879,997	1,247,465	917,655	(95,129)	(37,658)	138	(4)
Credicorp Securities Inc. (vi)	99.99	99.99	2,851	2,047	470	215	2,381	1,832	549	347

(i) Banco de Crédito (BCP) is a universal bank incorporated in Peru in 1889. Its activities are supervised by the Superintendence of Banking, Insurance and AFP (the Peruvian banking, insurance and AFP authority, hereafter the SBS for its Spanish acronym). During 2008 and 2007, Credicorp acquired 0.08 percent and 0.09 percent of BCP shares, respectively, owned by minority interest.

(ii) Atlantic Security Holding Corporation (ASHC) is incorporated in the Cayman Islands; its main activity is to invest in capital stock. Its most significant subsidiary is Atlantic Security Bank (ASB), which is incorporated in the Cayman Islands, began operations on December 1981, and operates through branches and offices in Grand Cayman and the Republic of Panama; its main activity is private and institutional banking services and trustee administration.

(iii) El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros (PPS) is incorporated in Peru, provides property, casualty, life, health and personal insurance. Its main subsidiaries are El Pacífico Vida Compañía de Seguros y Reaseguros S.A. and Pacífico S.A. Entidad Prestadora de Salud (EPS), holding 61.99 percent and 100.00 percent, respectively, of their capital stock. PPS and its subsidiaries activities are supervised by the SBS.

(iv) Grupo Crédito S.A. is incorporated in Peru, its main activity is to invest in listed and not listed securities in Peru. Its main subsidiary is Prima AFP, a private pension fund administrator incorporated on March, 2005, whose activities are supervised by the SBS. As of December 31, 2008, Prima AFP total assets, liabilities and net income amounted to US$225.6, US$96.3, and U$11.2 million, respectively (US$246.4 million, US$116.8 million and US$3.0 million, respectively, as of December 31, 2007).

(v) CCR Inc., is a special purposes entity incorporated in Bahamas in 2001, whose main activity is to manage certain loans granted to BCP by foreign financial entities, note 13(b). These loans are collateralized by transactions performed by BCP. As of December 31, 2008 and 2007, the negative equity is generated by unrealized losses of cash flow hedge derivatives, as it is explained in note 16(c) and 11(b)(ii).

(vi) Credicorp Securities Inc., is incorporated in the United States of America and began operations on January, 2003; it provides securities brokerage services mainly to retail customers in Latin America.

(c) Foreign currency translation -
The Group considers that its functional and presentation currency is the United States Dollar (U.S. Dollar or US$), because it reflects the economic substance of the underlying events and circumstances relevant to the Group; insofar as its main operations and/or transactions in the different countries where the Group operates; such as: loans granted, financing obtained, sale of insurance premiums, interest income and expense, and that an important percentage of wages and purchases are established and settled in U.S. Dollars.

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

- Monetary assets and liabilities are translated at the free market exchange rate at the date of the consolidated balance sheet.

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

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

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

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

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

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

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

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

(e) Insurance activities -

Product classification:

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. This definition also includes reinsurance contracts that the Group holds. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not 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 lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Reinsurance:

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

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group 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 the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated income statement.

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

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group 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.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated balance sheet. These are deposit assets or financial liabilities that are recognized based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

Deferred acquisition costs (DAC):
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognized as an expense when incurred.

Subsequent to initial recognition, these costs are amortized on a straight line basis based on the term of expected future premiums, which typically varies between 5 and 11 years for life insurance contracts and is normally 1 year for non-life insurance contracts. Amortization is recorded in the consolidated income statement.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value an impairment loss is recognized in the consolidated income statement. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognized when the related contracts are either settled or disposed of.

Reinsurance commissions:
Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected premiums payable.

Insurance contract liabilities:

(i) Life insurance contracts liabilities
Life insurance liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are measured by using the net premium method. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the consolidated income statement. Profits originated from margins of adverse deviations on run-off contracts, are recognized in the consolidated income statement over the life of the contract, whereas losses are fully recognized in the consolidated income statement during the first year of run-off. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related DAC, by using an existing liability adequacy test as laid out under IFRS 4.

(ii) Non-life insurance (which comprises general insurance and healthcare) contract liabilities
Non-life insurance contract liabilities are recognized when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the consolidated balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the consolidated balance sheet date. Incurred but non-reported claims (hereafter "IBNR") are estimated

and included in the provision (liabilities). IBNR reserves as of December 31, 2008 and 2007, were determined on the basis of the Bornhuetter - Ferguson methodology – BF (a generally accepted actuarial method), which considers a statistical analysis of the recorded loss history, the use of projection methods and, when appropriate, qualitative factors that reflect present conditions or trends that could affect historical data. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income.

At each reporting date the Group reviews its unexpired risk and a liability adequacy test is performed as laid out under IFRS 4 to determine whether there is any overall excess of expected claims and DAC over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant nonlife insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate the deficiency is recognized in the consolidated income statement by setting up a provision for liability adequacy.

Income recognition:

(i) Gross premiums

Gross recurring premiums on life contracts are recognized as revenue when payable by the policyholder. For single premium business revenue is recognized on the date on which the policy is effective.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated balance sheet date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(ii) Reinsurance premiums

Gross reinsurance premiums on life contracts are recognized as an expense when payable or on the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognized on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the consolidated balance sheet date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

(iii) Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods then they are deferred and recognized over those future periods.

Benefits, claims and expenses recognition:

(i) Gross benefits and claims

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance and health claims includes all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

(ii) Reinsurance claims

Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant contract.

(f) Financial Instruments: Initial recognition and subsequent measurement -
Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recorded on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

The Group 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 and other financial liabilities. Management defines the classification of its financial instruments at initial recognition.

(i) Financial assets and financial liabilities at fair value through profit or loss:
This category has two sub-categories: financial assets held for trading and financial assets and liabilities designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments. Financial assets and financial liabilities are designated at fair value through profit or loss when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the 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 an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Changes in fair value are recorded in the consolidated income statement caption “Net gain on financial assets and liabilities designated at fair value through profit and loss”. Interest earned or incurred is accrued in the consolidated income statement in the captions

"Interest and dividend income" or "Interest expense", respectively, according to the terms of the contract. Dividend income is recorded when the right to the payment has been established.

(ii) Loans and receivables:

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

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 considering any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Impairment losses are recognized in the consolidated income statement in the caption "Provision for loan losses".

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

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

(iii) Available-for-sale financial investments:

Available-for-sale financial investments are those which are designated as such (to be held for an indefinite period, which may be sold in response to liquidity needs or changes in the interest rates, exchange rates or equity price); or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity, loans or receivables.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in "Other reserves", net of its corresponding deferred tax and minority interest. When an available-for-sale financial investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated income statement in the caption "Net gain on sales of securities" considering the average cost basis. Interest and dividends earned are recognized in the consolidated income statement in the caption "Interest and dividend income". Interest earned is reported as interest income using the effective interest rate and dividends earned are recognized when collection rights are established.

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

Losses arising from impairment (see note 3(i) below) are recognized in the consolidated income statement and removed from the equity caption "Other reserves".

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

(g) Derecognition of financial assets and financial liabilities -
Financial assets:
A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Group 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 (iii) either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized as profit or loss.

(h) Offsetting financial instruments -
Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and Management has the intention to settle on a net basis, or realize the assets and settle the liability simultaneously.

(i) Impairment of financial assets -

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

(i) Loans and receivables:

For loans and receivables that are carried at amortized cost, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. If the Group 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows. 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 statement of income. Interest income, if applicable, is accrued on the reduced carrying amount based on the original effective interest rate of the asset. A loan, together with its associated allowance is written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a 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 a future write-off is later recovered, the recovery is recognized in the consolidated income statements, as a credit to the caption "Provision for loan losses".

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

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

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

(ii) Available-for-sale financial investments:
For available-for-sale financial investments, the Group assesses at each consolidated balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its 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 equity and recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost (loans and receivables). 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 dividend 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 income statement, the impairment loss is reversed through the consolidated income statement.

(iii) Renegotiated loans:

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

(j) Leases -

Operating leases:

Leases in which a significant portion of the risks and benefits of the asset are hold by the lessor are classified as operating leases. Under this concept the Group has mainly leases used as BCP's branches.

When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognized as an expense in the period in which termination takes place.

Finance leases:

Finance leases are recognized as granted loans at the present value of the lease collections. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest. Lease income is recognized over the term of the lease agreement using the effective interest method, which reflects a constant periodic rate of return.

(k) Property, furniture and equipment -

Land and buildings comprise mainly branches and offices. All property, furniture and equipment are stated at historical acquisition cost less depreciation and impairment, if applicable. Historical acquisition costs include expenditures that are directly attributable to the acquired property, furniture or equipment. Maintenance and repair costs are charged to the consolidated income statement, and significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow from the use of the acquired property, furniture or equipment.

Land is not depreciated. Depreciation of other assets in this caption is calculated using the straight-line method over their estimated useful lives, as follows:

	Years
Buildings and other construction	33
Installations	10
Furniture and fixtures	10
Computer hardware	4
Vehicles and equipment	5

Asset's residual value, useful life and the selected depreciation method are periodically reviewed to ensure that they are consistent with actual economic benefits and life expectations.

(l) Seized assets -

Seized assets are recorded at the lower of cost or estimated market value, which is obtained from valuations made by independent appraisals. Reductions in book values are recorded in the consolidated statements of income.

(m) Intangible assets -

Comprise internal developed and acquired software licenses used by the Group. Acquired software licenses are measured on initial recognition at cost. These intangible assets are amortized using the straight-line method over their estimated useful life (between 3 and 5 years).

Intangible assets identified as a consequence of the acquisition of AFP Unión Vida, note 2, "client relationships" and other intangible assets, are recognized on the consolidated balance sheet at their fair values determined on the acquisition date and are amortized using the straight line method over their estimated useful life; 20 years for "client relationships" and 5 years for other identified intangible assets.

(n) Goodwill -

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

(o) Impairment of non-financial assets -

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

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

(p) Due from customers on acceptances -
Due from customers on acceptances corresponds to accounts receivable from customers for import and export transactions, whose obligations have been accepted by the banks. The obligations that must be assumed by the Group for such transactions are recorded as liabilities.

(q) Financial guarantees -
In the ordinary course of business, the Group grants financial guarantees, such as letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in "Other liabilities", being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the financial guarantee.

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

(r) Defined contribution pension plan -
The Group only operates a defined contribution pension plan. The contribution payable to a defined contribution pension plan is in proportion to the services rendered to the Group by the employees and; it is recorded as an expense in the caption "Salaries and employees benefits" of the consolidated income statement. Unpaid contributions are recorded as a liability.

(s) Provisions -
Provisions for legal claims are recognized when the Group has a present (legal) or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The amount recorded as a provision is equal to the present value of future payments expected to be needed to settle the obligation.

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

(u) Income tax and workers' profit sharing -
Income tax and workers' profit sharing are computed based on individual financial statements of Credicorp and each one of its Subsidiaries.

Deferred income tax and deferred workers' profit sharing reflect the effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts determined for tax purposes. Deferred assets and liabilities are measured using the tax rates expected to be applied to taxable income in the years in which temporary differences are expected to be recovered or eliminated. The measurement of deferred assets and deferred liabilities reflects the tax consequences that arise from the manner in which Credicorp and its Subsidiaries expect, at the consolidated balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing differences are likely to reverse. Deferred tax assets are recognized when it is more likely than not that future taxable profit will be available against which the temporary difference can be utilized. At the consolidated balance sheet date, Credicorp and its Subsidiaries assess unrecognized deferred assets and the carrying amount of recognized deferred assets.

Credicorp and its Subsidiaries determine the deferred income tax considering the tax rate applicable to its undistributed earnings; any additional tax on dividends distribution is recorded on the date a liability is recognized.

(v) Earnings per share -
Basic and diluted earnings per share are calculated by dividing the net profit attributable to Credicorp's equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased and held as treasury stock. For the years ending December 31, 2008, 2007 and 2006 Credicorp has no financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same for all years presented.

(w) Stock appreciation rights -
The Group has granted supplementary profit sharing participation to certain executives and employees who have at least one year of service in Credicorp or any of its Subsidiaries, in the form of stock appreciation rights (SARs) over a certain number of Credicorp's shares. Such SARs options are granted at the market price of the shares of Credicorp on the date of the grant and are

exercisable at that price, allowing the employee to obtain a gain from the difference between the fixed exercise price of the share at the date of execution and the market price, note 18.

The recorded expense in each year is the estimated market value of the rights that can be exercised by the beneficiaries at the consolidated balance sheets date. When Credicorp changes the price or the terms of the SARs, the additional compensation expense is recorded for an amount equal to the difference between the new exercise price and the market price of the underlying shares.

(x) Derivative financial instruments -

Trading:

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

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

Hedge:

The Group uses derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group 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 the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated is expected to offset in a range between 80 percent and 125 percent.

As part of its risk management, the Group uses derivative instruments for hedging purposes in order to reduce its exposure to market risk of certain liabilities. The accounting treatment is established according to the nature of the item hedged and compliance with the hedge criteria.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in "Other reserves". The ineffective portion of the gain or loss on the hedging instrument is recognized in the consolidated income statement in the captions "Interest and dividend income" or "Interest expense", as appropriate. When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recycled in the corresponding income or expense line of the consolidated income statement.

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the consolidated income statement in the captions "Interest and dividend income" or "Interest expense", as appropriate. Changes in the fair value of the hedged item attributable to the risk hedged are recorded as part of the carrying value of the hedged item and recognized in the consolidated income statement. 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.

Embedded derivates:
Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated income statement, unless the Group chooses to designate the hybrid contracts at fair value through profit and loss.

The Group has certificates indexed to Credicorp Ltd. share price that will be settled in cash and credit linked notes obtained to provide financial instruments in the same basis to its clients. These instruments have been classified at inception by the Group as "financial instrument at fair value though profit or loss", note 7.

(y) Segment reporting -
The Group considers as a business segment a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environment, note 26.

(z) Fiduciary activities, management of funds and pension funds -
The Group provides custody, trustee, investment management and advisory services to third parties that result in the holding of assets on their behalf. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group, note 29.8.

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

(aa) Sale and repurchase agreements -

Securities sold subject to repurchase agreements ('Repos') are presented as pledged assets when the counterparty has the right to sell or repledge the collateral; the counterparty liability is included in the caption "Due to banks and correspondents" or "Deposits and obligations", as appropriate, in the consolidated balance sheets.

The difference between sale and repurchase price is considered as interest and accrued over the life of the related agreement using the effective interest method.

(ab) Cash and cash equivalents -

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances of cash and balances with central banks, overnight deposits and amounts due from banks with original maturities of three months or less.

(ac) Reclassifications -

When it is necessary, the comparative figures have been reclassified to conform to the current year presentation. The main reclassifications to the report as of December 31, 2007 and for the two years ended December 31, 2007 are the following:

(i) For the year 2007, the "Impairment loss on available-for-sale investments" amounting to US$5.0 million was shown as part of the caption "Net gain on sale of securities"; as of December 31, 2008, this concept is shown separately in the consolidated income statement.

(ii) For the year 2006, the "Net gain on financial assets and liabilities designated at fair value through profit or loss" amounting to US$3.5 million was shown as part of the caption "Other income"; as of December 31, 2007, this concept is shown separately in the consolidated income statement.

(iii) For the year 2006, the "Interest and dividend Income" and the "Interest expense" were shown in detail on the face of consolidated income statement. For the year 2007 they are shown as part of note 20 to the consolidated income statement.

Management considers that these reclassifications result in a better presentation of the Group's activities.

(ad) Recently issued International Financial Reporting Standards but not yet effective -
The Group decided not to early adopt the following standards and interpretations that were issued but not effective as December 31, 2008:

- IFRS 8 "Operating Segments", effective for periods beginning on or after January 1, 2009, IFRS 8 replaces IAS 14 "Segment Reporting" and adopts a full management approach identifying, measuring and disclosing the results of its operating segments. The standard is only applicable to entities that have debt or equity instruments that are traded in a public market (as opposed to a "public securities market" as required by IAS 14) or that files (or is in the process of filing) its financial statements with a securities commission or similar party.

- IAS 23 (Amendment) "Borrowing Costs", effective for periods beginning on or after January 1, 2009. The revised standard eliminates the option of expensing all borrowing costs and requires borrowing costs to be capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset.

- IFRIC 13, "Customer Loyalty Programmes", effective for periods beginning on or after July 1, 2008. The interpretation requires loyalty award credits granted to customers in connection with a sales transaction to be accounted for as a separate component of the sales transaction.

- IFRS 3 (Revised) "Business Combination and Consolidation" and IAS 27 (Revised) "Separated Financial Statements Consolidation", effective modifications for periods beginning on or after July 1, 2009. The Standard establishes that its application is not retroactive; therefore, it will not have any effect on the Group's consolidated financial statements.

- IFRS 2, "Share-based payments - Vesting conditions and cancellations", effective for periods beginning on or after January 1, 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services.

- IAS 1 (Revised) "Presentation of financial statements", effective for periods beginning on or after January 1, 2009. The Standard separates owner and non owner-changes in equity. In addition, the Standard introduces the statement of comprehensive income.

- IAS 32 (Revised) and IAS 1 "Puttable Financial Instruments" (Revised), effective for periods beginning on or after January 1, 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they meet a number of specified features.

- IFRIC 15, "Agreement for the Construction of Real State", effective for annual periods beginning on or after January 1, 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed.

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", effective for periods beginning on or after October 1, 2008. The interpretation is to be applied prospectively. This interpretation provides guidance in respect to hedges of foreign currency gains and losses on a net investment in a foreign operation.

- IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items", effective for periods beginning on or after July 1, 2009, the amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations.

- IFRIC 17, "Distributions of Non-Cash Assets to owners", effective for periods beginning on or after July 1, 2009. Early application is permitted. This interpretation provides guidance in the accounting treatment of distribution of - non cash assets to owners.

- IFRIC 18, "Transfer of assets from customers", effective for periods beginning on or after July 1, 2009. This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment hat the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

The Group does not expect significant implications of these standards or interpretations in its consolidated financial statements once adopted.

4. **Cash and due from banks**

(a) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Cash and clearing	625,954	548,298
Deposits in Peruvian Central Bank - BCRP	1,952,952	1,798,581
Deposits in banks	1,184,729	720,992
	3,763,635	3,067,871
Accrued interest	2,536	5,994
Total	3,766,171	3,073,865

(b) As of December 31, 2008 and 2007, cash and due from banks balances include approximately US$2,488.7 and US$1,191.2 million, respectively, mainly from Banco de Crédito del Perú (BCP), which represent the legal reserve that Peruvian banks must maintain for its obligations with the public. These funds are deposited in BCP's vaults and in the BCRP, and are within the limits established by prevailing legislation. As of December 31, 2007 the balance of this caption also includes US$1,000 million, relating to an overnight operation deposited in the BCRP, this operation earned interest at an effective rate of 4.45 percent and had a 2 days maturity.

The legal reserve funds maintained with BCRP are not interest-bearing, except for the part of the mandatory reserve in U.S. Dollars that exceeds the minimum legal reserve. As of December 31, 2008, this excess amounts to approximately US$1,601.6 million and bears interest in U.S. Dollars at an average annual interest rate of 0.4 percent (approximately US$1,222.5 million and 3.5 percent, respectively as of December 31, 2007).

5. Investments available-for-sale

(a) This item is made up as follows:

	2008				2007			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost US$(000)	Gains US$(000)	Losses (b) US$(000)	Estimated fair value US$(000)	Amortized cost US$(000)	Gains US$(000)	Losses (b) US$(000)	Estimated fair value US$(000)
Fixed maturity -								
BCRP certificates of deposit (d)	2,209,460	2,939	(3,457)	2,208,942	2,410,062	224	(3,281)	2,407,005
Corporate, leasing and subordinated bonds (e)	950,322	16,015	(58,109)	908,228	945,794	17,028	(8,380)	954,442
Government's treasury bonds (f)	833,729	57,678	(10,231)	881,176	670,717	59,316	(403)	729,630
Central Bank of Bolivia certificates of deposit (g)	217,516	115	(81)	217,550	121,706	38	(96)	121,648
Participations in mutual funds	97,234	2,189	(2,479)	96,944	145,182	3,652	-	148,834
Collateralized mortgage obligations (CMO) (h)	96,256	46	(22,375)	73,927	106,245	597	(1,092)	105,750
US Government – Agencies and Sponsored Enterprises (i)	41,000	3,718	(67)	44,651	86,337	2,337	(427)	88,247
Restricted mutual funds (j)	49,775	1,887	-	51,662	47,347	18,255	-	65,602
Participation in RAL's funds (k)	73,268	-	-	73,268	56,641	-	-	56,641
Negotiable certificates of deposit	41,628	1,003	(76)	42,555	53,236	1,850	(1)	55,085
Hedge funds	31,742	2,920	(284)	34,378	41,129	8,557	(113)	49,573
Corporación Andina de Fomento and Corporación Financiera de Desarrollo bonds	34,799	116	(587)	34,328	45,136	143	-	45,279
Commercial papers	11,203	3	(96)	11,110	15,585	27	(9)	15,603
Other	20,104	2	(674)	19,432	21,860	1,348	(21)	23,187
	4,708,036	88,631	(98,516)	4,698,151	4,766,977	113,372	(13,823)	4,866,526
Shares -								
Listed securities (l)	106,521	109,032	(5,936)	209,617	107,332	167,578	(1,701)	273,209
Not-listed securities	6,242	1,761	(3)	8,000	19,568	28,343	(3)	47,908
	112,763	110,793	(5,939)	217,617	126,900	195,921	(1,704)	321,117
	4,820,799	199,424	(104,455)	4,915,768	4,893,877	309,293	(15,527)	5,187,643
Accrued interest				43,300				40,998
Total				4,959,068				5,228,641

(b) Credicorp's Management has determined that the unrealized losses as of December 31, 2008 and 2007 are of temporary nature. Management intents and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the earlier of its anticipated recovery or maturity.

Credicorp's Management has considered the following criteria in determining whether a loss is temporary or not for equity investments (shares):

- 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.

Credicorp's Management has considered the following criteria in determining whether a loss is temporary or not for debt investments (fixed maturity):

- Assess whether it is probable that the Group will receive all amounts due according to the contractual terms of the security (principal and interest). The identification of credit-impaired securities considers a number of factors, including the nature of the security and the underlying collateral, the amount of subordination or credit enhancement supporting the security, published credit rating and other information, and other evidential analyses of the probable cash flows from the security. If recovery of all amounts due is not probable, a "credit impairment" is deemed to exist, and the unrealized loss is recorded directly in the consolidated income statement. This unrealized loss recorded in income represents the security's decline in fair value, including the decline due to forecasted cash flow shortfalls as well as general market spread widening.

- For securities with unrealized losses but not identified as impairment, Credicorp's Management determines whether it has the positive intent and ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in its amortized cost. Credicorp's Management estimates the forecasted recovery period using current estimates of volatility in market interest rates (including liquidity and risk premiums). Management's assertion regarding its intent and ability to hold investments considers a number of factors, including a quantitative estimate of the expected recovery period and the length of that period (which may extend to maturity), the severity of the impairment, and Credicorp's Management intended strategy with respect to the identified security or portfolio. If Credicorp's Management does not have the intent and ability to hold the security for a sufficient time period, the unrealized loss is recorded directly in the consolidated income statement.

(c) For the year ended December 31, 2008, as a result of the impairment assessment of its investments available-for-sale, the Group recorded an gross impairment amounting to US$60.4 million, US$55.7 million net of deferred taxes and minority interest (US$5.0 million of impairment gross and net of deferred taxes and minority interest as of December 31, 2007), which is presented in the consolidated income statement caption "Impairment losses on available-for-sale investments".

The movement of "Other reserves" in consolidated equity includes mainly the net change in the realized and unrealized gains and losses, net of deferred taxes, and the recorded impairment. This caption is as follows:

	2008 US$(000)	**2007** US$(000)	**2006** US$(000)
Unrealized gains (loss), net of taxes and minority interest, note 16(c)	(164,302)	85,129	69,411
Realized gains, net of taxes and minority interest, note 16(c)	35,684	17,634	6,620
Impairment on investments, net of taxes and minority interest note 16(c)	(55,732)	(5,017)	-

(d) BCRP certificates of deposit are discounted Nuevo Sol instruments with maturities due within one year and are acquired in public auctions. Annual effective interest rates in Peruvian currency range between 6.55 and 7.06 percent as of December 31, 2008 (between 4.93 and 6.01 annual percent as of December 31, 2007).

As of December 31, 2008, this amount includes BCRP certificates of deposit in US$ Dollars amounting to US$1,070.7 million, with maturities between January and April 2009. These certificates accrue interests at annual effective rates that range between 0.34 and 1.55 percent.

As of December 31, 2008 and 2007, the Group has entered into BCRP - Repo transactions in Peruvian currency with its clients using these securities, for approximately US$294.2 and US$242.8 million, respectively. As of December 31, 2008, these operations earn an annual effective interest rate between 6.75 and 7.00 percent and with maturities between February 2009 and November 2009 (between 5.04 and 6.00 percent and with maturities between January 2008 and December 2009 as of December 31, 2007).

(e) As of December 31, 2008, comprise corporate bonds for US$900.4 million, leasing bonds for US$5.8 million and subordinated bonds for US$2.0 million (US$947.9, US$4.3 and US$2.2 million, respectively, as of December 31, 2007), with maturities between January 2009 and November 2066 (between January 2008 and November 2066 as of December 31, 2007). These bonds accrue interests at annual effective rates that range between 2.81 and 8.8 percent for the bonds denominated in Peruvian currency (between 2.79 and 6.87 percent as of December 31, 2007), and between 1.58 and 18.4 percent for the bonds denominated in U.S. Dollars (between 3.13 and 15.63 percent as of December 31, 2007). The unrealized losses on these investments as of December 31, 2008, correspond to 178 items of which the highest individual unrealized loss amounts to approximately US$2.0 million.

(f) Includes principally debt instruments for US$795.2, US$67.7 and US$4.9 million issued by the Peruvian Government, the Colombian Government and the Government of El Salvador, respectively, as of December 31, 2008 (US$616.1, US$85.4 and US$11.1 million, respectively, as of December 31, 2007). Their maturities are between January 2009 and August 2046 (between January 2008 and August 2046 as of December 31, 2007) and earned interests at annual effective rates that range between 2.85 and 9.15 percent (between 3.28 and 9.13 percent as of December 31, 2007).

As of December 31, 2007, the Group had Repo transactions in U.S. Dollars with its clients using Peruvian Government bonds and Colombian Government bonds for approximately US$38.9 million and US$59.3 million, respectively. Such transactions had maturities between October 2008 and December 2008 and accrued interest at annual effective rates that were between 5.35 and 6.00 percent, respectively.

(g) As of December 31, 2008 and 2007, certificates of deposit issued by the Central Bank of Bolivia are denominated in Pesos Bolivianos, had maturities between January and July 2009 and between January and October 2008, respectively, and accrued interest at annual effective rates that ranges between 7.4 and 11.5 percent and between 1.8 and 8.5 percent, respectively.

(h) Collaterized mortgage obligations are not related with "sub prime mortgages", they correspond to senior tranches and have maturities between December 2015 and January 2047 (between May 2033 and January 2047 as of December 31, 2007) and accrues interest at annual effective rates that ranges between 3.8 and 14.2 percent (between 3.5 and 6.7 percent as of December 31, 2007). The unrealized losses on these instruments as of December 31, 2008 correspond to 23 items of which the highest individual unrealized loss amounts to approximately US$1.5 million.

(i) Corresponds to debt instruments issued by US Government – Agencies and Sponsored Enterprises. Their maturities are between April 2009 and August 2038 (between July 2008 and August 2038 as of December 31, 2007) and earned interest at annual effective rates between 4.1 and 6.3 percent (between 4.1 and 6.8 percent as of December 31, 2007).

(j) Restricted mutual funds comprise participation quotas on the private pension funds managed by the Group as required by Peruvian regulations. They have a restricted disposal and their profitability is the same as the one obtained by the private pension funds managed.

(k) The participation quotas in the Fund "Requirement of Cash Assets" (RAL for its Spanish acronym) are denominated in Pesos Bolivianos and comprise investments made by the Group in the Central Bank of Bolivia as collateral for the deposits maintained with the public. Such fund has restrictions for its use and it is required for all the banks established in Bolivia. The fund accrues interest at an average annual effective rate of 5.48 and 5.42 percent as of December 31, 2008 and 2007, respectively.

(l) As December 31, 2008, the unrealized gains on listed securities arises mainly from shares in Banco de Crédito e Inversiones de Chile - BCI Chile, Inversiones Centenario S.A. and Alicorp S.A.A., which amounted to US$18.2, US$28.8 and US$8.8 million, respectively (US$61.3, US$31.2 and US$29.0 million, respectively, as of December 31, 2007).

(m) Amortized cost and estimated fair value of investments available-for-sale classified by maturity are as follows:

	2008		2007	
	Amortized cost US$(000)	**Fair value** US$(000)	**Amortized cost** US$(000)	**Fair value** US$(000)
Up to 3 months	2,021,269	2,023,679	798,053	828,839
From 3 months to 1 year	950,458	946,369	1,961,129	1,959,497
From 1 to 3 years	285,044	279,982	922,822	925,330
From 3 to 5 years	262,872	258,878	170,413	175,532
Over 5 years	1,188,393	1,189,243	914,560	977,328
Without maturity (shares)	112,763	217,617	126,900	321,117
Total	4,820,799	4,915,768	4,893,877	5,187,643

6. Loans, net

(a) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Direct loans -		
Loans	7,324,485	5,842,934
Leasing receivables	1,792,827	1,118,301
Credit card receivables	854,968	677,182
Discounted notes	368,648	325,047
Advances and overdrafts	102,687	127,486
Factoring receivables	124,537	109,928
Refinanced and restructured loans	55,179	88,451
Past due and under legal collection loans	82,867	61,488
	10,706,198	8,350,817
Add (less) -		
Accrued interest	90,094	66,974
Unearned interest	(249,914)	(166,972)
Allowance for loan losses (d)	(224,337)	(211,319)
Total direct loans, net	10,322,041	8,039,500
Indirect loans, note 19(a)	1,755,902	1,564,525

(b) Loans by class, are as follows:

	2008 US$(000)	2007 US$(000)
Commercial loans	8,058,585	6,222,178
Residential mortgage loans	1,485,214	1,253,835
Consumer loans	1,162,399	874,804
Total	10,706,198	8,350,817

(c) Interest rates on loans are set considering the rates prevailing in the markets where the Group's subsidiaries operate.

(d) The movement in the allowance for loan losses (direct and indirect loans) is shown below:

	2008			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Beginning balances	184,584	14,454	30,662	229,700
Provision (recoveries)	(10,667)	16,024	43,403	48,760
Recoveries of written-off loans	19,956	808	10,515	31,279
Loan portfolio written-off	(31,595)	(291)	(27,422)	(59,308)
Translation result	(1,108)	(163)	(1,097)	(2,368)
Ending balances (*)	161,170	30,832	56,061	248,063

	2007			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Beginning balances	183,374	9,253	17,959	210,586
Provision (recoveries)	(5,591)	4,884	29,146	28,439
Recoveries of written-off loans	26,016	2,587	5,481	34,084
Loan portfolio written-off	(22,079)	(2,395)	(22,792)	(47,266)
Translation result	2,864	125	868	3,857
Ending balances (*)	184,584	14,454	30,662	229,700

	2006			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Beginning balances	196,059	8,528	14,049	218,636
Provision (recoveries)	(19,118)	1,202	13,673	(4,243)
Recoveries of written-off loans	31,546	1,064	11,674	44,284
Loan portfolio written-off	(25,971)	(2,447)	(21,441)	(49,859)
Translation result	858	906	4	1,768
Ending balances (*)	183,374	9,253	17,959	210,586

(*) The movement in the allowance for loan losses includes the allowance for direct and indirect loans for approximately US$224.3 and US$23.7 million, respectively, as of December 31, 2008 (approximately US$211.3 and US$18.4 million; and US$190.3 and US$20.3 million, as of December 31, 2007 and 2006, respectively). The allowance for indirect loan losses is included in the "Other liabilities" caption of the consolidated balance sheets, note 11(a).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2008 and 2007 and 2006 has been established in accordance with IAS 39 and is sufficient to cover the losses on the loan portfolio, note 3(i).

(e) Part of the loan portfolio is collateralized with guarantees received from clients, which mainly consist of mortgages, trust assignments, financial instruments and industrial and mercantile pledges.

(f) Interest on past due and under legal collection loans are recognized when collected. Interest income that would have been recorded for these credits in accordance with the terms of the original contract amount approximately to US$17.0, US$18.7 and US$28.1 million as of December 31, 2008, 2007 and 2006, respectively.

(g) As of December 31, 2008 and 2007, the direct gross loan portfolio classified by maturity, based on the remaining period to repayment date is as follows:

	2008 US$(000)	**2007** US$(000)
Outstanding loans -		
Up to 1 year	6,307,197	4,980,021
From 1 to 3 years	1,648,821	1,443,070
From 3 to 5 years	1,033,375	666,670
Over 5 years	1,633,938	1,199,568
Past due loans -		
Up to 4 months	34,955	20,825
Over 4 months	22,569	20,122
Under legal collection loans	25,343	20,541
Total	10,706,198	8,350,817

7. Financial assets and financial liabilities designated at fair value through profit or loss

(a) This item is made up as follows:

	Assets		Liabilities	
	2008 US$(000)	**2007** US$(000)	**2008** US$(000)	**2007** US$(000)
Citigroup indexed certificates (b)	129,631	162,592	-	-
Credit linked notes (c)	-	50,561	-	50,561
	129,631	213,153	-	50,561

(b) In connection with the liabilities that result from Credicorp´s stock appreciation rights (SARs), (note 18), BCP signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited and Citigroup Capital Market Inc.

These contracts consist of the purchase of up to 3,252,035 certificates indexed to the performance of Credicorp Ltd. (BAP) shares, in the form of "warrants", issued by Citigroup, which are equivalent to the same number of shares of Credicorp Ltd. These certificates are cash settled and, at their maturity, they pay an amount equal to the final settlement price minus the strike price (US$ 0.0000001) plus the accrued dividends, less the annual fee multiplied by the number of warrants underlying the certificate. The final settlement price is equivalent to the daily volume-weighted average of the per share price for BAP shares on each business day, on which Citigroup or any of its affiliates effects any transactions with respect to BAP shares in order to unwind its position established and maintained to hedge its price and market risk with respect to the issued certificates.

The program has a maturity of 5 years but can be settled at anytime before its maturity, partially or totally. As of December 31, 2008 and 2007, the Group had acquired 2,487,414 and 2,097,414 certificates, respectively, at a total cost of US$129.1 and US$94.9 million, respectively (US$51.9 and US$45.3 per certificate on average, respectively). At those dates, the estimated market value amounted to US$129.6 million and US$162.6 million, respectively (US$52.1 and US$77.5 per certificate on average, as of December 31, 2008 and 2007, respectively). The loss resulting from the difference between cost and estimated market value amounting to approximately US$67.1 million (gain of US$65.1 million as of December 31, 2007) that has been recorded in the caption "Net (loss) gain on financial assets and liabilities designated at fair value through profit and loss" of the consolidated statement of income, according to the accounting principles described in note 3(x).

(c) During 2007, the Group acquired debt instruments in the form of "Credit linked notes", which were issued by Bear Stearns Global Asset Holdings Ltd. and were linked to debt instruments issued by the Republic of Peru or any successor of this (credit default swap); these instruments were acquired for the purpose of providing financial instruments with the same terms, risk and benefits to certain clients.

During the first quarter of 2008 and before their maturity, said instruments were liquidated at their estimated market value. This transaction did not have a material effect on the Group's net consolidated income.

8. Receivable and payable accounts from insurance contracts

(a) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Assets-		
Premiums and other policies receivable (b)	111,561	85,495
Accounts receivable from reinsurers and coinsurers (c)	165,144	116,141
Total	276,705	201,636
Liabilities-		
Accounts payable to reinsurers and coinsurers (c)	55,841	33,963

(b) Premiums and other polices receivable correspond to:

	2008 US$(000)	2007 US$(000)
General insurance	81,489	73,524
Life insurance	5,982	4,857
Health insurance	24,090	7,114
	111,561	85,495

These accounts receivable are primarily due in a current period and have no collaterals; their aging is as follows:

	2008 US$(000)	2007 US$(000)
Non past due accounts receivable	89,371	71,830
Past due accounts receivable		
Up to 30 days	14,375	6,793
From 31 to 60 days	6,309	2,016
From 61 to 90 days	1,197	1,748
More than 90 days	309	3,108
	111,561	85,495

(c) The movements of accounts receivable and payable to reinsurers and coinsurers are as follows:

Accounts receivable:

	2008 US$(000)	2007 US$(000)
Beginning balances	116,141	35,181
Reported claims of premiums ceded	64,787	86,458
Premiums ceded unearned during the year	1,054	(14,538)
Premiums assumed	22,664	15,811
Settled claims of premiums ceded	14,885	14,213
Collections and other	(54,387)	(20,984)
Ending balances	165,144	116,141

Accounts receivable as of December 31, 2008 and 2007, include US$32.0 million and US$30.9 million, respectively which correspond to the unearned portion of the ceded premiums to the reinsurers.

Accounts payable:

	2008 US$(000)	2007 US$(000)
Beginning balances	33,963	25,134
Premiums ceded to reinsurers by facultative contracts	84,301	53,180
Coinsurance granted	2,531	8,153
Payments and other	(64,954)	(52,504)
Ending balances	55,841	33,963

Accounts payable to reinsurers are primarily related to the proportional facultative contracts for ceded premiums, automatic non-proportional contracts (excess of loss) and reinstallation premiums. For facultative contracts the Group transfers to the reinsurers a percentage or an amount of an insurance contract or individual risk, based on the premium and the covered period. The net movement of the accounts payable of non proportioned contracts (excess of loss) as well as installation premiums of the years 2008 and 2007 are included in the concept "Payments and other" for US$26.4 million and U$16.3 million, respectively.

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended December 31, 2008 and 2007, is as follows:

	Land US$(000)	Buildings and other construction US$(000)	Installations US$(000)	Furniture and fixtures US$(000)	Computer hardware US$(000)	Vehicles and equipment US$(000)	Work in progress US$(000)	2008 US$(000)	2007 US$(000)
Cost -									
Balance as of January 1st	37,289	263,241	99,624	73,537	197,132	20,637	17,023	708,483	659,334
Additions	1,285	3,289	7,884	8,800	33,717	8,946	27,432	91,353	53,901
Transfer	-	11,959	3,737	-	-	-	(15,696)	-	-
Sales and other	(207)	(664)	(487)	(1,238)	(11,737)	(517)	7	(14,843)	(4,752)
Balance as of December 31	38,367	277,825	110,758	81,099	219,112	29,066	28,766	784,993	708,483
Accumulated depreciation -									
Balance as of January 1st	-	140,046	63,813	58,429	163,581	7,679	-	433,548	403,856
Depreciation for the year	-	6,568	6,707	3,308	17,095	2,356	-	36,034	33,535
Sales and other	-	(664)	(404)	(1,222)	(11,278)	(479)	-	(14,047)	(3,843)
Balance as of December 31	-	145,950	70,116	60,515	169,398	9,556	-	455,535	433,548
Net book value	38,367	131,875	40,642	20,584	49,714	19,510	28,766	329,458	274,935

(b) Banks, financial institutions and insurance entities operating in Peru are not allowed to pledge their fixed assets.

(c) As of December 31, 2008, Credicorp and its Subsidiaries have property available for sale for approximately US$25.0 million, net of its accumulated depreciation amounting to approximately US$8.8 million (US$24.4 and US$7.3 million, respectively, as of December 31, 2007).

(d) Management periodically reviews the residual value, useful life and method of depreciation of the Group's property, furniture and equipment to ensure that they are consistent with their actual economic benefits and life expectations. In Management's opinion, as of December 31, 2008 and 2007 there is no evidence of impairment of the Group's property, furniture and equipment.

10. Intangibles assets and goodwill, net

(a) Intangibles -

The movement of intangible assets for the years ended December 31, 2008 and 2007 is as follows:

Description	Client Relationships (note 2) US$(000)	Software US$(000)	Developments US$(000)	Other US$(000)	2008 US$(000)	2007 US$(000)
Cost -						
Balance as of January 1st	88,378	48,187	41,421	9,251	187,237	172,025
Additions	-	21,404	14,297	3,560	39,261	30,404
Retirements	-	(431)	(792)	(1,213)	(2,436)	(15,192)
Balance as of December 31	88,378	69,160	54,926	11,598	224,062	187,237
Accumulated amortization -						
Balance as of January 1st	5,017	19,933	16,542	6,060	47,552	45,220
Amortization of the year	4,419	9,980	5,627	1,309	21,335	17,478
Retirements	-	(430)	(708)	(30)	(1,168)	(15,146)
Balance as of December 31	9,436	29,483	21,461	7,339	67,719	47,552
Net book value	78,942	39,677	33,465	4,259	156,343	139,685

During the year ended December 31, 2008 and 2007, Credicorp has capitalized disbursements related to the implementation and development of sundry computer systems in BCP (mainly SAP-ERP and SERIVA, an integrated system for capital markets operations).

(b) Goodwill -

This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Goodwill -		
Prima AFP (AFP Unión Vida S.A.), note 2	44,594	44,594
Banco de Crédito del Perú	18,609	15,582
El Pacífico Peruano – Suiza Compañía de Seguros y Reaseguros	13,007	13,007
Atlantic Security Holding Corporation	10,660	10,660
Coporación Novasalud Perú S.A. EPS	3,744	3,744
Book value, net	90,614	87,587

Management annually assesses goodwill to identify any impairment; assumptions used are consistent with previous years. As of December 31, 2008 and 2007, Management concluded that there is no impairment in the recorded goodwill.

The movement of goodwill for the years ended December 31, 2008, 2007 and 2006 is as follows:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Cost -			
Opening balance	87,587	88,842	33,557
Acquisition, notes 2 and 3(b)	3,027	3,282	56,285
Decreases	-	(4,537)	(1,000)
Final balance	90,614	87,587	88,842

11. Other assets and other liabilities

(a) These items are made up as follows:

	2008 US$(000)	2007 US$(000)
Other assets -		
Financial instruments:		
Value added tax credit	124,880	55,989
Derivatives receivable (b)	79,275	45,843
Accounts receivable	56,886	47,653
Operations in process (c)	38,282	35,786
Income tax prepayments, net	27,417	12,397
	326,740	197,668
Non-financial instruments:		
Deferred income tax asset, note 17(c)	67,173	66,856
Prepaid expenses	56,252	24,468
Deferred fees	36,526	30,634
Investments in associates	8,474	4,599
Other	15,755	16,160
	184,180	142,717
Total	510,920	340,385
Other liabilities -		
Financial instruments:		
Derivatives payable (b)	256,792	69,662
Accounts payable	126,421	122,029
Payroll, taxes, salaries and other personnel expenses	126,295	181,223
Operations in process (c)	36,996	36,063
Contributions	4,882	31,618
Allowance for indirect loan losses, note 6(d)	23,726	18,381
	575,112	458,976
Non-financial instruments:		
Deferred income tax liability, note 17(c)	66,133	89,825
Provision for sundry risks (d)	47,512	24,038
Other	13,642	17,206
	127,287	131,069
Total	702,399	590,045

(b) The table below presents the fair value of derivative financial instruments, recorded as an asset or a liability, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of market risk nor credit risk, note 19(c).

	2008		
	Assets US$(000)	**Liabilities** US$(000)	**Notional amount** US$(000)
Derivatives held for trading (i) -			
Forward exchange contracts	33,427	49,979	2,478,234
Interest rate swaps	32,918	38,181	763,126
Currency swaps	12,904	9,675	192,899
Derivatives held as hedges -			
Cash flow hedge(ii) :			
Interest rate swaps, notes 13(a)(i)(*), 13(b) and 12(a)	-	112,978	1,283,902
Cross currency swap	-	5,992	39,696
Cross currency swap and Interest rate swaps (*)	26	19,389	113,362
Fair value hedge (iii) :			
Cross currency swap	-	20,598	163,985
	79,275	256,792	5,035,204

	2007		
	Assets US$(000)	**Liabilities** US$(000)	**Notional amount** US$(000)
Derivatives held for trading (i) -			
Forward exchange contracts	36,546	19,414	2,210,179
Interest rate swaps	9,297	10,986	581,841
Currency swaps	-	1,194	118,552
Derivatives held as hedges -			
Cash flow hedge (ii) :			
Interest rate swaps	-	37,433	696,000
Fair value hedge (iii) :			
Cross currency swap	-	635	50,420
	45,843	69,662	3,656,992

(*) On December 2007 and during the first months of 2008, the Group entered into three cross currency swaps (CCS) contracts which were initially designated as fair value hedges as they reduced the Group's exposure to changes in the fair value of three fixed-rate corporate bonds issued in Peruvian currency, see note 15 (a) (i); arising from changes in the exchange rate and interest rates (Libor).

During 2008, given the current international context, the Group entered into three interest rate swaps (IRS) contracts aimed at mitigating the inherent risks in having a variable interest rate (Libor) for the hedged corporate bonds indicated in the previous paragraph; fixing their respective interest rates. Therefore, in accordance with IAS 39, the initial designations of fair value hedges were revoked and the combined CCS and IRS were redesignated as cash flow hedges from the date of entering into the IRS contracts. In this sense, net loss on these cash flow hedges recognized directly in equity amounted to approximately US$5.8 million.

(i) The Group's derivative trading activities mainly relate to transactions with customers which are normally laid off with counterparties. The Group may also take positions with the expectation of profiting from favorable movements in prices, rates or indices. Also included under this caption are any derivatives which do not meet IAS 39 hedging requirements.

(ii) The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at variable rates. The Group uses IRS and CCS as cash flow hedges of these interest rate risks. A schedule indicating as of December 31, 2008 the periods when the hedged cash flows are expected to occur and when they are expected to affect the consolidated income statement is as follows:

	Up to 1 year US$(000)	**From 1 to 3 years** US$(000)	**From 3 to 5 years** US$(000)	**Over 5 years** US$(000)
Cash outflows (liabilities)	(11,599)	(522,086)	(109,169)	(71,401)
Income statement	(38,299)	(48,481)	(30,317)	(13,926)

For the years 2008 and 2007, the unrealized loss arising from the cash flow hedges amounted to US$80.7 million and US$40.4 million, respectively, and is included in the "Other reserves" caption of the consolidated equity, see note 16(c). Likewise, the transfer of net loss on cash flow hedges to the consolidated income statement amounts to US$14.3 million for the year 2008 (net gain of US$1.0 million for the year 2007).

As of December 31, 2008 and 2007 the accumulated balance of unrealized loss on cash flow hedges recorded in the caption "Other reserves" of the consolidated equity amounted to US$118.1 and US$37.4 million, respectively, see note 16(c).

(iii) The Group maintains CCS designated as fair value hedges because they reduce the exposure to changes in the fair value of fixed-rate subordinate and corporate bonds denominated in Peruvian currency, see note 15 (a)(ii); related to variations in the foreign currency exchange and interest rates (Libor).

(c) Operations in process include deposits received, loans disbursed, loans collected, funds transferred and other similar types of transactions, which are made at the end of the month and not reclassified to their final consolidated balance sheet account until the first days of the following month. These transactions do not affect the Group's net income.

(d) The movement of the provision for sundry risks for the years ended on December 31, 2008, 2007 and 2006 is as follows:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Beginning balance	24,038	17,179	18,768
Provision (i), note 24	37,549	8,096	6,461
Decreases	(14,075)	(1,237)	(8,050)
Ending balance	47,512	24,038	17,179

(i) The year 2008 provision include US$36.4 million related to the estimated liability arising from a fund managed by ASHC, which had invested with Bernard L. Madoff Investment Securities LLC (Madoff Securities) on behalf of its clients. In Management's opinion, based in the information available up to date, it is not expected that any additional liability will be incurred.

Due to the nature of its business, the Group has some pending legal claims for which it has recorded a provision when, in Management's and its legal advisor's opinion, they will result in an additional liability and such amount can be reliably estimated. Regarding any legal claim against the Group which has not been provided for, in Management's and its legal advisor's opinion, they will not have a material effect on the Group's consolidated financial statements.

12. Deposits and obligations

(a) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Time deposits	4,856,112	3,967,864
Demand deposits	4,578,247	3,638,593
Saving deposits	2,968,739	2,380,904
Severance indemnity deposits	1,039,887	896,283
Client - Repurchase agreements	294,030	325,908
Bank's negotiable certificates	140,013	90,119
	13,877,028	11,299,671
Interest payable	73,409	51,043
Total	13,950,437	11,350,714

The Group has established a policy to remunerate demand deposits and savings accounts according to an interest rate scale, based on their average balance; on the other hand balances that are lower than a specified amount, do not bear interest.

Interest rates are determined by the Group considering interest rates prevailing in the market in which each of Group's subsidiaries operates. As of December 31, 2008, the Group has hedged time deposits with variable interest rates through interest rate swaps for a notional amount of US$177.9 million, see note 11(b).

(b) The amounts of non-interest and interest bearing deposits and obligations are made up as follows:

	2008 US$(000)	2007 US$(000)
Non-interest bearing deposits and obligations -		
In Peru	2,710,770	2,257,840
In other countries	502,759	668,468
	3,213,529	2,926,308
Interest bearing deposits and obligations -		
In Peru	8,689,977	6,591,815
In other countries	1,973,522	1,781,548
	10,663,499	8,373,363
Total	13,877,028	11,299,671

(c) Time deposits balance classified by maturity is as follows:

	2008 US$(000)	2007 US$(000)
Up to 3 months	3,039,029	2,944,189
From 3 months to 1 year	1,578,258	699,479
From 1 to 3 years	147,008	254,750
From 3 to 5 years	51,876	30,743
More than 5 years	39,941	38,703
Total	4,856,112	3,967,864

As of December 31, 2008 and 2007, in Management's opinion the Group's deposits and obligations is widely diversified with no significant concentrations.

13. Due to banks and correspondents and borrowed funds

(a) Due to bank and correspondents -
This item is made up as follows:

	2008 US$(000)	2007 US$(000)
International funds and others (i)	1,016,932	1,145,340
Promotional credit lines (ii)	109,730	196,204
Inter-bank funds	39,216	102,470
	1,165,878	1,444,014
Interest payable	14,113	9,247
Total	1,179,991	1,453,261

(i) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Syndicated loan (*)	410,000	300,000
Corporación Andina de Fomento - CAF	180,000	150,000
Wachovia Bank	60,326	145,000
Dresdner Bank AG. Frankfurt	45,000	35,000
JP Morgan Chase & Co.	32,000	50,000
Bank of New York	20,000	30,000
Citibank N.A.	20,000	40,000
Commerz Bank	20,000	44,780
Banco Latinoamericano de Exportaciones - BLADEX	-	80,000
Other	229,606	270,560
Total	1,016,932	1,145,340

(*) As of December 31, 2007, this amount was related to three loans of US$100 million each one, obtained from three financial entities. In March 2008, these loans were changed to a syndicated loan amounting to US$410.0 million obtained from diverse international financial entities, with maturity due within three years and an interest rate of Libor plus 0.70 percent during the first year, Libor plus 0.75 percent during the second year and Libor plus 0.85 percent during the third year. The syndicated loan, subject to variable interest rate risk, has been hedged through interest rate swap operations for a notional amount of US$410.0 million with the same maturities, see note 11(b).

As of December 31, 2008, these loans have maturities between January 2009 and March 2011 (between January 2008 and February 2011 as of December 31, 2007) and their annual interest rate is between 3.11 and 7.77 percent (between 4.88 and 5.73 percent as of December 2007).

Some of these borrowings include standard covenants related to financial ratios, use of funds and other administrative matters, which, in Management's opinion, do not limit the Group's operations and it has fully complied with as of the consolidated balance sheet dates.

(ii) Promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE) to promote the development of Peru, they have maturities between October 2009 and December 2028 and their annual interest rates are between 6.20 and 7.75 percent (between March 2008 and December 2027 and annual interest rate between 5.73 and 7.75 percent as of December 31, 2007). These credit lines are secured by a loan portfolio amounting to US$109.7 and US$196.2 million as of December 31, 2008 and 2007, respectively.

Promotional credit lines include standard covenants related to financial ratios, use of funds and other administrative matters, which in Management's opinion, do not limit the Group's operations and it has fully complied with as of the consolidated balance sheet dates.

(b) Borrowed funds -
This item is made up as follows:

	Interest %	Maturity	2008 US$(000)	2007 US$(000)
CCR Inc. MT-100, Payment rights master Trust -				
2005 Serie A Floating Rate Certificates	Libor 1m + 21 bps	10/10/2012	221,079	230,000
2005 Serie B Floating Rate Certificates	Libor 1m + 60 bps	12/10/2009	37,918	50,000
2006 Serie A Floating Rate Certificates	Libor 1m + 24 bps	10/03/2016	100,000	90,404
2007 Serie A Floating Rate Certificates	Libor 1m + 28 bps	10/07/2017	350,000	350,000
2007 Serie B Floating Rate Certificates	Libor 1m + 25 bps	10/07/2014	150,000	150,000
2008 Serie A Fixed Rate Certificates	6.27%	10/06/2015	141,719	-
2008 Serie B Floating Rate Certificates	Libor 1m + 225 bps	10/12/2015	150,000	-
Total			1,150,716	870,404

All issuances are secured by the collection of BCP's (including its foreign branches) future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications network and utilized within the network to instruct correspondent banks to make a payment of a certain amount to a beneficiary that is not a financial institution.

Loans obtained include the obligation to comply with certain covenants which, in Management's opinion, are being fulfilled at the consolidated balance sheet dates.

BCP has signed an insurance policy with AMBAC Assurance Corporation, which guarantees the timely payment of scheduled principal and certain accrued interest of all of the 2007 and 2006 issuances (Series A y B).

Series 2007 (A and B) and a portion of the loan (70 percent) of the 2005 total issuance (Series A and B), subject to variable interest rate risk, has been hedged through an interest rate swap operation, for a notional amount of US$500 million and US$196.0 million, respectively (see note 11(b)).

(c) As of December 31, 2008 and 2007, maturities of due to bank and correspondents and borrowed funds are shown below, based on the remaining period to the repayment date:

Due to bank and correspondents	**2008** US$(000)	**2007** US$(000)
Up to 3 months	369,483	670,153
From 3 months to 1 year	256,884	307,170
From 1 to 3 years	502,039	338,802
From 3 to 5 years	6,468	105,694
More than 5 years	31,004	22,195
Total	1,165,878	1,444,014

Borrowed funds	**2008** US$(000)	**2007** US$(000)
Up to 1 year	63,324	8,165
From 1 to 3 years	317,541	148,921
From 3 to 5 years	362,374	303,476
More than 5 years	407,477	409,842
Total	1,150,716	870,404

(d) As of December 31, 2008 and 2007, credit lines granted by several local and foreign financial institutions and available for future operating activities or to settle capital commitments amounted to US$1,617.0 million (US$1,390.5 million as of December 31, 2007).

14. Technical reserves, insurance claims reserves and reserves for unearned premiums

(a) This item is made up as follows:

	2008			
	Technical reserves US$(000)	**Reserves for direct claims** US$(000)	**Claims assumed** US$(000)	**Total** US$(000)
Life insurance	553,127	64,553	-	617,680
General insurance	124,846	137,297	32,812	294,955
Health insurance	17,367	37,741	27	55,135
Total	695,340	239,591	32,839	967,770

	2007			
	Technical reserves US$(000)	**Reserves for direct claims** US$(000)	**Claims assumed** US$(000)	**Total** US$(000)
Life insurance	500,768	50,046	-	550,814
General insurance	97,646	92,887	21,257	211,790
Health insurance	15,766	25,059	49	40,874
Total	614,180	167,992	21,306	803,478

Insurance claims reserves represent reported claims and an estimation for incurred and not reported claims (IBNR). Reported claims are adjusted on the basis of technical reports received from independent adjusters. Claims to be paid by the reinsurers and coinsurers are shown as ceded claims.

As of December 31, 2008, the reserves for direct claims include reserves for incurred and non-reported claims for the three types of risks that the Group manages; US$15.2 millions for life risks, US$4.7 millions for general risks and US$20.1 millions to health risks (US$14.9, US$3.1 and US$18.6 millions, respectively, as of December 31, 2007).

During 2008 and previous years, the differences between the estimations for the incurred and non-reported claims and the settled and pending liquidation claims have not been significant. In the case of general and health risks, retrospective analysis indicate that the amounts provisioned are greater than the settled claims and those pending liquidation by a percentage that does not exceed 10 percent of the provisioned amounts. Management believes that the estimated IBNR reserve is sufficient to cover any liability as of December 31, 2008 and 2007.

The movement for the years ended December 31, 2008 and 2007 of technical and insurance claims reserves is as follows:

(b) Insurance claims reserves (direct and assumed):

	2008			
	Life insurance US$(000)	**General insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(000)
Initial balance	50,046	114,144	25,108	189,298
Claims	88,059	163,251	155,387	406,697
Payments	(72,676)	(107,197)	(141,470)	(321,343)
Translation result	(876)	(89)	(1,257)	(2,222)
Final balance	64,553	170,109	37,768	272,430

	2007			
	Life insurance US$(000)	**General insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(000)
Initial balance	42,726	41,593	19,061	103,380
Claims	63,744	152,351	108,767	324,862
Payments	(57,626)	(79,817)	(103,061)	(240,504)
Translation result	1,202	17	341	1,560
Final balance	50,046	114,144	25,108	189,298

(c) Technical reserves:

	2008			
	Life insurance	General insurance	Health insurance	Total
	US$(000)	US$(000)	US$(000)	US$(000)
Initial balance	500,768	97,646	15,766	614,180
Accretion expenses and other	14,808	-	-	14,808
Unearned premium reserves and annual variation, net	1,433	27,200	1,601	30,234
Insurance subscriptions	70,311	-	-	70,311
Payments	(26,732)	-	-	(26,732)
Translation result	(7,461)	-	-	(7,461)
Final balance	553,127	124,846	17,367	695,340

	2007			
	Life insurance	General insurance	Health insurance	Total
	US$(000)	US$(000)	US$(000)	US$(000)
Initial balance	442,172	67,640	15,029	524,841
Accretion expenses and other	16,499	-	-	16,499
Unearned premium reserves and annual variation, net	220	30,006	737	30,963
Insurance subscriptions	78,342	-	-	78,342
Payments	(26,868)	-	-	(26,868)
Translation result	(9,597)	-	-	(9,597)
Final balance	500,768	97,646	15,766	614,180

As of December 31, 2008 and 2007, no additional reserves were needed as a result of the liability adequacy test. The main assumptions used in estimation of annuities, disability and survivor reserves as of those dates, were the following:

Modality	**Mortality Table**	**Technical rates**
Life Immediate Annuity	RV-2004, B-85 and MI-85	4.90% - 5.36% in US$ 3.32% in S/
Dead an Disability Pension System Insurance	B-85 and MI-85	Previsional regime 3.00% Definitive regime 2.14% in S/ Definitive regime 4.57% in US$
Individual Life	CSO 80 adjustable	4.00% - 5.00%

The mortality tables used are those recommended by the Peruvian regulator (SBS).

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by the life insurance risks; the main variables as of December 31, 2008, are the interest rates and the mortality tables used. The Group has evaluated the changes of the reserves related to its most significant life insurance (Life immediate annuities) of +/- 100 bps of the interest rates and of +/- 5 bps of the mortality factors, being the results as follows:

Variables	Amount of the reserve	Variation of the reserve	
		Amount	Percentage
	US$(000)	US$(000)	%
Portfolio in US$ - Basis amount	**309,132**		
Changes in interest rates: + 100 bps	281,653	(27,479)	(8.89)
Changes in interest rates: - 100 bps	341,705	32,573	10.54
Changes in Mortality tables to 105%	305,679	(3,453)	(1.12)
Changes in Mortality tables to 95%	312,773	3,641	1.18

Variables	Amount of the reserve	Variation of the reserve	
		Amount	Percentage
	US$ (000)	US$ (000)	%
Portfolio in S/ - Basis amount	**20,203**		
Changes in interest rates: + 100 bps	18,012	(2,191)	(10.84)
Changes in interest rates: - 100 bps	22,913	2,710	13.41
Changes in Mortality tables to 105%	20,070	(133)	(0.66)
Changes in Mortality tables to 95%	20,345	142	0.70

15. Bonds and subordinated notes issued

(a) This item is made up as follows:

	Weighted average annual interest rate 2008 %	2007 %	Maturity	2008 US$(000)	2007 US$(000)
Bonds -					
Corporate bonds (i)	6.91	6.59	Between November 2009 and July 2018	227,902	127,331
Leasing bonds (i)	6.87	6.10	Between June 2009 and August 2018	217,863	167,255
Subordinated bonds (i)	6.71	6.72	Between September 2009 and May 2027	61,074	104,841
Mortgage bonds	7.69	7.70	Between May 2011 and April 2012	15,278	20,744
				522,117	420,171
Subordinated notes -					
Subordinated negotiable certificates notes	6.95	6.95	November 2021	117,512	113,503
Subordinated notes (ii)	7.17	7.17	October 2022	137,761	161,308
				777,390	694,982
Interest payable				7,840	7,316
Total				785,230	702,298

(i) During 2008 y 2007, the Group issued corporate and leasing bonds for the following amounts:

Issuance 2008	Amount US$(000)	Currency	Maturity	Rate %
Second Program of Corporate Bonds BCP				
First issuance - Series B (*)	38,152	Nuevo sol	27/03/2015	6.81
Second issuance - Series A (*)	25,932	Nuevo sol	18/04/2011	5.78
Third issuance - Series A	47,770	Nuevo sol	12/06/2018	7.47
Third issuance - Series B	15,924	Nuevo sol	10/07/2018	8.50
	127,778			
Sixth Program of Leasing Bonds BCP				
Sixth issuance - Series A	31,847	Nuevo sol	20/08/2018	8.72
Fourth Program of Leasing Bonds Credito Leasing				
Fourth issuance – Series A	10,492	US Dollars	08/02/2011	5.47
Fourth issuance – Series B	30,000	US Dollars	14/05/2011	6.25
Fourth issuance – Series C	25,000	US Dollars	23/06/2011	6.25
Fourth issuance – Series D	18,000	US Dollars	23/07/2011	6.25
	83,492			
Fifth Program of Leasing Bonds Credito Leasing				
Fourth issuance – Series A	12,739	Nuevo sol	28/02/2011	6.06
Fourth issuance – Series B	1,653	Nuevo sol	14/05/2011	5.72
	14,392			

Issuance 2007	Amount US$(000)	Currency	Maturity	Rate (%)
Second Program of Corporate Bonds BCP				
First issuance - Series A (*)	48,849	Nuevo sol	19/12/2014	6.84
First Program of Leasing Bonds BCP				
Second issuance – Series A	10,000	US Dollars	10/06/2009	5.41
Second issuance – Series B	15,000	US Dollars	13/07/2009	5.75
Second issuance – Series C	9,625	US Dollars	13/08/2009	5.72
Second issuance – Series A	4,777	Nuevo sol	11/01/2010	6.06
	39,402			

(*) As a result of the hedging strategy described in note 11(b)(*), these bonds were economically converted to US Dollars with fixed interest in US Dollar of 4.10, 4.02 and 4.41 percent, respectively, through CCS and IRS.

During 2008, redeemed corporate, leasing and subordinate bonds amounted to US$23.9 million, US$84.8 million and US$40.3 million, respectively (US$18.8 million, US$55.0 million and US$5.5 million, respectively, during 2007).

Leasing and mortgages bonds are collateralized by the fixed assets financed by the Group.

(ii) In October 2007, BCP through its Panama branch, issued Subordinated Notes for S/483.3 million in the international market with maturities on 2022. This debt accrues a fixed annual interest rate of 7.17 percent, for the first 10 years, with semi annual payments. After the first 10 years, in October 2017, interest rate will be the market interest rate for sovereign bonds issued by the Peruvian Government with maturity on 2037, plus 150 basis points, with semi annual payments. At those dates, BCP can redeem 100 percent of the notes, without penalties. This debt, subject to foreign exchange risk and interest rate risk, has been hedged through a CCS; as a result, the Subordinated Notes were changed to US$ Dollars and the fixed interest rate was changed to variable rate of Libor 6 months plus 99 basis points, note 11(b)(iii).

This subordinated debt has certain financial and operating covenants which, in Management's opinion, the Group is in compliance at the consolidated balance sheet date.

(b) Bonds and subordinated notes, classified by maturity are shown below:

	2008 US$(000)	2007 US$(000)
Up to 3 months	1,717	61,188
From 3 months to 1 year	64,190	85,968
From 1 to 3 years	235,867	154,953
From 3 to 5 years	75,398	68,007
Over 5 years	400,218	324,866
Total	777,390	694,982

16. Equity

(a) Share capital -

As of December 31, 2008, 2007 and 2006, 94,382,317 shares of capital stock were issued at US$5 per share.

(b) Treasury stock -

As of December 31, 2008, 2007 and 2006, treasury stock comprises the par value of 14,620,842 Credicorp's shares owned by the Group's companies. The difference between their acquisition cost (US$186.5 million) and their par value (US$73.1 million), is presented as a reduction of the "Capital surplus".

(c) Reserves -

In accordance with Peruvian regulation, a reserve of up to at least 35 percent of paid-in capital of the Group's subsidiaries operating in Peru is required to be established through annual transfers of at least 10 percent of their net income. As of December 31, 2008, 2007 and 2006, these reserves amounted to approximately US$231.7, US$222.7 and US$214.8 million, respectively.

The Shareholders' meetings held on March 28, 2008, February 28, 2007 and October 26, 2006 agreed to transfer from "Retained earnings" to "Other reserves" an amount of US$228.2, US$107.3 and US$210.4 million, respectively.

The caption "Other reserves" includes the unrealized net gain (loss) from available-for-sale investments and from derivatives instruments used as cash flows hedge net of its corresponding deferred tax and minority interest; its movement is as follows:

	Unrealized net gain (loss) of:		
	Available-for-sale investments US$(000)	**Derivatives instruments used as cash flow hedge** US$(000)	**Total** US$(000)
Balances as of January 1st, 2006	81,680	1,622	83,302
Net unrealized gain from available-for-sale investments, note 5(c)	69,411	-	69,411
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 5(c)	(6,620)	-	(6,620)
Net gain on cash flow hedge	-	1,316	1,316
Balances as of December 31, 2006	144,471	2,938	147,409
Net unrealized gain from available-for-sale investments note 5(c)	85,129	-	85,129
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 5(c)	(17,634)	-	(17,634)
Transfer of impairment on investment available-for-sale to income statement, note 5(c)	5,017	-	5,017
Net loss on cash flow hedge, note 11(b)(ii)	-	(40,371)	(40,371)
Balances as of December 31, 2007	216,983	(37,433)	179,550
Net unrealized loss from available-for-sale investments note 5(c)	(164,302)	-	(164,302)
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 5(c)	(35,684)	-	(35,684)
Transfer of impairment on investment available-for-sale to income statement, note 5(c)	55,732	-	55,732
Net loss on cash flow hedge, note 11(b)(ii)	-	(80,689)	(80,689)
Balances as of December 31, 2008	72,729	(118,122)	(45,393)

(d) Dividend distribution -

During 2008, 2007 and 2006, Credicorp paid cash dividends, net of the effect of treasury shares, for approximately US$119.6, US$103.7 and US$87.7 million, respectively.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. Dividends paid by the Peruvian subsidiaries to Credicorp are subject to a withholding tax of 4.1 percent.

(e) Equity for legal purposes (Regulatory capital) -

As of December 31, 2008 and 2007, the regulatory capital for Credicorp's subsidiaries engaged in financial and insurance activities in Peru calculated following SBS regulations amounted to approximately US$1,604.7 and US$1,420.2 million, respectively. On the other hand, the consolidated regulatory capital for Credicorp exceeds by approximately US$263.6 million the minimum regulatory capital required as of December 31, 2008 (approximately US$350.4 million as of December 31, 2007).

17. Taxes

(a) Credicorp is not subject to income tax or any taxes on capital gains, equity or property. Credicorp's Peruvian subsidiaries are subject to corporate taxation on income under the Peruvian Tax system. The statutory Income Tax rate was 30 percent on taxable income after calculating the workers' profit sharing, which in accordance with current legislation is determined using a 5 percent rate.

ASHC and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. For the three years ended December 31, 2008, 2007 and 2006, no taxable income was generated from its operations in the United States of America.

The reconciliation between the statutory income tax rate and the effective tax rate for the Group is as follows:

	2008 %	2007 %	2006 %
Peruvian statutory income tax rate	30.00	30.00	30.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase arising from net income of subsidiaries not domiciled in Peru	4.39	0.46	4.08
(ii) Non-taxable income, net	(14.90)	(5.76)	(4.86)
(iii) Translation results not considered for tax purposes	3.38	(3.15)	(3.96)
Effective income tax rate	22.87	21.55	25.26

(b) Income tax expense as of December 31, 2008, 2007 and 2006 comprises:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Current -			
In Peru	110,365	114,496	85,413
In other countries	3,537	2,712	2,960
	113,902	117,208	88,373
Deferred -			
In Peru	(4,394)	(14,921)	(4,786)
Total	109,508	102,287	83,587

The deferred income tax has been calculated on all temporary differences considering an income tax rate of 30 percent.

(c) The following table presents a summary of the Group's deferred income tax:

	2008 US$(000)	2007 US$(000)
Assets		
Allowance for loan losses, net	28,337	21,985
Stock appreciation rights provision	11,578	24,001
Tax loss carry-forward -PPS	6,013	4,451
Reserve for sundry risks, net	9,709	8,853
Non-accrued interest	1,713	3,243
Other	9,823	4,323
Deferred income tax asset	67,173	66,856
Liabilities		
Intangibles assets, net	(23,128)	(25,205)
Unrealized net gains on investments	(18,809)	(38,424)
Deferred commissions	(6,926)	(3,290)
Gain for difference tax exchange	(5,502)	(800)
Leasing operations, net	(1,862)	(1,250)
Valuation of Citigroup Indexed certificates	(815)	(18,131)
Other	(9,091)	(2,725)
Deferred income tax liability	(66,133)	(89,825)
Net deferred income tax asset (liability)	1,040	(22,969)

Credicorp and its subsidiaries have recorded a deferred income tax as part of the equity caption "Other reserves" for US$19.6, US$10.1, and US$9.2 million, as of December 31, 2008, 2007 and 2006, respectively, related to the income tax effects of unrealized gains and losses on investments available for sale. Likewise, in 2006, the Group recognized the deferred tax liability arising from the acquisition of AFP Union Vida (Note 2) for approximately US$25.6 million.

(d) The Peruvian Tax Authority has the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries up to four year after their filing. BCP's tax returns for years 2001-2005 and PPS's tax returns for years 2001-2006, were reviewed by the Tax Authority; no significant additional taxes arose from said reviews. Management of each subsidiary has filed an appeal in the applicable cases.

Years 2006 to 2008 for BCP and 2007 to 2008 for PPS, are pending review. Any additional tax arising as a result of the Tax Authority review will be charged to income in the year when such additional tax is determined. At present, it is not possible to estimate the adjustments that the Tax Authority may determine; however, in Management's opinion, it is not expected that any additional tax will be determined in amounts considered significant to the consolidated financial statements as of December 31, 2008 and 2007.

18. Stock appreciation rights

As indicated in note 3(w), Credicorp has granted stock appreciation rights (SARs) to certain key executives and employees who have at least one year service in Credicorp or any of its subsidiaries. At the grant date and in each one of the subsequent three years, the granted SARs may be exercised up to 25 percent of all SARs granted in the plan. The SARs expire after eight years.

The number of outstanding SARs and their exercise prices are as follows:

Year of Issuance	Number of outstanding SARs issued as of December 31, 2008	Number of Vested SARs as of December 31		Exercise price	
		2008	2007	2008 US$	2007 US$
2000	-	-	49,750	8.00	8.50
2001	60,000	60,000	73,000	4.80	5.30
2002	60,000	60,000	92,500	6.48	6.98
2003	134,900	134,900	151,900	7.67	8.17
2004	185,950	185,950	237,700	10.49	10.99
2005	241,700	241,700	349,813	15.50	16.00
2006	362,800	327,784	310,800	24.82	25.32
2007	513,125	320,859	271,656	48.00	48.50
2008	656,750	286,625	-	72.04	-
	2,215,225	1,617,818	1,537,119		

Credicorp's Management has estimated the SARs´ fair value as of December 31, 2008 and 2007, using the binomial option pricing model, considering the following market information:

Key assumptions	**2008**	**2007**
Expected volatility	34.98%	32.70%
Risk free interest rate	6.25%	3.51%
Expected lifetime	4.84 years	4.92 years
Quoted price of Credicorp shares at year-end	US$49.96	US$76.30

The movement of the SARs for the years ended December 31, 2008 and 2007 is as follows:

	2008			**2007**		
	Outstanding SARs	**Vested SARs**		**Outstanding SARs**	**Vested SARs**	
	Number	**Number**	**Amount** US$(000)	**Number**	**Number**	**Amount** US$(000)
Balance as of January 1st	2,134,650	1,537,119	89,602	1,858,350	1,301,928	38,761
Granted and vested	665,500	576,874	9,498	689,500	647,610	22,248
Exercised	(496,175)	(496,175)	(19,734)	(410,700)	(410,700)	(18,801)
Decrease	(88,750)	-	-	(2,500)	(1,719)	(88)
Increase (decrease) in the option fair value	-	-	(36,379)	-	-	47,482
Balance as of December 31	2,215,225	1,617,818	42,987	2,134,650	1,537,119	89,602

Credicorp assumes the payment of the related income tax on behalf of its executives and employees, which corresponds to 30 percent of the benefit. Credicorp estimates said income tax over the basis of the liability recorded for the vested benefits.

The liabilities, including the above mentioned income tax, recorded for this plan are included in the consolidated balance sheet caption "Other liabilities – Payroll taxes, salaries and other personnel expenses", note 11 (a), and the expenses in the consolidated income statement caption "Personnel expenses". In 2008, 2007 and 2006, SARs prices were modified and informed to the Group's executives and employees.

During 2008, 2007 and 2006, the Group signed several contracts with Citigroup by which it acquired certificates linked to the yield of Credicorp's shares, see note 7(b).

19. Off-balance sheet accounts

(a) This item is made up as follows:

	2008 US$(000)	2007 US$(000)
Contingent credits (b)-		
Guarantees and stand by letters	1,506,506	1,133,476
Import and export letters of credit	249,396	431,049
	1,755,902	1,564,525
Responsibilities under credit lines agreements (d)	1,234,964	1,082,115
Forward currency contracts - sell (c)	1,552,917	939,531
Forward currency contracts - buy (c)	(925,317)	(1,270,648)
Swap contracts (c)		
Interest rate swaps	2,160,390	1,277,841
Currency swaps	192,899	118,552
Cross currency swaps	317,043	50,420
Total	6,288,798	3,762,336

(b) In the normal course of its business, the Group's banking subsidiaries are party to transactions with off-balance sheet risk. These transactions expose them to credit risk in addition to the amounts recognized in the consolidated balance sheets.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract. The exposures to losses are represented by the contractual amount specified in the related contracts. The Group applies the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments (note 6(a)), including the requirement to obtain collateral when it is deemed necessary. Collateral held varies, but may include deposits in financial institutions, securities or other assets. Many of the contingent transactions are expected to expire without any performance being required, therefore the total committed amounts do not necessarily represent future cash requirements.

(c) As of December 31, 2008 and 2007, Credicorp has currency forwards derivatives. Currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed and from the changes in the prices of the underlying currencies. As of those dates, forward currency purchase and sale agreements nominal amounts were approximately US$2,478.2 million and US$2,210.2 million, respectively, which in general have maturities of less than a year. These agreements are entered into to satisfy client requirements and are recognized in the consolidated financial statements at their fair value. As of December 31, 2008, the forward contracts net position is an oversell of U.S. Dollars of approximately US$627.6 million (overbuy of approximately US$331.1 million as of December 31, 2007).

Interest rate and currency swaps are derivatives contracts, where counter parties exchange variable interest rates for fixed interest rates or different currencies, respectively, in the terms and conditions established at the contract inception. The risk arises each time the projected level of the variable rate during the term of the contract is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. As of December 31, 2008, the notional amount of open interest rate and currency swap contracts was approximately US$2,353.3 million (approximately US$1,396.4 million as of December 31, 2007).

Cross currency swap derivative contract involves the exchange of interest payments based on two different currency principal balances and reference interest rate, generally also includes the exchange of principal amounts at the start and / or end of the contract. As of December 31, 2008, the notional amount of cross currency swap contracts were approximately US$317.0 million (approximately US$50.4 million as of December 31, 2007).

As of December 31, 2008, the fair values of the asset and liability forward exchange contracts and interest rate and cross currency swaps amounted approximately to US$79.3 and US$256.8 million, respectively (approximately US$45.8 and US$69.7 million as of December 31, 2007) and are included under the caption "Other assets and other liabilities" of the consolidated balance sheets, respectively, note 11(b).

(d) Responsibilities under credit lines agreements include credit lines and other consumer loans facilities (credit card) and are cancelable upon notification to the client.

20. Interest and dividend income and interest expenses

These items are made up as follow:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Interest and dividend income			
Interest on loans	963,940	701,471	537,671
Interest on due from banks	75,266	105,817	93,886
Interest on trading securities	1,168	3,289	2,913
Interest on investments available-for-sale	298,549	228,473	132,792
Dividends from investments available-for-sale and trading securities	12,214	9,083	9,140
Gain from hedging derivatives instruments	15,794	635	-
Other interest income	33,403	17,206	5,600
Total	1,400,334	1,065,974	782,002
Interest expenses			
Interest on deposits and obligations	(360,238)	(295,750)	(189,552)
Interest on bonds and subordinated notes issued	(51,756)	(33,592)	(25,282)
Interest on due to banks and correspondents and borrowed funds	(104,818)	(83,070)	(56,634)
Loss from hedging derivatives instruments	(16,296)	(635)	-
Other interest expenses	(44,303)	(18,953)	(12,010)
Total	(577,411)	(432,000)	(283,478)

During 2008, 2007 and 2006 the interest income accrued on impaired financial instrument recognized in the consolidated income statement amounted to US$4.7, US$3.5 and US$4.1 million, respectively.

21. Banking services commissions

This item is made up as follows:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Maintenance of accounts and transfers and credit and debit card services	180,512	152,626	122,534
Funds management	102,760	83,726	38,728
Brokerage and custody services	10,075	13,708	7,793
Contingent credits	30,174	23,819	22,344
Collection services	26,795	27,163	24,514
Commissions for banking services	12,851	9,468	7,300
Other	31,080	14,251	20,565
Total	394,247	324,761	243,778

22. Net premiums earned

This item is made up as follows:

	Gross premiums (*) US$(000)	Premiums ceded to reinsurers, net, (**) US$(000)	Assumed from other companies, net US$(000)	Net premiums earned US$(000)	Percentage of assumed net premiums %
2008					
Life insurance	110,730	(2,484)	6	108,252	-
Health insurance	169,410	(2,692)	-	166,718	-
General insurance	218,563	(105,431)	5,801	118,933	4.88
Total	498,703	(110,607)	5,807	393,903	1.47
2007					
Life insurance	89,598	(2,658)	1,408	88,348	1.59
Health insurance	129,306	(2,488)	116	126,934	0.09
General insurance	146,331	(71,759)	7,418	81,990	9.05
Total	365,235	(76,905)	8,942	297,272	3.01

	Gross premiums (*) US$(000)	Premiums ceded to reinsurers, net, (**) US$(000)	Assumed from other companies, net US$(000)	Net premiums earned US$(000)	Percentage of assumed net premiums %
2006					
Life insurance	66,477	(2,923)	1,228	64,782	1.90
Health insurance	111,295	(2,377)	1,526	110,444	1.38
General insurance	138,964	(64,767)	1,838	76,035	2.42
Total	316,736	(70,067)	4,592	251,261	1.83

(*) Includes the annual variation of the technical and unearned premiums reserves.

(**) "Premiums ceded to reinsurers, net" include:

(i) US$22.5 million for non- proportional automatic contracts (excess of loss) (US$17.5 million in the year 2007),

(ii) US$3.7 million for reinstallation premiums (US$6.1 million in the year 2007) and

(iii) US$84.3 million for facultative contracts (US$53.1 million in the year 2007).

23. Net claims incurred for life, general and health insurance contracts

This item is made up as follows:

	2008			
	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims	88,059	163,251	155,387	406,697
Ceded claims	(1,693)	(61,361)	(1,733)	(64,787)
Net insurance claims	86,366	101,890	153,654	341,910

	2007			
	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims	63,744	152,351	108,767	324,862
Ceded claims	(52)	(84,662)	(1,548)	(86,262)
Net insurance claims	63,692	67,689	107,219	238,600

	2006			
	Life insurance US$(000)	General insurance US$(000)	Health insurance US$(000)	Total US$(000)
Gross insurance claims	52,713	60,285	89,797	202,795
Ceded claims	(823)	(13,698)	(1,752)	(16,273)
Net insurance claims	51,890	46,587	88,045	186,522

24. Other income and expenses

These items are made up as follow:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Other income			
Income from the sale of seized assets	12,895	10,689	9,244
Real estate rental income	7,743	3,519	3,031
Recoveries of other accounts receivable and other assets	2,859	3,113	1,763
Other	14,175	7,613	8,638
Total other income	37,672	24,934	22,676
Other expenses			
Commissions from insurance activities	39,364	29,135	25,555
Provision for sundry risks, note 11(d)	37,549	8,096	6,461
Sundry technical insurance expenses	9,158	21,929	10,910
Provision for other accounts receivables	3,288	2,836	3,163
Other	12,517	10,003	6,629
Total other expenses	101,876	71,999	52,718

25. Earnings per share

The net earning per ordinary share has been determined over the net income attributable to equity holders of Credicorp as follows:

	2008	2007	2006
Number of shares:			
Ordinary shares, note 16(a)	94,382,317	94,382,317	94,382,317
Less - treasury shares, note 16(b)	(14,620,842)	(14,620,842)	(14,620,842)
Weighted outstanding average number of ordinary shares	79,761,475	79,761,475	79,761,475
Net income attributable to equity holders of Credicorp (in thousands of U.S. dollars)	357,756	350,735	230,013
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp (in U.S. Dollars)	4.49	4.40	2.88

26. Business segments

Transactions between the business segments are realized on normal commercial terms and conditions. The following table presents the Group's financial information by industry (primary segment) and geographical area (secondary segment) as of December 31, 2008, 2007 and 2006:

(i) Business segments by industry (amount expressed in million of U.S. Dollars):

	External income	Income from other segments	Eliminations	Total income (*)	Operating income (**)	Total assets	Fixed assets, net	Depreciation and amortization	Impairment of available-for-sale investments	Other provisions (***)
2008										
Banking	1,797	83	(83)	1,797	804	19,168	262	44	44	54
Insurance	469	15	(15)	469	118	1,231	56	4	11	-
Pension funds	71	1	(1)	71	-	224	11	9	-	-
Brokerage and other	50	62	(62)	50	(47)	198	-	-	5	(4)
Total consolidated	2,387	161	(161)	2,387	875	20,821	329	57	60	50
2007										
Banking	1,407	65	(65)	1,407	614	16,245	218	39	5	35
Insurance	377	13	(13)	377	110	1,138	46	4	-	-
Pension funds	55	(4)	4	55	(1)	244	11	8	-	-
Brokerage and other	47	7	(7)	47	(30)	79	-	-	-	(4)
Total consolidated	1,886	81	(81)	1,886	693	17,706	275	51	5	31
2006										
Banking	975	24	(24)	975	447	11,090	197	36	-	2
Insurance	316	2	(2)	316	115	989	47	4	-	-
Pension funds	23	-	-	23	-	227	11	10	-	-
Brokerage and other	58	1	(1)	58	1	576	-	-	-	-
Total consolidated	1,372	27	(27)	1,372	563	12,882	255	50	-	2

(ii) Segment information by geographical area (amounts expressed in millions of U.S. Dollars):

	2008			2007			2006		
	Total income (*)	**Operating income (**)**	**Total assets**	**Total income (*)**	**Operating income (**)**	**Total assets**	**Total income (*)**	**Operating income (**)**	**Total assets**
Peru	2,035	805	16,081	1,573	625	12,693	1,152	518	9,655
Panama	204	19	2,490	107	10	2,506	55	7	839
Cayman Islands	24	(4)	1,088	100	19	1,423	81	14	1,364
Bolivia	112	52	933	78	38	815	62	28	654
United States of America	12	3	229	28	1	269	22	(4)	370
Total consolidated	2,387	875	20,821	1,886	693	17,706	1,372	563	12,882

(*) Includes total interest and dividend income, other income and net premiums earned from insurance activities.

(**) Operating income includes the net interest income from banking activities and the amount of the net premiums earned, less insurance claims.

(***) Correspond to reserves for seized assets and the allowance for loan losses.

27. Transactions with related parties

(a) The Group's consolidated financial statements as of December 31, 2008 and 2007 include transactions with related companies, the Board of Directors, the Group's key executives (defined as the management of Credicorp's Holding) and enterprises which are controlled by these individuals through their majority shareholding or their role as chairman or CEO.

(b) The following table shows the main transactions with related parties as of December 31, 2008 and 2007.

	2008 US$(000)	**2007** US$(000)
Direct loans	143,855	94,102
Trading securities	1	1,673
Investments available-for-sale	63,782	90,396
Deposits	34,669	31,689
Contingent credits	23,574	14,026
Derivatives at fair value	4,179	386
Interest income related to loans – income	2,889	2,288
Interest expense related to deposits - expense	2,669	2,009
Other income	2,533	1,192

(c) All transactions with related parties are made in accordance with normal market conditions available to other customers. As of December 31, 2008, direct loans to related companies are secured by collaterals, and had maturities between February 2009 and July 2017 and accrued an annual averages interest rate of 7.98 percent (as of December 31, 2007 had maturities between January 2008 and September 2017 and accrued an annual average interest rate of 6.79 percent). Likewise, as of December 31, 2008 and 2007, the Group maintains allowance for loan losses to related parties amount to approximately US$1.2 million, respectively.

(d) As of December 31, 2008 and 2007, directors, officers and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law Nº26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. As of December 31, 2008 and 2007, direct loans to employees, directors and key management amounts to US$116.3 and US$85.1 million, respectively and are paid monthly and earn interest at market rates.

There are no loans to the Group's directors and key personnel guaranteed with Credicorp or any of it Subsidiaries' shares.

(e) The Group's key executives compensation (including the related income taxes assumed by the Group) as of December 31, 2008, 2007 and 2006, comprised the following:

	2008 US$(000)	2007 US$(000)	2006 US$(000)
Stock appreciation rights, note 18	27,362	27,113	23,206
Salaries	5,625	5,535	4,824
Directors compensations	1,303	1,162	1,173
Other	8,209	12,947	6,962
Total	42,499	46,757	36,165

(f) As of December 31, 2008 and 2007, the Group has participation in different mutual funds and hedge funds managed by certain Group's subsidiaries, classified as trading securities and Investments available-for-sale for a total amount of US$94.7 million and US$133.8 million, respectively.

28. Financial instruments classification

The following are the carrying amounts of the financial assets and liabilities captions in the consolidated balance sheets, by categories as defined under IAS 39:

	As of December 31, 2008						As of December 31, 2007					
	Financial assets/liabilities designated at fair value						Financial assets/liabilities designated at fair value					
	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Liabilities at amortized cost US$(000)	Total US$(000)	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Liabilities at amortized cost US$(000)	Total US$(000)
Assets												
Cash and due from banks	-	-	3,766,171	-	-	3,766,171	-	-	3,073,865	-	-	3,073,865
Trading securities	36,084	-	-	-	-	36,084	50,995	-	-	-	-	50,995
Investments available-for-sale	-	-	-	4,959,068	-	4,959,068	-	-	-	5,228,641	-	5,228,641
Loans, net	-	-	10,322,041	-	-	10,322,041	-	-	8,039,500	-	-	8,039,500
Financial assets designated at fair value through profit or loss	-	129,631	-	-	-	129,631	-	213,153	-	-	-	213,153
Premiums and other policies receivable	-	-	111,561	-	-	111,561	-	-	85,495	-	-	85,495
Accounts receivable from reinsurers and coinsurers	-	-	165,144	-	-	165,144	-	-	116,141	-	-	116,141
Due from customers on acceptances	-	-	232,580	-	-	232,580	-	-	35,901	-	-	35,901
Other assets, note 11	79,275	-	247,465	-	-	326,740	45,843	-	151,825	-	-	197,668
	115,359	129,631	14,844,962	4,959,068	-	20,049,020	96,838	213,153	11,502,727	5,228,641	-	17,041,359
Liabilities												
Deposits and obligation	-	-	-	-	13,950,437	13,950,437	-	-	-	-	11,350,714	11,350,714
Financial liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	50,561	-	-	-	50,561
Due to banks and correspondents	-	-	-	-	1,179,991	1,179,991	-	-	-	-	1,453,261	1,453,261
Due from customers on acceptances	-	-	-	-	232,580	232,580	-	-	-	-	35,901	35,901
Accounts payable to reinsurers and coinsurers	-	-	-	-	55,841	55,841	-	-	-	-	33,963	33,963
Borrowed funds	-	-	-	-	1,150,716	1,150,716	-	-	-	-	870,404	870,404
Bonds and subordinated notes issued	-	-	-	-	785,230	785,230	-	-	-	-	702,298	702,298
Other liabilities, note 11	256,792	-	-	-	318,320	575,112	69,662	-	-	-	389,314	458,976
	256,792	-	-	-	17,673,115	17,929,907	69,662	50,561	-	-	14,835,855	14,956,078

29. Financial risk management

By their nature, the Group's activities involve principally the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Group also seeks to raise its interest margins by obtaining above-average market margins, net of allowances, through lending to commercial and retail borrowers with a range of credit products. Such exposures involve not just on-balance sheet loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities, bonds, currency and interest rates.

In this sense, risk is inherent in the Group's 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 and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to operating risk, credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

(a) Risk management structure-

The Group's Board of Directors and of each subsidiary is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the major subsidiaries (BCP, PPS and ASHC) responsible for managing and monitoring risks, as further explained bellow:

(i) Board of Directors

The Board of Directors of each major subsidiary is responsible for the overall risk management approach and responsible for the approval of the policies and strategies currently in place. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments.

(ii) Risk Management Committee

The Risk Management Committee of each major subsidiary is responsible for the strategy used for mitigating risks as well as setting forth the overall principles, policies and limits for the different types of risks; it is also responsible for monitoring fundamental risk issues and manages and monitors the relevant risk decisions.

(iii) Risk Management Department

The Risk Management Department of each major subsidiary is responsible for developing, implementing and improving, on a continuous basis, the Group's risk management infrastructure by adopting and incorporating global best practices and following established policies.

(iv) Internal Audit

Risk management processes throughout the Group are monitored by the internal audit function, which examines both the adequacy of the procedures and the compliance of them. Internal Audit discusses the results of all assessments with Management, and reports its findings and recommendations to Credicorp's Audit Committee and Board of Directors.

(v) Treasury and Foreign Exchange Departments

Treasury Department is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the Group's management of funding and liquidity risks; as well as the investment, forward and spot portfolios, assuming the related liquidity, interest rate and exchange rate risks, under the policies and limits currently effective.

(b) Risk measurement and reporting systems-

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the Group's subsidiaries is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Board of Directors, the Risk Management Committee, and all relevant members of the Group. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR (Value at Risk), liquidity ratios and risk profile changes. Senior management assesses the fair value of the investments and the appropriateness of the allowance for credit losses periodically.

(c) Risk mitigation-
As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risk and credit risk.

The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of seniority within the Group. The effectiveness of hedges is assessed by the Risk Management Department (based on economic considerations rather than the IFRS hedge accounting regulations). The effectiveness of all the hedge relationships is monitored by the unit monthly. In situations of ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

The Group actively uses collateral to reduce its credit risks.

(d) Excessive risk concentration-
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

29.1 Credit risk -

(a) The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans, and investment activities that bring debt securities and other bills into the Group's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as contingent credits, which expose the Group to similar risks to loans and these are mitigated by the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated balance sheet.

Impairment provisions are provided for losses that have been incurred at the consolidated balance sheet date. Significant changes in the economy or in the particular situation of an industry segment that represents a concentration in the Group's portfolio could result in losses that are different from those provided for at the consolidated balance sheet date.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a frequent review. Limits in the level of credit risk by product, industry sector and by geographic segment are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(i) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements 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; liens over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators arise.

Collateral held as security for financial assets other than loans is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Group's policy to dispose of repossessed properties in an orderly manner. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not use repossessed properties for its business own.

(ii) Derivatives

The Group maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. The amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (i.e., an asset when fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(iii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit have the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore have less risk than a direct loan. The Group has no mandatory commitments to extend credit.

In order to manage credit risk, as part of the Risk Management Department of the Group, see note 29(a), there is a Risk Management Service Unit whose major functions are implementing methodologies and statistical models for measuring credit risk exposures, developing and applying methodologies for the calculation of risk-ratings, both at the corporate and business unit levels, performing analysis of credit concentrations, verifying that credit exposures are within the established limits and suggesting global risk exposures by economic sector, time term, among others.

Also, a Risk Assessment Committee has been established comprising 3 directors, the Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Executive Officer and the Risk Management Department Manager. Each of the financial indicators prepared by the Risk Management Service Unit are analyzed by this committee on a quarterly basis to subsequently evaluate the policies, procedures and limits currently effective at the Group to ensure that an efficient and effective risk management is always in place.

At the same time, the Group has a Credit Division, which establishes the overall credit policies for each and all the businesses in which the Group decides to take part. These policies are set forth based on the guidelines established by the Board of Directors and keeping in mind the statutory financial laws and regulations. The main activities of this function are to establish the client credit standards and guidelines (evaluation, authorization and control), to follow the guidelines established by the Board of Directors and General Management as well as those established by governmental regulatory bodies, to review and authorize credit applications, up to the limit within the scope of its responsibilities and to submit to upper hierarchies those credit applications exceeding the established limits, to monitor credit-granting activities within the different autonomous bodies, among others.

(b) The maximum exposure to credit risk as of December 31, 2008 and 2007, before the effect of mitigation through any collateral, is the book value of each class of financial assets mentioned in note 29.7 and the contingent credits detailed in note 19(a).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan portfolio and investments based on the following:

- 98 percent of the loans portfolio is categorized in the top two grades of the internal rating system as of December 31, 2008 (97 percent as of December 31, 2007);

- 95 percent of the loan portfolio is considered to be neither past due nor impaired as of December 31, 2008 (94 percent as of December 31, 2007);

- 83 percent of the investments have at least investment grade credit rating (BBB- or higher) or are debt securities issued by Banco Central de Reserva del Peru - BCRP (not rated) as of December 31, 2008 (75 percent as of December 31, 2007); and

- 17 percent and 52 percent of the cash and due from banks represent amounts deposited in the Group's vaults and in the BCRP (including overnight operations), respectively, as of December 31, 2008 (18 percent and 59 percent, respectively, as of December 31, 2007).

(c) Credit risk management for loans -
Credicorp classifies its loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. The grades used by Credicorp are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss, and have the following characteristics:

Normal (Class A): Debtors of commercial loans that fall into this category have complied on a timely basis with their obligations and at the time of evaluation do not present any reason for doubt with respect to repayment of interest and principal on the agreed dates, and there is no reason to believe that the status will change before the next evaluation. To place a loan in Class A, a clear understanding of the use to be made of the funds and the origin of the cash flows to be used by the debtor to repay the loan is required. Consumer loans warrant Class A classification if payments are current or up to eight days past-due. Residential mortgage loans warrant Class A classification if payments are current or up to thirty days past-due.

Potential problems (Class B): Debtors of commercial loans included in this category are those that at the time of the evaluation demonstrate certain deficiencies, which, if not corrected on a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in the category include: delays in loan payments which are promptly covered, a general lack of information required to analyze the credit, out-of-date financial information, temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, market conditions that could affect the economic sector in which the debtor is active, material overdue debts or pending judicial collection actions initiated by other financial institutions, noncompliance with originally contracted conditions, conflicts of interest within the client, labor problems; unfavorable credit history, noncompliance with its own internal policies of concentration of suppliers or customers, and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. Consumer loans are categorized as Class B if payments are between 9 and 30 days late. Residential mortgage loans become Class B when payments are between 31 and 90 days late.

Substandard (Class C): Debtors of commercial loans included in this category demonstrate serious financial weakness, often with operating results or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of their financial capacity. Debtors demonstrating the same deficiencies that warrant classification as category B warrant classification as Class C if those deficiencies are such that if they are not corrected in the near term, they could impede the recovery of principal and interest on the loan on the originally agreed terms. In addition, commercial loans are classified in this category when payments are between 61 and 120 days late. If payments on a consumer loan are between 31 and 60 days late, such loans are classified as Class C. Residential mortgage loans are classified as Class C when payments are between 91 and 120 days late.

Doubtful (Class D): Debtors of commercial loans included in this category present characteristics that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Class D categorization is appropriate. These credits are distinguished from Class E credits by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. In addition, commercial loans are classified in this category when payments are between 121 and 365 days late. Consumer loans are categorized as Class D if payments are between 61 and 120 days late. Residential mortgage loans are Class D when payments are between 121 and 365 days late.

Loss credits (Class E): Commercial loans or credits which are considered unrecoverable or which for any other reason should not appear on Group's books as an asset based on the originally contracted terms fall into this category. In addition, commercial loans are classified in this category when payments are more than 365 days late. Consumer loans are categorized as Class E if payments are more than 120 days late. Residential mortgage loans are Class E when payments are more than 365 days late.

The Group reviews its loan portfolio on a continuing basis in order to assess the completion and accuracy of its grades.

All loans considered impaired (the ones classified as substandard, doubtful and loss) are analyzed by the Group's Management, which addresses impairment in two areas: individually assessed allowances and collectively assessed allowances, as follows:

- Individually assessed allowance -
  The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. Impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

  The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group in order to reduce any differences between loss estimates and actual loss experience.

- Collectively assessed allowance -
  Allowances are assessed collectively for losses on loans and advances that are not individually significant (including consumer and residential mortgages) and for individually significant loans and advances where there is not yet objective evidence of individual impairment (included in categories A and B). Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

  The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Financial guarantees and letter of credit are assessed and provision made in similar manners as for loans.

In the case of borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk provisions provided.

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

The following is a summary of the direct loans classified in three major groups: i) Loans neither past due nor impaired, comprising those direct loans having presently no delinquency characteristics and related to clients ranked as normal and potential problems; ii) Past due but not impaired loans comprising past due loans of clients classified as normal or with potential problems and iii) Impaired loans, or those past due loans of clients classified as substandard, doubtful and loss; presented net of the provision for loan losses for each of the loan grades:

	As of December 31, 2008				
	Commercial loans US$(000)	**Residential mortgage loans** US$(000)	**Consumer loans** US$(000)	**Total** US$(000)	**%**
Neither past due nor impaired -					
Normal	7,526,355	1,350,793	1,020,352	9,897,500	94
Potential problem	214,040	18,348	8,932	241,320	2
Past due but not impaired -					
Normal	186,887	83,757	78,629	349,273	3
Potential problem	14,231	387	1,027	15,645	-
Impaired -					
Substandard	41,570	11,337	18,982	71,889	1
Doubtful	46,309	12,630	21,146	80,085	1
Loss	29,193	7,962	13,331	50,486	1
Gross	8,058,585	1,485,214	1,162,399	10,706,198	102
Less: Allowance for loan losses	137,444	30,832	56,061	224,337	2
Total, net	7,921,141	1,454,382	1,106,338	10,481,861	100

	As of December 31, 2007				
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)	%
Neither past due nor impaired -					
Normal	5,517,220	1,138,912	779,866	7,435,998	91
Potential problem	347,186	13,781	7,463	368,430	5
Past due but not impaired -					
Normal	204,766	70,738	52,379	327,883	4
Potential problem	5,410	318	134	5,862	-
Impaired -					
Substandard	49,535	10,097	11,733	71,365	1
Doubtful	61,578	12,552	14,586	88,716	1
Loss	36,483	7,437	8,643	52,563	1
Gross	6,222,178	1,253,835	874,804	8,350,817	103
Less: Allowance for loan losses	166,203	14,454	30,662	211,319	3
Total, net	6,055,975	1,239,381	844,142	8,139,498	100

As of December 31, 2008 and 2007, loans that are neither past-due nor impaired whose terms have been renegotiated amounts to US$10.3 and US$19.7 million, respectively.

As of December 31, 2008 and 2007, loans amounting to approximately US$349.3 and US$327.9 million, respectively, were not impaired and were past due for less than 30 days.

The break down of the gross amount of impaired loans by class, along with the fair value of related collateral and the amounts of their allowance for loan losses, is as follows:

	As of December 31, 2008			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Impaired loans	117,072	31,929	53,459	202,460
Fair value of collateral	49,254	18,742	4,386	72,382
Allowance for loan losses	50,782	11,395	29,722	91,899

	As of December 31, 2007			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Impaired loans	147,596	30,086	34,962	212,644
Fair value of collateral	59,957	19,863	3,914	83,734
Allowance for loan losses	72,793	6,238	20,173	99,204

(d) Credit risk management on investments in trading securities and available-for-sale -

The Group evaluates the credit risk identified of each of the financial instruments in these categories, stating the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings use are those provided by Apoyo & Asociados Internacionales S.A.C. (a Peruvian rating agency authorized by the Peruvian government regulator and associated to Fitch Rating) and for investments traded abroad, the risk-ratings used are those provided by Standard & Poors. In the event any subsidiary use a risk-rating prepared by any other risk rating agency, such risk-ratings are standardized with those provided by the afore-mentioned institutions for consolidation purposes.

The following table shows the analysis of the risk-rating of available-for-sale investments, provided by the institutions referred to above. These financial instruments are mostly concentrated on the first risk ratings or are debt securities issued by Banco Central de Reserva del Peru – BCRP (not rated), as a way to reduce their impact on the consolidated financial statements of any eventual substantial loss that may arise from the impairment of the credit and general position of issuers. The exposure composition is as follows:

	As of December 31, 2008		As of December 31, 2007	
	US$(000)	%	US$(000)	%
Instruments rated in Peru				
AAA	426,653	8.6	285,661	5.5
AA- to AA+	36,486	0.8	35,943	0.7
A to A+	18,346	0.4	13,306	0.3
BBB- to BBB	-	-	2,018	-
BB- to BB+	1,858	-	2,214	-
Lower than B-	-	-	-	-
Unrated (*)	2,466,772	49.7	2,854,295	54.6
	2,950,115	59.5	3,193,437	61.1
Instruments rated abroad				
AAA	105,249	2.1	242,428	4.6
AA- to AA+	128,714	2.6	132,907	2.5
A to A+	410,118	8.3	234,455	4.5
BBB- to BBB+	785,250	15.8	584,549	11.2
BB- to BB+	325,861	6.6	539,816	10.4
Lower than B-	20,394	0.4	22,740	0.4
Unrated (*)	233,367	4.7	278,309	5.3
	2,008,953	40.5	2,035,204	38.9
Total	4,959,068	100.00	5,228,641	100.0

(*) As of December 31, 2008, includes principally US$2,208.9 million, US$217.6 million and US$131.3 million of debt securities issued by BCRP, listed and non-listed equity securities and mutual funds, respectively (US$2,407.0 million, US$321.1 million and US$198.4 million as of December 31, 2007, respectively).

As of December 31, 2008 and 2007, most of held for trading investments were financial instruments issued by the BCRP or had an investment grade rating.

The following table presents the summary of the various techniques used by the Group to measure the Investments available-for-sale recognized at fair value in percentage:

	2008 %	2007 %
Quoted Market Price	40.0	39.4
Valuation Techniques - market observable inputs	58.8	58.6
Valuation Techniques - non-market observable inputs	1.2	2.0
Total	100.0	100.0

(e) Concentration of financial instruments exposed to credit risk:

As of December 31, 2008 and 2007, the financial instruments with exposure to the credit risk were distributed by the following economic sectors:

	2008					2007				
	Designated at fair value through profit or loss					Designated at fair value through profit or loss				
	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Total US$(000)	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Investments available-for-sale US$(000)	Total US$(000)
Financial services	101,126	129,631	3,897,748	3,245,159	7,373,664	49,901	213,153	3,303,821	3,569,312	7,136,187
Public administration and defense	13,466	-	273,506	932,227	1,219,199	22,161	-	73,533	746,634	842,328
Manufacturing	44	-	2,536,277	156,925	2,693,246	2,710	-	2,134,497	199,874	2,337,081
Commerce	5	-	1,484,431	64,595	1,549,031	520	-	861,701	62,011	924,232
Mortgage loans	-	-	1,401,296	-	1,401,296	-	-	1,079,955	-	1,079,955
Consumer loans	-	-	1,126,301	-	1,126,301	-	-	833,505	-	833,505
Electricity, gas and water	523	-	556,937	203,595	761,055	9,802	-	330,480	207,014	547,296
Communications, storage and transportation	-	-	632,895	117,103	749,998	-	-	387,911	97,945	485,856
Mining	130	-	660,855	78,416	739,401	11,737	-	448,570	138,578	598,885
Leaseholds and real estate activities	-	-	608,651	47,321	655,972	-	-	373,659	159,063	532,722
Micro-business loans	-	-	619,680	-	619,680	-	-	474,968	-	474,968
Community services	-	-	247,144	-	247,144	-	-	239,947	-	239,947
Construction	-	-	236,163	2,283	238,446	-	-	197,257	3,914	201,171
Agriculture	-	-	224,417	7,761	232,178	-	-	172,817	5,550	178,367
Education, health and other services	-	-	127,670	29,699	157,369	-	-	102,456	4,514	106,970
Fishing	2	-	80,277	159	80,438	-	-	131,483	-	131,483
Insurance activities	-	-	27,430	-	27,430	-	-	122,667	-	122,667
Other	63	-	103,284	73,825	177,172	7	-	233,500	34,232	267,739
Total	115,359	129,631	14,844,962	4,959,068	20,049,020	96,838	213,153	11,502,727	5,228,641	17,041,359

As of December 31, 2008 and 2007, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	2008				
	Designated at fair value through profit or loss				
	Held for trading	At inception	Loans and receivables	Investments available-for-sale	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Peru	113,015	-	12,565,873	3,571,213	16,250,101
United States of America	109	129,631	871,859	681,184	1,682,783
Bolivia	2,224	-	566,170	309,530	877,924
Europe	-	-	307,533	84,445	391,978
Chile	-	-	115,883	90,587	206,470
Colombia	-	-	101,173	72,178	173,351
Other	11	-	316,471	149,931	466,413
Total	115,359	129,631	14,844,962	4,959,068	20,049,020

	2007				
	Designated at fair value through profit or loss				
	Held for trading	At inception	Loans and receivables	Investments available-for-sale	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Peru	70,189	-	10,048,500	3,693,246	13,811,935
United States of America	49	213,153	591,202	889,421	1,693,825
Bolivia	3,683	-	578,436	192,896	775,015
Europe	13,690	-	93,141	58,477	165,308
Colombia	-	-	59,471	89,363	148,834
Chile	-	-	5,178	124,557	129,735
Other	9,227	-	126,799	180,681	316,707
Total	96,838	213,153	11,502,727	5,228,641	17,041,359

29.2 Market risk -

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, currency, commodities and equity products; all of which are exposed to general and specific market movements and changes in the level of volatility of prices such as interest rates, credit spreads, foreign exchange rates and equity prices. Due to the nature of the Group's current activities, commodity price risk is not applicable.

The Group separates exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (ALM Book).

Trading portfolios include those liquid positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios consist of relatively illiquid positions, mainly banking assets and liabilities (deposits and loans) and non-trading investments (available-for-sale).

The risks that trading portfolios face are managed through VaR historical simulation techniques; while non-trading portfolios are managed using Asset Liability Management (ALM).

(a) Trading Book -

The trading book is made up of liquid investment instruments. The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives. Some limits have been set in order to control and monitor the risks undertaken. These risks arise from the size of the positions and/or from the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Risk Management Committees and top management. The major measurement technique used to measure and control market risk is Value at Risk (VaR).

The Group applies VaR to its trading portfolios to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions. The Risk Management Committee set limits on the level of risk that may be accepted and review of daily.

VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the "maximum" amount the Group might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain "holding period" until positions can be closed (1 day - 10 days). The time horizon used to calculate VaR is one day; however, the one-day VAR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10 - results are presented in the tables below. The assessment of past movements has been based on historical one-year data.

The Group applies these historical changes in rates directly to its current positions (a method known as historical simulation).

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As of December 31, 2008 and 2007, the Group's VaR by type of asset was as follows:

	2008 US$(000)	2007 US$(000)
Equity securities	55	5,211
Mutual funds	1,034	-
Fixed income	1,116	567
Derivatives	-	626
Consolidated VaR by type of asset	1,604	5,261

As of December 31, 2008 and 2007, the Group's VaR by risk type is as follows:

	2008 US$(000)	2007 US$(000)
Foreign exchange risk	579	133
Interest rate risk	1,063	514
Equity risk	850	4,879
Consolidated VaR by risk type	1,604	5,261

(b) ALM Book -

The management of the risks associated with long-term and structural positions is called Asset and Liability Management (ALM). Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth.

(i) Interest risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may also decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by Treasury Department.

Re-pricing gap -

Gap analysis comprises aggregating re-pricing timeframes into buckets and checking if each bucket nets to zero. Different bucketing schemes might be used. An interest rate gap is simply a positive or negative net re-pricing timeframe for one of the buckets.

The table below summarizes the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates:

	As of December 31, 2008						
	Up to 1 month US$(000)	**1 to 3 months** US$(000)	**3 to 12 months** US$(000)	**1 to 5 years** US$(000)	**More than 5 years** US$(000)	**Non-interest bearing** US$(000)	**Total** US$(000)
Assets							
Cash and due from banks	2,455,413	196,588	46,536	10,218	-	1,057,416	3,766,171
Investments	818,153	1,208,593	989,125	543,549	1,141,155	294,577	4,995,152
Loans	2,038,457	2,412,234	2,274,854	2,992,480	604,016	-	10,322,041
Assets designated at fair value through profit or loss	-	-	-	-	-	129,631	129,631
Premiums and other policies receivables	-	-	-	-	-	111,561	111,561
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	165,144	165,144
Other assets	-	-	-	-	-	1,331,369	1,331,369
Total assets	5,312,023	3,817,415	3,310,515	3,546,247	1,745,171	3,089,698	20,821,069
Deposits and obligations	4,114,430	3,268,610	2,991,905	321,984	39,979	3,213,529	13,950,437
Due to banks and correspondents	178,539	745,155	197,935	11,705	32,544	14,113	1,179,991
Liabilities designated at fair value through profit or loss	-	-	-	-	-	55,841	55,841
Technical, insurance claims reserves and reserves for unearned premiums	31,254	19,357	86,935	148,437	331,697	350,090	967,770
Borrowed funds	1,008,997	2,474	11,762	81,871	45,612	-	1,150,716
Bonds and subordinated notes issued	817	-	63,208	284,577	428,788	7,840	785,230
Other liabilities	-	-	-	-	-	934,979	934,979
Equity	-	-	-	-	-	1,796,105	1,796,105
Total liabilities and equity	5,334,037	4,035,596	3,351,745	848,574	878,620	6,372,497	20,821,069
Off-Balance sheet items							
Derivatives assets	2,444,863	1,267,306	577,445	458,944	286,646	-	5,035,204
Derivatives liabilities	1,582,377	770,950	816,213	1,438,652	427,012	-	5,035,204
	862,486	496,356	(238,768)	(979,708)	(140,366)	-	-
Marginal gap	840,472	278,175	(279,998)	1,717,965	726,185	(3,282,799)	-
Accumulated gap	840,472	1,118,647	838,649	2,556,614	3,282,799	-	-

	As of December 31, 2007						
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Assets							
Cash and due from banks	2,331,637	31,074	48,172	42,045	19	620,918	3,073,865
Investments	567,613	680,272	1,974,368	837,269	842,317	377,797	5,279,636
Loans	2,078,657	2,294,056	1,499,311	2,051,629	115,847	-	8,039,500
Assets designated at fair value through profit or loss	-	-	50,561	-	-	162,592	213,153
Premiums and other policies receivables	-	-	-	-	-	85,495	85,495
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	116,141	116,141
Other assets	-	-	-	-	-	898,108	898,108
Total assets	4,977,907	3,005,402	3,572,412	2,930,943	958,183	2,261,051	17,705,898
Liabilities							
Deposits and obligations	3,358,599	3,089,841	1,709,965	263,913	2,088	2,926,308	11,350,714
Due to banks and correspondents	484,560	437,345	303,506	198,357	21,296	8,197	1,453,261
Financial liabilities designated at fair value through profit or loss	-	-	50,561	-	-	-	50,561
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	33,963	33,963
Technical, insurance claims reserves and reserves for unearned premiums	1,626	4,878	14,634	95,017	305,039	382,284	803,478
Borrowed funds	-	870,404	-	-	-	-	870,404
Bonds and subordinated notes issued	101,521	34,520	54,546	176,924	328,147	6,640	702,298
Other liabilities	-	-	8,275	-	-	617,671	625,946
Equity	-	-	-	-	-	1,815,273	1,815,273
Total liabilities and equity	3,946,306	4,436,988	2,141,487	734,211	656,570	5,790,336	17,705,898
Off-Balance sheet items							
Derivatives assets	1,746,686	724,850	719,635	349,552	116,269	-	3,656,992
Derivatives liabilities	967,415	617,771	801,599	806,626	463,581	-	3,656,992
	779,271	107,079	(81,964)	(457,074)	(347,312)	-	-
Marginal gap	1,810,872	(1,324,507)	1,348,961	1,739,658	(45,699)	(3,529,285)	-
Accumulated gap	1,810,872	486,365	1,835,326	3,574,984	3,529,285	-	-

Sensitivity to changes in interest rates -
The following table presents the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement and consolidated statements of change in equity; before income tax and minority interest.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year before income tax and minority interest, based on the floating rate non-trading financial assets and financial liabilities held at December 31, 2008 and 2007, including the effect of derivatives instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, before income tax and minority interest, including the effect of any associated hedges, and derivatives instruments designated as cash flow hedges, as of December 31, 2008 and 2007 for the effects of the assumed changes in interest rates:

	As of December 31, 2008					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	+/-	6,842	-/+	16,709
U.S. Dollar	+/-	100	+/-	13,684	-/+	33,417
U.S. Dollar	+/-	200	+/-	27,368	-/+	66,834
U.S. Dollar	+/-	300	+/-	41,052	-/+	100,251
Peruvian Currency	+/-	50	-/+	12,227	-/+	16,791
Peruvian Currency	+/-	100	-/+	24,454	-/+	33,581
Peruvian Currency	+/-	200	-/+	48,908	-/+	67,162
Peruvian Currency	+/-	300	-/+	73,362	-/+	100,743

	As of December 31, 2007					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	+/-	7,652	-/+	20,204
U.S. Dollar	+/-	100	+/-	15,305	-/+	40,408
U.S. Dollar	+/-	200	+/-	30,609	-/+	80,816
U.S. Dollar	+/-	300	+/-	45,914	-/+	121,224
Peruvian Currency	+/-	50	-/+	4,335	-/+	20,705
Peruvian Currency	+/-	100	-/+	8,670	-/+	41,409
Peruvian Currency	+/-	200	-/+	17,340	-/+	82,818
Peruvian Currency	+/-	300	-/+	26,010	-/+	124,227

The interest rate sensitivities set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the effect of the pro-forma movements in the net interest income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of this interest rate risk. In addition, the Group seeks proactively to change the interest rate risk profile to minimize losses and optimize net revenues. The projections above also assume that interest rate of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged. The projections make other simplifying assumptions too, including that all positions run to maturity.

Available-for-sale equity securities and mutual funds are not considered as part of the investment securities for sensitivity calculation purposes; however, a 10, 30 and 50 percent for equity and 10, 20 and 30 percent for mutual funds changes in market prices is conducted to these price-sensitivity securities and the expected unrealized gain or loss, before income tax, is presented below:

Market price sensitivity	**Changes in market prices** %		**As of December 31, 2008** US$(000)		**As of December 31, 2007** US$(000)	
Equity securities	+/-	10	+/-	21,762	+/-	32,112
Equity securities	+/-	30	+/-	65,285	+/-	96,335
Equity securities	+/-	50	+/-	108,809	+/-	160,559
Mutual funds	+/-	10	+/-	13,132	+/-	19,841
Mutual funds	+/-	20	+/-	26,264	+/-	39,681
Mutual funds	+/-	30	+/-	39,397	+/-	59,522

(ii) Foreign exchange risk -

The Group is exposed to foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2008 and 2007, the Group's assets and liabilities by currencies were as follows:

	2008				2007			
	U.S. Dollars US$(000)	Peruvian currency US$(000)	Other currencies US$(000)	Total US$(000)	U.S. Dollars US$(000)	Peruvian currency US$(000)	Other currencies US$(000)	Total US$(000)
Monetary assets -								
Cash and due from banks	3,156,279	495,550	114,342	3,766,171	2,644,858	311,828	117,179	3,073,865
Trading securities	23,220	11,523	1,341	36,084	38,647	11,463	885	50,995
Available-for-sale investments	2,897,658	1,736,160	325,250	4,959,068	1,934,672	3,129,351	164,618	5,228,641
Loans, net	6,930,125	3,298,579	93,337	10,322,041	5,555,864	2,450,297	33,339	8,039,500
Financial assets designated to fair value through profit or loss	129,631	-	-	129,631	213,153	-	-	213,153
Other assets	594,107	255,476	12,383	861,966	261,102	299,695	9,745	570,542
	13,731,020	5,797,288	546,653	20,074,961	10,648,296	6,202,634	325,766	17,176,696
Monetary liabilities -								
Deposits and obligations	(8,614,042)	(4,963,932)	(372,463)	(13,950,437)	(7,173,362)	(3,892,138)	(285,214)	(11,350,714)
Due to bank and correspondents and borrowed funds	(2,189,114)	(140,155)	(1,438)	(2,330,707)	(2,071,882)	(248,362)	(3,421)	(2,323,665)
Financial liabilities designated at fair value through profits or loss	-	-	-	-	(50,561)	-	-	(50,561)
Bonds and subordinated notes issued	(311,860)	(473,370)	-	(785,230)	(329,567)	(372,731)	-	(702,298)
Other liabilities	(1,425,817)	(508,063)	(24,710)	(1,958,590)	(1,040,178)	(434,353)	11,144	(1,463,387)
	(12,540,833)	(6,085,520)	(398,611)	(19,024,964)	(10,665,550)	(4,947,584)	(277,491)	(15,890,625)
	1,190,187	(288,232)	148,042	1,049,997	(17,254)	1,255,050	48,275	1,286,071
Forwards position, net	(627,600)	591,628	35,972	-	331,117	(273,971)	(57,146)	-
Currrency swaps position, net	31,458	(31,458)	-	-	7,227	(7,227)	-	-
Cross currency swaps position, net and interest rate swaps position, net	(277,347)	277,347	-	-	(50,420)	50,420	-	-
Net monetary position	316,698	549,285	184,014	1,049,997	270,670	1,024,272	(8,871)	1,286,071

The Group manages foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. The Group measures its performance in U.S. Dollar, so if the net foreign exchange position (e.g. Peruvian currency) is an asset, any depreciation of the U.S. Dollar with respect to this currency would affect Group's consolidated balance sheet positively. 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 income statement.

The Group's net foreign exchange balance is 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); and any devaluation/revaluation of the foreign exchange position would affect the consolidated income statement. A currency mismatch would leave Group's consolidated balance sheet vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the Peruvian Currency, the currency to which the Group had significant exposure as of December 31, 2008 and 2007 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the U.S. Dollar, with all other variables held constant on the consolidated income statement, before income tax. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase:

Sensitivity Analysis	**Change in currency rates**	**2008**	**2007**
	%	US$(000)	US$(000)
Devaluation -			
Peruvian Currency	5	(28,910)	(51,636)
Peruvian Currency	10	(61,032)	(109,009)
Revaluation -			
Peruvian Currency	5	26,156	46,718
Peruvian Currency	10	49,935	89,189

29.3 Liquidity risk -

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors, fulfill commitments to lend or meet other operating cash needs.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans draw-downs, guarantees and other calls. The Group does not maintain cash resources to meet all of these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Management of the Group's subsidiaries sets limits on the minimum proportion of funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demands. Sources of liquidity are regularly reviewed by a separate team in Group Treasury Department to maintain a wide diversification by currency, geography, provider, product and term.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often based on uncertain terms and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

A maturity mismatch, long-term illiquid assets against short-term liabilities, exposes a consolidated balance sheet to risks related both to rollover and to interest rates. If liquid assets do not cover maturing debts, a balance sheet is vulnerable to a rollover risk. Furthermore, a sharp increase in interest rates can dramatically increase the cost of rolling over short-term liabilities, leading to a rapid increase in debt service. The contractual-maturity gap report is useful in showing liquidity characteristics.

The table below presents the cash flows payable by the Group by remaining contractual maturities at the consolidated balance sheets dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of December 31, 2008						As of December 31, 2007					
	Up to a month US$(000)	From 1 to 3 months US$(000)	From 3 to 12 months US$(000)	From 1 to 5 years US$(000)	Over 5 years US$(000)	Total US$(000)	Up to a month US$(000)	From 1 to 3 months US$(000)	From 3 to 12 months US$(000)	From 1 to 5 years US$(000)	Over 5 years US$(000)	Total US$(000)
Deposits and obligations	4,200,202	1,573,685	6,727,731	1,485,233	381,475	14,368,326	3,509,461	1,785,348	3,914,794	2,602,403	298,750	12,110,756
Financials liabilities designated at fair value through profit and loss	-	-	-	-	-	-	266	534	2,448	65,063	-	68,311
Due to bank and correspondents and Borrowed funds	222,667	262,027	355,464	1,226,162	564,212	2,630,532	274,279	524,809	486,328	1,053,649	529,040	2,868,105
Accounts payable to reinsurer and coinsurers	16,232	13,663	25,946	-	-	55,841	3,507	10,840	14,984	4,632	-	33,963
Technical, insurance claims reserves and reserves for unearned premiums	57,470	117,509	280,424	200,023	606,096	1,261,522	77,047	100,991	177,197	160,618	558,301	1,074,154
Bonds and subordinates notes issued	6,635	5,883	110,975	444,563	589,016	1,157,072	48,867	43,071	104,174	315,911	426,688	938,711
Other liabilities	122,619	155,032	379,563	90,430	60,048	807,692	30,464	23,993	367,922	83,492	-	505,871
Total liabilities	4,625,825	2,127,799	7,880,103	3,446,411	2,200,847	20,280,985	3,943,891	2,489,586	5,067,847	4,285,768	1,812,779	17,599,871

The table below shows the contractual maturity of the Group's contingent credits at the consolidated balance sheets dates:

	As of December 31, 2008						As of December 31, 2007					
	Up to a month US$(000)	From 1 to 3 months US$(000)	From 3 to 12 months US$(000)	From 1 to 5 years US$(000)	Over 5 years US$(000)	Total US$(000)	Up to a month US$(000)	From 1 to 3 months US$(000)	From 1 to 12 months US$(000)	From 1 to 5 years US$(000)	Over 5 years US$(000)	Total US$(000)
Contingent credits	208,248	541,900	705,150	279,693	20,911	1,755,902	318,692	253,054	571,702	402,443	18,634	1,564,525

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

29.4 Operational risk -

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of Internal Audit.

29.5 Risk of the insurance activity -

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group purchases reinsurance as part of its risks mitigation program. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Group to certain classes of business.

Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Group's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and geographical area.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Life insurance contracts

Life insurance contracts offered by the Group include whole life, term assurance, unitised pensions, guaranteed annuity pensions, pure endowment pensions and mortgage endowments.

Whole life and term assurance are conventional regular premium products where lump sum benefits are payable on death or permanent disability. Few contracts have a surrender value.

Pensions are contracts where retirement benefits are expressed in the form of an annuity payable at retirement age. If death occurs before retirement, contracts generally return the value of the fund accumulated or premiums.

Guaranteed annuities are single premium products named "Rentas Vitalicias" which pay a specified payment to the policyholder whilst they and/or their spouse are still alive. Payments are generally either fixed or increased each year at a specified rate or at inflation rate.

Death benefits of endowment products are subject to a guaranteed minimum amount. The maturity value usually depends on the investment performance of the underlying assets.

The main risks that the Group is exposed to are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.

- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.

- Longevity risk – risk of loss arising due to the annuitant living longer than expected.

- Investment return risk – risk of loss arising from actual returns being different than expected.

- Expense risk – risk of loss arising from expense experience being different than expected.

- Policyholder decision risk – risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

For contracts when death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits of US$50,000 on any single life insured and on all high risk individuals insured are in place.

For annuity contracts, the most significant factor is continuing improvement in medical science and social conditions that would increase longevity.

Management has made a sensitivity analysis of the estimates of the technical reserves, note 14(c).

Non-life insurance contracts (general insurance and healthcare)
The Group principally issues the following types of general insurance contracts: motor, household and commercial. Healthcare contracts provide medical expense cover to policyholders. Risks under non-life insurance policies usually covers 12 months.

For general insurance contracts the most significant risks arise from climate changes, natural disasters and other type of damages. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The above risks exposures are mitigated by diversification across a large portfolio of insurance contracts. The variability of risk is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of risks type and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the Group´s risk exposure. Also, the Group actively manages and promptly pursues claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events.
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In the following paragraphs the Group has segregated some risk information related to its insurance business, which has been already included in the Group's consolidated risk information; in order to provide more specific insight about this particular business.

(a) Interest risk of the insurance activity -

The following tables show the re-pricing gap of the insurance activity based on the financial statements in accordance with IFRS for investments and Technical, insurance claims reserves and reserves for unearned premiums and after the eliminations for consolidation:

	2008	
	Investments	**Technical, insurance claims reserves and reserves for unearned premiums**
	US$(000)	US$(000)
Up to 1 month	7,873	31,254
1 to 3 months	20,263	19,357
3 to 12 months	44,850	86,935
1 to 5 years	112,057	148,437
More than 5 years	558,328	331,697
Non-interest bearing	63,543	350,090
Total	806,914	967,770

	2007	
	Investments	**Technical, insurance claims reserves and reserves for unearned premiums**
	US$(000)	US$(000)
Up to 1 month	4,295	1,626
1 to 3 months	10,847	4,878
3 to 12 months	11,630	14,634
1 to 5 years	96,207	95,017
More than 5 years	513,714	305,039
Non-interest bearing	159,755	382,284
Total	796,448	803,478

The others financial assets and liabilities are related to the balances presented in the consolidated balance sheets and include mainly accounts receivable from and payable to reinsurers and premiums and other policies receivables which are non-interest bearing , see also note 29.2 (b)(i).

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, in consolidated income statement and consolidated equity of the insurance activity, before income tax:

	As of December 31, 2008					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	-/+	201	-/+	6,734
U.S. Dollar	+/-	100	-/+	402	-/+	13,468
U.S. Dollar	+/-	200	-/+	805	-/+	26,935
U.S. Dollar	+/-	300	-/+	1,207	-/+	40,403
Peruvian Currency	+/-	50	+/-	58	-/+	2,597
Peruvian Currency	+/-	100	+/-	117	-/+	5,193
Peruvian Currency	+/-	200	+/-	234	-/+	10,386
Peruvian Currency	+/-	300	+/-	351	-/+	15,579

	As of December 31, 2007					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	-/+	129	-/+	9,883
U.S. Dollar	+/-	100	-/+	259	-/+	19,766
U.S. Dollar	+/-	200	-/+	517	-/+	39,532
U.S. Dollar	+/-	300	-/+	776	-/+	59,297
Peruvian Currency	+/-	50	+/-	50	-/+	1,533
Peruvian Currency	+/-	100	+/-	101	-/+	3,066
Peruvian Currency	+/-	200	+/-	201	-/+	6,132
Peruvian Currency	+/-	300	+/-	302	-/+	9,199

The interest rate sensitivities set out in the table above are illustrative only and employ simplified scenarios. It should be noted that the effects may not be linear and therefore the results cannot be extrapolated. The sensitivities do not incorporate actions that could be taken by Management to mitigate the effect of the interest rate movements, nor any changes in policyholders´ behaviors.

(b) Foreign exchange risk of the insurance activity -

As of December 31, 2008 and 2007, the insurance activity assets and liabilities by currencies after eliminations for consolidation were as follows:

	2008		
	U.S. Dollars US$(000)	**Peruvian Currency** US$(000)	**Total** US$(000)
Monetary assets	876,823	358,855	1,235,678
Monetary liabilities	(851,685)	(261,271)	(1,112,956)
Net monetary position	25,138	97,584	122,722

	2007		
	U.S. Dollars US$(000)	**Peruvian Currency** US$(000)	**Total** US$(000)
Monetary assets	800,899	259,279	1,060,178
Monetary liabilities	(636,170)	(211,013)	(847,183)
Net monetary position	164,729	48,266	212,995

The table below shows the sensitivity analysis of the peruvian currency as of December 31, 2008 and 2007 on the insurance activity non-trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the U.S. Dollar on the consolidated income statement, with all other variables held constant, before income tax. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase.

Sensitivity Analysis	Change in currency rates %	2008 US$(000)	2007 US$(000)
Devaluation -			
Peruvian Currency	5	5,136	(2,540)
Peruvian Currency	10	10,843	(5,363)
Revaluation -			
Peruvian Currency	5	(4,647)	2,298
Peruvian Currency	10	(8,871)	4,388

(c) Liquidity risk of the insurance activity -

The Group´s insurance companies are exposed to requirements of cash available, mainly for contracts of insurance claims of short term. The Group holds the available funds for covering its liabilities according to their maturity and estimated unexpected claims.

The Group´s insurance companies control liquidity risk through the exposure of the maturity of their liabilities. Therefore, the investment plan has been structured considering the maturities in order to manage the risk of fund requirements to cover insurance claims and others, in addition to the Group support.

The following table presents the undiscounted cash flows payable by the Group for technical, insurance claims reserves and reserves for unearned premiums by their remaining contractual maturities as of December 31, 2008, including interest payments:

	2008 US$(000)	2007 US$(000)
Up to 1 month	57,470	77,047
From 1 to 3 months	117,509	100,991
From 3 to 12 months	280,424	177,197
From 1 to 5 years	200,023	160,618
Over 5 years	606,096	558,301
Total	1,261,522	1,074,154

Other non-derivative financial liabilities are related to the balances presented in the consolidated balance sheets and include mainly accounts payable to reinsurers and coinsurers and other liabilities with contractual maturities of less than one year, see also note 29.3.

(d) Credit risk of the insurance activity -
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long- term credit ratings.

- Credit risk from customer balances, will only persist during the grace period specified in the policy document or trust deed until the policy is paid up or terminated. Commissions paid to intermediaries are netted off against amounts receivable from them in order to reduce the risk of doubtful accounts.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following guidelines in respect of counterparties' limits which are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, Management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- A Group policy setting out the assessment and determination of what constitutes credit risk for the Group is in place, its compliance is monitored and exposures and breaches are reported to the Group risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

29.6 Capital management

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBS, the supervising authority of its major subsidiaries and for consolidation purposes.

The Group's objectives when managing capital, which is a broader concept than the "Equity" on the face of the consolidated balance sheets, are: (i) to comply with the capital requirements set by the regulators of the banking markets where the entities within the Group operate; (ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and (iii) to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the SBS for supervisory purposes. The required information is filed with the SBS on a quarterly basis. The SBS requires each bank or banking group to: (a) hold the minimum level of the regulatory capital, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at maximum level of 11. On June 2008, through Legislative Decree 1028, the ratio indicated in (b) above was modified, requiring that starting July 1, 2011, the regulatory capital be at least 10 percent of the assets and contingent credits weighed by credit risk plus 10 times the required regulatory capital for operational and market risk (9.5 percent starting July 1, 2009 and 9.8 percent starting July 1, 2010). In addition, those individual banking subsidiaries or similar financial institutions not incorporated in Peru are directly regulated and supervised by their local banking supervisor, which may differ from country to country.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

As of December 31, 2008 and 2007, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately US$1,649.9 and US$1,420.2 million, respectively. This regulatory capital has been determined in accordance with SBS regulations in force as of such dates. According to the SBS and the Administradoras Privadas de Fondos de Pensiones (AFP) regulations, the Group's regulatory capital exceeds in approximately US$308.7 million the minimum regulatory capital required as of December 31, 2008 (approximately US$350.4 million as of December 31, 2007).

29.7 Fair value

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the instrument, to determine such fair value, the current market value of another instrument that is substantially similar, discounted cash flow analysis or other estimation techniques may be used, all of which are significantly affected by assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable or liquidation value.

The methodologies and assumptions used to determine fair values depend on the terms and risk characteristics of the various financial instruments and include the following:

(a) Assets for which fair value approximates carrying value - For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

(b) Fixed rate financial instruments - The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

(c) Financial instrument recorded at fair value - The fair value for financial instruments traded in active markets at the consolidated balance sheets dates is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Based in the aforementioned, set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are carried in the consolidated balance sheets. The table does not include the fair values of non-financial assets and non-financial liabilities:

	2008		2007	
	Book value US$(000)	**Fair value** US$(000)	**Book value** US$(000)	**Fair value** US$(000)
Assets				
Cash and due from banks	3,766,171	3,766,171	3,073,865	3,073,865
Trading securities	36,084	36,084	50,995	50,995
Investments available-for-sale	4,959,068	4,959,068	5,228,641	5,228,641
Loans, net	10,322,041	10,330,518	8,039,500	8,056,106
Financial assets designated at fair value through profit or loss	129,631	129,631	213,153	213,153
Premiums and other policies receivable	111,561	111,561	85,495	85,495
Accounts receivable from reinsurers and coinsurers	165,144	165,144	116,141	116,141
Due from customers on acceptances	232,580	232,580	35,901	35,901
Other assets	326,740	326,740	197,668	197,668
Total	20,049,020	20,057,497	17,041,359	17,057,965
Liabilities				
Deposits and obligation	13,950,437	13,950,437	11,350,714	11,350,714
Due to banks and correspondents	1,179,991	1,180,404	1,453,261	1,453,185
Banker's acceptances outstanding	232,580	232,580	35,901	35,901
Accounts payable to reinsurers and coinsurers	55,841	55,841	33,963	33,963
Financial liabilities designated at fair value through profit or loss	-	-	50,561	50,561
Borrowed funds	1,150,716	1,153,108	870,404	870,404
Bonds and subordinated notes issued	785,230	773,652	702,298	716,609
Other liabilities	575,112	575,112	458,976	458,976
Total	17,929,907	17,921,134	14,956,078	14,970,313

29.8 Fiduciary activities, management of funds and pension funds -

The Group provides custody, trustee, investment management and advisory services to third parties. The Group makes allocations and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements. These services give rise to the risk that the Group will be accused of poor administration or under-performance.

As of December 31, 2008 and 2007, the assigned value of the financial assets under administration (in U.S. Dollars million) is as follows:

	2008	**2007**
Investments funds	1,394.6	1,768.8
Pension Funds	4,199.0	5,939.0
Equity managed	1,966.8	2,740.7
Total	7,560.4	10,448.5

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