ASSURANCE

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006
together with the Report of Independent Auditors

ERNST & YOUNG

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2007 and 2006

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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 sheet as of 31 December 2007 and 2006, and the consolidated statements of income, changes in equity and cash flows for each of the three years ended December 31, 2007, 2006 and 2005, 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.

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

Inscrita en la partida 11396556 del
Registro de Personas Jurídicas de
Lima y Callao

Ernst & Young

Independent auditor's report (continued)

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, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years ended December 31, 2007, 2006 and 2005; in accordance with International Financial Reporting Standards.

Lima, Peru,
February 26, 2008

Medina, Zaldivar, Paredes & Asociados

Countersigned by:

Juan Paredes
C.P.C. Register Nº22220

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2007 and 2006

	Note	2007 US$(000)	2006 US$(000)
Assets			
Cash and due from banks:	4		
Non-interest bearing		620,918	474,859
Interest bearing		2,452,947	2,258,671
		3,073,865	2,733,530
Investments:			
Trading securities	5	50,995	45,136
Investments available-for-sale	6	5,228,641	3,450,711
		5,279,636	3,495,847
Loans, net:	7		
Loans, net of unearned income		8,250,819	5,927,101
Allowance for loan losses		(211,319)	(190,278)
		8,039,500	5,736,823
Financial assets designated at fair value through profit or loss	8	213,153	53,116
Premiums and other policies receivable	9	85,495	61,279
Accounts receivable from re-insurers and co-insurers	9	116,141	35,181
Property, furniture and equipment, net	10	274,935	255,478
Due from customers on acceptances		35,901	45,129
Assets seized, net	11	19,615	29,427
Intangible assets and goodwill, net	12	227,272	215,647
Other assets	13	340,385	220,072
Total assets		17,705,898	12,881,529

	Note	2007 US$(000)	2006 US$(000)
Liabilities and Equity			
Deposits and obligations:	14		
Non-interest bearing		2,926,308	1,989,564
Interest bearing		8,424,406	6,849,427
		11,350,714	8,838,991
Financial liabilities designated at fair value through profit or loss	8	50,561	-
Due to banks and correspondents	15	1,453,261	570,989
Bankers' acceptances outstanding		35,901	45,129
Accounts payable to re-insurers and co-insurers	9	21,914	25,134
Technical, insurance claims reserves and reserves for unearned premiums	16	815,527	628,221
Borrowed funds	15	870,404	370,612
Bonds and subordinated notes issued	17	702,298	512,572
Other liabilities	13	590,045	356,113
Total liabilities		15,890,625	11,347,761
Equity	18		
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		587,218	479,902
Other reserves		179,550	147,409
Retained earnings		369,743	230,013
		1,676,009	1,396,822
Minority interest		139,264	136,946
Total equity		1,815,273	1,533,768
Total liabilities and equity		17,705,898	12,881,529

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

Credicorp Ltd. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2007, 2006 and 2005

	Note	2007 US$(000)	2006 US$(000)	2005 US$(000)
Interest and dividend income	22	1,065,974	782,002	612,432
Interest expense	22	(432,000)	(283,478)	(173,159)
Net interest and dividend income		633,974	498,524	439,273
Provision for loan losses	7(d)	(28,439)	4,243	6,356
Net interest and dividend income after provision for loan losses		605,535	502,767	445,629
Other income				
Banking services commissions	23	324,761	243,778	206,163
Net gain on foreign exchange transactions		61,778	41,638	29,286
Net gain on sales of securities		41,359	27,281	8,965
Net gain on financial assets and liabilities designated at fair value through profit and loss	8(b)	65,088	3,521	-
Other	26	24,934	22,676	21,571
Total other income		517,920	338,894	265,985
Insurance premiums and claims				
Net premiums earned	24	297,272	251,261	218,955
Net claims incurred for property and casualty insurance contracts	25	(67,689)	(46,587)	(42,569)
Net claims incurred for life and health insurance contracts	25	(170,911)	(139,935)	(132,931)
Total premiums earned less claims		58,672	64,739	43,455

Consolidated income statements (continued)

	Note	2007 US$(000)	2006 US$(000)	2005 US$(000)
Other expenses				
Salaries and employees benefits		(409,037)	(303,332)	(236,347)
Administrative expenses		(206,966)	(172,304)	(138,294)
Depreciation and amortization	10(a) and 12(a)	(51,013)	(50,317)	(38,728)
Provision for assets seized	11(b)	(3,057)	(6,387)	(16,959)
Merger expenses		-	(5,706)	-
Other	26	(71,999)	(52,718)	(46,745)
Total other expenses		(742,072)	(590,764)	(477,073)
Income before translation result and income tax		440,055	315,636	277,996
Translation result		34,627	15,216	(9,597)
Income tax	19(b)	(102,287)	(83,587)	(73,546)
Net income		372,395	247,265	194,853
Attributable to:				
Equityholders of Credicorp Ltd.		350,735	230,013	181,885
Minority interest		21,660	17,252	12,968
		372,395	247,265	194,853
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp Ltd. (in United States dollars)	27	4.40	2.88	2.28

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, 2007, 2006 and 2005

		Attributable to the equity holders of Credicorp								
	Number of shares issued, note 27 (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, 2005	94,382	471,912	(73,107)	140,693	269,527	76,131	180,041	1,065,197	85,253	1,150,450
Changes in equity for 2005 -										
Net unrealized gain from investments available-for-sale, note 6(c) and 18(c)	-	-	-	-	-	7,121	-	7,121	4,764	11,885
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 6(c) and 18(c)	-	-	-	-	-	(1,572)	-	(1,572)	(165)	(1,737)
Net gain on cash flow hedge, note 18(c) and note 21(d)	-	-	-	-	-	1,622	-	1,622	-	1,622
Income for the year recognized directly in equity	-	-	-	-	-	7,171	-	7,171	4,599	11,770
Net income	-	-	-	-	-	-	181,885	181,885	12,968	194,853
Total recognized income for the period	-	-	-	-	-	7,171	181,885	189,056	17,567	206,623
Cash dividends, note 18(d)	-	-	-	-	-	-	(63,810)	(63,810)	-	(63,810)
Dividends of subsidiaries and other	-	-	-	-	-	-	(3)	(3)	(1,305)	(1,308)
Balances as of December 31, 2005 carried forward	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 6(c) and 18(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 6(c) and 18(c)	-	-	-	-	-	(6,620)	-	(6,620)	(379)	(6,999)
Net gain on cash flow hedge, note 18(c) and 21(d)	-	-	-	-	-	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 18(c)	-	-	-	-	210,375	-	(210,375)	-	-	-
Cash dividends, note 18(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 6(c) and 18(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 and impairment, note 6(c) and 18(c)	-	-	-	-	-	(12,617)	-	(12,617)	-	(12,617)
Net loss on cash flow hedge, note 18(c) and 21(d)	-	-	-	-	-	(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
Transfers of retained earnings to reserves, note 18(c)	-	-	-	-	107,316	-	(107,316)	-	-	-
Cash dividends, note 18(d)	-	-	-	-	-	-	(103,690)	(103,690)	-	(103,690)
Dividends of subsidiaries and other	-	-	-	-	-	-	1	1	(18,916)	(18,915)
Balances as of December 31, 2007	94,382	471,912	(73,107)	140,693	587,218	179,550	369,743	1,676,009	139,264	1,815,273

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

Credicorp Ltd. and Subsidiaries

Consolidated cash flows statements

For the years ended December 2007, 2006 and 2005

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Cash flows from operating activities			
Net income	372,395	247,265	194,853
Add (deduct)			
Provision (recoveries) for loan losses	28,439	(4,243)	(6,356)
Depreciation and amortization	51,013	50,317	38,728
Provision for assets seized	3,057	6,387	16,959
Provision for sundry risks, note 26	8,096	6,461	5,567
Deferred income tax, note 19(b)	(14,921)	(4,786)	(11,502)
Net gain on sales of securities available-for-sale	(41,359)	(27,281)	(8,965)
Net gain on financial assets and liabilities designated at fair value through profit and loss	(65,088)	(3,521)	-
Gain on sales of property, furniture and equipment	(42)	(169)	(1,875)
Translation result	(34,627)	(15,216)	9,597
Purchase (sale) of trading securities, net	(5,859)	15,649	22,843
Purchase of loan portfolio, note 2(b)	-	-	(353,769)
Changes in assets and liabilities:			
(Increase) decrease in loans, net	(2,172,418)	(871,970)	90,521
Increase in other assets	(404,175)	(100,570)	(15,062)
Increase in deposits and obligations, net	2,269,568	1,632,960	648,648
Increase (decrease) in due to banks and correspondents, net	875,447	(455,381)	540,824
Increase in other liabilities, net	470,963	114,717	149,920
Net cash provided by operating activities	1,340,489	590,619	1,320,931
Cash flows from investing activities			
Acquisition of subsidiaries net of cash received, note 2(a)	-	(140,085)	-
Disposal of subsidiaries, net of cash disposed, note 2(c)	-	-	17,977
Net purchase of investments available-for-sale	(1,541,621)	(433,702)	(712,879)
Purchase of property, furniture and equipment	(53,901)	(43,973)	(48,769)
Sales of property, furniture and equipment	951	7,546	19,448
Net cash used in investing activities	(1,594,571)	(610,214)	(724,223)

Consolidated cash flow statements (continued)

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Cash flows from financing activities			
Issuance of bonds and subordinated debt	256,014	167,247	74,985
Redemption of bonds and subordinated debt	(75,728)	(91,925)	(57,469)
Increase in borrowed funds	499,792	90,612	348,500
Payments of borrowed funds	-	-	(68,500)
Cash dividends	(103,690)	(87,738)	(63,810)
Net cash provided by (used in) financing activities	576,388	78,196	233,706
Translation gain (loss) on cash and cash equivalents	18,029	14,114	(15,060)
Net increase in cash and cash equivalents	340,335	72,715	815,354
Cash and cash equivalents at the beginning of the year	2,733,530	2,660,815	1,845,461
Cash and cash equivalents at the end of the year	3,073,865	2,733,530	2,660,815
Supplementary cash flows information:			
Cash paid during the year for -			
Interest	415,157	265,838	171,495
Income tax	86,754	96,284	47,760
Cash received during the year for -			
Interest	1,106,972	810,266	628,508

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 policy 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 selected international markets. The major subsidiary of the Group is Banco de Crédito del Perú (hereinafter “BCP” or the “Bank”), a Peruvian universal bank. The address of Credicorp’s main office is Claredon House 2 Church Street Hamilton, Bermuda; likewise, the Management and its administration offices are located in Calle Centenario Nº156, La Molina, Lima, Peru.

Credicorp is listed in both Lima and the New York Stock Exchanges.

The consolidated financial statements as of and for the year ended December 31, 2006 have been approved in the General Shareholders’ Meeting dated March 31, 2007. The accompanying consolidated financial statements as of and for the year ended December 31, 2007, have been approved by the Auditing Committee and Management in February 25, 2008 and will be submitted for approval at the Board of Directors and the General Shareholders’ Meeting that will occur within the period established by law.

In Management’s opinion, the accompanying consolidated financial statements will be approved without modifications.

2. Business developments

During 2007, 2006 and 2005, the Group acquired subsidiaries recorded as business combinations, according to the guidelines of IFRS 3, and sold subsidiary. The descriptions of such transactions are described below:

(a) Acquisition of AFP Unión Vida S.A.-

On August 24, 2006, Credicorp, through its subsidiary Prima AFP, acquired from Grupo Santander Perú S.A., the shares that this Company had in AFP Unión Vida S.A. (a pension fund management company that operates in Peru), which represented 99.97 of its capital stock and made a Public Offering for the minority shareholders in order to acquire the remaining 0.03 percent of the capital stock. The amount paid for the purchase amounted to approximately US$ 141.5 million.

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 of December 1st, 2006.

The acquisition of AFP Unión Vida S.A. was recorded using the purchase method, as required by IFRS 3, Business Combinations. The assets and liabilities were recorded at their estimated market values at the acquisition date, including the identified intangible assets acquired. The book value and the fair values for the identified assets and liabilities of the entity at 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	-	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 (*)

(*) Cash paid for the acquisition and related direct cost

The intangible assets recognized correspond mainly to “client relationships” and it has an assigned useful life of 20 years. Management of the Group has valued these intangible assets using the method of “Multiple Excess Earnings Method”. The goodwill generated is attributed to the high profitability of the acquired business and the significant synergies that are expected to be obtained after the acquisition of AFP Unión Vida by the Group, note 12(b).

In January 2007, the final purchase price determination was completed with the result of the arbitration proceeding between both parties. As result the Group received a reimbursement of approximately US$4.5 million, which has been record as a reduction of the goodwill.

The acquired business (AFP Unión Vida S.A.) has contributed gross revenues to the Group of approximately US$8.0 million and a net loss of approximately US$0.4 million for the period between the acquisition date (August 24, 2006) and December 31, 2006. If this acquisition had been completed at January 1, 2006 and 2005, respectively, the gross revenues (pro-forma) of the Group would have been increased by US$27.5 and US$49.9 million, respectively, the net income attributable to Credicorp’s shareholders (pro-forma) would have been increased by approximately US$2.7 and US$15.6 million, respectively, and the net earning per share (pro-forma), basic and diluted attributable to Credicorp's shareholders would have been increased by US$0.04 and US$0.20, respectively. This information is presented solely for comparison purposes and it does not mean to be an indicator of the results that would have been produced in the case the acquisition had occurred at the beginning of the period or be an indicator of future possible consolidated results.

As of December 31, 2007, the number of participants in the funds managed by Prima is 1,023,482 (997,963 as December of 31, 2006) and the fair value of the funds under its administration amounts to approximately US$6,405.1 million (US$4,163.4 million as December of 31, 2006).

(b) Acquisition of the loan portfolio of Bank Boston N.A. Peru Subsidiary -
On January 2005, the BCP and the Bank of America, principal shareholders of United States Fleet Boston agreed to sell the loans portfolio of the Bank Boston N.A. Peruvian branch and the loan portfolio of Peruvians in United States Fleet Boston N.A. The Group recorded this transaction at the acquisition cost. BCP paid in cash approximately US$353.8 million for the loan portfolio, which comprised commercial loans, mortgage and leasing operations. The acquisition date of the portfolio was January 24, 2005.

(c) Sale of Banco Tequendama S.A. -
In March 2005, after the approval of the Colombian authorities, the Group completed the sale transaction of its 99.99 percent interest in its subsidiary Banco Tequendama S.A., for approximately US$32.5 million. The effective date for this transaction was January 1st, 2005 and as result of the transaction, the Group did not record any significant gain.

3. Significant accounting policies

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

(a) Basis of presentation and use of estimates -
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale investments, derivative financial instruments and financial assets and financial liabilities designated at fair value through profit or loss, that have been measured at fair value. The consolidated financial statements are presented in United States dollar (U.S. Dollar or 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 and liabilities, revenues and expenses and disclosure of significant events in notes to the consolidated financial statements.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the 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 assets seized and the valuation of derivatives. The accounting criteria used for each of these items are described somewhere 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 1st, 2007. The adoption of the new and revised standards did not have a significant effect in the consolidated financial statements of Credicorp and, as result, it has not been necessary to amend the comparative figures. In summary:

- IFRS 7, “Financial instruments: Disclosures”, and the complementary amendment to IAS 1, “Presentation of financial statements - Capital disclosures”, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group’s financial instruments, or any effect on the net income and the equity of Credicorp and its Subsidiaries. The significant new disclosures required by IFRS 7 have been included in notes 30 and 31; the new disclosures of IAS 1 have been included in note 31.

- IFRIC 8, “Scope of IFRS 2”, requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. Due to the fact that Credicorp does not have this type of transactions, this standard does not have any impact on the Group’s financial statements.

- IFRIC 9 “Reassessment of Embedded Derivatives”, states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has designated its embedded derivatives as “Financial assets and liabilities at fair value through profit and lost”, the interpretation had no impact on the financial position or performance of the Group.

- IFRIC 10, "Interim financial reporting and impairment", prohibits the impairment losses recognized in an interim period for goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent interim or annual balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Consolidation -

Subsidiaries:

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

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. The consolidated financial statements include the assets, liabilities, income and expenses of Credicorp and its Subsidiaries. Inter-company transactions between Group Companies as balances, gains or losses are eliminated. The unrealized gains and losses between companies from the Group are eliminated, except for the losses that indicate an impairment in the value of the asset transferred.

Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group and the IFRS.

The Group uses the purchase method of accounting to record the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets and intangible assets acquired is recorded as goodwill. If the acquisition cost is lower than the fair value of the net asset of the acquired subsidiary, the difference is recognized directly in the consolidated income statement.

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

The net equity and the net income attributable to the minority interest are shown separately on the consolidated balance sheets and consolidated income statements.

Associates:

Associates are all the entities over which the Group has significant influence but not control. Generally investment in these entities represents shareholding between 20 and 50 percent of the voting rights. The investments in associates are recognized initially at cost and then are accounted for by the equity method. The Group does not maintain a significant investment in associates; therefore these investments are recorded in the caption “Other assets” in the consolidated balance sheets and in the caption “Other income” of the consolidated income statements.

Minority interest:

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

The companies that comprise the Group as of December 31, 2007 and 2006, with an indication of the percentage owned directly and indirectly by Credicorp as of those dates, as well as other relevant information, based on the financial statements in accordance with IFRS and before the eliminations for consolidation, except for the elimination of Credicorp´s treasury shares and the related dividends, are as follows:

Entity	Percentage of participation		Assets		Liabilities		Equity		Net income (loss)	
	2007 %	2006 %	2007 US$(000)	2006 US$(000)	2007 US$(000)	2006 US$(000)	2007 US$(000)	2006 US$(000)	2007 US$(000)	2006 US$(000)
Banco de Crédito del Perú and Subsidiaries (i)	97.33	97.24	15,171,338	10,802,737	14,038,774	9,838,881	1,132,564	963,856	331,652	247,756
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	1,738,697	1,320,535	1,401,237	1,200,170	337,460	120,365	20,537	15,402
El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	75.74	75.72	1,197,943	1,002,358	932,765	712,430	265,178	289,928	21,979	59,087
Grupo Crédito S.A. and Subsidiaries (iv)	100.00	100.00	389,577	314,540	125,089	115,702	264,488	198,838	7,662	(12,380)
CCR Inc. (v)	99.99	99.99	879,997	382,930	917,655	380,000	(37,658)	2,930	(4)	121
Credicorp Securities Inc. (vi)	99.99	99.99	2,047	1,503	215	18	1,832	1,485	347	487

(i) Banco de Crédito (BCP) is a universal bank, incorporated in Peru in 1889, authorized to engage in banking activities by the Superintendence of Banking, Insurance and AFP (SBS), the Peruvian banking, insurance and AFP authority. During 2007 and 2006, Credicorp acquired equivalent to 0.09 percent and 0.25 percent of BCP shares, respectively, owned by minority interest. See (iii) below.

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

(iii) El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros (PPS) is a Peruvian corporation, whose main activity is the issuance and administration of insurance for property and casualty and related activities, and also provides insurance for life, health and personal accidents. Its main subsidiaries are El Pacífico Vida Compañía de Seguros y Reaseguros S.A. and Pacífico S.A. Entidad Prestadora de Salud (EPS), in which maintain a share of 61.99 percent and 100.00 percent, respectively. On November 2006, PPS sold to Credicorp 1.02 percent of BCP shares that maintained to that date, generating a goodwill for the purchase of the corresponding percentage of minority interest (0.25 percent) amounted to approximately US$7.2 million, note 12(b).

(iv) Grupo Crédito S.A. is a company incorporated in Peru on February 1987, whose main activity is to invest in listed and not listed securities in Peru. Since 2005, Group Crédito incorporated Prima AFP, a new subsidiary engaged in fund management activities. On August, 2006, Prima AFP acquired 99.97 percent of the representative capital shares of AFP Unión Vida S.A., which was merged on December 2006, note 2(a). As of December 31, 2007, Prima AFP total assets amount approximately US$246.4 million, liabilities for US$116.8 million and a net gain of US$3.0 million (US$233.9 million, US$115.4 million and US$20.7 million, respectively, as of December 31, 2006). Additionally, the Company owns 100.00 percent of the shares of Soluciones en Procesamiento S.A. (Servicorp), an entity specialized in collection services.

(v) CCR Inc., is a special purposes entity incorporated in Bahamas in 2001, whose main activity is to manage the loans granted to BCP from foreign financial entities, note 15(b). These loans are collateralized by transactions realized by the Bank. As of December 31, 2007, the negative equity is generated by the unrealized losses of the cash flow hedge derivatives, as it is explained in note 18(c) y 21(d).

(vi) Credicorp Securities Inc., an entity incorporated in the United States of America on January 2003, whose main activity is to be engaged in brokerage activities in the securities market, directed principally to retail customers in Latin America.

(c) Foreign currency translation -

Functional and presentation currency:

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

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

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

- Non-monetary accounts for each balance sheet presented are translated at the free market exchange rate at the date of the transactions.

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

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

(d) Income and expense recognition from banking activities -

Interest income and expense 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 exactly 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 rates are determined based on negotiations with clients.

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

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

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 as earned or incurred.

(e) Recognition of income and expenses of insurance activities -
The premiums related to life insurance policies and others, of both long and short duration, are recognized as income when they accrue. A reserve for unearned premiums is recorded for the unexpired portion of the premiums.

The claims reserves are constituted under different methodologies depending on the type of reserve, line of business, type of product and type of coverage.

In the case of life insurance, the claims reserves are calculated taking into account an estimation of the mortality (for life insurance), survival (life annuities, death and disability pension system insurance and complementary Insurance for work risk - a type of life insurance for certain types of higher risk occupations) or incidence (personal injury) and the interest established when the product was designed. The reserves are calculated as the present value of the probable cash flows for pension payments, using mortality tables for the policyholders, beneficiaries and disabled who are covered at the consolidated balance sheet date as well as interest rates determined based on the performance of the corresponding portfolio of investments. In the case of individual life insurance, the reserves are determined according to the mortality tables adjusted in variable percentages according to the product characteristics, as well as the established interest and the type of investment involved according to the type of product.

The reserves corresponding to the universal life insurance policies form part of the technical life insurance reserves. The additional benefits granted to the policyholders originating from this type of policy are shown in the footnote net premiums earned for life and health insurance contract, note 24, which include the surplus and interest accrued during the period which are credited to the balance of the policyholder.

The insurance claims are recorded when the event occurs. The incurred but non-reported claims (IBNR) are estimated and included in the provision (liabilities). The reserves for IBNR at December 31, 2007 and 2006 have been estimated considering generally accepted actuarial methods, which take into consideration the statistical analysis of the recorded loss history, the use of projection methods and when appropriate, qualitative factors used to reflect the effect of the present conditions or trends that affect historical data. Management believes that the estimated reserve is sufficient to cover liability for IBNR occurred at December 31, 2007 and 2006.

To determine the reserves for life, property and casualty and health insurance, the Group carries out a continuous review of its overall position as well as its techniques for computing the claim reserves and its reinsurance. The provisions are reviewed periodically by qualified actuaries contracted by the Group. Additionally, for those cases the Group considers an additional reserve is necessary, a calculation based on the claims past experience using the chain-ladder methodology or a percentage of the related premium is carried out. The technical provisions recorded are subject to a liability adequacy test to determine its sufficiency based on the future cash flow projections of the contracts in force. If as a consequence of this test, the reserves prove to be insufficient, they are adjusted and the amounts are included in the results of operations for the period.

The costs for acquiring the policies (commissions) that are variable and that are primarily related to the acquisition and renewal of insurance contracts (universal life) are deferred and amortized during the period of the policy (Deferred Acquisition Costs or “DAC”). The recoverability of these deferred acquisition costs are reviewed annually.

Based on the periodic reviews of the client portfolio, Management determines the provision for bad debt related to premiums and quotas receivable.

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 income statement. DAC is also considered in the liability adequacy test for each reporting period.

(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 costs of acquisition or issue.

The Group classifies its financial instruments in the following categories as defined by IAS 39: financial assets and liabilities at fair value through profit or loss; loans and receivables; available-for-sale financial investments and other liabilities. Management determinates the classification of its investments 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.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in the consolidated income statement in the 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 allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in the consolidated income statement in the caption “Provision for loan losses”.

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

An allowance for loan losses is established if there is objective evidence that 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 taking into consideration the guarantees and collaterals obtained by the Group, note 3(i) and 31.1.

(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 or loans and receivables. They include equity instruments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the "Other reserves", net of its corresponding tax and minority interest. When the security 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". Where the Group holds more than one investment in the same security they are deemed to be disposed using the average cost basis. Interest and dividends earned whilst holding available-for-sale financial investments 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 the right of the payment has been 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.

The losses arising from impairment of such investments are recognized in the consolidated income statement and removed from the "Other reserves". The Group determines that an available-for-sale investment is impaired when there has been a significant or prolonged decline in the fair value below its cost; as explained in more detail in note 3(i) below.

(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 discount or premium on the issue and costs that are an integral part of the effective interest rate.

See the carrying amounts of the financial assets and liabilities shown in the consolidated balance sheets by the aforementioned categories in note 30.

(g) Derecognition of financial assets and financial liabilities -

Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where: (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 or cancelled or expires. Where 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 in 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 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 enter bankruptcy or other financial reorganization 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 are as follows:

(i) Loans and receivables:
For loans and receivables that are carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually 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 income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to 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 credited to the 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 the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar 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 exist currently. The methodology and assumptions used for estimating future cash flows 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 classified as available-for-sale, 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 impairment loss on that investment previously recognized in the consolidated income statement) 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 classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The 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. The 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 relative benefits of the property are hold by the lessor are classified as operating leases. By this concept, the Group maintains principally leases used as offices and agencies for the Bank.

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

Finance leases:

The Group grants finance leases; therefore, it recognizes the present value of the lease payments as an asset. The difference between the gross receivable amount and the present value of the loan is recognized as unearned interest. Lease income is recognized over the term of the lease using the effective interest method, which reflects a constant periodic rate of return.

(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 acquisition of the items. Maintenance and repair costs are charged to the consolidated statement of income, and significant renewals and improvements are capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow for the asset.

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

The asset's residual value, the useful life and the selected depreciation method are periodically reviewed to ensure that the method and period of depreciation chosen are consistent with the economic benefits and life expectations for use of property, furniture and equipment items.

(l) Assets seized -

Assets seized are recorded at the lower of cost or the estimated market value obtained from valuations made by independent appraisals.

Changes in market values are recorded in the consolidated income statements.

(m) Intangible assets -

Comprise internal development and acquired software licenses used by the Group. The software licenses acquired by the Group 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).

Additionally, it includes other intangible assets identified as a consequence of the acquisition AFP Unión Vida, note 2(a), mainly the client relationships. Such intangibles are recognized on the consolidated balance sheet at their fair values determine on the acquisition date and are amortized using the straight line method over their estimated useful life of 20 years for “client relationships” and 5 years for the other identified intangible assets.

(n) Goodwill -

Goodwill represents the excess of the cost of acquisition 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.

In accordance with IFRS 3, since January 1st, 2005, the Group has ceased the amortization of goodwill.

(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, or when annual impairment testing for an asset is required, the Group makes an estimate of 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 importation and exportation transactions, whose obligations have been accepted by the banks. The obligations that must be assumed by the Group for such transactions are recorded as liabilities.

(q) Financial guarantees -

In the ordinary course of business, the Group gives financial guarantees, consisting of 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 guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement. The premium received is recognized in the income statement in the caption “Banking services commissions” on a straight line basis over the life of the guarantee.

(r) Defined contribution pension plan -

The Group only operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense in the caption “Salaries and employees benefits” of the 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 and 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 assesses unrecognized deferred assets and the carrying amount of recognized deferred assets.

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

(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, 2007, 2006 and 2005 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 worker to obtain a gain from the difference between the fixed exercise price of the share at the date of execution and the fixed exercise price, note 20.

The recorded expense in each year for these participations corresponds to 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:

Most 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 obtained based on the market exchange rates 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 statements.

Hedge:

The Group makes use of 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 each quarter. 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 are expected to offset in a range of 80 percent to 125 percent.

As of December 31, 2007, the Group has only interest rate swaps and a cross currency interest rate swap derivatives that qualify for hedge purposes, note 21(d), classified as cash flow hedge and fair value hedge, respectively (only an interest rate swap derivative classified as a cash flow hedge as of December 31, 2006). The effective portion of changes in the fair value of these derivatives is recognized in equity and profit and loss, respectively, the gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statements. Amounts accumulated in equity for the cash flow hedges are recycled to the income statement in the periods in which the hedged item affects profit or loss.

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 “immediately in the consolidated income statement in the caption “Interest and dividend income”. 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 hedge, the change in the fair value of a hedging derivative is recognized in the consolidated income statement in the caption “Interest and dividend income”. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated income statement in the caption “Interest and dividend income”. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated.

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 its shares 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 a “financial instrument at fair value though profit or loss”, note 8.

(y) Segment reporting -
The Group considers business segment as 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 28.

(z) Fiduciary activities, management of investment 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 31.8.

The commissions generated for these activities are included on the caption “Other income” in the consolidated income statements.

(aa) Sale and repurchase agreements -

Securities sold subject to repurchase agreements ('Repos') are presented as pledged assets when the transfer 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 treated as interest and accrued over the life of the agreements using the effective interest method.

(ab) Operations with reinsurers and coinsurers -

During the normal course of business, PPS, a subsidiary of Credicorp, is dedicated to insurance activities and cedes reinsurance to other insurance and reinsurance companies to distribute the risks of its insurance contracts and to limit the potential losses that might arise from the coverages. PPS is ultimately responsible for the payment of benefit payments to the policy holders if the reinsurer is not capable of fulfilling said obligation.

The accounts receivable from reinsurers and coinsurers originate from the incurred claims in which PPS assumes the responsibility for the indemnity in favor of the policyholder for the ceded reinsurance and coinsurance contracts; these accounts receivable are recognized based on contracts or coverage notes (with reinsurers) and clauses of coinsurance.

Claims originating from accepted reinsurance contracts and executed clauses of coinsurance are recognized each time a note of collection is received from reinsurance companies.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. 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.

The reinsurance and coinsurance include quota share of the excess of loss and facultative types of contracts. The amounts recoverable from the reinsurers and coinsurers are estimated in a manner consistent with the liabilities of the related claims and are presented as a component of reinsured and coinsured assets.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognized as income and 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 associated reinsurance contract.

The accounts payable to reinsurers and coinsurers are based on the evaluation of the assumed risk, which is determined by PPS (reinsurance) and also includes the policyholder's consent; and are based on contracts or notes of coverage with the reinsurer and/or clauses of ceded coinsurance.

Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(ac) 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.

(ad) 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, 2006 and for the two years ended December 31, 2006 are the following:

Reclassifications in the consolidated Balance Sheet:

(i) As of December 31, 2006, the "Financial assets designated at fair value through profit or loss" were shown as part of the caption "Other assets" on the consolidated balance sheet. As of December 31, 2007, these concepts are shown separately for a better presentation in accordance with the accounting policies in force.

(ii) As of December 31, 2006, the "Financial liabilities designated at fair value through profit or loss" were shown as part of the caption "Other liabilities" on the consolidated balance sheet. As of December 31, 2007, these concepts are shown separately for a better presentation in accordance with the accounting policies in force.

Reclassifications in the consolidated Income statements:

(i) As of December 31, 2006, the "Net gain on financial assets and liabilities designated at fair value through profit and loss" amounted 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 statements.

(ii) As of December 31, 2006, the “Interest and dividend Income” and the “Interest expense” were shown in detail on the face of consolidated Income statement. As of December 31, 2007, the details of these concepts are shown as part of the note 22 of the consolidated Income statement.

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

(ae) Recently issued International Financial Reporting Standards but not yet effective -
The Group has decided not adopted the following standards and interpretations that have been issued but not have been effective as December 31, 2007:

- IFRS 8, “Operating Segments”, effective for accounting periods beginning on or after January 1, 2009.

- IAS 23 (Amendment), “Borrowing costs”, effective for annual periods beginning on or after January 1, 2009.

- IFRIC 11, “IFRS 2 - Group Treasury Share Transactions”, effective for annual periods beginning on or after March 1, 2007.

- IFRIC 12, “Service concession arrangements”, effective for annual periods beginning on or after January 1, 2008.

- IFRIC 13, “Customer loyalty programmes”, effective for annual periods beginning on or after July 1, 2008.

- IFRS 3 (revised) “Business Combination and Consolidation” and IAS 27 (revised) “Separated Financial Statements Consolidation”, effective modifications for periods on or after July 1, 2009. This Standard establishes that its application is not retroactive, therefore, it will not have effect on the 2007 financial statements for the Group.

- IFRS 2, “Share-based payments - Vesting conditions and cancellations”, effective for financial years 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 financial years 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 (Amendment) and IAS 1 “Puttable Financial Instruments” (Amendment), effective for annual periods on or after January 1, 2009.

The Group does not expect significant implications of these standards its financial statements.

4. Cash and due from banks

(a) This item is made up as follows:

	2007 US$(000)	**2006** US$(000)
Cash and clearing	548,298	470,584
Deposits in Peruvian Central Bank - BCRP	1,798,581	1,405,853
Deposits in banks	720,992	853,203
	3,067,871	2,729,640
Accrued interest	5,994	3,890
Total	3,073,865	2,733,530

(b) As of December 31, 2007 and 2006, cash and due from banks balances include approximately US$1,191.2 and US$1,675.1 million, respectively, mainly from Banco de Crédito del Perú (BCP), which represent the legal reserve that the Peruvian banks must maintain for its obligations with the public. These funds are deposited in the vaults of the Bank and in the BCRP, and are within the limits established by prevailing legislation. In addition, as of December 31, 2007 the cash and due from banks caption includes US$1,000 million, corresponds to overnight operations deposited in the BCRP, this operation earned interest at a an effective rate of 4.45 percent and had a 2 days maturity (approximately US$70.0 million and S/120.0 million, equivalent to US$37.5 million, interest at an annual nominal rate of 4.97 percent and an effective rate of 3.75 percent, respectively, and 4 days maturity as of December 31, 2006).

The reserve funds maintained with BCRP are not interest-bearing, except for the part of the mandatory reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2007, this excess amounts to approximately US$1,222.5 million and bear interest in U.S. Dollars at an average annual interest rate of 3.5 percent (approximately US$1,068.9 million and earn interest in U.S. Dollars at an annual average rate of 2.67 percent as of December 31, 2006).

In January and February 2008, the BCRP modified the procedures and calculation basis for the legal reserve, as well as the interest rate that accrues the reserve in Peruvian currency and foreign currency that exceeds the minimum legal reserve. These modifications must be applied as from the legal reserve period correspondent to January and February 2008, respectively. In Management's opinion these modifications will not have a significant impact on its operations.

5. Trading securities

(a) This item is made up as follows:

	2007 US$(000)	2006 US$(000)
Shares -		
Listed equity securities	24,947	34,692
Bonds and similar instruments -		
Sovereign bonds - Republic of Peru (b)	18,806	-
Peruvian treasury bonds (b)	2,119	-
Corporate and leasing bonds	1,711	2,260
Bank certificates	1,400	1,726
Other	1,476	6,456
	25,512	10,442
	50,459	45,134
Accrued interest	536	2
Total	50,995	45,136

(b) The Sovereign bonds are issued in Peruvian currency by the Peruvian Goverment. As of December 31, 2007, these bonds accrue interest at annual rates that range between 5.96 and 6.44 percent and have maturities between February 2009 and August 2026.

The Peruvian treasury bonds are Global bonds issued in foreign currency by the Peruvian Government. As of December 31, 2007, these bonds accrue interest at an annual rate of 6.17 percent and have maturities between May 2008 and May 2018.

6. **Investments available-for-sale**

(a) This item is made up as follows:

	2007				2006			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost US$(000)	**Gains** US$(000)	**Losses (b)** US$(000)	**Estimated market value** US$(000)	**Amortized cost** US$(000)	**Gains** US$(000)	**Losses (b)** US$(000)	**Estimated market value** US$(000)
Fixed maturity -								
BCRP certificates of deposit (d)	2,410,062	224	(3,281)	2,407,005	1,276,503	1,143	(33)	1,277,613
Corporate, leasing and subordinated bonds (e)	1,052,039	17,625	(9,472)	1,060,192	845,644	15,769	(3,179)	858,234
Government treasury bonds (f)	670,717	59,316	(403)	729,630	476,036	59,564	(1,620)	533,980
Participation in mutual funds	186,311	12,209	(113)	198,407	86,422	9,920	(104)	96,238
Central Banks of Bolivia certificates of deposit	121,706	38	(96)	121,648	27,833	189	(1)	28,021
US Government - Sponsored Enterprises (f)	86,337	2,337	(427)	88,247	153,867	1,661	(1,299)	154,229
Restricted mutual funds (g)	47,347	18,255	-	65,602	43,152	6,085	-	49,237
Participation in RAL's funds (h)	56,641	-	-	56,641	51,204	-	-	51,204
Negotiable certificates of deposit	53,236	1,850	(1)	55,085	47,225	1,104	-	48,329
Bonds from international financial institutions (i)	45,136	143	-	45,279	64,578	89	(24)	64,643
Commercial papers	15,585	27	(9)	15,603	15,712	35	(6)	15,741
Other	21,860	1,348	(21)	23,187	26,930	2,015	(150)	28,795
	4,766,977	113,372	(13,823)	4,866,526	3,115,106	97,574	(6,416)	3,206,264
Shares -								
Listed securities (j)	107,332	167,578	(1,701)	273,209	78,649	112,025	(235)	190,439
Non-listed securities	19,568	28,343	(3)	47,908	17,837	7,964	(57)	25,744
	126,900	195,921	(1,704)	321,117	96,486	119,989	(292)	216,183
	4,893,877	309,293	(15,527)	5,187,643	3,211,592	217,563	(6,708)	3,422,447
Accrued interest				40,998				28,264
Total				5,228,641				3,450,711

(b) The Group has determined that the unrealized losses as of December 31, 2007 and 2006, arise from the variation of the interest rates and not from changes in the risk classification of the investments. Moreover, the Group has decided and has the capacity to maintain these investments until the recovery of their fair value which can occur at their maturity; therefore, the Group has concluded that no impairment exists on the value of these investments.

The fair value and the gross unrealized losses of available-for-sale investments that are not considered as a permanent loss, classified by the date of such losses, are as follows:

	2007					
Available-for-sale investments	**Up to 12 months**		**More than 1 year**		**Total**	
	Estimate fair value US$(000)	**Gross unrealized loss** US$(000)	**Estimate fair value** US$(000)	**Gross unrealized loss** US$(000)	**Estimate fair value** US$(000)	**Gross unrealized loss** US$(000)
Fixed maturity	2,044,311	9,513	140,237	4,310	2,184,548	13,823
Shares	16,670	1,704	-	-	16,670	1,704
Total	2,060,981	11,217	140,237	4,310	2,201,218	15,527

	2006					
Available-for-sale investments	**Up to 12 months**		**More than 1 year**		**Total**	
	Estimate fair value US$(000)	**Gross unrealized loss** US$(000)	**Estimate fair value** US$(000)	**Gross unrealized loss** US$(000)	**Estimate fair value** US$(000)	**Gross unrealized loss** US$(000)
Fixed maturity	571,882	3,686	214,692	2,730	786,574	6,416
Shares	1,957	29	853	263	2,810	292
Total	573,839	3,715	215,545	2,993	789,384	6,708

(c) The movement of "Other reserves" in equity includes mainly the net change in the realized and unrealized gains and losses, net of deferred taxes and minority interest, and the provision for impairment. This caption is as follows:

	2007 US$(000)	**2006** US$(000)	**2005** US$(000)
Net unrealized gains, net of taxes and minority interest, note 18(c)	85,129	69,411	7,121
Net realized gains, net of taxes and minority interest, note 18(c)	17,634	6,620	1,572
Impairment on investments, note 18(c)	(5,017)	-	-

(d) BCRP certificates of deposit are discounted Peruvian currency instruments with maturities due within one year. These certificates have been acquired in public auctions. Annual interest rates in Peruvian currency range between 4.93 and 6.01 percent as of December 31, 2007 (between 4.53 and 5.78 annual percent as of December 31, 2006) with maturities between January 2008 and April 2010 (between January 2007 and December 2009, of December 31, 2006). As of December 31, 2007 and 2006, the Group has entered into BCRP - Repo transactions in Peruvian currency with its clients using these securities, for approximately US$242.8 and US$167.7 million, respectively. As of December 31, 2007, these operations earn an effective annual interest rate range between 5.04 and 6.00 percent and with maturities between January 2008 and December 2009 (annual interest rate range between 4.08 and 5.26 percent and with maturities between January 2007 and June 2007 as of December 31, 2006).

(e) As of December 31, 2007, comprise corporate bonds by US$1,053.7 million, leasing bonds by US$4.3 million and subordinated bonds by US$2.2 million (US$849.9, US$3.9 and US$4.4 million, respectively, as of December 31, 2006), with maturities between January 2008 and November 2066 (between January 2007 and May 2049 as of December 31, 2006). These bonds accrue interests at annual effective rates that range between 2.79 and 6.87 percent for the bonds denominated in Peruvian currency (between 3.36 and 7.71 percent as of December 31, 2006), and between 3.13 and 15.63 percent for the bonds denominated in U.S. Dollars (between 2.88 and 11.00 percent as of December 31, 2006).

(f) Includes principally debt instruments for US$88.2, US$616.1, US$85.4 and US$11.1 million issued by US Government - Sponsored Enterprises, the Peruvian Government, the Colombian Government and the Government of El Salvador, respectively, as of December 31, 2007 (US$154.2, US$425.1, US$72.0 and US$14.0 million issued by US Government - Sponsored Enterprises, the Peruvian Government, the Colombian Government and the Government of El Salvador, respectively, as of December 31, 2006). Their maturities are between January 2008 and August 2046 (between February 2007 and August 2038 as of December 31, 2006) at annual interest rates that range between 3.28 and 9.13 percent (between 2.38 and 11.75 percent as of December 31, 2006).

As of December 31, 2007, the Group has entered into Repo transactions in U.S. Dollars with its clients using Peruvian Treasury bonds and Colombian Government bonds for approximately US$38.9 million and US$59.3 million, respectively (approximately US$19.8 million using Peruvian Treasury bonds, as of December, 31 of 2006). Such transactions have maturities between October 2008 and December 2008 (between January 2007 and September 2007, as of December 31, of 2006) and accrue interest at annual rates that ranges between 5.35 and 6.00 percent (between 5.40 and 8.00 percent as of December, 31 of 2006).

(g) The restricted mutual funds comprise participation quotas on the pension funds managed by the Group as required by the legal standards of Peru and they have a restricted disposal. The profitability obtained is the same as the obtained for the funds managed. The amount as of December 31, 2006, approximately US$32.3 million comes from the purchase of AFP Unión Vida S.A. as mentioned in note 2(a).

(h) The participation quotas in the Fund "Requirement of Cash Assets" (RAL for its Spanish denomination), stated in Bolivian pesos, comprises investments made by the Group in the Central Bank of Bolivia as collateral for the deposits maintained with the public. Such fund has restrictions for its use and it is required for all the banks established in Bolivia. The fund accrues interest at an average annual rate of 5.42 and 5.61 as of December 31, 2007 and 2006, respectively.

(i) Comprise mainly of US$32.8 and US$10.0 million of debt instruments issued by Corporación Andina de Fomento - CAF and by The World Bank, respectively (mainly of US$55.1 and US$9.5 million issued by Corporación Andina de Fomento - CAF and by The World Bank, respectively, as of December 31, 2006). Such bonds have maturities between April 2008 and November 2011 (between January 2007 and July 2009 as of December 31, 2006). Annual interest rates are between 3.81 and 6.31 percent (between 5.32 and 5.92 percent as of December 31, 2006).

As of December 31, 2006, the Group had Repo transactions in U.S. Dollars with its clients using these securities for approximately US$40.1 million. These transactions earned interests at effective rates between 5.32 and 5.92 percent and with maturity in January 2007.

(j) As December 31, 2007, the unrealized gains on trade shares comes principally from the shares of Banco de Crédito e Inversiones de Chile - BCI Chile, Inversiones Centenario S.A. and Alicorp S.A.A., which amounted to US$61.3, US$31.2 and US$29.0, respectively (amounted to US$60.2, US$6.2 and US$26.9 million, respectively, as of December 31, 2006).

(k) The amortized cost and market value of the investments available-for-sale classified by maturity are as follows:

	2007		2006	
	Amortized cost US$(000)	**Market value** US$(000)	**Amortized cost** US$(000)	**Market value** US$(000)
Up to 3 months	798,053	828,839	766,650	781,657
From 3 months to 1 year	1,961,129	1,959,497	866,811	868,452
From 1 to 3 years	922,822	925,330	458,796	460,967
From 3 to 5 years	170,413	175,532	222,215	228,805
Over 5 years	914,560	977,328	800,634	866,383
Without maturity (shares)	126,900	321,117	96,486	216,183
Total	4,893,877	5,187,643	3,211,592	3,422,447

7. Loans, net

(a) This caption is made up as follows:

	2007 US$(000)	**2006** US$(000)
Direct loans -		
Loans	5,842,934	4,224,102
Leasing receivables	1,118,301	675,804
Credit card receivables	677,182	438,628
Discount notes	325,047	256,534
Advances and overdrafts	127,486	84,262
Factoring receivables	109,928	89,171
Refinanced and restructured loans	88,451	126,006
Past due and under legal collection loans	61,488	76,770
	8,350,817	5,971,277
Add (less) -		
Accrued interest	66,974	49,740
Unearned interest	(166,972)	(93,916)
Allowance for loan losses (d)	(211,319)	(190,278)
Total direct loans, net	8,039,500	5,736,823
Indirect loans, note 21(a)	1,564,525	1,455,376

(b) Loans by class as of December 31, 2007 and 2006, are as follows:

	2007 US$(000)	2006 US$(000)
Commercial loans	6,222,178	4,465,837
Residential mortgage loans	1,253,835	981,273
Consumer loans	874,804	524,167
Total	8,350,817	5,971,277

(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 credits) is shown below:

	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

	2005			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Beginning balances	243,799	10,604	17,470	271,873
Provision (recoveries)	(24,812)	284	18,172	(6,356)
Recoveries of written-off loans	30,497	737	3,798	35,032
Allowance disposal related to the sale of Banco Tequendama, note 2(c)	(8,871)	-	(153)	(9,024)
Loan portfolio written-off	(43,651)	(3,094)	(24,660)	(71,405)
Translation result	(903)	(3)	(578)	(1,484)
Ending balances (*)	196,059	8,528	14,049	218,636

(*) The movement in the allowance for loan losses includes the allowance for direct and indirect credits for approximately US$211.3 and US$18.4 million, respectively, as of December 31, 2007 (approximately US$190.3 and US$20.3 million; and US$197.5 and US$21.1 million, as of December 31, 2006 and 2005, respectively). The allowance for indirect loan losses is included in the "Other liabilities" caption of the consolidated balance sheet, note 13(a).

In Management's opinion, the allowance for loan losses recorded as of December 31, 2007, 2006 and 2005 has been established in accordance with IAS 39 and it is sufficient to cover the losses on the loans portfolio, note 3(i).

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

(f) Interest on past due loans and loans in legal collection are recognized when collected.
The interest income that would have been recorded for these credits in accordance with the terms of the original contract amount approximately US$15.0, US$28.1 and US$25.8 million as of December 31, 2007, 2006 and 2005, respectively.

(g) As of December 31, 2007 and 2006, the direct gross loan portfolio classified by maturity, based in the remaining period to the repayment date is as follows:

	2007 US$(000)	2006 US$(000)
Outstanding loans -		
Up to 1 year	4,980,021	3,774,711
From 1 to 3 years	1,443,070	797,458
From 3 to 5 years	666,670	464,718
Over 5 years	1,199,568	857,620
Past due loans -		
Up to 4 months	20,825	20,655
Over 4 months	20,122	21,613
Under legal collection loans	20,541	34,502
Total	8,350,817	5,971,277

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

(a) This item is made up as follows:

	Assets		Liabilities	
	2007 US$(000)	2006 US$(000)	2007 US$(000)	2006 US$(000)
Indexed certificates Citigroup (b)	162,592	53,116	-	-
Credit linked notes (c)	50,561	-	50,561	-
	213,153	53,116	50,561	-

(b) In July 2006, BCP signed a contract with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited and Citigroup Capital Market Inc., with the purpose of implementing an economic hedge to offset the volatility generated by the liabilities and related expenses that result from the stock appreciation rights (SARs) of Credicorp, note 20. Likewise, in March 2007, the Bank signed an additional contract with similar conditions of the contract signed in July 2006.

These transactions consist of the purchase of up to 2,100,000 certificates indexed to the performance of the shares of Credicorp Ltd. (BAP), in the form of "warrants", issued by Citigroup, which are equivalent to the same number of shares of Credicorp Ltd.. These certificates will be settled in cash only. At maturity, these certificates will pay a US$ amount equal to the final settlement price minus the strike price (US$ 0.0000001) plus the accrued dividend adjustment amount, minus the annual fee amount 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 the underlying equity on each business day, on which the Citigroup or an affiliate of the Citigroup effects any transactions with respect to the underlying equity in order to unwind its position established and maintained to hedge its price and market risk with respect to the certificate issued.

This program has a maturity of 5 years but can be settled at anytime before its maturity, partially or totally. As of December 31, 2007 and 2006, the Group has acquired 2,097,414 and 1,297,414 certificates, respectively, at a total cost of US$94.9 and US$49.7 million, respectively (US$45.3 and US$38.3 per certificate on average, respectively). As of December 31, 2007 and 2006, the estimate market value amounted to US$162.6 million and US$53.1 million, respectively (US$77.5 and US$41.0 per certificate on average, as of December 31, 2007 and 2006, respectively). The difference between the cost and the estimated market value of approximately US$65.1 and US$3.5 million, respectively, has been recorded in the caption "Net gain on financial assets and liabilities designated at fair value through profit and loss" of the consolidated statements of income, according to the accounting principles described in note 3(x).

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

As of December 31, 2007, the Group has purchased and, at the same time, has received deposits from its clients with the same terms of these instruments ("Credit linked deposits") for an amount of approximately US$50.3 million, issued both in Peruvian Currency and U.S. Dollars. These instruments have a maturity of 5 years from their issuance date and earn interests on Peruvian Currency at rates between 6.95 and 7.20 percent and in U.S. Dollars between 5.50 and 6.38 percent. The estimated market value of these instruments is US$50.6. The difference between the cost and the estimated market value of the assets and liabilities has been recorded in the caption "Net gain on financial assets and liabilities designated at fair value through profit and loss" of the consolidated income statement, according with the accounting principles described in note 3(x).

9. Receivable and payable accounts from insurance contracts

(a) This caption is made up as follows:

	2007 US$(000)	2006 US$(000)
Assets-		
Premiums and other policies receivable (b)	85,495	61,279
Accounts receivable from reinsurers and co-insurers (c)	116,141	35,181
Total	201,636	96,460
Liabilities-		
Accounts payable to re-insurers and co-insurers (c)	21,914	25,134

(b) The premiums and other polices receivable correspond to:

	2007 US$(000)	2006 US$(000)
Property and casualty insurance	73,524	51,941
Life insurance	4,857	4,974
Health insurance	7,114	4,364
	85,495	61,279

These accounts receivable are primarily due in a current period and there have been no guarantees provided for them.

The aging detail of the accounts receivable is as follows:

	2007		2006	
	US$(000)	%	US$(000)	%
Non past due accounts receivable	71,830	84	50,521	83
Past due accounts receivable				
Up to 30 days	6,793	8	7,117	12
From 31 to 60 days	2,016	2	1,379	2
From 61 to 90 days	1,748	2	239	-
More than 90 days	3,108	4	2,023	3
	85,495	100	61,279	100

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

Accounts receivable:

	2007 US$(000)	**2006** US$(000)
Beginning balances	35,181	35,288
Reported claims of premiums ceded	86,458	7,423
Premiums ceded unearned during the year	(14,538)	(6,823)
Premiums assumed	15,811	8,435
Settled claims of premiums ceded	14,213	7,019
Collections and other	(20,984)	(16,161)
Ending balances	116,141	35,181

The accounts receivable as of December 31, 2007 include an amount to US$30.9 million (US$14.4 million as of December 31, 2006) which correspond to the unearned portion of the ceded premiums to the reinsurers.

Accounts payable:

	2007 US$(000)	**2006** US$(000)
Beginning balances	25,134	36,580
Premiums ceded to reinsurers	53,180	70,067
Coinsurance granted	8,153	6,430
Payments and other	(64,553)	(87,943)
Ending balances	21,914	25,134

The accounts payable to reinsurers are primarily related to automatic non-proportional contracts (excess of loss) and the proportional facultative contracts for ceded premiums. For the facultative contracts, the Company transfers to the reinsurers a percentage or amount of an insurance contract or individual risk, based on the premium and the coverage period.

10. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended December 31, 2007 and 2006, 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$(000)	2007 US$(000)	2006 US$(000)
Cost -									
Balance as of January 1st	30,782	250,817	88,701	69,065	185,473	17,123	17,373	659,334	626,320
Additions	5,015	585	7,878	3,922	13,920	3,847	18,734	53,901	43,973
Merger additions, note 2(a)	-	-	-	-	-	-	-	-	5,796
Sales and transfers	1,492	11,839	3,045	550	(2,261)	(333)	(19,084)	(4,752)	(16,755)
Balance as of December 31	37,289	263,241	99,624	73,537	197,132	20,637	17,023	708,483	659,334
Accumulated depreciation -									
Balance as of January 1st	-	133,798	57,008	55,471	151,457	6,122	-	403,856	378,021
Additions	-	6,823	7,192	3,380	14,299	1,841	-	33,535	31,477
Merger additions, note 2(a)	-	-	-	-	-	-	-	-	3,736
Sales and transfers	-	(575)	(387)	(422)	(2,175)	(284)	-	(3,843)	(9,378)
Balance as of December 31	-	140,046	63,813	58,429	163,581	7,679	-	433,548	403,856
Net book value	37,289	123,195	35,811	15,108	33,551	12,958	17,023	274,935	255,478

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

(c) As of December 31, 2007, Credicorp and its Subsidiaries have property available for sale for US$24.4 million approximately, net of its accumulated depreciation amounted US$7.3 million approximately (US$25.2 and US$7.7 million, respectively, as of December 31, 2006).

(d) Management periodically review the assets´ residual value, the useful life and the method of depreciation to ensure that the method and period of depreciation chosen are consistent with the economic benefits and life expectations for use of property, furniture and equipment items. In Management's opinion, there is no evidence of impairment of property, furniture and equipment as of December 31, 2007 and 2006.

11. Assets seized, net

(a) The Group obtained assets by taking possession of collateral held as security, or calling upon other credit enhancements included in the caption "Assets seized". As of December 31, 2007 and 2006, this caption includes land, buildings, machinery and equipment received in payment of loans. Assets seized were recorded at the lower of cost or estimated fair values determined on the basis of technical third party appraisals. This item is made up as follows:

	2007 US$(000)	**2006** US$(000)
Assets seized	36,481	52,432
Reserve	(16,866)	(23,005)
Total	19,615	29,427

(b) The changes in the reserve for assets seized as of December 31, 2007, 2006 and 2005 are summarized as follows:

	2007 US$(000)	**2006** US$(000)	**2005** US$(000)
Opening balances	23,005	32,096	34,666
Provision	3,057	6,387	16,959
Assets retired related to the sell of Banco Tequendama, note 2(c)	-	-	(1,678)
Sold assets	(9,196)	(15,478)	(17,851)
Ending balances	16,866	23,005	32,096

12. Intangibles assets and goodwill, net

(a) Intangibles -

Comprise mainly the identified intangible assets as result of the acquisition of the "client relationships" and other in the purchase of AFP Union Vida, note 2(a), and the incurred cost on the development and acquisition of software licenses used in the Group operations.

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

Description	**Client Relationships** US$(000)	**Software** US$(000)	**Developments** US$(000)	**Others** US$(000)	**2007** US$(000)	**2006** US$(000)
Cost -						
Balance as of January 1st	88,378	40,917	32,447	10,283	172,025	51,082
Additions (i)	-	14,706	15,606	92	30,404	19,767
Business combination, note 2(a)	-	-	-	-	-	107,842
Retirements and write - off (ii)	-	(7,436)	(6,632)	(1,124)	(15,192)	(6,666)
Balance as of December 31	88,378	48,187	41,421	9,251	187,237	172,025
Accumulated amortization -						
Balance as of January 1st	1,473	20,665	18,439	4,643	45,220	26,422
Amortization of the year	3,544	6,724	4,780	2,430	17,478	18,840
Business combination, note 2(a)	-	-	-	-	-	6,437
Retirements and write - off (ii)	-	(7,456)	(6,677)	(1,013)	(15,146)	(6,479)
Balance as of December 31	5,017	19,933	16,542	6,060	47,552	45,220
Net book value	83,361	28,254	24,879	3,191	139,685	126,805

(i) During the year ended December 31, 2007 Credicorp has capitalized disbursements related to the implementation of diverse systems projects, mainly those related to the ERP project (aimed to the implementation and development of SAP System) and the SERIVA Project (aimed to the implementation and development of the integrated module for operations of Capital Market) of its subsidiary BCP.

(ii) During 2007, the Group wrote off certain intangibles assets fully amortized and out of use for US$15.1 million.

(b) Goodwill -

The following is the composition of the caption by subsidiary:

	2007 US$(000)	2006 US$(000)
Goodwill -		
Prima AFP (AFP Unión Vida S.A.), note 2(a)	44,594	49,047
Banco de Crédito del Perú	15,582	12,300
El Pacífico Peruano - Suiza	13,007	13,007
Atlantic Security Holding Corporation	10,660	10,660
Coporación Novasalud Perú S.A. EPS	3,744	3,828
Book value, net	87,587	88,842

Goodwill is annually assessed by impairment by Management and the assumptions used for the impairment analysis are consistence with previous years. As of December 31, 2007 and 2006, it was not necessary to record a provision for impairment of goodwill on the Group.

The movement of goodwill for the years ended December 31, 2007, 2006 and 2005 as follows:

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Cost -			
Opening balance	88,842	33,557	33,557
Acquisition, notes 2(a) and 3(b)	3,282	56,285	-
Decreases	(4,537)	(1,000)	-
Final balance	87,587	88,842	33,557

13. Other assets and other liabilities

(a) These items are made up as follows:

	2007 US$(000)	2006 US$(000)
Other assets -		
Financial instruments:		
Accounts receivable	47,653	48,149
Derivatives receivable (b)	45,843	19,134
Operations in process (d)	35,786	29,752
Value added tax credit	55,989	6,220
Income tax prepayments, net	12,397	14,509
	197,668	117,764
Non-financial instruments:		
Deferred expenses (c)	24,468	34,721
Deferred income tax asset, note 19(c)	66,856	38,016
Deferred fees	30,634	11,339
Investments in related companies	4,599	5,657
Other	16,160	12,575
	142,717	102,308
Total	340,385	220,072
Other liabilities -		
Financial instruments:		
Payroll, taxes, salaries and other personnel expenses	181,223	104,635
Accounts payable	122,029	79,039
Derivatives payable (b)	69,662	7,774
Operations in process (d)	36,063	41,606
Contributions	31,618	12,154
Allowance for indirect loan losses, note 7(d)	18,381	20,308
	458,976	265,516
Non-financial instruments:		
Deferred income tax liability, note 19(c)	89,825	65,810
Provision for sundry risks (e)	24,038	17,179
Other	17,206	7,608
	131,069	90,597
Total	590,045	356,113

(b) The table below shows the fair value of derivative financial instruments, recorded as assets or liabilities, 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 the year end and are not indicative of the market risk nor the credit risk, note 21(d).

	2007		
	Assets US$(000)	**Liabilities** US$(000)	**Notional amount** US$(000)
Derivatives held for trading (i) -			
Forward foreign 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 cash flow and fair value hedge (ii) -			
Interest rate swaps	-	37,433	696,000
Cross Currency Swap	-	635	50,420
	45,843	69,662	3,656,992

	2006		
	Assets US$(000)	**Liabilities** US$(000)	**Notional amount** US$(000)
Derivatives held for trading (i) -			
Forward foreign exchange contracts	12,236	4,491	1,153,192
Interest rate derivatives	3,656	1,590	298,158
Currency swaps	304	1,693	48,883
Derivatives held as cash flow hedge (ii) -			
Interest rate swaps	2,938	-	196,000
	19,134	7,774	1,696,233

(i) The Group's derivative trading activities mainly relate to deals 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 heading are any derivatives which do not meet IAS 39 hedging requirement.

(ii) The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. A schedule indicating as of December 31, 2007 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)	36,289	64,233	44,217	34,684
Income statement	(6,693)	(20,503)	(7,560)	(2,890)

As of December 31, 2007, the transfer of net gain on cash flow hedges to the consolidated income statement amounts to US$1.0 million (US$0.8 million as of December 31, 2006).

(c) As of December 31, 2007, this caption includes mainly prepaid insurance and prepaid premiums ceded to reinsurers for US$11.3 million and US$3.4 million, respectively (US$10.5 million and US$2.0 million, respectively, as of December 31, 2006).

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

(e) The movement of the provision for sundry risks for the three years ended December 31, 2007, 2006 and 2005 is summarized as follows:

	2007 US$(000)	**2006** US$(000)	**2005** US$(000)
Beginning balances	17,179	18,768	19,379
Provision, note 26	8,096	6,461	5,567
Decreases	(1,237)	(8,050)	(6,178)
Ending balances	24,038	17,179	18,768

Due to the nature of the business, Credicorp and its Subsidiaries have some pending legal claims (lawsuits) related to their activities. The Group records a provision for such cases when, in Management's and its legal advisor's opinion, they will result in additional liabilities for the Group and the amount of the provision can be fairly estimated. Regarding the other legal claims against the Group which have 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.

14. Deposits and obligations

(a) This item is made up as follows:

	2007 US$(000)	**2006** US$(000)
Non-interest bearing deposits and obligations -		
In Peru	2,257,840	1,577,315
In other countries	668,468	412,249
	2,926,308	1,989,564
Interest bearing deposits and obligations -		
In Peru	6,591,815	5,213,044
In other countries	1,781,548	1,596,526
	8,373,363	6,809,570
	11,299,671	8,799,134
Interest payable	51,043	39,857
Total	11,350,714	8,838,991

The Group has established a policy to remunerate demand deposits and savings accounts according to an interest rate scale, based on the average balance maintained in such accounts. Additionally, according to such policy, it was established that the balances that were lower than a specified amount, for each type of account, do not bear interest.

(b) As of December 31, 2007 and 2006, the balance of deposits and obligations by type of transaction is made up as follows:

	2007 US$(000)	**2006** US$(000)
Time deposits	3,967,864	3,218,157
Demand deposits	3,638,593	2,564,268
Saving deposits	2,380,904	1,951,978
Severance indemnity deposits	896,283	775,027
Client - Repurchase agreements	325,908	228,165
Bank's negotiable certificates	90,119	61,539
Total	11,299,671	8,799,134

(c) As of December 31, 2007, the total amount of individual time deposits and bank certificates that exceed US$100,000 are approximately US$3,706.3 and US$49.0 million, respectively (US$2,722.6 and US$35.9 million, respectively, as of December 31, 2006).

(d) Interest rates applied to different deposits and obligations accounts are determined by the Group considering interest rates prevailing in the market in which the subsidiaries operate.

(e) The time deposits balance classified by maturity is made up as follows:

	2007 US$(000)	**2006** US$(000)
Up to 3 months	2,944,189	2,219,948
From 3 months to 1 year	699,479	799,584
From 1 to 3 years	254,750	163,283
From 3 to 5 years	30,743	29,226
More than 5 years	38,703	6,116
Total	3,967,864	3,218,157

15. Due to banks and correspondents and borrowed funds

(a) Due to bank and correspondents -

This item is made up as follows:

	2007 US$(000)	2006 US$(000)
International funds and others (i)	1,145,340	346,945
Promotional credit lines (ii)	196,204	177,900
Inter-bank funds	102,470	41,077
	1,444,014	565,922
Interest payable	9,247	5,067
Total	1,453,261	570,989

(i) The balance of international funds and others corresponds to the following operations:

	2007 US$(000)	2006 US$(000)
Syndicated facility (*)	300,000	15,000
Corporación Andina de Fomento - CAF	150,000	85,000
Wachovia Bank	145,000	65,200
Banco Latinoamericano de Exportaciones - BLADEX	80,000	105,000
JP Morgan Chase & Co.	50,000	-
Commerz Bank	44,780	-
Citibank	40,000	-
Bayerische Landersbank	40,000	-
Scotiabank Peru S.A.A.	-	36,000
Other	295,560	40,745
Total	1,145,340	346,945

(*) This facility is related to three loans of US$100 million each one, with three months maturity; which will be replaced by a medium-term syndicated loan currently under negotiation.

These funds and other received by the Group, are obtained mainly to finance foreign trade operations and working capital, obtained from 31 foreign financial entities (11 as of December 31, 2006). As of December 31, 2007 these loans have maturities between January 2008 and

February 2011 (between January and March 2007 as of December 31, 2006). The annual interest rate range between 4.88 and 5.73 (between 3.73 and 5.76 as of December 2006).

Some of these borrowings include standard covenants related to financial ratios, use of funds and other administrative matters. In management's opinion, such covenants do not limit the Group's operations and is in compliance with them as of the consolidated balance sheet date.

(ii) The promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE), to promote the development of Peru, have maturities between March 2008 and December 2027 and their interest rates fluctuated between 5.73 and 7.75 percent annual (between January 2007 and December 2021 and their interest effective rate fluctuated between 5.65 and 7.90 percent annual as of December 31, 2006). These credit lines are secured by a loan portfolio amounting to US$196.2 and US$177.9 million as of December 31, 2007 and 2006, respectively. These lines include covenants specifying the use of the funds, financial conditions that the borrower must maintain and other administrative matters. In Management's opinion, these covenants do not limit the Group's operations and the Group is in compliance at the consolidated balance sheet date.

(b) Borrowed funds -
The balance of the borrowed funds corresponds to the following operations:

	2007 US$(000)	**2006** US$(000)
CCR Inc. MT-100, Payment rights master Trust -		
2005 Series A and B (i)	280,000	280,000
2006 Series A (ii)	90,404	90,612
2007 Serie A (iii)	350,000	-
2007 Serie B (iii)	150,000	-
Total	870,404	370,612

(i) Amount represents the loan transaction made by BCP in November 2005 for US$230.0 million, related to Series 2005-A Floating Rate Certificates due 2012, and US$50.0 million related to Series 2005-B Floating Rate Certificates due 2009. The certificates bear a variable interest rate of one month Libor plus 0.21 percent for the 2005-A Series and one month Libor plus 0.60 percent for the Series 2005-B. As of December 31, 2007 and December 31, 2006, the balance of this obligation amounts to US$280.0 million. A portion of the loan (70 percent), subject to variable interest rate risk, has been hedged through an interest rate swap hedge operation for a notional amount of US$196.0 million, note 21(d).

(ii) Amount represents the loan transaction made by the BCP in March 2006 for US$100.0 million, related to Series 2006-A Floating Rate Certificates due 2016. The certificates bear a variable interest rate of one month Libor plus 0.24 percent. As of December 31, 2007, the balance of this obligation amounts to US$90.4 million (US$90.6 million as of December 31,2006).

For the US$100.0 million of the Series 2006-A and the US$230.0 and US$50.0 million of the Series 2005-A and 2005-B, BCP has signed an insurance policy with AMBAC Assurance Corporation, which guarantees the timely payment of scheduled principal and certain accrued interest to pay the monthly payments with maturities in 2016, 2012 and 2009, respectively.

(iii) Amount represents the loan transaction made by the BCP in July 2007 for US$350.0 million and US$150 million, related to Series 2007-A Floating Rate Certificates due 2017 and Series 2007-B Floating Rate Certificates due 2014. The certificates bear a variable interest rate of one month Libor plus 0.28 percent and 0.25 percents for series 2007-A and 2007-B, respectively. These loans, subject to variable interest rate risk, have been hedged through three interest rate swap hedge operations for a notional amount of US$500.0 million, note 21(d).

For the US$350.0 million of the Series 2007 - A floating Rates Certificates and the US$150.0 million of the Series 2007 - B Floating Rates Certificates, BCP has signed an insurance policy with AMBAC Assurance Corporation, which guarantees the timely payment of scheduled principal and certain accrued interest to pay the monthly payments with maturities through November 2017 and November 2014 respectively.

All these loans are secured by the collection of BCP’s future inflows from electronic messages sent through the Society for Worldwide Interbank Financial Telecommunications network and utilized within the network to instruct correspondent bank to make a payment of a certain amount to a beneficiary that is not a financial institution. In these transactions, Wilmington Trust Company acted as Trustee under the trust agreement and Bank of New York as Indenture Trustee and administrator of the contracts.

The loans obtained by the Group include covenants which in Management’s opinion, the Group is in compliance at the consolidated balance sheet date.

(c) As of December 31, 2007 and 2006, maturities of due to bank and correspondents and borrowed funds are shown below, based in the remaining period to the repayment date:

Due to bank and correspondents	**2007** US$(000)	**2006** US$(000)
Up to 3 months	670,153	279,802
From 3 months to 1 year	307,170	126,447
From 1 to 3 years	338,802	23,457
From 3 to 5 years	105,694	22,001
More than 5 years	22,195	114,215
Total	1,444,014	565,922

Borrowed funds	**2007** US$(000)	**2006** US$(000)
Up to 1 year	8,165	-
From 1 to 3 years	148,921	61,217
From 3 to 5 years	303,476	166,817
More than 5 years	409,842	142,578
Total	870,404	370,612

(d) As of December 31, 2007, the Group has credit lines granted by several local and foreign financial institutions amounted to US$1,390.5 million (US$1,162.5 million as of December 31, 2006) that are available for future operating activities or to settle capital commitments.

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

(a) This item is made up as follows:

	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
Property and casualty insurance	109,695	92,887	21,257	223,839
Health insurance	15,766	25,059	49	40,874
Total	626,229	167,992	21,306	815,527

	2006			
	Technical reserves US$(000)	**Reserves for direct claims** US$(000)	**Claims assumed** US$(000)	**Total** US$(000)
Life insurance	442,172	41,932	794	484,898
Property and casualty insurance	67,640	39,429	2,164	109,233
Health insurance	15,029	19,053	8	34,090
Total	524,841	100,414	2,966	628,221

The reserves for claims represent the reported claims and the reserve for the incurred and non-reported claims by the policyholders chargeable to the Group and its Subsidiaries. The reported claims are adjusted on the basis of the technical reports received from the adjusters. The claims to be paid by the reinsurers and coinsurers are shown as ceded claims.

The reserves for direct claims include reserves for incurred and non-reported claims for the three types of risks that the Group manages; such amounts at December 31, 2007 were US$36.6 million (US$27.6 million as of December 31, 2006), of which US$14,9 million correspond to life risks, US$3.1 million to property and casualty and US$18.6 million to health risks (US$11.7, US$3.7 and US$12.2 million, respectively, as of December 31, 2006). The IBNR reserves have been determined on the basis of the Bornhuetter - Ferguson methodology - BF, which is applied to compare statistical occurrences of claims, excluding payments made to the policyholders.

During 2007 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 property and casualty 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.

The movement for the years ended December 31, 2007 and 2006 of technical and insurance claims reserves is as follows:

(b) Reserves for insurance claims (direct and assumed):

	2007			
	Life insurance US$(000)	**Property and casualty insurance** US$(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

	2006			
	Life insurance US$(000)	**Property and casualty insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(000)
Initial balance	36,839	30,690	15,139	82,668
Claims	52,713	60,285	89,797	202,795
Payments	(49,369)	(49,386)	(86,119)	(184,874)
Translation result	2,543	4	244	2,791
Final balance	42,726	41,593	19,061	103,380

(c) Technical Reserves:

	2007			
	Life insurance US$(000)	**Property and casualty insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(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	42,055	737	43,012
Insurance subscriptions	78,342	-	-	78,342
Payments	(26,868)	-	-	(26,868)
Translation result	(9,597)	-	-	(9,597)
Final balance	500,768	109,695	15,766	626,229

	2006			
	Life insurance US$(000)	**Property and casualty insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(000)
Initial balance	383,158	63,976	16,292	463,426
Accretion expenses and other	12,683	-	-	12,683
Unearned premium reserves and annual variation, net	-	3,664	(1,263)	2,401
Insurance subscriptions	60,227	-	-	60,227
Payments	(23,356)	-	-	(23,356)
Translation result	9,460	-	-	9,460
Final balance	442,172	67,640	15,029	524,841

As of December 31, 2007 and 2006, 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 December 31, 2007 and 2006, were the following:

Modality	Mortality Table	Technical rates
Life immediate annuity	RV2004 and B - 85	4.80% - 5.22% in US$
		4.01% in S/
Dead an Disability Pension		Provisional regime 3.00%
System insurance	RV 85 MI - 85H and 85M	Definitive regime 2.96% in S/
		Definitive regime 4.78% in US$
Individual Life	SOC 80 adjustable	4.00% - 5.00%

The mortality tables are those recommended by the regulators in Peru.

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 at the consolidated balance sheet date being the interest rates and the mortality tables. The Group has evaluated, the changes of the reserves related to 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:

		Variation of the reserve	
Variables	Amount of the reserve	Amount	Percentage
	US$(000)	US$(000)	%
Portfolio in US$ - Basis amount	**279,027**		
Changes in interest rates: + 100 bps	254,058	(24,969)	(8.95)
Changes in interest rates: - 100 bps	308,651	29,624	10.62
Changes in Mortality tables to 105%	275,951	(3,076)	(1.10)
Changes in Mortality tables to 95%	282,269	3,242	1.16

		Variation of the reserve	
Variables	Amount of the reserve	Amount	Percentage
	US$ (000)	US$ (000)	%
Portfolio in S/ - Basis amount	**15,015**		
Changes in interest rates: + 100 bps	13,353	(1,662)	(11.07)
Changes in interest rates: - 100 bps	16,692	1,677	11.17
Changes in Mortality tables to 105%	14,926	(89)	(0.59)
Changes in Mortality tables to 95%	15,110	95	0.63

17. Bonds and subordinate notes issued

(a) This item is made up as follows:

	Weighted average annual interest rate 2007 %	Weighted average annual interest rate 2006 %	Maturity	2007 US$(000)	2006 US$(000)
Bonds -					
Corporate bonds (i)	6.59	6.23	Between February 2008 and December 2014	127,331	90,173
Leasing bonds (ii), (iii)	6.10	5.53	Between January 2008 and November 2010	167,255	177,952
Mortgage bonds (iii)	7.70	7.70	Between May 2011 and April 2012	20,744	23,610
Subordinated bonds	6.72	6.89	Between January 2008 and May 2027	104,841	96,758
				420,171	388,493
Subordinated notes -					
Subordinated negotiable certificates notes (iv)				113,503	120,000
Subordinated notes (iv)				161,308	-
				694,982	508,493
Interest payable				7,316	4,079
Total				702,298	512,572

(i) During 2007, the Group issued corporate bonds for US$50.1 million (US$47.2 million corporate bonds issued during 2006) and redeemed bonds for US$18.8 million (US$43.4 million during 2006). The details of the new issuance are the following:

Issuance 2007	**Amount** US$(000)	**Currency**	**Maturity**	**Rate** (%)
Second Program of Corporate Bonds BCP				
First issuance - Series A (*)	50,067	Peruvian	19/12/2014	6.84

Issuance 2006	**Amount** US$(000)	**Currency**	**Maturity**	**Rate** (%)
First Program of Corporate Bonds BCP				
Sixth issuance - Series B	6,258	Peruvian	08/08/2008	6.37
Sixth issuance - Series A	6,258	Peruvian	27/02/2008	5.81
Eight issuance - Series B	10,951	Peruvian	06/09/2010	6.31
Eight issuance - Series C	7,822	Peruvian	21/09/2010	6.25
Eight issuance - Series D	5,006	Peruvian	11/10/2010	6.12
Ninth issuance - Series B	7,822	Peruvian	03/03/2011	6.93
Tenth issuance - Series B	3,129	Peruvian	24/03/2013	8.00
Total	47,246			

(*) Based on this issuance, it has been obtained a “Cross currency swap” operation from JP Morgan Chase & Co.; with the objective to convert the risk profile of the bonds from Peruvian currency to US Dollars. Likewise, the fixed annual nominal interest rate of 6.84 percent has been changed to a variable rate of Libor plus 84 basic points, note 21(d).

(ii) During the course of 2007, Banco de Crédito del Perú S.A., a subsidiary of Credicorp, issued lease bonds amounting to US$39.6 million with maturities between June 2009 and January 2010. Also, in 2007, bonds were redeemed by Credicorp for US$55.0 million (US$41.6 million in 2006).

(iii) Leasing and mortgages bonds are collateralized by the fixed assets financed by the Group with these resources.

(iv) In October 2007 and November 2006, BCP through its Panama branch, issued Subordinated notes and Subordinated negotiable certificates notes amounted to S/483.3 millions (equivalent to US$161.3 million) and US$120.0 million on the international market with maturities on the years

2022 and 2021, respectively. These debts accrued a fixed annual interest rate of 7.17 and 6.95 percent, respectively, for the first 10 years, with payment each six months. After the first 10 years, the interest rate is changed to a variable interest rate, established by the market interest rate, of the sovereign bonds issued by the Peruvian Government which maturity is in year 2037, plus 150 basis points and Libor plus 2.79 percent, respectively, with half-year and quarterly payments. At the end of the first 10 years, the Bank can redeem 100 percent of the debt, without penalties. 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) The bonds and subordinate bonds issued as of December 31, 2007 and 2006, classified by maturity are shown below:

	2007 US$(000)	**2006** US$(000)
Up to 3 months	61,188	19,316
From 3 months to 1 year	85,968	56,701
From 1 to 3 years	154,953	177,873
From 3 to 5 years	68,007	110,224
Over 5 years	324,866	144,379
Total	694,982	508,493

18. Equity

(a) Share capital -

As of December 31, 2007, 2006 and 2005, 94,382,317 shares of capital stock were issued at US$5 per share.

(b) Treasury stock -

Treasury stock comprises of the par value of Credicorp's shares owned by the Group's companies, which amounts 14,620,842 shares as of December 31, 2007 and 2006. The difference of US$113.4 million, between the acquisition cost of US$186.5 million and their par value (US$73.1 million), is recorded as a reduction of the "Capital surplus".

(c) Reserves -

In accordance with the local laws that regulate financial and insurance activities of the Group's subsidiaries in Peru, a reserve of up to at least 35 percent of their paid-in capital is required to be established through annual transfers of at least 10 percent of net income. As of December 31, 2007 and 2006, these reserves were approximately US$222.7 and US$214.8 million, respectively.

The Shareholders meeting on February 28, 2007 agreed to transfer from “Retained earnings” to “Other reserves” an amount of US$107.3 million.

The Shareholders Meeting dated on October 26, 2006 agreed to transfer from “Retained earnings” to “Other reserves” an amount of US$210.4 million.

Other reserves contain the unrealized net gains from available-for-sale investments and of the derivatives instruments used as cash flows hedge; this item is broken down as follows:

	Unrealized net gains (losses) of:		
	Available-for-sale investments US$(000)	**Derivatives used as cash flow hedge** US$(000)	**Total** US$(000)
Balances as of January 1st, 2005	76,131	-	76,131
Unrealized net gain from available-for-sale investments Note 6(c)	7,121	-	7,121
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 6(c)	(1,572)	-	(1,572)
Net gain on cash flow hedge	-	1,622	1,622
Balances as of December 31, 2005	81,680	1,622	83,302
Unrealized net gain from available-for-sale investments note 6(c)	69,411	-	69,411
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss, note 6(c)	(6,620)	-	(6,620)
Net gain on cash flow hedge, note 13(b) (ii)	-	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 6(c)	85,129	-	85,129
Transfer of net realized gain from investments available-for-sale to the income statement, net of realized loss and impairment, note 6(c)	(17,634)	-	(17,634)
Transfer of impairment on investment available-for-sale to income statement, note 6(c)	5,017	-	5,017
Net loss on cash flow hedge, note 13(b) (ii)	-	(40,371)	(40,371)
Balances as of December 31, 2007	216,983	(37,433)	179,550

(d) Dividends distribution -
During 2007, 2006 and 2005, Credicorp paid cash dividends, net of the effect of treasury shares, amount to approximately US$103.7, US$87.7 and US$63.8 million, respectively.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. The 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, 2007 and 2006, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately US$1,420.2 and US$1,008.0 million, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca, Seguros y AFP (SBS) of Perú regulations in force as of such dates. According to the Superintendencia de Banca, Seguros y AFP (SBS) regulations, the Group’s regulatory capital exceeds in approximately US$350.4 million the minimum regulatory capital required as of December 31, 2007 (approximately US$157.0 million as of December 31, 2006).

19. Taxes

(a) Credicorp is not subject to any type of income taxes or taxes on capital gains, equity or property. The Peruvian subsidiaries are subject to corporate taxation on income under the Peruvian Tax system. The statutory income tax rate payable in Peru is 30 percent of taxable profits in 2007, 2006 and 2005.

ASHC and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. For the three years ended December 31, 2007, 2006 and 2005, no taxable profits were generated from its operations in the United States of America.

A reconciliation of the differences between the statutory income tax rate and the effective tax rate for the Group is shown as follows:

	2007 %	2006 %	2005 %
Peruvian statutory tax rate	30.00	30.00	30.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (decrease) arising from net income of subsidiaries not domiciled in Peru	0.46	4.08	1.05
(ii) Non-taxable costs (income), net	(5.76)	(4.86)	(6.23)
(iii) Translation results not considered for tax purposes	(3.15)	(3.96)	2.58
Effective income tax rate	21.55	25.26	27.40

(b) The deferred income tax has been calculated on all temporary differences applied at an income tax rate of 30 percent. The income tax expense analysis as of December 31, 2007, 2006 and 2005 is as follows:

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Current -			
In Peru	114,496	85,413	80,630
In other countries	2,712	2,960	4,418
	117,208	88,373	85,048
Deferred -			
In Peru	(14,921)	(4,786)	(11,502)
Total	102,287	83,587	73,546

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

	2007 US$(000)	2006 US$(000)
Assets		
Stock appreciation rights provision	24,001	11,047
Allowance for loan losses, net	21,985	13,642
Reserve for sundry risks, net	4,550	3,412
Tax loss carry-forward	4,451	3,244
Non-accrued interest	3,243	1,830
Other	8,626	4,841
Deferred income tax asset	66,856	38,016
Liabilities		
Unrealized net gains on investments	(38,424)	(28,330)
Intangibles assets, net	(25,205)	(26,168)
Valuation of Indexed certificates Citigroup	(18,131)	(751)
Leasing operations, net	(1,250)	(2,758)
Fixed assets, net	135	(2,304)
Other	(6,950)	(5,499)
Deferred income tax liability	(89,825)	(65,810)
Net deferred income tax liability	(22,969)	(27,794)

A portion of the Group's deferred tax asset arises from part of the provisions for sundry risks and for loan losses, which are not deductible for income tax purposes until they comply with all the requirements established by the tax authorities. Therefore, the Group has recorded an accumulated deferred tax asset to reflect the future tax benefit of the deduction of these provisions.

Credicorp and its subsidiaries have recorded deferred income taxes directly in other reserves in the statement of changes in equity of US$10.1, US$9.2, US$1.5 million, for 2007, 2006 and 2005, respectively. Such amounts comprise the income tax effects of unrealized gains and losses on securities available for sale. Likewise, in 2006, the Group has recognized the deferred tax liability arising from the acquisition of AFP Union Vida (Note 2(a)) by approximately US$25.6 million.

(d) The Peruvian tax authorities have the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries up to four year after its presentation. The major subsidiaries subject to these reviews are BCP and PPS. In BCP, the fiscal years 2001, 2002, 2003, 2004 and 2005, have been reviewed by the tax authorities. As a result of such revisions, no significant additional taxes have arisen in excess of the previously accounted for in the Group consolidated financial statements.

The years 2006 and 2007 for BCP and 2004 to 2007 for PPS, are pending of review. Any additional tax arising as a result of the tax authority examination will be charged to income in the year when such tax is determined. At present, it is not possible to estimate the adjustments that the tax authorities may determine; however, in Management's opinion, it is not expected that any additional assessments will be determined in amounts considered significant to the consolidated financial statements as of December 31, 2007 and 2006.

20. 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's service in Credicorp or any of its subsidiaries. The SARs expire after eight years and 25 percent of them may be exercised during each of the first four years of the plan.

At the end of the fourth year and until the expiration date of such SARs, all the unexercised SARs may be exercised at any time. As of December 31, 2007 and 2006, 410,700 and 948,925 SARs had been exercised under this plan for an approximate amount of US$18.8 and US$29.3 million, respectively, plus the income tax on behalf of the executives and employees that is assumed by the Group at 30 percent of the amount paid.

The number of SARs issued and not exercised as of December 31, 2007 and 2006 and the prices of such rights as of said dates are as follows:

Year of Issuance	Number of outstanding SARs issued as of December 31, 2007	Number of Vested SARs as of December 31		Exercise price	
		2007	2006	2007 US$	2006 US$
2000	49,750	49,750	68,750	8.50	8.80
2001	73,000	73,000	81,500	5.30	5.60
2002	92,500	92,500	117,500	6.98	7.28
2003	151,900	151,900	220,000	8.17	8.47
2004	237,700	237,700	317,984	10.99	11.29
2005	384,500	349,813	281,038	16.00	16.30
2006	497,050	310,800	215,156	25.32	25.62
2007	648,250	271,656	-	48.50	-
	2,134,650	1,537,119	1,301,928		

Credicorp's Management has estimated the fair value of the SARs as of December 31, 2007 and 2006, using the binomial option pricing model, with assumptions obtained from the relevant available market information. The key assumptions used are as follows:

Key assumptions	2007	2006
Expected volatility	32.70%	31.31%
Risk free interest rate	3.51%	4.71%
Expected lifetime	4.92 years	5.05 years
Quoted price of Credicorp shares at year-end	US$76.30	US$40.94

The movement of the SARs for the years ended December 31, 2007 and 2006 are as follows:

	2007			2006		
	Outstanding SARs	Vested SARs		Outstanding SARs	Vested SARs	
	Number	Number	Amount	Number	Number	Amount
			US$(000)			US$(000)
Balance as of January 1st	1,858,350	1,301,928	38,761	2,201,275	1,658,932	22,813
Granted and vested	689,500	647,610	22,248	621,000	600,046	12,838
Exercised	(410,700)	(410,700)	(18,801)	(948,925)	(948,925)	(29,292)
Decrease	(2,500)	(1,719)	(88)	(15,000)	(8,125)	(232)
Increase in the option fair value	-	-	47,482	-	-	32,634
Balance as of December 31	2,134,650	1,537,119	89,602	1,858,350	1,301,928	38,761

In accordance with the signed contracts, Credicorp assumes the payment of the income tax of this benefit on behalf of its executives and employees, which corresponds to 30 percent of the benefit. Credicorp estimates the amount over the basis of the liability recorded for the vested benefits and records it in the same caption of this plan.

The liabilities recorded for this plan are included in “Payroll taxes, salaries and other personnel expenses”, in the caption “Other liabilities” of the consolidated balance sheets (note 13 (a)) and the expenses in the caption “Personal expenses” on the consolidated income statements. In 2007, 2006 and 2005, the SARs prices were modified and informed to the executives of the Group.

During 2007 and 2006, the Group signed contracts with Citigroup by which has acquired certificates linked to the yield of Credicorp’s shares, to obtain an economic hedge of the SARs granted to its executives and employees, note 8.

21. Off-balance sheet accounts

(a) This item is made up as follows:

	2007 US$(000)	2006 US$(000)
Contingent credits -		
Guarantees and stand by letters (c)	1,133,476	1,204,500
Import and export letters of credit (c)	431,049	250,876
	1,564,525	1,455,376
Responsabilities under credit lines agreements (e)	1,082,115	814,746
Forward foreign exchange contracts - sell (d)	939,531	561,111
Forward foreign exchange contracts - buy (d)	(1,270,648)	(592,081)
Swap contracts (d)		
Interest rate swaps	1,277,841	494,158
Currency swaps	118,552	48,883
Cross currency swap	50,420	-
Total	3,762,336	2,782,193

(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 the Group's banking subsidiaries to credit risk in addition to the amounts recognized in the consolidated balance sheets.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss because any other party to a financial instrument fails to perform in accordance with the terms of the contract.

The exposures to losses under commitments to guarantees, stand by letters, extend credit, provide export and import letters of credit and guarantees are represented by the contractual amount specified in these instruments. The Group applies the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments (note 7(a)) including the requirement to obtain collateral to support off-balance sheet financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in financial institutions, securities or other assets.

Because the fact that many of the contingent transactions are expected to expire without any performance being required, the total committed amounts do not necessarily represent future cash requirements.

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

(d) As of December 31, 2007 and December 31, 2006, Credicorp has foreign currency forwards derivatives (as of December 31, 2006 the Group had a minor position on options for exchange rates amounted to US$8.7 million). Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed and the change in the prices of the underlying currencies. As of December 31, 2007 and 2006, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US$2,210.2 million and US$1,153.2 million, respectively, which have in general maturities of less than a year. These agreements are executed to satisfy client requirements and are recognized in the consolidated financial statements at their fair market value. As of December 31, 2007, the forward contracts net position is an overbuy of U.S. Dollars of approximately US$331.1 million (overbuy of approximately US$31.0 million as of December 31, 2006).

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, 2007, the notional amount of open interest rate and currency swap contracts was approximately US$1,446.8 million (approximately US$543.0 million as of December 31, 2006). These contracts are recorded at fair value, recording both realized and unrealized gains and losses in the consolidated income statements.

As of December 31, 2006, the Group has signed one interest rate swap contract for a notional amount of US$196.0 million designated as a cash flow hedge, because it reduces the exposure to the variable interest rate risk of a portion of the loan transaction entered into by the Group on November 2005, Note 15(b). In accordance with the hedge operation, the Group pays a fixed rate of 4.57 percent and receives a variable rate equal to the monthly Libor interest rate over the notional amount and the settlements are made on a monthly basis; the instrument matures November 2012. The loan and the interest rate swap have the same critical terms.

As of December 31, 2007, the Group has other three interest rate swaps, which in the aggregate amounting to a nominal US$500.0 million (US$250.0, US$100.0 and US$150.0 million), designated as a cash flow hedge as a way to reduce the Group's interest rate risk exposure arising from the transaction entered into by the Group in June 2007, note 15(b). Based on the hedge terms and conditions, the Group pays a fixed rate of 5.4775, 5.59 and 5.495 percent, respectively, and exchanges it by a floating interest rate equivalent to a monthly Libor on the nominal amount. Payments are made monthly. The maturity date of the interest rate swap amounting to US$150 million is July 2014 and the maturity of those amounting to US$250 and US$100 million is July 2017. The loan and the interest rate swaps agreements have the same critical terms.

As of December 31, 2007, the Group has signed one cross currency swap contract for a notional amount of US$50.4 million designated as a fair value hedge, because it reduces the exposure to the change in the far value of the corporate bonds issue in Peruvian currency, note 17(a)(i). In accordance with the hedge transaction, the bonds were converted from Peruvian currency to US Dollars. Likewise, the fixed annual nominal interest rate of 6.84 percent has been changed to a variable rate of Libor plus 84 basic points. The bonds and the cross currency swap have the same critical terms.

The fair value of the asset and liability forward contracts and swaps as of December 31, 2007 amounted approximately US$45.8 and US$69.7 million, respectively (approximately US$19.1 and US$7.8 million as of December 31, 2006) and are included under the caption “Other assets and other liabilities” of the consolidated balance sheets, respectively, note 13(b). As of December 31, 2007 and 2006, the fair value of the cash flow hedges amounts to a loss of US$37.4 and a gain of US$2.9 million, respectively, and is recorded in equity.

(e) The responsibilities under credit lines agreements do not correspond to commitment of obtain credit; and include credit lines and other consumer loans that are cancelable upon notification to the consumer.

22. Interest and dividend income and interest expenses

The items are made up as follow:

	2007 US$(000)	**2006** US$(000)	**2005** US$(000)
Interest and dividend income			
Interest loans	701,471	537,671	447,392
Interest on deposits in banks	105,817	93,886	37,127
Interest from trading securities	3,289	2,913	2,497
Interest from investments available-for-sale	228,473	132,792	114,745
Dividends from trading securities	213	1,007	2
Dividends from investments available-for-sale	8,870	8,133	3,551
Other interest income	17,841	5,600	7,118
Total	1,065,974	782,002	612,432
Interest expenses			
Interest on deposits and obligations	(295,750)	(189,552)	(119,138)
Interest on bonds and subordinated notes issued	(33,592)	(25,282)	(24,332)
Interest on due to banks and correspondents and borrowed funds	(83,070)	(56,634)	(20,288)
Other interest expenses	(19,588)	(12,010)	(9,401)
Total	(432,000)	(283,478)	(173,159)

During 2007, 2006 and 2005 the interest income accrued on impaired financial instrument recognized in the consolidated income statement amounted to US$3.5, US$4.1 and US$4.3 million, respectively.

23. Banking services commissions

Banking services commissions for the three years ended December 31, 2007, 2006 and 2005 are as follow:

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Maintenance of accounts, transfers and credit and debit card services	145,926	122,534	111,074
Funds management	83,726	38,728	14,469
Stock exchange, securities and custody	11,112	7,793	5,943
Contingent credits	23,819	22,344	19,433
Collections	29,308	24,514	18,893
Other	30,870	27,865	36,351
Total	324,761	243,778	206,163

24. Net premiums earned

Premiums earned net of insurance contract ceded to reinsurer for the three years ended December 31, 2007, 2006 and 2005 are as follows:

	Gross Premiums (*) US$(000)	**Ceded to reinsurers and coinsurers, net** US$(000)	**Assumed from other companies, net** US$(000)	**Net premiums earned** US$(000)	**Percentage of amount assumed on net premiums** %
As of December 31, 2007					
Life insurance	89,598	(2,658)	1,408	88,348	1.59
Accident and health insurance	129,306	(2,488)	116	126,934	0.09
Property and casualty insurance	146,331	(71,759)	7,418	81,990	9.05
Total premiums	365,235	(76,905)	8,942	297,272	3.01
As of December 31, 2006					
Life insurance	66,477	(2,923)	1,228	64,782	1.90
Accident and health insurance	111,295	(2,377)	1,526	110,444	1.38
Property and casualty insurance	138,964	(64,767)	1,838	76,035	2.42
Total premiums	316,736	(70,067)	4,592	251,261	1.83
As of December 31, 2005					
Life insurance	46,239	(2,537)	965	44,667	2.16
Accident and health insurance	111,785	(2,745)	1,531	110,571	1.38
Property and casualty insurance	126,377	(61,133)	(1,527)	63,717	(2.40)
Total premiums	284,401	(66,415)	969	218,955	0.44

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

25. Net claims incurred for property and casualty, life and health insurance contracts

The expenses for claims at December 31, 2007, 2006 and 2005 include the following items:

	2007			
	Life insurance US$(000)	**Property and casualty insurance** US$(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$(000)	**Property and casualty insurance** US$(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

	2005			
	Life insurance US$(000)	**Property and casualty insurance** US$(000)	**Health insurance** US$(000)	**Total** US$(000)
Gross insurance claims	41,650	56,539	93,115	191,304
Ceded claims	(870)	(13,970)	(964)	(15,804)
Net insurance claims	40,780	42,569	92,151	175,500

26. Other income and expenses

The items are made up as follow:

	2007 US$(000)	2006 US$(000)	2005 US$(000)
Other income			
Income from the sale of assets seized	10,689	9,244	6,202
Real estate rental income	3,519	3,031	1,941
Recoveries of other accounts receivable and other assets	3,113	1,763	4,512
Other	7,613	8,638	8,916
Total other income	24,934	22,676	21,571
Other expenses			
Commissions in insurance activities	29,135	25,555	19,289
Sundry technical insurance expenses	21,929	10,910	8,183
Provision for sundry risks, note 13(e)	8,096	6,461	5,567
Provisions for other account receivables	2,836	3,163	7,112
Loss from fake bills	-	-	1,960
Other	10,003	6,629	4,634
Total other expenses	71,999	52,718	46,745

27. Earnings per share

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

	2007	2006	2005
Number of shares in issue:			
Ordinary shares, note 18(a)	94,382,317	94,382,317	94,382,317
Less - treasury shares, note 18(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)	350,735	230,013	181,885
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp (in U.S. Dollars)	4.40	2.88	2.28

28. Business segments

The Group is organized on two main lines of business:

(i) Banking business - incorporating corporate and private banking services, corporate, consumer, micro-business and mortgage loans, credit and debit cards, savings, deposits, overdrafts, foreign currency and derivative products, structure financing, corporate leasing, custody, among others.

(ii) Insurance business - incorporating the issuance of policies of insurance to cover claims, such as fires, vehicles, transport, personal accidents and life insurance, among others.

In addition the Group, since 2005, maintains activities related to pension fund management, note 2(a). Other operations of the Group comprise brokerage, fund management and trusteeship.

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, 2007, 2006 and 2005:

(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	Other provisions (***)
2007									
Banking	1,402	65	(65)	1,402	614	16,245	218	39	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	1,881	81	(81)	1,881	693	17,706	275	51	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
2005									
Banking	712	11	(11)	712	400	9,893	199	35	11
Insurance	219	14	(14)	219	80	786	46	3	-
Pension funds	-	-	-	-	-	18	2	1	-
Brokerage and other	166	3	(3)	166	3	339	1	-	-
Total consolidated	1,097	28	(28)	1,097	483	11,036	248	39	11

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

	2007			2006			2005		
	Total income (*)	Operating income (**)	Total assets	Total income (*)	Operating income (**)	Total assets	Total income (*)	Operating income (**)	Total assets
Peru	1,573	625	12,693	1,152	518	9,655	947	438	8,336
Panama	102	10	2,506	55	7	839	28	3	593
Cayman Islands	100	19	1,423	81	14	1,364	55	13	1,238
Bolivia	78	38	815	62	28	654	50	23	493
Colombia	-	-	-	-	-	-	-	-	-
United States of America	28	1	269	22	(4)	370	17	6	376
Total consolidated	1,881	693	17,706	1,372	563	12,882	1,097	483	11,036

(*) Include 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 assets seized and the allowance for loan losses.

29. Transactions with related parties

(a) The consolidated financial statements of the Group as of December 31, 2007 and 2006 include the transactions with related parties of the companies mentioned in note 3(b). For its 2007 and 2006 consolidated financial statements, the Group defines related parties as 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 in those companies.

(b) The following table shows the main transactions with related companies as of December 31, 2007 and 2006.

	Related companies	
	2007 US$(000)	**2006** US$(000)
Direct loans	94,102	70,636
Investments available-for-sale	90,396	62,125
Deposits	31,689	25,074
Contingent credits	14,026	13,925
Interest income related to loans	2,288	2,097
Interest expense related to deposits	2,009	1,505
Investments available-for-sale cost	1,673	-
Derivatives at fair value	386	179
Other income	1,192	953

(c) The loans, contingent operations and derivative contracts with related parties are made in accordance with the normal market conditions available to other customers. Outstanding loans balances at the year-end are granted by collaterals given by the related part. The loans to related companies as of December 31, 2007 had a maturity between January 2008 and September 2017 and an accrued annual interest average of 6.79 percent (as of December 31, 2006 had a maturity between January 2007 and August 2012 and an accrued annual interest average of 7.71 percent). As of December 31, 2007, the provision for doubtful debts due to related parties amounts to US$0.2 million (US$0.1 million as of December 31, 2006). This amount is established based on an assessment performed on a continuous basis in the financial position of the related party and the market where it operates.

(d) As of December 31, 2007 and 2006, 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 Law Nº26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company in Peru. As of December 31, 2007 and 2006, direct loans to employees, directors and key management amounts to US$82.5 and US$59.5 million, respectively and are paid monthly during their loan enforce and earn interest at similar market rates for these loans.

The Group does not maintain loans to the directors and key personnel which are guaranteed with shares of Credicorp or other companies of the Group.

(e) The Group key executives compensation as of December 31, 2007 and 2006, comprises the following captions:

	2007 US$(000)	2006 US$(000)
Stock appreciation rights, note 20	27,113	23,206
Salaries	5,535	4,824
Directors compensations	1,162	1,173
Other	12,947	6,962
Total	46,757	36,165

The Group key executives compensation comprises all the payments received by them, including the taxes assumed by the Group.

30. 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, 2007						As of December 31, 2006					
	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$(000)	Available for sale securities US$(000)	Liabilities at amortized cost US$(000)	Total US$(000)	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Available for sale securities US$(000)	Liabilities at amortized cost US$(000)	Total US$(000)
Assets												
Cash and due from banks	-	-	3,073,865	-	-	3,073,865	-	-	2,733,530	-	-	2,733,530
Trading securities	50,995	-	-	-	-	50,995	45,136	-	-	-	-	45,136
Investments available-for-sale	-	-	-	5,228,641	-	5,228,641	-	-	-	3,450,711	-	3,450,711
Loans, net	-	-	8,039,500	-	-	8,039,500	-	-	5,736,823	-	-	5,736,823
Financial assets designated at fair value through profit and loss	-	213,153	-	-	-	213,153	-	53,116	-	-	-	53,116
Premiums and other policies receivable	-	-	85,495	-	-	85,495	-	-	61,279	-	-	61,279
Accounts receivable from re-insurers and co-insurers	-	-	116,141	-	-	116,141	-	-	35,181	-	-	35,181
Due from customers on acceptances		-	35,901	-	-	35,901	-	-	45,129	-	-	45,129
Other assets, note 13	45,843	-	151,825	-	-	197,668	19,134	-	98,630	-	-	117,764
	96,838	213,153	11,502,727	5,228,641	-	17,041,359	64,270	53,116	8,710,572	3,450,711	-	12,278,669
Liabilities					-							
Deposits and obligation	-	-	-	-	11,350,714	11,350,714	-	-	-	-	8,838,991	8,838,991
Financial liabilities designated at fair value through profit and loss	-	50,561	-	-	-	50,561	-	-	-	-	-	-
Due to banks and correspondents	-	-	-	-	1,453,261	1,453,261	-	-	-	-	570,989	570,989
Due from customers on acceptances	-	-	-	-	35,901	35,901	-	-	-	-	45,129	45,129
Accounts payable to re-insurers and co-insurers	-	-	-	-	21,914	21,914	-	-	-	-	25,134	25,134
Borrowed funds	-	-	-	-	870,404	870,404	-	-	-	-	370,612	370,612
Bonds and subordinated notes issued	-	-	-	-	702,298	702,298	-	-	-	-	512,572	512,572
Other liabilities, note 13	69,662	-	-	-	389,314	458,976	7,774	-	-	-	257,742	265,516
	69,662	50,561	-	-	14,823,806	14,944,029	7,774	-	-	-	10,621,169	10,628,943

31. Financial risk management

By their nature, the Group's activities involved 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 standing. 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 credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating 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 Board of Directors of the Group 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 ASH) responsible for managing and monitoring risks, as further explained to follow:

(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 to be used in mitigating risks as well as setting forth the overall principles, policies and limits for the different type of risk that face the Group. It is 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 the Credicorp's Audit Committee and the 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 management of funding and liquidity risks of the Group 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 and established by the Group.

(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 is 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 appropriateness of the allowance for credit losses on a quarterly basis.

(c) Risk mitigation-

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from change 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.

31.1 Credit risk -

(a) The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group 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 balance consolidated 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 country are approved by the Board of Directors.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. 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 the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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 fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

(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. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (ie, assets where their 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 carry 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 carry less risk than a direct loan. The Group is under no commitments to extend credit.

In order to manage the credit risk, as part of the Risk Management Department of the Group, see note 31(a), exist a Risk Management Service which its major functions are implementing methodologies and statistical models for the measurement of credit risk exposures, developing and applying methodologies for the calculation of the risk-rated, both at the corporate and business unit levels, performing analysis of credit concentrations and verifying that the credit exposures are within the established limits. Also, suggesting the 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 are analyzed by this committee on a quarterly basis to subsequently evaluate the policies, procedures and limits currently effective at the Group to make sure 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 table below shows the maximum exposure to credit risk for the components of the consolidated balance sheet, including derivatives at fair value as of December 31, 2007 and 2006. The maximum exposure is shown gross, before the effect of mitigation through any collateral:

	2007 US$(000)	2006 US$(000)
Assets		
Cash and due from banks	3,073,865	2,733,530
Trading securities	50,995	45,136
Investments available-for-sale	5,228,641	3,450,711
Loans, net	8,039,500	5,736,823
Financial assets designated at fair value through profit and loss	213,153	53,116
Premiums and other policies receivable	85,495	61,279
Accounts receivable from re-insurers and co-insurers	116,141	35,181
Due from customers on acceptances	35,901	45,129
Other assets, note 13	197,668	117,764
	17,041,359	12,278,669
Off-balance instruments		
Contingent credits	1,564,525	1,455,376
Total	18,605,884	13,734,045

The above table represents a worse case scenario of credit risk exposure to the Group at December 31, 2007 and 2006, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated balance sheets. As shown above, as of December 31, 2007, 52 percent of the total maximum exposure is derived from loans (52 percent as of December 31, 2006); 28 percent represents investments in trading securities and available for sale (25 percent as of December 31, 2006) and 17 percent represents cash and due from banks (20 percent as of December 31, 2006). 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:

- 97 percent of the loans portfolio is categorized in the top two grades of the internal rating system as of December 31, 2007 (96 percent as of December 31, 2006);

- 94 percent of the loan portfolio is considered to be neither past due nor impaired as of December 31, 2007 (93 percent as of December 31, 2006);

- 75 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, 2007 (74 percent as of December 31, 2006); and

- 18 percent and 59 percent of the cash and due from banks represent amounts deposited in the vaults of the Group and in the Peruvian Central Bank (included overnight operations), respectively, as of December 31, 2007 (17 percent and 52 percent, respectively, as of December 31, 2006).

(c) Credit risk management for loans -

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

The five loan risk grades have the following characteristics:

Normal (Class A): Debtors of commercial loans or credits that fall into this category have complied on a timely basis with their obligations and at the time of evaluation of the credit do not present any reason for doubt with respect to repayment of interest and principal on the agreed upon dates, and the Group must have no reason to believe that the status will change before the next evaluation. To place a loan or credit in Class A, a clear understanding of the use to be made of the funds and the origin of the cash flows to be used by the debtor to repay the loan or credit is required. 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 or credits included in this category are those that at the time of the evaluation of the credit demonstrate certain deficiencies, which, if not corrected in a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in the category include: delays in loan payments which are promptly covered, a general lack of information required to analyze the credit, out-of-date financial information, temporary economic or financial imbalances on the part of the debtor which could 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 debtor company, labor problems; unfavorable credit history, noncompliance with internal policies of the debtor company, excessive reliance on one source of raw materials or one buyer of the debtor’s products, and low inventory turnover ratios or large inventories that are subject to competitive challenges or technological obsolescence. 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 or credits whose loans or credits are placed in this category demonstrate serious financial weakness, often with operating profits or available income insufficient to cover financial obligations on agreed upon terms, with no reasonable short-term prospects for a strengthening of the debtor's financial capacity. Loans or credits demonstrating the same deficiencies that warrant classification as category B credits warrant classification as Class C credits if those deficiencies are such that if they are not corrected in the near term, they could impede the recovery of principal and interest on the loan on the originally agreed terms. 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 or credits included in this classification present characteristics of actual credit risk that make doubtful the recovery of the loan. Although the loan recovery is doubtful, if there is a reasonable possibility that in the near future the creditworthiness of the debtor might improve, a Class D categorization is appropriate. These credits are distinguished from Class E credits by the requirement that the debtor remain in operation, generate cash flow, and make payments on the loan, albeit at a rate less than that specified in its contractual obligations. 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 moved into 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 Groups' management. The Group addresses impairment assessment 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. The 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, 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, 2006				
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)	%
Neither past due nor impaired -					
Normal	3,810,556	914,604	491,125	5,216,285	90
Potential problem	337,775	11,766	3,386	352,927	6
Past due but not impaired -					
Normal	114,981	20,480	8,779	144,240	3
Potential problem	2,005	5,414	819	8,238	-
Impaired -					
Substandard	52,684	7,622	5,270	65,576	1
Doubtful	98,110	14,193	9,814	122,117	2
Loss	49,726	7,194	4,974	61,894	1
Gross	4,465,837	981,273	524,167	5,971,277	103
Less: Allowance for loan losses	163,066	9,253	17,959	190,278	3
Total, net	4,302,771	972,020	506,208	5,780,999	100

Loans that are neither past-due nor impaired whose terms have been renegotiated are as follows:

	As of December 31, 2007				
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)	%
Loans refinanced or restructured:					
Normal	6,584	331	75	6,990	35
Potential problems	12,661	32	10	12,703	65
Total	19,245	363	85	19,693	100

	As of December 31, 2006				
	Commercial loans US$(000)	**Residential mortgage loans** US$(000)	**Consumer loans** US$(000)	**Total** US$(000)	**%**
Loans refinanced or restructured					
Normal	10,751	638	19	11,408	54
Potential problems	9,426	153	33	9,612	46
Total	20,177	791	52	21,020	100

An aging analysis of loans past due but not impaired by class, is as follows:

	As of December 31, 2007			
	Commercial loans US$(000)	**Residential mortgage loans** US$(000)	**Consumer loans** US$(000)	**Total** US$(000)
Past due up to 30 days	204,766	70,738	52,379	327,883
Past due 31 - 60 days	5,398	243	131	5,772
Past due 61 - 90 days	3	14	2	19
Past due over 91 days	9	61	1	71
Total	210,176	71,056	52,513	333,745

	As of December 31, 2006			
	Commercial loans	**Residential mortgage loans**	**Consumer loans**	**Total**
Past due up to 30 days	114,981	20,480	8,779	144,240
Past due 31 - 60 days	1,755	5,306	771	7,832
Past due 61 - 90 days	191	55	14	260
Past due over 91 days	59	53	34	146
Total	116,986	25,894	9,598	152,478

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, are as follows:

	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,

	As of December 31, 2006			
	Commercial loans US$(000)	Residential mortgage loans US$(000)	Consumer loans US$(000)	Total US$(000)
Impaired loans	200,520	29,009	20,058	249,587
Fair value of collateral	85,550	21,654	2,447	109,651
Allowance for loan losses	104,533	4,240	10,825	119,598

(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 held-for-trading and 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, 2007					
	Held-for-trading		Available-for-sale		Total	
	US$(000)	%	US$(000)	%	US$(000)	%
Instruments rated in Peru						
AAA	271	0.5	285,661	5.5	285,932	5.4
AA- to AA +	1,301	2.6	35,943	0.7	37,244	0.7
A- to A+	149	0.3	13,306	0.3	13,455	0.3
BBB- a BBB+	-	-	2,018	-	2,018	-
BB- to BB+	-	-	2,214	-	2,214	-
Lower than B-	-	-	-	-	-	-
Unrated (*)	25,078	49.2	2,854,295	54.6	2,879,373	54.6
	26,799	52.6	3,193,437	61.1	3,220,236	61.0
Instruments rated abroad						
AAA	-	-	242,428	4.6	242,428	4.6
AA- to AA +	-	-	132,907	2.5	132,907	2.5
A- to A+	-	-	234,455	4.6	234,455	4.5
BBB- a BBB+	19,336	37.8	584,549	11.2	603,885	11.4
BB- to BB+	2,119	4.2	539,816	10.3	541,935	10.3
Lower than B-	-	-	22,740	0.4	22,740	0.4
Unrated (*)	2,741	5.4	278,309	5.3	281,050	5.3
	24,196	47.4	2,035,204	38.9	2,059,400	39.0
Total	50,995	100.0	5,228,641	100.0	5,279,636	100.0

	As of December 31, 2006					
	Held-for-trading		Available-for-sale		Total	
	US$(000)	%	US$(000)	%	US$(000)	%
Instruments rated in Peru						
AAA	2	-	213,142	6.2	213,144	6.1
AA -to AA +	8,755	19.4	48,406	1.4	57,161	1.6
A to A+	777	1.7	9,207	0.3	9,984	0.3
BBB- to BBB	-	-	1,719	-	1,719	-
BB- to BB+	-	-	2,679	0.1	2,679	0.1
Lower than B-	-	-	-	-	-	-
Unrated (*)	35,602	78.9	1,521,008	44.1	1,556,610	44.6
	45,136	100.0	1,796,161	52.1	1,841,297	52.7
Instruments rated abroad						
AAA	-	-	243,098	7.0	243,098	7.0
AA- to AA +	-	-	90,274	2.6	90,274	2.6
A to A+	-	-	268,555	7.8	268,555	7.7
BBB- to BBB+	-	-	412,055	11.9	412,055	11.8
BB- a BB+	-	-	420,948	12.2	420,948	12.0
Lower than BB-	-	-	16,672	0.5	16,672	0.4
Unrated (*)	-	-	202,948	5.9	202,948	5.8
	-	-	1,654,550	47.9	1,654,550	47.3
Total	45,136	100.0	3,450,711	100.0	3,495,847	100.0

(*) As of December 31, 2007, include principally US$2,407.0 million, US$346.1 million and US$193.4 million of debt securities issued by Banco Central de Reserva del Perú - BCRP (which is a Peruvian Government entity not rated), listed and non-listed equity securities and mutual funds, respectively (US$1,277.6 million, US$250.9 million and US$96.5 million as of December 31, 2006, respectively).

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:

	2007 %	2006 %
Quoted Market Price	39.4	47.0
Valuation Techniques - market observable inputs	58.6	51.4
Valuation Techniques - non-market observable inputs	2.0	1.6
Total	100.0	100.0

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

As of December 31, 2007 and 2006, the financial instruments with exposure to the credit risk were distributed by the following economic sectors:

	2007					2006				
	Designated at fair value through profit and loss					Designated at fair value through profit and loss				
	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Available for sale securities US$(000)	Total US$(000)	Held for trading US$(000)	At inception US$(000)	Loans and receivables US$(000)	Available for sale securities US$(000)	Total US$(000)
Financial services	49,901	213,153	3,303,821	3,569,312	7,136,187	1,742	53,116	2,909,132	1,166,944	4,130,934
Manufacturing	2,710	-	2,134,497	199,874	2,337,081	-	-	1,585,646	-	1,585,646
Mortgage loans	-	-	1,079,955	-	1,079,955	-	-	849,037	-	849,037
Commerce	520	-	861,701	62,011	924,232	227	-	667,895	33,973	702,095
Public Administration and defense	22,161	-	73,533	746,634	842,328	19,134	-	-	1,454,193	1,473,327
Consumer loans	-	-	833,505	-	833,505	-	-	517,911	-	517,911
Mining	11,737	-	448,570	138,578	598,885	12,189	-	293,416	28,470	334,075
Electricity, gas and water	9,802	-	330,480	207,014	547,296	6,801	-	250,819	116,965	374,585
Leaseholds and real estate activities	-	-	373,659	159,063	532,722	-	-	227,347	22,213	249,560
Communications, storage and transportation	-	-	387,911	97,945	485,856	247	-	249,597	98,685	348,529
Micro-business loans	-	-	474,968	-	474,968	-	-	15,099	-	15,099
Community Services	-	-	239,947	-	239,947	-	-	167,711	-	167,711
Construction	-	-	197,257	3,914	201,171	-	-	76,352	17,038	93,390
Agriculture	-	-	172,817	5,550	178,367	-	-	144,130	-	144,130
Fishing	-	-	131,483	-	131,483	-	-	148,919	-	148,919
Insurance activities	-	-	122,667	-	122,667	-	-	53,647	42,853	96,500
Education, health and other services	-	-	102,456	4,514	106,970	2,517	-	-	1,510	4,027
Other	7	-	233,500	34,232	267,739	21,413	-	553,914	467,867	1,043,194
Total	96,838	213,153	11,502,727	5,228,641	17,041,359	64,270	53,116	8,710,572	3,450,711	12,278,669

As of December 31, 2007 and 2006, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	2007				
	Designated at fair value through profit and loss				
	Held for trading US$(000)	**At inception** US$(000)	**Loans and receivables** US$(000)	**Available for sale securities** US$(000)	**Total** 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
Panama	-	-	10,831	4,661	15,492
Germany	-	-	6,868	3,756	10,624
Canada	151	-	24,358	8,788	33,297
Bolivia	3,683	-	578,436	192,896	775,015
Spain	36	-	13,456	1,541	15,033
Venezuela	-	-	1,189	34,273	35,462
Gran Cayman	-	-	-	21,017	21,017
Chile	-	-	5,178	124,557	129,735
Netherlands	-	-	34,246	18,726	52,972
United Kingdom	13,654	-	38,571	31,041	83,266
Colombia	-	-	59,471	89,363	148,834
Brasil	-	-	2,204	36,130	38,334
Mexico	-	-	4,930	34,976	39,906
Ecuador	-	-	19,518	-	19,518
Republic of Salvador	-	-	602	11,168	11,770
Other	9,076	-	63,167	33,081	105,324
Total	96,838	213,153	11,502,727	5,228,641	17,041,359

	2006				
	Designated at fair value through profit and loss				
	Held for trading	At inception	Loans and receivables	Available for sale securities	Total
	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Peru	31,714	-	7,331,086	1,993,424	9,356,224
United States of America	21,447	53,116	617,338	823,900	1,515,801
Panama	-	-	32,961	7,291	40,252
Germany	-	-	2,466	-	2,466
Canada	-	-	5,764	-	5,764
Bolivia	3,432	-	491,735	152,083	647,250
Spain	-	-	13,269	27	13,296
Venezuela	-	-	45,161	56,983	102,144
Gran Cayman	-	-	14,602	-	14,602
Chile	-	-	8,515	109,136	117,651
Honduras	-	-	7,284	-	7,284
Netherlands	-	-	-	8,283	8,283
United Kingdom	1	-	6,188	34,195	40,384
Colombia	-	-	35,495	73,662	109,157
Brasil	-	-	3,411	-	3,411
Mexico	-	-	616	45,613	46,229
Ecuador	-	-	14,960	-	14,960
Republic of Salvador	-	-	13,690	14,134	27,824
Other	7,676	-	66,031	131,980	205,687
Total	64,270	53,116	8,710,572	3,450,711	12,278,669

31.2 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). Trading activities are primarily conducted by BCP, the Group's major subsidiary.

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, 2007 and 2006, the Group's VaR by type of asset is as follows:

	2007 US$(000)	2006 US$(000)
Equity securities	5,211	5,196
Fixed Income	567	2
Derivatives	626	1,012
Consolidated VaR by type of asset	5,261	5,659

As of December 31, 2007 and 2006, the Group's VaR by risk type is as follows:

	2007 US$(000)	2006 US$(000)
Foreign exchange risk	133	1,928
Interest rate risk	514	78
Equity risk	4,879	4,765
Consolidated VaR by risk type	5,261	5,659

(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, 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 and loss	-	-	50,561	-	-	162,592	213,153
Premiums and other policies receivables	-	-	-	-	-	85,495	85,495
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	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
Financial liabilities designated at fair value through profit and loss	-	-	50,561	-	-	-	50,561
Due to banks and correspondents	484,560	437,345	303,506	198,357	21,296	8,197	1,453,261
Accounts payable to re-insurers and co-insurers	-	-	-	-	-	21,914	21,914
Technical, insurance claims reserves and reserves for unearned premiums	1,626	4,878	14,634	95,017	305,039	394,333	815,527
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	-	-

	As of December 31, 2006						
	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	1,068,748	8,775	1,181,148	-	-	474,859	2,733,530
Investments	402,925	532,586	1,055,645	626,422	749,667	128,602	3,495,847
Loans	1,624,343	1,325,556	1,431,177	1,023,526	296,140	36,081	5,736,823
Assets designated at fair value through profit and loss	-	-	-	-	-	53,116	53,116
Premiums and other policies receivables	-	-	-	-	-	61,279	61,279
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	35,181	35,181
Other assets	-	-	-	-	-	765,753	765,753
Total assets	3,096,016	1,866,917	3,667,970	1,649,948	1,045,807	1,554,871	12,881,529
Deposits and obligations	2,429,405	2,204,614	1,763,756	275,260	176,392	1,989,564	8,838,991
Due to banks and correspondents	292,805	45,799	47,275	84,922	98,335	1,853	570,989
Accounts payable to re-insurers and co-insurers	-	-	-	-	-	25,134	25,134
Technical, insurance claims reserves and reserves for unearned premiums	2,149	4,298	19,341	78,611	274,741	249,081	628,221
Borrowed funds	-	370,612	-	-	-	-	370,612
Bonds and subordinated notes issued	43,044	-	83,957	363,201	22,370	-	512,572
Other liabilities		-	-	-	-	401,242	401,242
Equity	-	-	-	-	-	1,533,768	1,533,768
Total liabilities and equity	2,767,403	2,625,323	1,914,329	801,994	571,838	4,200,642	12,881,529
Off-Balance sheet items							
Derivatives assets	981,884	308,913	332,171	59,708	13,557	-	1,696,233
Derivatives liabilities	720,056	176,447	335,506	379,779	84,445	-	1,696,233
	261,828	132,466	(3,335)	(320,071)	(70,888)	-	-
Marginal gap	590,441	(625,940)	1,750,306	527,883	403,081	(2,645,771)	-
Accumulated gap	590,441	(35,499)	1,714,807	2,242,690	2,645,771	-	-

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.

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, based on the floating rate non-trading financial assets and financial liabilities held at December 31, 2007 and 2006, including the effect of derivatives instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and swaps designated as cash flow hedges, as of December 31, 2007 and 2006 for the effects of the assumed changes in interest rates:

	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	-/+	20,205
U.S. Dollar	+/-	75	+/-	11,479	-/+	30,307
U.S. Dollar	+/-	100	+/-	15,305	-/+	40,408
U.S. Dollar	+/-	150	+/-	22,957	-/+	60,613
Peruvian Currency	+/-	50	-/+	2,966	-/+	20,705
Peruvian Currency	+/-	75	-/+	4,448	-/+	31,056
Peruvian Currency	+/-	100	-/+	5,932	-/+	41,409
Peruvian Currency	+/-	150	-/+	8,897	-/+	62,114

	As of December 31, 2006					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	+/-	5,598	-/+	31,278
U.S. Dollar	+/-	75	+/-	8,398	-/+	46,918
U.S. Dollar	+/-	100	+/-	11,198	-/+	62,557
U.S. Dollar	+/-	150	+/-	16,795	-/+	93,835
Peruvian Currency	+/-	50	-/+	494	-/+	12,461
Peruvian Currency	+/-	75	-/+	741	-/+	18,691
Peruvian Currency	+/-	100	-/+	987	-/+	24,921
Peruvian Currency	+/-	150	-/+	1,481	-/+	37,862

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 percent and 15 percent changes in market prices is conducted to these price-sensitivity securities and the expected unrealized gain or loss (equity), before income tax, is presented below:

Market price sensitivity	**Changes in market prices** %		**As of December 31, 2007** US$(000)		**As of December 31, 2006** US$(000)	
Equity securities	+/-	10	+/-	32,088	+/-	21,557
Equity securities	+/-	15	+/-	48,132	+/-	32,335
Mutual funds	+/-	10	+/-	20,008	+/-	9,624
Mutual funds	+/-	15	+/-	30,013	+/-	14,436

(ii) Foreign exchange risk -

The Group takes is expose to foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Most assets and liabilities are denominated in U.S. Dollars.

Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2007 and 2006, the Group's assets and liabilities by currencies were as follows:

	2007				2006			
	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	2,644,858	311,828	117,179	3,073,865	2,250,111	396,238	87,181	2,733,530
Trading securities	38,647	11,463	885	50,995	14,144	30,800	192	45,136
Available-for-sale investments	1,934,672	3,129,351	164,618	5,228,641	1,493,043	1,904,535	53,133	3,450,711
Loans, net	5,555,864	2,450,297	33,339	8,039,500	4,181,558	1,492,681	62,584	5,736,823
Financial assets designated to fair value through profit and loss	213,153	-	-	213,153	53,116	-	-	53,116
Other assets	261,102	299,695	9,745	570,542	216,388	129,268	6,242	351,898
	10,648,296	6,202,634	325,766	17,176,696	8,208,360	3,953,522	209,332	12,371,214
Monetary liabilities -								
Deposits and obligations	(7,173,362)	(3,892,138)	(285,214)	(11,350,714)	(6,098,199)	(2,588,864)	(151,928)	(8,838,991)
Due to bank and correspondents and borrowed funds	(2,071,882)	(248,362)	(3,421)	(2,323,665)	(883,979)	(53,193)	(4,429)	(941,601)
Financial liabilities designated at fair value through profits and loss	(50,561)	-	-	(50,561)	-	-	-	-
Bonds and subordinated notes issued	(329,567)	(372,731)	-	(702,298)	(334,608)	(177,964)	-	(512,572)
Other liabilities	(1,040,179)	(434,353)	11,144	(1,463,388)	(662,946)	(378,473)	(13,178)	(1,054,597)
	(10,665,551)	(4,947,584)	(277,491)	(15,890,626)	(7,979,732)	(3,198,494)	(169,535)	(11,347,761)
	(17,255)	1,255,050	48,275	1,286,070	228,628	755,028	39,797	1,023,453
Forwards position, net	331,117	(273,971)	(57,146)	-	30,970	(22,368)	(8,602)	-
Net monetary position	313,862	981,079	(8,871)	1,286,070	259,598	732,660	31,195	1,023,453

The Group manages foreign exchange risk by monitoring and controlling non - U.S. Dollar position values due to changes in exchange rates. The Group measures its performance in U.S. Dollar, so if the net foreign exchange position is positive, any depreciation of the U.S. Dollar 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, 2007 and 2006 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** %	**2007** US$(000)	**2006** US$(000)
Devaluation -			
Peruvian Currency	5	(51,636)	(38,561)
Peruvian Currency	10	(109,009)	(81,407)
Revaluation -			
Peruvian Currency	5	46,718	34,889
Peruvian Currency	10	89,189	66,605

31.3 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, 2007						As of December 31, 2006					
	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	3,509,461	1,785,348	3,914,794	2,602,403	298,750	12,110,756	2,301,949	1,331,413	3,076,991	2,081,960	279,408	9,071,721
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	274,279	524,809	486,328	1,053,649	529,040	2,868,105	406,477	143,327	254,160	369,532	502,056	1,675,552
Accounts payable to re-insurer and co-insurers	3,507	10,840	7,412	155	-	21,914	9,395	6,022	8,927	790	-	25,134
Technical, insurance claims reserves and reserves for unearned premiums	77,047	100,991	184,769	165,095	558,301	1,086,203	168,181	13,169	60,065	128,492	510,284	880,191
Bonds and subordinates notes issued	48,867	43,071	104,174	315,911	426,688	938,711	42,751	10,354	110,275	478,798	47,861	690,039
Other liabilities	30,464	23,993	367,922	83,492	-	505,871	213,325	9,489	57,205	19,253	-	299,272
Total liabilities	3,943,891	2,489,586	5,067,847	4,285,768	1,812,779	17,599,871	3,142,078	1,513,774	3,567,623	3,078,825	1,339,609	12,641,909

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

	As of December 31, 2007						As of December 31, 2006					
	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	318,692	253,054	571,702	402,443	18,634	1,564,525	200,256	268,490	467,405	468,836	50,389	1,455,376

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

31.4 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.

31.5 Risk of the insurance activity -

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted within each of theses categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome, as well as the use of reinsurance arrangements.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but non-reported claims (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risk of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. The liability for these contracts includes a provision for reported claims not yet paid and a provision for unexpired risks at the consolidated balance sheet date.

The subsidiaries of the Group that operate in the insurance segment have automatic reinsurance coverage contracts that protect them against frequency and severity losses. The reinsurance includes coverage for excess claims and catastrophes. The objective of the reinsurance is that the total net insurance loss does not affect the net worth and liquidity of the Group in any given year.

In addition to the total Group's reinsurance program, it is possible to buy additional reinsurance protection under the automatic or facultative contract modality and for any situation the risk evaluation process considers it necessary.

In reference to reinsurance risks, the policy of the Group is to only enter into contracts with companies that are qualified as investment grade by qualified international risk rating agencies.

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. There is no single counterparty of the total reinsurance accounts receivable and payable at the consolidated balance sheet date.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. This could occur as the frequency or severity, or both, of the claims and benefits are greater than the calculated. In the particular case of the survival business life (life annuities), the risk assumed by the Group consists in that the real life expectancy of the insured population is greater than the estimated at the time of issuing the policy, which would mean there would be a deficit in the reserves to carry out the pension payments.

The factors considered in the evaluation of insurance risks are the frequency and severity of the claims, the sources of uncertainty in the calculation of payments for future claims and the mortality tables for life insurance.

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. Risk under non-life insurance policies usually cover 12 month duration.

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 risk 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 an by industry.

The above risk exposure is 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 type of risk 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 risk exposure of the Group. 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.

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.

Life insurance contracts

Life insurance contracts offered by the Group include mainly immediate annuities, group life and universal life.

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

- Mortality / Longevity 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.
- 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 by 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. Underwriting limits are in place to enforce appropriate risk selection criteria. 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.

The treatment of benefits as well as the sufficiency of the reserves is a principal concern of the insurance management. The technical reserves are estimated by actuaries of the insurance segment and are reviewed by independent experts. The insurance segment continuously monitors the claim trends, which allows estimates to be carried out for incurred and non-reported claims (IBNR) based on recent information. These estimations are also reviewed by independent experts. The management has made a sensitivity analysis of the estimates of the technical reserves, note 16(c).

The insurance products do not contain particularly relevant terms or clauses that could have a significant impact or represent important uncertainties to the cash flows of the insurance segment.

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 and after the eliminations for consolidation:

	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	16,520	-	-	-	-	4,354	20,874
Investments	4,295	10,847	11,630	96,207	513,714	159,755	796,448
Premiums and other policies receivables	-	-	-	-	-	85,495	85,495
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	116,141	116,141
Other assets	-	-	-	-	-	119,503	119,503
Total assets	20,815	10,847	11,630	96,207	513,714	485,248	1,138,461
Liabilities							
Due to banks and correspondents	2,964	-	-	-	-	9	2,973
Accounts payable to re-insurers and co-insurers	-	-	-	-	-	21,914	21,914
Technical, insurance claims reserves and reserves for unearned premiums	1,626	4,878	14,634	95,017	305,039	394,333	815,527
Other liabilities	-	-	-	-	-	32,869	32,869
Equity	-	-	-	-	-	265,178	265,178
Total liabilities and equity	4,590	4,878	14,634	95,017	305,039	714,303	1,138,461
Marginal gap	16,225	5,969	(3,004)	1,190	208,675	(229,055)	-
Accumulated gap	16,225	22,194	19,190	20,380	229,055	-	-

	As of December 31, 2006						
	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	18,464	-	-	-	-	59,548	78,012
Investments	3,439	15,856	44,392	102,051	411,725	143,823	721,286
Premiums and other policies receivables	-	-	-	-	-	61,279	61,279
Accounts receivable from re-insurers and co-insurers	-	-	-	-	-	35,181	35,181
Other assets	-	-	-	-	-	93,629	93,629
Total assets	21,903	15,856	44,392	102,051	411,725	393,460	989,387
Liabilities							
Accounts payable to re-insurers and co-insurers	-	-	-	-	-	25,134	25,134
Technical, insurance claims reserves and reserves for unearned premiums	2,149	4,298	19,341	78,611	274,741	249,081	628,221
Other liabilities	-	-	-	-	-	46,104	46,104
Equity	-	-	-	-	-	289,928	289,928
Total liabilities and equity	2,149	4,298	19,341	78,611	274,741	610,247	989,387
Marginal gap	19,754	11,558	25,051	23,440	136,984	(216,787)	-
Accumulated gap	19,754	31,312	56,363	79,803	216,787	-	-

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 equity of the insurance activity, before income tax:

	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	+/-	75	-/+	194	-/+	14,824
U.S. Dollar	+/-	100	-/+	259	-/+	19,766
U.S. Dollar	+/-	150	-/+	388	-/+	29,649
Peruvian Currency	+/-	50	+/-	50	-/+	1,533
Peruvian Currency	+/-	75	+/-	75	-/+	2,300
Peruvian Currency	+/-	100	+/-	101	-/+	3,066
Peruvian Currency	+/-	150	+/-	151	-/+	4,599

	As of December 31, 2006					
Currency	**Changes in basis points**		**Sensitivity of net income** US$(000)		**Sensitivity of Equity** US$(000)	
U.S. Dollar	+/-	50	-/+	694	-/+	9,863
U.S. Dollar	+/-	75	-/+	1,040	-/+	14,794
U.S. Dollar	+/-	100	-/+	1,387	-/+	19,726
U.S. Dollar	+/-	150	-/+	2,081	-/+	29,589
Peruvian Currency	+/-	50	-/+	26	-/+	1,367
Peruvian Currency	+/-	75	-/+	38	-/+	2,051
Peruvian Currency	+/-	100	-/+	51	-/+	2,735
Peruvian Currency	+/-	150	-/+	77	-/+	4,102

The interest rate sensitivities set out in the table above are illustrative only and employ simplified scenarios. It should be note 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 do the take account of any resultant changes in policyholder behaviors.

(b) Foreign exchange risk of the insurance activity -

As of December 31, 2007 and 2006, the insurance activity assets and liabilities by currencies after the eliminations for consolidation were as follows:

	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

	2006		
	U.S. Dollars US$(000)	**Peruvian Currency** US$(000)	**Total** US$(000)
Monetary assets	592,875	324,363	917,237
Monetary liabilities	(483,995)	(199,777)	(683,772)
Net monetary position	108,880	124,585	233,465

The table below shows the sensitivity analysis of the Peruvian Currency as of 31 December 2007 and 2006 on the insurance activity 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 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 %	2007 US$(000)	2006 US$(000)
Devaluation -			
Peruvian Currency	5	(2,540)	(6,557)
Peruvian Currency	10	(5,363)	(13,843)
Revaluation -			
Peruvian Currency	5	2,298	5,933
Peruvian Currency	10	4,388	11,326

(c) Liquidity risk of the insurance activity -

The insurance companies of the Group are exposed to requirements of cash available, mainly for contracts of insurance claims of short term. The liquidity risk is the risk that the cash may not be available to pay obligations at their maturity at a reasonable cost. The Group holds the available funds for covering its liabilities according to their maturity and unexpected claims.

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

The table below presents the cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the consolidated balance sheets dates. The amounts disclosed in the table are the contractual undiscounted cash flows and include the interest raisen:

	As of December 31, 2007						As of December 31, 2006					
	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)
Due to bank and correspondents and Borrowed funds	2,973	-	-	-	-	2,973	-	-	-	-	-	-
Accounts payable to re-insurer and co-insurers	3,507	10,840	7,412	155	-	21,914	9,395	6,022	8,927	790	-	25,134
Technical, insurance claims reserves and reserves for unearned premiums	77,047	100,991	184,769	165,095	558,301	1,086,203	168,181	13,169	60,065	128,492	510,284	880,191
Other liabilities	9,974	7,594	847	280	-	18,695	31,772	440	546	-	-	32,758
Total liabilities	93,501	119,425	193,028	165,530	558,301	1,129,785	209,348	19,631	69,538	129,282	510,284	938,083

(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.

- The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that 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. Compliance with the policy 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.

31.6 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 Superintendencia de Banca, Seguros y AFP (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. 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, 2007 and 2006, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately US$1,420.2 and US$1,008.0 million, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca, Seguros y AFP (SBS) regulations in force as of such dates. According to the Superintendencia de Banca, Seguros y AFP (SBS) and the Administradoras Privadas de Fondos de Pensiones (AFP) regulations, the Group's regulatory capital exceeds in approximately US$350.4 million the minimum regulatory capital required as of December 31, 2007 (approximately US$157.0 million as of December 31, 2006).

31.7 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:

	2007		2006	
	Book value US$(000)	**Fair value** US$(000)	**Book value** US$(000)	**Fair value** US$(000)
Assets				
Cash and due from banks	3,073,865	3,073,865	2,733,530	2,733,530
Trading securities	50,995	50,995	45,136	45,136
Investments available-for-sale	5,228,641	5,228,641	3,450,711	3,450,711
Loans, net	8,039,500	8,056,106	5,736,823	5,731,285
Financial assets designated at fair value through profit and loss	213,153	213,153	53,116	53,116
Premiums and other policies receivable	85,495	85,495	61,279	61,279
Accounts receivable from re-insurers				
Accounts receivable from re-insurers and co-insurers	116,141	116,141	35,181	35,181
Due from customers on acceptances	35,901	35,901	45,129	45,129
Other assets	197,668	197,668	117,764	117,764
Liabilities				
Deposits and obligation	11,350,714	11,350,714	8,838,991	8,838,991
Due to banks and correspondents	1,453,261	1,453,185	570,989	571,248
Banker's acceptances outstanding	35,901	35,901	45,129	45,129
Accounts payable to re-insurers and co-insurers	21,914	21,914	25,134	25,134
Financial liabilities designated at fair value through profit and loss	50,561	50,561	-	-
Borrowed funds	870,404	870,404	370,612	370,612
Bonds and subordinated notes issued	702,298	716,609	512,572	517,539
Other liabilities	458,976	458,976	265,516	265,516

31.8 Fiduciary activities and management of investment 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, 2007 and 2006, the assigned value of the financial assets under administration (in U.S. Dollars million) is as follows:

	2007	2006
Investments funds	1,768.8	1,124.2
Pension Funds	5,939.0	4,163.4
Equity managed	2,740.7	1,688.7
Total	10,448.5	6,976.3

COLEGIO DE CONTADORES PÚBLICOS DE LIMA
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Constancia de Habilitación

El Decano y el Director Secretario del Colegio de Contadores Públicos de Lima, que suscriben, declaran que en base a los registros de la Institución, se ha verificado que

MEDINA, ZALDIVAR, PAREDES & ASOCIADOS SOC. CIV.

MATRICULA : S0761

FECHA DE COLEGIATURA : 05/11/2002

se encuentra hábil a la fecha para el ejercicio de las funciones profesionales que le faculta la Ley N° 13253, y conforme al Estatuto y Reglamento Interno de este Colegio; en fe de lo cual y a solicitud de parte, se le extiende la presente constancia para los efectos y usos que estime conveniente. Esta constancia tiene vigencia hasta el 31/03/2008

Lima, 22 de Febrero de 2007

CPC Pedro Ramírez Rossel
Decano

CPC Max Orlando Pinedo Ruiz
Director Secretario