Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, together with the Report of Independent Registered Public Accounting Firm

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Content

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Credicorp Ltd.

We have audited the accompanying consolidated balance sheets of Credicorp Ltd. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits also include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credicorp Ltd. and Subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with International Financial Reporting Standards (IFRS), which differ in certain respects from U.S. generally accepted accounting principles (see note 27 to the consolidated financial statements).

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

Juan Paredes
C.P.C. Register Nº22220

Lima, Peru,
February 22, 2006,
except for notes 26 and 27, as to which the date is
June 12, 2006

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2005 and 2004

	Note	2005 US$(000)	2004 US$(000)
Assets			
Cash and due from banks:	4		
Non-interest bearing		364,947	251,561
Interest bearing		2,295,868	1,593,900
		2,660,815	1,845,461
Investments:			
Trading securities	5	60,785	102,534
Investments available-for-sale	6	2,827,673	2,128,522
		2,888,458	2,231,056
Loans, net:	7		
Loans, net of unearned income		5,014,255	4,589,729
Allowance for credit losses		(197,495)	(253,408)
		4,816,760	4,336,321
Premiums and other policies receivable		57,301	60,665
Reinsurance receivable		35,288	35,453
Property, furniture and equipment, net	8	248,299	246,712
Due from customers on acceptances		45,423	47,635
Assets seized, net	9	39,373	64,873
Other assets	10	237,930	219,384
Total assets		11,029,647	9,087,560

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

Consolidated balance sheets (continued)

	Note	2005 US$(000)	2004 US$(000)
Liabilities and shareholders' equity			
Deposits and obligations:	11		
Non-interest bearing		1,671,621	1,219,695
Interest bearing		5,421,807	5,076,504
		7,093,428	6,296,199
Due to banks and correspondents	12	1,303,371	431,052
Bankers' acceptances outstanding		45,423	47,635
Reserves for insurance claims	13	464,578	398,439
Reserves for unearned premiums		81,516	72,327
Accounts payable to reinsurance		36,580	23,612
Bonds issued	14	429,224	423,977
Other liabilities	10	283,572	243,869
Total liabilities		9,737,692	7,937,110
Shareholders' equity	15		
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		269,527	269,527
Other reserves		83,302	76,131
Retained earnings		298,113	180,041
		1,190,440	1,065,197
Minority interest		101,515	85,253
Total shareholders' equity		1,291,955	1,150,450
Total liabilities and shareholders' equity		11,029,647	9,087,560

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

Credicorp Ltd. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2005, 2004 and 2003

	Note	2005 US$(000)	2004 US$(000)	2003 US$(000)
Interest and dividend income				
Interest on loans		447,392	426,537	457,826
Interest on deposits in banks		37,127	20,146	18,826
Interest from trading securities and investments available-for-sale		117,242	81,276	60,229
Dividend income		3,553	2,256	1,977
Other interest income		7,118	12,627	9,427
Total interest and dividend income		612,432	542,842	548,285
Interest expense				
Interest on deposits and obligations		(119,138)	(95,965)	(99,955)
Interest on bonds issued		(24,332)	(27,651)	(28,068)
Interest on borrowed funds		(20,288)	(16,366)	(17,235)
Other interest expense		(9,401)	(20,316)	(18,322)
Total interest expense		(173,159)	(160,298)	(163,580)
Net interest and dividend income		439,273	382,544	384,705
Provision for loan losses	7(f)	6,356	(16,131)	(66,421)
Net interest and dividend income after provision for credit losses		445,629	366,413	318,284
Other income				
Banking services commissions		206,163	201,474	189,472
Net gain on foreign exchange transactions		29,286	24,165	23,681
Net gain on sales of securities		8,965	10,135	3,235
Other	20	21,571	8,105	23,227
Total other income		265,985	243,879	239,615
Insurance premiums and claims				
Net premiums earned	19	218,955	192,672	125,115
Net claims incurred		(42,569)	(34,791)	(23,844)
Increase in costs for life and health policies		(132,931)	(119,534)	(75,930)
Total premiums earned less claims		43,455	38,347	25,341

Consolidated income statements (continued)

	Note	2005 US$(000)	2004 US$(000)	2003 US$(000)
Other expenses				
Salaries and employees benefits		(236,347)	(202,729)	(193,563)
Administrative expenses		(138,294)	(153,096)	(147,593)
Depreciation and amortization		(38,728)	(41,742)	(43,660)
Provision for assets seized	9(b)	(16,959)	(14,639)	(13,588)
Merger expenses	2(d) and (e)	-	(3,742)	(18,587)
Goodwill amortization	10(c)	-	(4,853)	(4,223)
Other	20	(46,745)	(42,869)	(27,746)
Total other expenses		(477,073)	(463,670)	(448,960)
Income before translation result and income tax		277,996	184,969	134,280
Translation result		(9,597)	2,040	(3,675)
Income tax	16(b)	(73,546)	(45,497)	(39,695)
Net income		194,853	141,512	90,910
Attributable to:				
Equity holders of Credicorp		181,885	130,747	80,607
Minority interest		12,968	10,765	10,303
		194,853	141,512	90,910
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp (in United States dollars)	21	2.28	1.64	1.01

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of changes in shareholders' equity

For the years ended December 31, 2005, 2004 and 2003

	Attributable to the equity holders of Credicorp									
	Number of shares issued, note 21 (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, 2003	94,382	471,912	(73,177)	140,500	104,104	(9,495)	189,956	823,800	64,742	888,542
Changes in equity for 2003 -										
Net unrealized gains from investments available-for-sale, note 6(b)	-	-	-	-	-	18,844	-	18,844	743	19,587
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	11,401	-	11,401	-	11,401
Income for the year recognized directly in equity	-	-	-	-	-	30,245	-	30,245	743	30,988
Net income	-	-	-	-	-	-	80,607	80,607	10,303	90,910
Total recognized income for the period	-	-	-	-	-	30,245	80,607	110,852	11,046	121,898
Transfer of retained earnings to reserves	-	-	-	-	165,423	-	(165,423)	-	-	-
Cash dividends, note 15(d)	-	-	-	-	-	-	(23,922)	(23,922)	-	(23,922)
Dividends of subsidiaries and other	-	-	-	-	-	-	-	-	(2,947)	(2,947)
Balances as of December 31, 2003	94,382	471,912	(73,177)	140,500	269,527	20,750	81,218	910,730	72,841	983,571

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

Consolidated statements of changes in shareholders' (continued)

	Number of shares issued, note 21	Capital stock	Treasury stock	Capital surplus	Reserves	Other reserves	Retained earnings	Total	Minority interest	Total net equity
		Attributable to the equity holders of Credicorp								
	(In thousands of units)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)	US$(000)
Changes in equity for 2004 -										
Net unrealized gain from investments available-for-sale, note 6(b)	-	-	-	-	-	56,746	-	56,746	9,762	65,508
Transfer of net realized gains to the operations result, net of realized losses, note 6(b)	-	-	-	-	-	(1,365)	-	(1,365)	53	(1,312)
Income for the year recognized directly in equity	-	-	-	-	-	55,381	-	55,381	9,815	65,196
Net income	-	-	-	-	-	-	130,747	130,747	10,765	141,512
Total recognized income for the period	-	-	-	-	-	55,381	130,747	186,128	20,580	206,708
Decrease in treasury stock	-	-	70	193	-	-	-	263	-	263
Cash dividends, note 15(d)	-	-	-	-	-	-	(31,900)	(31,900)	-	(31,900)
Dividends of subsidiaries and other	-	-	-	-	-	-	(24)	(24)	(8,168)	(8,192)
Balances as of December 31, 2004 carried forward	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(b)	-	-	-	-	-	7,121	-	7,121	4,764	11,885
Transfer of net realized gains to the operations results, net of realized losses, note 6(b)	-	-	-	-	-	(1,572)	-	(1,572)	(165)	(1,737)
Net gain on cash flow hedge, note 18(e)	-	-	-	-	-	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 15(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

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

Credicorp Ltd. and Subsidiaries

Consolidated cash flow statements

For the years ended December 2005, 2004 and 2003

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Cash flows from operating activities			
Net income	194,853	141,512	90,910
Add (deduct)			
Provision for loan losses	(6,356)	16,131	66,421
Depreciation and amortization	38,728	41,742	43,660
Amortization of goodwill	-	4,853	4,223
Provision for assets seized	16,959	14,639	13,588
Provision for sundry risks	5,567	9,819	2,022
Deferred income tax	(11,502)	(6,325)	4,410
Net gain on securities available-for-sale	(8,965)	(10,135)	(3,235)
Loss on sales of property, furniture and equipment	(1,875)	4,525	1,639
Translation result	9,597	(2,040)	3,675
Purchase (sale) of trading securities, net	22,843	(3,788)	506,358
Purchase of loan portfolio, note 2(b)	(353,769)	-	-
Changes in assets and liabilities:			
Decrease (increase) in loans, net	161,236	(142,316)	136,994
Increase in other assets	13,906	69,427	36,510
Increase (decrease) in deposits and obligations, net	506,765	296,094	(418,569)
Increase (decrease) in due to banks and correspondents, net, note 12	523,149	130,369	(24,402)
Increase in other liabilities, net	146,688	139,626	90,435
Net cash provided by operating activities	1,257,824	704,133	554,639
Cash flows from investing activities			
Acquisition of subsidiaries net of cash received, notes 2(d) and (e)	-	(4,900)	(17,100)
Disposal of Banco Tequendama S.A., net of cash disposed, note 2(c)	17,977	-	-
Net purchase of investments available-for-sale	(634,182)	(410,693)	(967,715)
Purchase of property, furniture and equipment	(48,769)	(41,087)	(29,919)
Sales of property, furniture and equipment	19,448	7,788	23,951
Net cash used in investing activities	(645,526)	(448,892)	(990,783)

Consolidated cash flow statements (continued)

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Cash flows from financing activities			
Increase (decrease) in bonds issued	5,247	4,516	(71,518)
Sales of treasury stocks	-	263	-
Increase (decrease) from borrowed funds, note 12	290,905	26,446	(12,065)
Cash dividends	(63,810)	(31,900)	(23,922)
Net cash provided by (used in) financing activities	232,342	(675)	(107,505)
Translation loss on cash and cash equivalents	(29,286)	(24,165)	(23,681)
Net increase (decrease) in cash and cash equivalents	815,354	230,401	(567,330)
Cash and cash equivalents at the beginning of the year	1,845,461	1,615,060	2,182,390
Cash and cash equivalents at the end of the year	2,660,815	1,845,461	1,615,060
Supplementary cash flows information:			
Cash paid during the year for -			
Interests	171,495	158,414	165,710
Income taxes	47,760	43,866	59,064
Cash received during the year for -			
Interests	594,358	548,512	541,703

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

1. **Operations**

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

Credicorp Ltd., through its banking and non-banking subsidiaries, provides a complete range of financial services and products throughout Peru and in selected international markets. At December 31, 2005, the major subsidiary of the Group is Banco de Credito del Peru (hereinafter "BCP" or the "Bank"), a Peruvian universal bank. The address of Credicorp's main office is Calle Centenario Nº156, La Molina, Lima, Peru.

The consolidated financial statements as of and for the year ended December 31, 2004 have been approved in the General Shareholders' Meeting dated March 31, 2005. The accompanying consolidated financial statements as of and for the year ended December 31, 2005, have been approved by Management and will be submitted for approval at the Board of Directors and the General Shareholders' Meeting that will occur within the period established by law. In Management's opinion, the accompanying consolidated financial statements will be approved without modifications.

2. **Business developments**

(a) Incorporation of a Private Pension Fund Management -

Credicorp's Board of Directors Meeting held on November 25, 2004, approved that its subsidiary Grupo Credito S.A. will take part, as the principal shareholder, in the start-up of a new private pension fund management company, Administradora de Fondos de Pensiones - AFP (Prima AFP S.A.), which was incorporated on March 4, 2005. As of December 31, 2005, the fair value of the funds under its administration amounts to US$255.2 million, note 3(b) (iv).

(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 buy-sale the loans portfolio of the Bank Boston N.A. Peruvian branch and the loan portfolio of Peruvians in United States Fleet Boston N.A., registering this operation 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. In the years 2004 and 2003, the subsidiary operated in the banking segment and contributed to net income with US$1.9 and US$0.1 million, respectively.

The detail of assets and liabilities disposed and the disposal consideration are as follows:

	2004 US$(000)
Cash and cash equivalents	14,571
Investments	68,029
Net loans	297,764
Other assets	17,926
Deposits	(290,465)
Borrowed funds	(58,266)
Other liabilities	(14,865)
Net assets	34,694
Cash proceeds from sale	32,548
Less - Cash and cash equivalents in subsidiary sold	(14,571)
Net cash inflows from sale	17,977

(d) Acquisition of Corporación Novasalud Perú S.A. -

In March 2004, El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros S.A.A. (hereinafter "PPS"), a subsidiary of the Group, acquired a 100 percent interest in Corporacion Novasalud S.A., proprietary of a 100 percent of Novasalud Peru S.A. - Entidad Prestadora de Salud (hereinafter "Novasalud EPS"). The amount paid for this purchase amounted to approximately US$6.5 million, generating goodwill of approximately US$5.9 million, note 10(c). On March, 2004, the company was absorbed by Pacífico S.A. Entidad Prestadora de Salud.

(e) Acquisition of Solucion Financiera de Crédito del Perú S.A. -

In March 2003, BCP acquired a 45 percent interest in its subsidiary Solucion Financiera de Credito del Peru S.A. (hereinafter "Financiera"), thus increasing its participation to 100 percent of Financiera's capital stock. The amount paid for the aforementioned purchase amounted to approximately US$17.1 million; generating goodwill of approximately US$8.0 million, note 10(c). On February 2004, the company was merged with Banco de Crédito del Peru.

3. Significant accounting policies

Significant accounting principles and practices used in the preparation of Credicorp's consolidated financial statements are set out below.

(a) Basis of presentation and use of estimates -

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, unless otherwise stated.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of significant events in notes to the consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the 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 credit losses, the measurement of the financial instruments, the provision corresponding to technical reserves for claims and premiums, the provision for assets seized and the valuation of derivatives. The accounting criteria used for each of these items are described below.

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, 2005. 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:

- IAS 1 (revised in 2003) has affected mainly the presentation of minority interest as part of the net equity.

- IAS 8, 10, 16, 17, 27, 28, 32, 33, 39 (all revised in 2003) and IAS 39 (revised in 2004) had no material effect on the Group's policies.

- IAS 21 (revised in 2003) had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as used in previous years.

- IAS 24 (revised in 2003) has affected the identification of related parties and other related-party disclosures.

- The adoption of IFRS 2 had no material effect for the consolidated financial statements.

- The adoption of IFRS 3, IAS 36 (revised in 2004) and IAS 38 (revised in 2004) resulted in a change in the accounting policy for goodwill. In accordance with the provisions of IFRS 3, see paragraph (m) below:

  (i) The Group ceased the amortization of goodwill from January 1st, 2005.

  (ii) Accumulated amortization as of December 31, 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

  (iii) From the year ended December 31, 2004 onwards, goodwill is tested annually for impairment.

- The adoption of IFRS 4 does not require significant changes in the Group's accounting policies.

- The Group has reassessed the useful lives of its intangible assets in accordance with the provision of IAS 38 (revised in 2004). No adjustment resulted from this reassessment.

(b) Consolidation -

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

Subsidiaries are fully consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. The consolidated financial statements incorporate the assets, liabilities, income and expenses of Credicorp and its subsidiaries. Inter-company transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group and IFRS.

The Group uses the purchase method of accounting to register the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

The companies that comprise the Group as of December 31, 2005 and 2004, 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 prepared in accordance with IFRS for consolidation purposes, before eliminations, except for the elimination of Credicorp´s treasury shares and the related dividends, are as follows:

Entity	Percentage of participation		Assets		Liabilities		Shareholders' equity		Net income (loss)	
	2005 %	2004 %	2005 US$(000)	2004 US$(000)	2005 US$(000)	2004 US$(000)	2005 US$(000)	2004 US$(000)	2005 US$(000)	2004 US$(000)
Banco de Credito del Peru and Subsidiaries (i)	96.98	96.98	9,316,825	7,289,341	8,439,407	6,494,346	877,418	794,996	183,386	127,962
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	1,052,386	821,738	949,757	729,297	102,629	92,441	13,483	13,293
El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	75.72	75.72	809,968	698,938	614,215	527,662	195,753	171,276	11,653	12,379
Grupo Credito S.A. and Subsidiaries (iv)	99.99	99.99	74,252	62,091	5,684	5,156	68,567	56,934	(5,491)	1,908
Banco Tequendama and Subsidiaries, note 2(c)	-	99.99	-	398,289	-	367,574	-	30,714	-	1,910
CCV Inc. (v)	99.99	99.99	-	17,095	-	17,308	-	(213)	(244)	(198)
CCR Inc. (v)	99.99	99.99	282,124	86,136	280,000	85,441	2,124	695	(197)	74
Credicorp Securities Inc. (vi)	99.99	99.99	1,019	818	21	22	998	796	203	135

(i) Banco de Credito (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 and insurance and AFP authority.

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

(iii) El Pacifico Peruano-Suiza Compañia 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 Pacifico Vida Compañía de Seguros y Reaseguros S.A. and Pacifico S.A. Entidad Prestadora de Salud (EPS), in which maintain a share of 61.99 percent and 100.00 percent, respectively.

(iv) Grupo Crédito S.A. (formerly Inversiones Credito del Peru S.A.), is a Peruvian corporation incorporated 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 as detailed in note 2(a), which as of December 31, 2005, had assets for an amount of approximately US$18.3 million, liabilities for US$2.8 million and a net loss of US$7.6 million. Additionally, the Company owns 100.00 percent of the shares of Soluciones en Procesamiento S.A. (Servicorp), an entity specialized in collection services.

(v) CCV Inc. and CCR Inc., are special purposes entities incorporated in Bahamas in 2001, whose main activity is to manage the loans granted to BCP from foreign financial entities, note 12(b), which are collateralized by transactions realized by the Bank.

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

(c) Foreign currency translation -

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

Financial statements of each of 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 that 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, are translated monthly at average exchange rate.

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

(d) Income and expense recognition from banking activities -
Interest income and expense is recognized in the income statement for all instruments measured at amortized cost using the effective interest method. It is a method of calculating the amortized cost of a financial assets or a financial liability and allocating the interest income or interest expense over the relevant period on an accrual basis. Interest rates are determined based on free negotiations with clients.

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

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

Commission income is recognized on an accrual basis when earned. All other revenues and expenses are recognized on an accrual basis as earned or incurred.

(e) Income and expense recognition from insurance activities -
Premiums from long-term contracts, mainly life insurance, are recognized as revenue when due. Premiums from short-term insurance contracts, mainly credit, accident and health policies, are earned over the related contract period. In this regard, a reserve for unearned premiums is recorded representing the unexpired portion of premium coverage on the basis of annual renewals.

The reserve for unearned premiums is calculated on an individual basis for each policy or coverage certificate, applying to the insurance premiums (direct insurance and reinsurance accepted premiums less ceded premiums), net of commissions and taxes, the unearned portion of the total risk (in number of days).

The Management, on the basis of periodical reviews of the clients' portfolio, determines the allowance for doubtful accounts related to premiums and installments outstanding.

Casualty claims are recorded when the event occurs. The incurred but not reported claims (IBNR) are estimated and reflected as a liability. The IBNR reserves as of December 31, 2005 and 2004 have been estimated using generally accepted actuarial reserving methods that take into account the statistical analyses of historical loss experience data, the use of projection methods and, as appropriate, certain qualitative factors to reflect the effect of current conditions or trends upon such experience. Management considers that the estimated amount is sufficient to cover any liability related to IBNR as of December 31, 2005 and 2004.

In determining insurance policy reserves for life and non life insurances, the Group performs a continuing review of its overall position, its reserving techniques and its reinsurance. A qualified actuary employed by the Group also reviews the reserves periodically. Since the reserves are based on estimates, the ultimate liability may be more or less than such reserves. The effects of changes in such estimated reserves are included in the results of operations in the period in which the estimates are changed.

Reserves for life insurance policies are estimated using a net level premium method on the basis of actuarial assumptions as to mortality and interest established at product design. The mortality assumptions established at product design are based on experience which, together with interest assumptions, includes a margin for adverse deviation. Additional reserves for specific future benefits, like participating life policies, endowment and return of premium policies are computed based on prior years experience and current reasonable expected future trends of the insurance market. Benefit liabilities for annuities during the accumulation period are equal to accumulated contract holders' fund balances and after annuitization are equal to the present value of expected future payments.

The registered technical reserves are regularly subject to liability adequacy test with the object of determining their sufficiency regarding the projections of all the future cash flows of valid contracts. If, as a consequence of this test, it is manifested that the reserves are insufficient, then they are adjusted and the effect is recorded in the operating results of the period.

Policyholders' funds for universal life are considered in the computation of the life insurance reserves. Policy benefits that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policyholders' account balances.

Policy acquisition costs (commissions) that are variable and primarily related to the acquisition of new and renewal insurance contracts are deferred and amortized over the respective policy terms. The recoverability of deferred policy acquisition costs are reviewed annually.

(f) Loans and allowance for credit losses -

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

An allowance for credit loss is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan. For such purpose, Credicorp classifies all its loans into one of five risk categories, depending upon the degree of risk of nonpayment of each loan. The categories used by Credicorp are: (i) normal, (ii) potential problems, (iii) substandard, (iv) doubtful and (v) loss. Credicorp reviews its loan portfolio on a continuing basis in order to assess the completion and accuracy of its classification. For commercial loans, the classification takes into consideration several factors, such as the payment history of the particular loan, the history of Credicorp's dealings with the borrower's management, operating history, repayment capability and availability of funds of the borrower, status of any collateral and guarantee, the borrower's financial statements, general risk of the sector in which the borrower operates, the borrower's risk classification made by other financial institutions in the market and other relevant factors. For micro-business, consumer and residential mortgage, the classification is based on how long payments are overdue.

The allowance for credit losses is established based in the risk classifications and taking into consideration the guarantees and collateral obtained by the Group. Only collateral received and classified as "preferred", "highly liquid preferred" or "self-liquidating preferred" is considered acceptable. Such collateral must be relatively liquid, have legally documented ownership, have no liens outstanding and have updated independent appraisals.

The allowance for credit losses also covers the estimated losses for impaired loans not specifically identified.
In the case of borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and an additional country risk provisions provided.

All loans considered impaired (the ones classified as substandard, doubtful and loss) are analyzed by the Groups' management, taking into consideration the present value of their expected cash flows, including the recoverable amounts of the guarantees and collateral, discounted at the original effective interest rate of each loan. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral.

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

When a loan is 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.

(g) Leasing transactions -

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

(h) Investments -

The purchases and sales of investments are recognized at the date of the negotiation (trade date) that corresponds to the date in which the Group commits itself to buy or sell the assets.

Investments acquired, including those directly from the issuer, mainly with the purpose of generating profits based on short-term price fluctuations, and are considered as financial assets at fair value through profit or loss (hereinafter “trading securities”). Investments available-for-sale are those intended to be held for an indefinite period, which may be sold in response to liquidity needs or changes in the interest rates, exchange rates or equity prices.

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

Estimated fair values are based primarily on quoted prices or, if quoted market prices are not available, discounted expected cash flows using market rates commensurate with the credit quality and maturity of the investment. All related realized and unrealized gains and losses of trading securities are included in the income statement. Unrealized gains and losses arising from changes in the fair value of securities classified as investments available-for-sale are recognized in equity, net of the related deferred income taxes. Unrealized gains or losses are recognized in income of the year when the investments available-for-sale is sold.

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

(i) Offsetting financial instruments -

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

(j) Property, furniture and equipment -

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

Depreciation is computed on a straight-line basis over the following estimated useful lives:

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

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

(k) Assets seized -

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

(l) Intangible assets -

Comprise mainly internal development and acquired software licenses used by the Group. These assets are amortized using the straight-line method over their estimated useful life (between 3 and 5 years).

(m) Goodwill -

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill is tested annually for impairment to assess whether the carrying amount is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Goodwill is allocated to cash-generating units for impairment testing purposes.

In accordance with the disposals of IFRS 3, since January 1st, 2005, the Group has ceased the amortization of goodwill. The accumulated amortization as of December 31, 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

As of December 31, 2004, goodwill amortization was calculated using the straight-line method, with the followings estimated useful life:

	Years
ASHC and PPS	20
Solucion Financiera de Credito del Peru S.A.	5
Corporacion Novasalud S.A.	7

(n) Due from customers on acceptances -

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

(o) Bonds issued -

Liabilities arising from the issuance of subordinated bonds, leasing bonds, mortgage bonds and mortgage notes are recorded at their face value and the corresponding interest is recognized in the consolidated income statements on an accrual basis. Bond discounts or premiums determined at issuance are deferred and amortized over the term of the bonds using the effective interest method.

(p) Provisions -

Provisions for legal claims are recognized when the Group has a present (legal) or constructive obligation as a result of past events, it is probable than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The amount recorded as a provision is equal to the present value of future payments expected to be needed to settle the obligation.

(q) Contingencies -

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

(r) Workers' profit sharing and income tax -

Workers' profit sharing and income tax are computed based on individual financial statements of Credicorp and each one of its subsidiaries.

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.

(s) 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, 2005, 2004 and 2003 Credicorp has no financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same for all years presented.

(t) 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 17.

Expense recognized in income for the year corresponds to the fair value of the appreciation rights at the consolidated balance sheet date. When Credicorp reprises or changes the terms of the SARs, the additional compensation expense is recorded for an amount equal to the difference between the new exercise price and the market price of the underlying shares.

(u) Derivative financial instruments -

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 remeasured at their fair value. Fair values are obtained based on the market exchange rates or interest rates. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gain and losses for changes in their fair value are recorded in the consolidated income statements.

Hedge -
To qualify as a hedge, a derivate must be highly effective in offsetting the risk designated as being hedged. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. If a hedge relationship is found to be ineffective, it no longer qualifies as a hedge and any excess gains or losses attributable to such ineffectiveness, as well as subsequent changes in fair value, are recognized as income in the consolidated financial statements.

As of December 31, 2005, the Group has only one derivative that qualifies for hedge purposes, see note 18(e), which is an interest rate swap, classified as a cash flow hedge. The effective portion of changes in the fair value of this derivative is recognized in equity, the gain or loss relating to the ineffective portion is recognized immediately in the consolidated income of statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

(v) Segment reporting -
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environment, note 22.

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

(x) Cash and cash equivalents -
For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances with central banks, overnight deposits and amounts due from banks.

(y) Reclassifications -
When necessary, comparative figures have been reclassified to conform to current year presentation.

(z) Recently issued International Financial Reporting Standards -

IFRS 7 - Financial Instruments - Disclosures -

The objective of this IFRS is to provide disclosures in the financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance; to understand the nature extent of risk arising from financial instruments to which the entity is exposed and how the entity manages those risks. This standard is effective for annual periods beginning on or after January 1st, 2007, and replaces the disclosures about financial instruments currently required by IAS 32.

4. Cash and due from banks

(a) This item is made up as follows:

	2005 US$(000)	**2004** US$(000)
Cash and clearing	361,490	251,561
Deposits in Peruvian Central Bank - BCRP	1,599,153	1,100,450
Deposits in banks	693,601	486,403
	2,654,244	1,838,414
Accrued interest	6,571	7,047
Total	2,660,815	1,845,461

(b) As of December 31, 2005 and 2004, cash and due from banks balances include approximately US$1,288.9 and US$1,100.5 million, respectively, mainly from Banco de Credito del Peru, 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, 2005, the cash and clearing caption includes US$450.0 million, of an overnight operation deposited in the BCRP, this operation earned interest at a nominal rate of 3.97 percent and had a 3 day maturity.

Reserve funds kept in BCRP do not earn interest, except for the part of the demandable reserve in foreign currency that exceeds the minimum legal reserve. As of December 31, 2005, the monthly excess amounts to approximately US$975.8 million and earns interest in U.S. Dollars at an annual rate of 2.25 percent (approximately US$849.5 million and earned interest in U.S. Dollars at an annual average rate of 2.24 percent as of December 31, 2004).

5. Trading securities

(a) This item is made up as follows:

	2005 US$(000)	2004 US$(000)
Shares -		
Listed equity securities (b)	45,487	10,979
Bonds and similar instruments -		
Corporate and leasing bonds	8,442	1,708
Peruvian treasury bonds (c)	5,361	33,731
Bank certificates	662	2,116
Participation in mutual funds	655	549
Investments in foreign financial institutions	17	10,590
International government treasury bonds	-	5,517
Colombian treasury bonds (d)	-	36,898
	15,137	91,109
	60,624	102,088
Accrued interest	161	446
Total	60,785	102,534

(b) Correspond mainly to shares listed in the Peruvian Stock Market, which included US$25.9, US$9.2 and US$3.2 million of the companies Energia del Sur S.A.A., Cementos Lima S.A., and Mineras del Sur S.A. shares, respectively (as of December 31, 2004, included approximately US$1.9, US$1.4 and US$1.3 million of Minera Cerro Verde S.A., Minera del Sur S.A. and Edelnor S.A. shares, respectively).

(c) The Peruvian treasury bonds represent to sovereign debt issued in Peruvian currency by the Economic and Financial Ministry of Peru, have an active market quotation in the Peruvian market and are traded daily with third parties. As of December 31, 2005, these bonds accrued interest at annual rates that ranged between 1.53 and 5.96 percent (between 4.98 and 7.20 percent in 2004) and have maturities between August 2006 and January 2035 (between June 2005 and October 2007 as of December 31, 2004).

(d) As of December 31, 2004, Banco Tequendama S.A., a subsidiary of the Group at such date, note 2(c), had as trading securities, Bonds issued by the National Treasury Direction and the Colombian Republic. These bonds accrued annual interest ranging from 1.81 and 12.95 percent and had maturities between June 2005 and August 2012.

6. Investments available-for-sale

(a) This item is made up as follows:

	2005				2004			
		Unrealized gross amount				Unrealized gross amount		
	Amortized cost US$(000)	**Gains** US$(000)	**Losses** US$(000)	**Estimated market value** US$(000)	**Amortized Cost** US$(000)	**Gains** US$(000)	**Losses** US$(000)	**Estimated market value** US$(000)
Fixed maturity -								
BCRP deposit certificates (c)	1,148,303	184	(2,672)	1,145,815	681,658	932	(172)	682,418
Corporate, leasing and subordinated bonds (d)	599,191	9,835	(5,133)	603,893	546,570	11,080	(1,558)	556,092
Government treasury bonds (e)	543,745	25,731	(2,363)	567,113	435,652	21,435	(1,044)	456,043
Bonds from international financial institutions (f)	112,184	213	(213)	112,184	78,623	219	(4)	78,838
Participation in mutual funds	82,038	6,000	(691)	87,347	68,911	4,109	(190)	72,830
Participation in RAL's funds (g)	56,073	-	-	56,073	41,355	-	-	41,355
Negotiable deposit certificates	36,872	762	(12)	37,622	22,456	1	-	22,457
Commercial papers	5,519	-	(4)	5,515	31,015	37	-	31,052
Debt issued by Central Banks of other countries	-	-	-	-	3,293	148	(171)	3,270
Other	16,349	278	(142)	16,485	2,612	84	(271)	2,425
	2,600,274	43,003	(11,230)	2,632,047	1,912,145	38,045	(3,410)	1,946,780
Shares -								
Listed securities (h)	52,741	87,141	(336)	139,546	52,045	67,112	(305)	118,852
Non-listed securities	36,445	3,972	(413)	40,004	49,271	2,256	-	51,527
	89,186	91,113	(749)	179,550	101,316	69,368	(305)	170,379
	2,689,460	134,116	(11,979)	2,811,597	2,013,461	107,413	(3,715)	2,117,159
Accrued interest				16,076				11,363
Total				2,827,673				2,128,522

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

	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Net unrealized gains	7,121	56,746	18,844
Net realized gains	1,572	1,365	7,265
Permanent impairment on investments	-	-	(18,666)

(c) BCRP deposit certificates are discounted Peruvian currency instruments with maturities due within one year. These certificates have been acquired in public auctions. Annual interest rates in Peruvian currency range between 3.75 and 6.35 percent as of December 31, 2005 (between 3.21 and 5.62 percent as of December 31, 2004) with maturities between January 2006 and June 2008. As of December 31, 2005, the Group has entered into BCRP - Repo transactions in Peruvian currency with its clients using these securities, for approximately US$592.5 million. These operations earn an effective annual interest rate range between 3.55 and 6.23 annual percent and with maturities between January 2006 and February 2008.

(d) As of December 31, 2005, comprise corporate bonds by US$598.1 million, leasing bonds by US$1.8 million and subordinated bonds by US$4.0 million (US$532.2, US$19.8 and US$4.1 million, respectively, as December 31, 2004), with maturities between January 2006 and November 2035. These bonds accrue interests at annual effective rates that range between 2.92 and 8.00 percent for the bonds denominated in Peruvian currency (between 4.75 and 6.34 percent in 2004), and between 2.23 and 12.03 percent for the bonds denominated in U.S. Dollars (between 2.01 and 9.50 percent in 2004).

(e) Includes principally credit instruments for US$179.7, US$308.9 and US$18.7 million issued by US Government agencies, the Peruvian Government and the Government of El Salvador, respectively, as of December 31, 2005 (US$181.3, US$186.7 and US$35.7 million, respectively, as of December 31, 2004). Their maturities are between January 2006 and August 2038 at annual interest rates that range between 1.83 and 11.25 percent (between 2.58 and 7.43 percent in 2004).

(f) Comprise mainly of US$90.8 and US$18.7 million of debt instruments issued in U.S. Dollars by Corporacion Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively (US$59.2 and US$16.5 million, respectively, as of December 31, 2004). Such bonds have maturities between February 2006 and January 2023. Annual interest rates are between 4.08 and 5.26 percent (between 4.01 and 7.79 percent in 2004).

(g) The participation quotas in the Fund "Requirement of Cash Assets" (RAL for its Spanish denomination), stated in Bolivian pesos, comprises investments made by the Group in the Central Bank of Bolivia as collateral for the deposits maintained with the public. Such fund has restrictions for its use and it is required for all the banks established in Bolivia. The fund accrues interest at an average annual rate of 1.6 percent (1.4 percent in 2004).

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

	2005		2004	
	Amortized cost US$(000)	**Market value** US$(000)	**Amortized cost** US$(000)	**Market value** US$(000)
Up to 3 months	544,449	549,215	284,127	288,320
From 3 months to 1 year	1,005,977	1,003,580	726,921	729,165
From 1 to 5 years	495,999	496,489	533,152	538,176
Over 5 years	553,849	582,762	367,945	391,119
Without maturity (shares)	89,186	179,551	101,316	170,379
Total	2,689,460	2,811,597	2,013,461	2,117,159

7. Net loans

(a) This item is made up as follows:

	2005 US$(000)	**2004** US$(000)
Direct loans		
Loans	3,567,970	3,245,007
Leasing receivables	564,575	424,902
Credit card receivables	297,673	262,824
Discount notes	213,232	183,519
Factoring receivables	87,757	58,116
Advances and overdrafts	49,283	48,506
Refinanced and restructured loans	175,211	243,892
Past due and under legal collection loans	95,769	159,057
	5,051,470	4,625,823
Add (less) -		
Accrued interest	41,280	30,711
Unearned interest	(78,495)	(66,805)
Allowance for credit losses (f)	(197,495)	(253,408)
Total direct loans, net	4,816,760	4,336,321
Indirect loans, note 18(a)	1,220,946	889,119

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

(c) As of December 31, 2005 and 2004, the Group's direct loan portfolio is distributed among the following economic sectors:

	2005 US$(000)	**%**	**2004** US$(000)	**%**
Sector				
Manufacturing	1,449,600	28.7	1,376,874	29.8
Mortgage loans	842,779	16.7	656,420	14.2
Commerce	697,337	13.8	523,574	11.3
Consumer loans	378,177	7.5	298,387	6.5
Leaseholds and real estate activities	258,010	5.1	224,745	4.9
Micro-business	226,513	4.5	172,347	3.7
Mining	223,447	4.4	194,022	4.2
Communications, storage and transportation	216,547	4.3	181,018	3.9
Electricity, gas and water	192,141	3.8	248,571	5.4
Agriculture	155,116	3.1	160,167	3.5
Fishing	117,247	2.3	68,604	1.5
Financial services	105,515	2.1	90,042	1.9
Education, health and other services	70,925	1.4	62,341	1.3
Construction	68,946	1.4	72,879	1.6
Other	49,170	0.9	295,832	6.3
Total	5,051,470	100.0	4,625,823	100.0

(d) As of December 31, 2005 and 2004, the credit risk classification of the Group's loan portfolio is as follows:

	2005						2004					
Risk category	**Direct credits** US$(000)	%	**Indirect credits** US$(000)	%	**Total** US$(000)	%	**Direct credits** US$(000)	%	**Indirect credits** US$(000)	%	**Total** US$(000)	%
Normal	4,352,214	86.2	1,137,033	93.1	5,489,247	87.5	3,786,778	81.9	814,390	91.6	4,601,168	83.4
Potential problems	397,387	7.9	68,333	5.6	465,720	7.4	336,619	7.3	52,800	5.9	389,419	7.1
Substandard	82,858	1.6	9,284	0.8	92,142	1.5	195,062	4.2	12,956	1.5	208,018	3.8
Doubtful	146,898	2.9	4,694	0.4	151,592	2.4	184,206	4.0	7,312	0.8	191,518	3.5
Loss	72,113	1.4	1,602	0.1	73,715	1.2	123,158	2.6	1,661	0.2	124,819	2.2
	5,051,470	100.0	1,220,946	100.0	6,272,416	100.0	4,625,823	100.0	889,119	100.0	5,514,942	100.0

(e) As of December 31, 2005 and 2004, the Group's structure of its direct loan portfolio by the country in which its clients are located is as follows:

	2005 US$(000)	**2004** US$(000)
Country -		
Peru	4,601,400	3,877,782
Bolivia	366,945	335,460
Colombia	10,955	315,641
Other	72,170	96,940
Total	5,051,470	4,625,823

(f) The movement in the allowance for credit losses (direct and indirect credit) is shown below:

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Balances as of January 1st	271,873	326,677	424,031
Provision	(6,356)	16,131	66,421
Recoveries of written-off loans	35,032	32,287	17,416
Allowance disposal related to the sale of Banco Tequendama, note 2(c)	(9,024)	-	-
Loan portfolio written-off	(77,434)	(120,150)	(185,688)
Translation result	4,545	16,928	4,497
Balance as of December 31	218,636	271,873	326,677

(*) The movement in the allowance for credit losses includes the allowance for direct and indirect credits for approximately US$197.5 and US$21.1 million, respectively, as of December 31, 2005 (approximately US$253.4 and US$18.5 million, respectively, as of December 31, 2004). The allowance for indirect credit losses is included in the "Other liabilities" caption of the consolidated balance sheet, note 10(a).

In Management's opinion, the allowance for credit losses recorded as of December 31, 2005 and 2004 has been established in accordance with IAS 39 and it is sufficient to cover the losses on the loans portfolio, note 3(f).

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

(h) As of December 31, 2005 and 2004, the direct gross loan portfolio classified by maturity, based in the remaining period to the repayment date is as follows:

	2005 US$(000)	2004 US$(000)
Outstanding loans -		
Up to 1 year	3,029,773	2,747,013
From 1 to 5 years	1,237,128	1,168,375
Over 5 years	688,800	551,378
Past due loans -		
Up to 4 months	3,644	11,572
Over 4 months	44,664	66,723
Under legal collection loans	47,461	80,762
Total	5,051,470	4,625,823

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$25.8 and US$34.8 million as of December 31, 2005 and 2004, respectively.

8. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended 2005 and 2004, 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$(000)	2005 US$(000)	2004 US$(000)
Cost -									
Balance as of January 1st	29,350	253,793	77,795	68,644	161,401	12,455	6,801	610,239	620,954
Assets retired related to the sell of Banco Tequendama	(105)	(908)	-	(4,003)	(5,198)	(167)	-	(10,381)	-
Additions	4,232	3,534	5,141	1,604	14,199	2,082	17,977	48,769	39,328
Sales and transfers	(3,748)	(1,068)	(1,946)	(724)	(1,618)	(371)	(12,832)	(22,307)	(50,043)
Balance as of December 31	29,729	255,351	80,990	65,521	168,784	13,999	11,946	626,320	610,239
Accumulated depreciation -									
Balance as of January 1st	-	126,520	46,143	52,198	134,448	4,218	-	363,527	356,422
Assets retired related to the sell of Banco Tequendama	-	(651)	-	(3,638)	(4,976)	(167)	-	(9,432)	-
Additions	-	7,294	6,300	3,689	11,991	1,285	-	30,559	32,581
Sales and transfers	-	(3,533)	(1,152)	(269)	(1,360)	(319)	-	(6,633)	(25,476)
Balance as of December 31	-	129,630	51,291	51,980	140,103	5,017	-	378,021	363,527
Net book value	29,729	125,721	29,699	13,541	28,681	8,982	11,946	248,299	246,712

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

(c) As of December 31, 2005, Credicorp and its Subsidiaries have property available for sale for US$27.1 million approximately, net of its accumulated depreciation amounted US$9.8 million approximately (US$58.9 and US$23.9 million, respectively, as of December 31, 2004).

9. Assets seized, net

(a) As of December 31, 2005 and 2004, 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:

	2005 US$(000)	**2004** US$(000)
Assets seized	71,469	99,539
Reserve	(32,096)	(34,666)
Total	39,373	64,873

(b) The changes in the reserve for assets seized as of December 31, 2005, 2004 and 2003 are summarized as follows:

	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Balances as of January 1st	34,666	35,047	27,067
Provision	16,959	14,639	13,588
Assets retired related to the sell of Banco Tequendama, note 2(c)	(1,678)	-	-
Sold assets	(17,851)	(15,020)	(5,608)
Balances as of December 31	32,096	34,666	35,047

10. Other assets and other liabilities

(a) These items are made up as follows:

	2005 US$(000)	2004 US$(000)
Other assets -		
Accounts receivable	40,370	46,415
Deferred expenses (b)	36,890	19,193
Goodwill (c)	33,557	33,557
Deferred income tax asset, note 16(c)	26,538	16,185
Operations in process (d)	37,347	30,999
Intangible assets, net (e)	24,661	18,839
Income tax prepayments	11,024	26,928
Insurance deferred acquisition fees	10,588	5,649
Derivatives receivable, note 18(e)	8,829	9,624
Other	8,126	11,995
Total	237,930	219,384
Other liabilities -		
Payroll salaries and other personnel expenses	60,802	45,295
Accounts payable	57,185	87,026
Operations in process (d)	56,142	25,169
Contributions	30,781	13,361
Deferred income tax liability, note 16(c)	30,734	30,414
Allowance for indirect credit losses, note 7(f)	21,141	18,465
Provision for sundry risks (f)	18,768	19,379
Derivatives payable, note 18(e)	8,019	4,760
Total	283,572	243,869

(b) During 2005, the increase in the caption is due to the effect of approximately of the Value-Added-Tax credit related to the purchase for leasing operations for approximately US$14.1 million as of December 31, 2005 (US$0.3 million as of December 31, 2004).

(c) The movement of goodwill for the years 2005, 2004 and 2003 is summarized as follows:

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Cost -			
Balance as of January 1st	33,557	55,922	47,930
Additions, note 2(d) and (e)	-	5,900	7,992
Balances as of December 31	33,557	61,822	55,922
Accumulated amortization -			
Balance as of January 1st	-	23,412	19,189
Additions	-	4,853	4,223
Balances as of December 31	-	28,265	23,412
Net cost	33,557	33,557	32,510

(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 balance sheets accounts until the beginning days of the following month. These transactions do not affect the Group's net income.

(e) Intangible assets comprise mainly internal development and acquired software licenses used in the Group's operations.

(f) The movement of the provision for sundry risks for the years 2005, 2004 and 2003 is summarized as follows:

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Balances as of January 1st	19,379	10,078	11,942
Provision, note 20	5,567	9,819	2,022
Deductions	(6,178)	(518)	(3,886)
Balances as of December 31	18,768	19,379	10,078

This provision mainly comprises the provision for probably losses to complement insurance coverage corresponding to claims not covered by insurance companies, the provisions for the estimated losses in legal actions against the Group and other similar obligations, which have been recorded based on Management's and its legal advisors estimates.

11. Deposits and obligations

(a) This item is made up as follows:

	2005 US$(000)	2004 US$(000)
Non-interest bearing deposits and obligations -		
In Peru	1,248,113	980,091
In other countries	423,508	239,604
	1,671,621	1,219,695
Interest bearing deposits and obligations -		
In Peru	4,031,231	3,606,204
In other countries	1,364,902	1,445,073
	5,396,133	5,051,277
	7,067,754	6,270,972
Interest payable	25,674	25,227
Total	7,093,428	6,296,199

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, 2005 and 2004, the balance of deposits and obligations by type of transaction is made up as follows:

	2005 US$(000)	2004 US$(000)
Time deposits	2,459,907	2,352,200
Demand deposits	1,801,314	1,750,277
Saving deposits	2,105,364	1,583,502
Severance indemnity deposits	654,791	530,683
Bank certificates	46,378	54,310
Total	7,067,754	6,270,972

(c) As of December 31, 2005, the total amount of individual time deposits and bank certificates that exceed US$100,000 are approximately US$1,095.7 and US$7.9 million, respectively (US$1,520.3 and US$11.5 million, respectively, as of December 31, 2004).

(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:

	2005 US$(000)	**2004** US$(000)
Up to 1 year	1,954,530	1,646,208
From 1 to 5 years	367,076	705,936
More than 5 years	138,301	56
Total	2,459,907	2,352,200

12. Borrowed funds

(a) This item is made up as follows:

	2005 US$(000)	**2004** US$(000)
Borrowed funds (b)	500,027	209,122
Due to banks and correspondents -		
BCRP - Repo transactions (c)	510,593	-
Promotional credit lines (d)	212,133	121,561
Interbank funds	78,542	98,688
	1,301,295	429,371
Interest payable	2,076	1,681
Total	1,303,371	431,052

(b) The balance of the liabilities with banks and correspondents correspond to the following operations:

	2005 US$(000)	**2004** US$(000)
CCR Inc. MT-100, Payment rights master Trust -		
2005 Series A and B (i)	280,000	-
2001 Series A (ii)	-	51,300
CCV Inc. Bankers Trust	-	17,200
Banco Wiese Sudameris	24,874	-
Other (iii)	195,153	140,622
Total	500,027	209,122

(i) Amount owed from the loan transaction made by the 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 loan is 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 this transaction, Wilmingtong Trust Company acted as Trustee under the trust agreement and Bank of New York as Indenture Trustee and administrator of the contract. 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, 2005, the balance of this obligation amounts to US$280.0 million. A portion (70 percent), of the loan, 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 18(e).

In addition, for the US$230.0 million Series 2005-A, 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 2012, the insurance policy cost is equivalent to an annual fixed interest rate of 0.75 percent of the principal.

(ii) As of December 31, 2004, it corresponded to the outstanding balance owed from a loan transaction made by BCP in January 2001 amounting to US$100 million, with maturities through January 2008. This transaction was fully amortized by the BCP in November 2005, for an amount of US$38.1 million. The cancellation of this operation did not require the payment of any penalty or commission. This transaction was secured by the future collection of the orders of payment in U.S. Dollars related to the transfers of funds received from banks located outside Peru associated with the Society for Worldwide Interbank Financial Telecommunications (SWIFT). In this transaction, ING Barings acted as trustee.

(iii) As of December 31, 2005, the caption comprises loans from international financial institutions as the Banco Latinoamericano de Exportacion (BLADEX) and from the Corporacion Andina de Fomento (CAF) by and amounted of to US$100.0 and US$50.0 million, respectively. As of December 31, 2004, this caption was comprised mainly by loans from Colombian financial entities and from Nederlandse Financierings - Maatschappij voor Ontwikkenlings N.V. - FMO for US$32.0 million and US$34.0 million, respectively.

(c) As of December 31, 2005, BCP had BCRP - Repo transactions with the Peruvian Central Bank (BCRP), which earned annual interest rates that fluctuated between 3.23 and 3.32 percent, with 3 day maturities.

(d) Promotional credit lines represent loans granted to BCP by Corporacion Financiera de Desarrollo (COFIDE) and Banco Interamericano de Desarrollo (BID), for promoting the development of the Republic of Peru. As of December 31, 2005 and 2004, these credit lines are guaranteed with a loan portfolio amounting to US$212.1 and US$121.6 million, respectively, and include covenants specifying the use of funds, financial conditions that the borrower must maintain and other administrative matters.

(e) As of December 31, 2005 and 2004, maturities of borrowed funds are shown below, based in the remaining period to the repayment date:

	2005 US$(000)	**2004** US$(000)
Up to 1 year	878,237	233,951
From 1 to 5 years	49,365	101,223
Over 5 years	373,693	94,197
Total	1,301,295	429,371

(f) As of December 31, 2005, the Group has credit lines granted by several local and foreign financial institutions amounted to US$787.3 millions (US$902.0 millions as of December 31, 2004) that are available for future operating activities or to settle capital commitments.

13. Reserve for insurance claims

(a) This item is made up as follows:

	2005 US$(000)	**2004** US$(000)
Reserves for:		
Life insurance (b)	381,910	321,739
Claims (c)	55,034	53,607
Incurred but not reported claims (IBNR)	24,180	18,448
Health services	3,454	4,645
Total	464,578	398,439

(b) As of December 31, 2005, mainly comprise technical reserves for life annuity and private pension fund insurance for US$221.0 million and US$110.1 million, respectively (US$176.0 million and US$109.1 million, respectively, as of December 31, 2004).

The movement for the years 2005 and 2004 of life insurance reserves is as follows:

	2005 US$(000)	**2004** US$(000)
Balance as of January 1st	321,739	227,549
Insurance subscriptions	70,009	87,193
Accretion expense	14,831	19,153
Payments	(19,130)	(18,354)
Translation result	(5,539)	6,198
Balance as of December 31	381,910	321,739

No additional reserves were needed as a result of the liability adequacy test. Main assumptions used in estimation of annuities and disability and survivor reserves as of December 31, 2005 and 2004, are the following:

Modality	**Mortality Table**	**Technical rates**
Annuities	RV 2004 and B-85	3% - 5.45%
Disability and survivor	MI-85M and 85F	3%

Mortality tables are those recommended by the Peruvian regulators.

According to management estimates as of December 31, 2005, a potential increase or decrease of 100 bps over the technical rates used to discount the reserves of annuities, would originate a decrease or an increase in those annuities of approximately US$20.1 million and US$23.9 million, respectively. The net effect of these changes in the shareholders' equity and in the net income of the year, attributable to the shareholders of Credicorp, would represent an increase and a decrease of approximately US$7.4 million and US$ 6.2 million, respectively.

(c) Movement for claims reserves for years 2005 and 2004 are as follows:

Life insurance	**2005**	**2004**
Balance as of January 1st	27,319	21,567
New claims	18,714	12,758
Payments	(16,913)	(8,217)
Translation result	(1,026)	1,211
Balance as of December 31	28,094	27,319
Property and casualty insurance		
Balance as of January 1st	26,288	24,135
New claims	60,177	56,292
Payments	(59,044)	(54,904)
Translation result	(481)	765
Balance as of December 31	26,940	26,288
Total claims reserve	55,034	53,607

14. Bonds issued

(a) This item is made up as follows:

	Weighted average annual interest rate %	**Maturity**	**2005** US$(000)	**2004** US$(000)
Corporate bonds	5.89	Between April 2006 and November 2012	86,413	75,382
Leasing bonds	5.59	Between July 2006 and November 2010	219,564	220,491
Mortgage bonds	7.70	Between May 2011 and April 2012	27,620	28,403
Subordinated bonds	6.83	Between August 2007 and October 2013	92,014	96,911
			425,611	421,187
Interest payable			3,613	2,790
Total			429,224	423,977

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

(c) The issued bonds balance as of December 31, 2005 and 2004, classified by maturity is shown below:

	2005 US$(000)	**2004** US$(000)
Up to 1 year	85,465	64,711
From 1 to 5 years	296,442	236,859
Over 5 years	43,704	119,617
Total	425,611	421,187

15. Shareholders' equity

(a) Capital stock -

As of December 31, 2005, 2004 and 2003, 94,382,317 shares of capital stock were issued with a par value of US$5 per share.

(b) Treasury stock -

Treasury stock corresponds to the par value of Credicorp's shares owned by the Group's companies, which amounts 14,620,842 and 14,620,885 shares as of December 31, 2005 and 2004, respectively. The difference of US$73.1 million, between the acquisition cost of US$186.5 million and their par value, 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, a reserve of up to at least 35 percent of their paid-in capital is required to be established through annual transfers of at least 10 percent of net income. These reserves were approximately US$209.3 and US$207.3 million as of December 31, 2005 and 2004, respectively.

Credicorp has recorded similar reserves on a consolidated basis, which are not subject to any restriction.

(d) Dividends distribution -

During 2005, 2004 and 2003, Credicorp paid cash dividends of approximately US$63.8, US$31.9 and US$23.9 million, respectively.

In accordance with current Peruvian legislation, there is no restriction for overseas remittance of dividends or the repatriation of foreign investment. As explained in note 16, since 2003 the tax regime applicable to dividends has been modified.

(e) Shareholders' equity for legal purposes (Regulatory capital) -

The regulatory capital for the subsidiaries engaged on financial and insurance activities amounted approximately US$915.0 and US$911.3 million as of December 31, 2005 and 2004, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca, Seguros y AFP del Peru regulations in force as of such dates. According to the Superintendencia de Banca, Seguros y AFP, regulations the Group's regulatory capital exceeds in approximately US$166.6 million the minimum regulatory capital required as of December 31, 2005 (approximately US$338.1 million as of December 31, 2004).

16. Taxes

(a) Credicorp is not subject to any type of income taxes, nor taxes on capital gains, equity or property. The Peruvian subsidiaries are subject to corporate taxation on income under the Peruvian Tax system. The statutory income tax rate payable in Peru is 30 percent of taxable profits in 2005, 2004 and 27 percent in 2003.

ASHC and its subsidiaries are not subject to taxes in the Cayman Islands nor Panama. For the years ended December 31, 2005, 2004 and 2003, 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:

	2005	**2004**	**2003**
	%	%	%
Peruvian statutory tax rate	30.00	30.00	27.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (decrease) arising from net income of subsidiaries not domiciled in Peru	(0.62)	0.90	6.40
(ii) Non-taxable costs (income), net	(4.59)	(5.10)	(0.40)
Effective income tax rate	24.79	25.80	33.00

(b) In 2005, 2004 and 2003, 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, 2005, 2004 and 2003, is as follows:

	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Current -			
Peruvian	80,630	49,386	33,206
In other countries	4,418	2,436	2,079
	85,048	51,822	35,285
Deferred -			
Peruvian	(11,502)	(6,325)	982
Adjustment of deferred income tax for change in rates	-	-	3,428
	(11,502)	(6,325)	4,410
Total	73,546	45,497	39,695

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

The Group's deferred tax liability arises mainly from the depreciation of certain buildings from BCP and PPS that are not deductible for tax purposes and from leasing operations.

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

	2005 US$(000)	2004 US$(000)
Assets		
Allowance for credit losses, net	12,177	7,300
Reserve for sundry risks, net	6,788	3,501
Tax loss carry-forward	3,287	-
Non-accrued interest	1,613	2,970
Other	2,673	2,414
Net deferred income tax assets	26,538	16,185
Liabilities		
Unrealized net gains	(19,094)	(17,625)
Fixed assets, net	(5,369)	(1,911)
Leasing operations, net	(3,257)	(2,293)
Allowance for assets seized, net	(1,038)	(4,929)
Intangibles assets, net	(592)	(2,341)
Other	(1,384)	(1,315)
Deferred income tax liabilities	(30,734)	(30,414)
Net deferred income tax liability	(4,196)	(14,229)

Credicorp and its Subsidiaries has recorded deferred income taxes directly in other reserves in the statement of shareholder's equity of US$1.5, US$10.4 and US$7.3 millions, for 2005, 2004 and 2003, respectively. Such amounts represent the income tax effects of unrealized gains and losses on securities available for sale.

(d) The Peruvian tax authorities have the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries. In BCP the Fiscal years 2001 and 2002, has been reviewed by the tax authorities and no significant additional taxes have arisen form their revision. The year 2005 and 2004 are pending of review, and the year 2003 is being reviewed by the tax authorities. Any additional tax arising as a result of examination by the tax authority 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, 2005 and 2004.

17. Stock appreciation rights

As indicated in note 3(t), Credicorp has granted stock appreciation rights (SARs) to certain key executives and employees who have at least one year's service in Credicorp or any of its subsidiaries. The SARs expire after eight (8) years and 25 percent of them may be exercised during each of the first four years of the plan.

At the end of the fourth year and until the expiration date of the SARs, all or a portion of the SARs that are still outstanding under the plan may be exercised at any time. As of December 31, 2005, 662,200 SARs had been exercised under this plan (619,275 as of December 31, 2004) for an approximate amount of US$9.6 and US$3.3 million, as of December 31, 2005 and 2004, respectively.

The movement of the SARs for the years 2005 and 2004 are as follows:

	2005			2004		
	Outstanding SARs	**Vested SARs**		**Outstanding SARs**	**Vested SARs**	
	Number	**Number**	**Amount** US$(000)	**Number**	**Number**	**Amount** US$(000)
Balance as of January 1st	3,196,250	1,759,601	11,703	2,626,250	1,818,453	8,356
Granted	585,000	561,531	7,445	570,000	560,423	3,931
Exercised	-	(662,200)	(9,614)	-	(619,275)	(3,349)
Increase in the option fair value	-	-	13,019	-	-	2,765
Balance as of December 31	3,781,250	1,658,932	22,553	3,196,250	1,759,601	11,703

The fair value is recorded in payroll taxes, salaries and other personnel expenses, in the caption "Other liabilities" of the consolidated balance sheet. In 2005, 2004 and 2003, the SARs prices were modified and informed to the executives of the Group.

The number of SARs issued and not exercised as of December 31, 2005 and the prices of such rights as of December 31, 2005 and 2004 are as follows:

Year of issuance	Number of outstanding SARs issued as of December 31, 2005	Number of Vested SARs as of December 31		Exercise price	
		2005	2004	2005 US$	2004 US$
1999	441,000	110,000	189,000	8.34	8.74
2000	509,000	187,250	304,000	9.50	9.90
2001	555,000	192,550	310,500	6.30	6.70
2002	558,750	285,225	386,850	7.98	8.38
2003	562,500	359,844	326,438	9.17	9.57
2004	570,000	294,375	242,813	11.99	12.39
2005	585,000	229,688	-	17.00	-
	3,781,250	1,658,932	1,759,601		

Credicorp's Management has estimated the fair value of the SARs as of December 31, 2005 and 2004, using the binomial option pricing model, with assumptions obtained from the relevant available market information, including the assuming for practical purposes that all contracts can only be exercised at the end of their term. The key assumptions used are as follows:

Key assumptions	2005	2004
Expected volatility	28.2%	19.6%
Risk free interest rate	1.04%	1.03%
Expected lifetime	4.70 years	4.87 years
Quoted price of Credicorp shares	US$22.79	US$15.81

18. Off-balance sheet accounts

(a) This item is made up as follows:

	2005 US$(000)	**2004** US$(000)
Contingent credits -		
Guarantees and stand by letters (c)	982,044	655,313
Import and export letters of credit (c)	238,902	233,806
	1,220,946	889,119
Swap contracts (e)	572,160	212,417
Responsibilities under credit lines agreements	531,816	569,332
Forward contracts (d)	310,944	211,520
Total	2,635,866	1,882,388

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

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, 2005 and 2004, Credicorp has foreign currency forwards derivatives transactions. Foreign currency forwards are commitments to buy or sell currency at a future date at a contracted price. Risk arises from the possibility that the counter-party to the transaction does not perform as agreed and the change in the prices of the underlying currencies. As of December 31, 2005 and 2004, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US$998.7 million and US$466.2 million, respectively, which have maturities of less than a year. These agreements are executed to satisfy client requirements and are recognized in the financial statements at their fair market value. The forward contracts net position is an oversell of U.S. Dollars of approximately US$310.9 million and US$211.5 million as of December 31, 2005 and 2004, respectively.

(e) Interest rate swaps are derivatives contracts, where counter parties exchange variable interest rates for fixed interest rates, in the terms and conditions established at the contract inception. The risk arises each time the projected level of the variable rate during the term of the contract is higher than the swap rate, as well as from non-compliance with contractual terms by one of the parties. As of December 31, 2005, the notional amount of open interest rate swap contracts was approximately US$572.2 million (approximately US$212.4 million as of December 31, 2004). These contracts are recorded at fair value, recording both realized and unrealized gains and losses in the consolidated income statements, except for the hedge contract mentioned below.

As of December 31, 2005, the Group held 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 by the Group on November 2005, note 12(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.

The fair value of the asset and liability forward contracts and swaps as of December 31, 2005 amounted approximately US$8.8 and US$8.0 million, respectively (approximately US$9.6 and US$4.8 million as of December 31, 2004) and are included under the caption “Other assets and other liabilities” of the consolidated balance sheets, respectively, note 10. As of December 31, 2005 the fair value of the cash flow hedge amounts to US$1.6 million and is recorded in the net equity.

19. Net premiums earned

In the ordinary course of its business PPS, Credicorp’s subsidiary, engages in insurance activities and transfers reinsurance to other insurance companies to share the risk of its insurance contracts and to limit the potential losses arising from significant coverage. PPS is ultimately responsible for the payment of claims to the policyholder if the reinsures is unable to meet its obligations.

Reinsurance includes shared quotas, excess of loss and facultative reinsurance. Amounts recoverable from reinsures are estimated on a basis consistent with the associated claim liabilities and are presented as a component of the reinsured assets.

Net premiums earned for the three years ended December 31, 2005, 2004 and 2003 are as follows:

	Gross amount US$(000)	**Ceded to other companies** US$(000)	**Assumed from other companies** US$(000)	**Net premiums earned** US$(000)	**Percentage of amount assumed on net premiums**
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
As of December 31, 2004					
Life insurance	35,998	(2,865)	683	33,816	2.02
Accident and health insurance	108,739	(2,947)	1,481	107,273	1.38
Property and casualty insurance	107,937	(60,131)	3,777	51,583	7.32
Total premiums	252,674	(65,943)	5,941	192,672	3.08
As of December 31, 2003					
Life insurance	32,340	(2,482)	311	30,169	1.03
Accident and health insurance	59,531	(3,718)	7	55,820	0.01
Property and casualty insurance	108,045	(72,270)	3,351	39,126	8.56
Total premiums	199,916	(78,470)	3,669	125,115	2.93

20. Other income and expenses

The items are made up as follow:

	2005 US$(000)	2004 US$(000)	2003 US$(000)
Other income			
Income (loss) from the sale of assets seized	6,202	(3,411)	551
Recoveries of other accounts receivable and other assets	4,512	1,429	4,801
Real estate rental income	1,941	1,224	2,436
Recoveries of provisions for sundry risks	-	100	3,818
Other	8,916	8,763	11,621
Total other income	21,571	8,105	23,227
Other expenses			
Commissions in insurance	19,289	19,693	13,468
Various technical insurance expenses	8,183	5,931	5,044
Provisions for other account receivables	7,112	1,435	4,944
Provision for sundry risks, note 10(f)	5,567	9,819	2,022
Loss from fake currencies	1,960	-	-
Loss (gain) from sale of fixed assets	(1,875)	4,525	1,639
Other	6,509	1,466	629
Total other expenses	46,745	42,869	27,746

21. Earnings per share

The net earnings per ordinary share have been determined as follows:

	2005	2004	2003
Number of shares in issue:			
Ordinary shares, note 15(a)	94,382,317	94,382,317	94,382,317
Less: weighted average treasury shares, note 15(b)	(14,620,842)	(14,624,392)	(14,634,925)
Weighted outstanding average number of ordinary shares	79,761,475	79,757,925	79,747,392
Net income attributable to equity holders of Credicorp (in thousands of U.S. dollars)	181,885	130,747	80,607
Basic and diluted earnings per share for net income attributable to equity holders of Credicorp (in U.S. Dollars)	2.28	1.64	1.01

22. 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.

Other operations from 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) for the three years ended December 31, 2005, 2004 and 2003:

(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	Depreciation and amortization	Other provisions (***)
2005									
Banking	712	11	(11)	712	400	9,888	198	35	11
Insurance	219	14	(14)	219	80	786	46	3	-
Brokerage and other	166	303	(303)	166	3	356	4	1	-
Total consolidated	1,097	328	(328)	1,097	483	11,030	248	39	11
2004									
Banking	671	25	(25)	671	346	8,083	215	38	31
Insurance	193	10	(10)	193	73	700	31	3	-
Brokerage and other	116	104	(104)	116	2	305	1	1	-
Total consolidated	980	139	(139)	980	421	9,088	247	42	31
2003									
Banking	704	29	(29)	704	364	7,405	230	36	80
Insurance	125	12	(12)	125	37	587	33	5	-
Brokerage and other	84	108	(108)	84	9	330	2	3	-
Total consolidated	913	149	(149)	913	410	8,322	265	44	80

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

	2005			2004			2003		
	Total income (*)	**Operating income (**)**	**Total assets**	**Total income (*)**	**Operating income (**)**	**Total assets**	**Total income (*)**	**Operating income (**)**	**Total assets**
Peru	947	438	8,330	809	352	6,566	789	325	6,236
Panama	28	3	593	20	3	293	20	2	264
Cayman Islands	55	13	1,238	52	20	1,004	10	9	880
Bolivia	50	23	493	45	24	459	47	34	446
Colombia	-	-	-	52	19	411	42	38	300
United States of America	17	6	376	2	3	355	5	2	196
Total consolidated	1,097	483	11,030	980	421	9,088	913	410	8,322

(*) 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 credit losses.

23. Financial instruments

By their nature, the Group's activities are principally related to the use of financial instruments, including derivatives. The Group accepts deposits from customers at both fixed and floating rates, 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. The Management places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. Foreign exchange and interest exposures associated with these operations are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Market risks -

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group applies a 'Value at Risk' methodology to estimate the market risk of main positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Management sets some limits on the value of risk that may be accepted, which is monitored on a daily basis.

The daily market value at risk measure (VAR) is an estimate of the maximum potential loss that might arise if the current positions were to be held unchanged for one trading session taking into account a specific significance level. The measurement is structured so that daily losses exceeding the VAR figure should occur, on average, not more than one trading session out of one hundred. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters used in the VAR calculation.

As VAR constitutes an integral part of the Group's market risk control regime, VAR limits are established by the Management for some trading and portfolio operations. The actual exposure against limits, together with a consolidated Group-wide VAR, is reviewed daily by the Management; however, the use of this approach does not prevent losses outside the limits established in the event of more significant market movements.

Liquidity risk -

The Group is expose to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdown, 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.

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 their mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

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

The notes to the financial statements include an analysis of the main assets and liabilities of the Group by maturities based on contractual maturity dates.

Cash flow and fair value interest rate risk -

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group takes 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 reduce or create losses in the event that unexpected movements arise. The Group's Management sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored periodically.

Resources for investing are mainly obtained from short-term liabilities, the interests of which are agreed at fixed and variable interest rates prevailing in the international markets. Loans, customer deposits and other financing instruments are subject to risks derived from interest rate fluctuations. The relevant contract maturity characteristics and interest rates of such financial instruments are disclosed in notes 7, 11 and 14.

Currency risk -

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Most assets and liabilities are maintained in U.S. Dollars. Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2005 and 2004, the Group's assets and liabilities by currencies were as follows:

	2005				2004			
	U.S. Dollars US$(000)	**Peruvian new sol** US$(000)	**Other currencies** US$(000)	**Total** US$(000)	**U.S. Dollars** US$(000)	**Peruvian new sol** US$(000)	**Other currencies** US$(000)	**Total** US$(000)
Monetary assets -								
Cash and due from banks	2,337,939	268,416	54,460	2,660,815	1,578,538	201,140	65,783	1,845,461
Trading securities	39,045	21,740	-	60,785	2,593	44,820	55,121	102,534
Available-for-sale investments	1,583,201	1,235,392	9,080	2,827,673	1,151,748	917,894	58,880	2,128,522
Loans	3,758,385	1,032,481	25,894	4,816,760	3,379,185	662,058	295,078	4,336,321
Other assets	192,148	97,952	4,277	294,377	148,780	115,858	24,448	289,086
	7,910,718	2,655,981	93,711	10,660,410	6,260,844	1,941,770	499,310	8,701,924
Monetary liabilities -								
Deposits and obligations	(5,315,364)	(1,684,149)	(93,915)	(7,093,428)	(4,570,170)	(1,391,230)	(334,799)	(6,296,199)
Borrowed funds	(728,161)	(573,665)	(1,545)	(1,303,371)	(323,015)	(48,242)	(59,795)	(431,052)
Bonds issued	(278,461)	(150,763)	-	(429,224)	(298,451)	(125,526)	-	(423,977)
Other liabilities	(615,561)	(287,304)	(8,804)	(911,669)	(461,859)	(303,766)	(20,257)	(785,882)
	(6,937,547)	(2,695,881)	(104,264)	(9,737,692)	(5,653,495)	(1,868,764)	(414,851)	(7,937,110)
	973,171	(39,900)	(10,553)	922,718	607,349	73,006	84,459	764,814
Forwards position	(310,946)	310,946	-	-	(211,520)	211,520	-	-
Net monetary position	662,225	271,046	(10,553)	922,718	395,829	284,526	84,459	764,814

Credit risk -

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy or in the health of particular industry segment that represents a concentration in the Group's portfolio could result in losses that are different from those provided for at the balance sheet date. Management, therefore, carefully manages its exposure to credit risk.

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but there is a significant portion in personal lending where no such facilities can be obtained.

As of December 31, 2005, Group's management has estimated that the maximum credit risk at which is exposed the Group amounts to approximately US$8,659.7 million (US$7,462.5 million as of December 31, 2004), which comprise financial assets subject to credit risk, including mainly deposits in banks, trading securities, investments available-for-sale, loans and indirect loans, without taking into consideration the market value of the guarantee or collateral. The exposure for any specific part, including banks, is further structured by sub-limits covering on and off-balance sheet exposures, and daily delivery risk limits to trading items such as forward foreign exchange contracts. Real exposures against limits are monitored daily.

Risk of the insurance activity -

The insurance segment is based on specialized units in different types of business. The determination of the premiums is a fundamental aspect for the success of the risk management policies; for this reason, this activity is based on the work assigned to qualified professionals in the insurance business.

The treatment of the benefits and the sufficiency of the reserves are basic principals of the insurance risk 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 tendencies, which allows estimations of incurred but not reported losses supported by current information. These estimations are also reviewed by independent experts.

In relation to the reinsurance risk, the policy of the Group is to only sign contracts with companies with investment grade classification by international rating agencies.

The insurance products do not have any relevant term or clause that might have a significant impact or represent important uncertainties on the cash flows of the insurance segments.

Fiduciary activities -

The Group provides custody, trustee, investment management and advisory services to third parties, which involve the Group making allocation 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 financial statements. These services give rise to the risk that the Group will be accused of bad administration or under-performance.

As of December 31, 2005 the assigned value of the financial assets under administration amounted to approximately US$684.2 million (approximately US$482.2 million as of December 31, 2004) and the net equity of funds managed by the subsidiaries of the Group amounted to approximately US$1,417.8 million (approximately US$1,436.8 million in 2004).

24. Fair value

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

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

A significant portion of the Group' assets and liabilities are short-term financial instruments, with a remaining maturity of under one-year. These short-term financial instruments are considered to have a fair value equivalent to their carrying value at the balance sheet date.

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

- Cash and due from banks represent cash and short-term deposits that do not represent significant credit or interest rate risks; in consequence, their book value is equivalent to their fair value.

- Trading securities and available-for-sale investments are recorded at their estimated fair value on the balance sheet.

- The fair value of loans is similar to their book value, because such loans are mainly of a short-term nature and are shown net of their respective allowance for loan losses, which are considered by the Management as the approximate recoverable amount at the date of the consolidated financial statements.

- The fair value of deposits and obligations is similar to their book value; mainly because of their liquid nature and that the interest rates are comparable with the interest rate of other similar liabilities.

- Due to banks and correspondents generate interest contracted at variable interest rates and preferred rates. As a result, it is considered that their book value approximates their fair values.

- As disclosed in note 18, the Group has various commitments to extend credit, open documentary credits and outstanding guarantees and has received guarantees in endorsement of the granted credits. Based on the level of fees currently charged from granting such commitments and open documentary credits, taking into account maturity and interest rates, together with the present creditworthiness of the counterparties, the difference between the book value and the fair value is not material.

- Except for currency forwards and interest rate swaps, as indicated in note 18(d) and (e), the Group does not enter into other agreements, generally described as derivative transactions. The Group records these derivatives in the balance sheet at their fair market value.

Based in the aforementioned analysis, as of December 31, 2005 and 2004, the book values of the financial instruments do not differ significantly from their estimated market value.

25. Transactions with related parties

(a) The consolidated financial statements of the Group as of December 31, 2005 and 2004 include the transactions with related parties of the companies mentioned in note 3(b). For its 2005 and 2004 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, 2005 and 2004:

	Related companies	
	2005 US$(000)	**2004** US$(000)
Direct loans	48,533	33,921
Contingent operations	8,379	10,774
Derivatives (market value)	388	1,111
Investments available por sale	21,815	72,400
Unrealized gain from investments	23,396	16,000
Deposits	33,936	24,917
Interest income related to loans	2,091	2,848
Interest expense related to deposits	991	513
Other income	491	610

(c) The loans, advances, contingent operations and derivative contracts with related parties are made in accordance with the normal market conditions available to other customers' without any preferential rates or commissions. Outstanding loans balances at the year-end are granted by collaterals given by the related part. As of December 31, 2005, the Group provision for doubtful debts due to related parties amounts to US$1.4 million (US$0.5 million as of December 31, 2004). This amount is established based on an assessment performed on a continue basis in the financial position of the related party and the market in where it operates.

(d) As of December 31, 2005 and 2004, 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, 2005 and 2004, direct loans to employees, directors and key management amounts to US$25.1 and US$20.8 million, respectively.

The group key executives remuneration comprises all the payments received by them, including the stock appreciation rights and productivity bonuses. The total of these concepts amount to approximately US$13.3 y US$7.7 million for the years 2005 and 2004, respectively. Also the directors compensations amount to approximately US$1.9 and US$2.0 million as of December 31, 2005 and 2004.

26. Subsequent events

Regarding Banco de Crédito de Bolivia (BCB), a subsidiary of the Group, the policies adopted by President Evo Morales in Bolivia have generated a slow down in the business activity, with a consequent negative effect on the credit standing of the certain borrowers and thus the loan quality of the financial system. Furthermore, the measures adopted by the government of Bolivia in May 1, 2006, regarding the nationalization of the petroleum and gas sectors represents increased risk for all related industries. The Group management has identified its exposure to this sector, which as of May 30, 2006, was approximately US$4.8 million to direct and indirect related businesses (US$2.7 million to direct gas and petroleum businesses), which represents 1.3 percent and 0.05 percent of the total loan portfolio of BCB and Credicorp, respectively. The management of the Group, considers that this situation create concerns as to the uncertainty towards the future business developments rather that an imminent loan recovery risk.

27. Significant differences between International Financial Reporting Standards and United States Generally Accepted Accounting Principles

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). A description of the significant differences between IFRS and U.S. generally accepted accounting principles (U.S. GAAP) follows:

(a) Allowance for credit losses -

Management believes that there is no significant difference between the amount of the allowance for credit losses provided under IFRS and the required allowance that would be provided under U.S. GAAP. Management believes that the allowance for credit losses was adequate at December 31, 2005 and 2004 to cover any known losses and any losses that have not been specifically identified in the loan portfolio.

(b) Investments in debt and equity securities -

The Group applied IAS 39 “Financial Instruments: Recognition and Measurement” to record its investments in debt and equity securities. The accounting treatment established by IAS 39 is similar to that required by SFAS 115.

The reconciling items included in paragraph g) for the years 2005, 2004 and 2003 correspond to the reclassification of the unrealized gains and losses corresponding to investments that are available-for-sale from retained earnings to Other Comprehensive Income.

(c) Amortization of goodwill -

Since March 2004, Credicorp has adopted IFRS 3, “Business Combinations”, as result the goodwill recorded has been amortized until December 31, 2004. In accordance with the disposals of IFRS 3, since January 1st, 2005, the Group has ceased the amortization of goodwill. The accumulated amortization as of December 31, 2004 has been eliminated with a corresponding decrease in the cost of goodwill.

SFAS 142, “Goodwill and other intangibles” establishes that the goodwill should be assigned to a reporting unit, which is defined as an operating unit or a component of an operating unit. Also, the goodwill is not subject to amortization since December 31, 2001, and should be tested for impairment at least annually. In this respect, the Group made the analysis and evaluation of the impairment of goodwill as of December 31, 2005 and 2004, and no impairment loss was required.

(d) Minority interest -

Under U.S. GAAP, shareholder’s equity and net income is made up only of the equity portion attributed to equity holders of the Parent.

However, under IFRS equity and net income includes the equity and net income corresponding to the shareholders of both the Parent and the minority interests. Therefore, an adjustment to reconcile to U.S. GAAP is recorded in order to exclude the Minority Interests portion of shareholder's equity and net income, see paragraphs e) and f).

(e) Summary of significant adjustments to net income -
The significant adjustments that would be required to determine the net income of the Group under U.S. GAAP instead of under IFRS are summarized below:

	For the year ended December 31,		
	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Net income in accordance with IFRS	194,853	141,512	90,910
Additions (deductions):			
Minority interest (d)	(12,968)	(10,765)	(10,303)
Reversal of amortization of goodwill	-	4,853	4,223
Net income in accordance with U.S. GAAP	181,885	135,600	84,830
Net income per share in accordance with U.S. GAAP based on weighted average number of shares issued and outstanding	2.28	1.70	1.06
Weighted average number of outstanding shares issued and outstanding, excluding treasury stock (in thousands of shares)	79,761	79,758	79,747

(f) Summary of significant adjustments to shareholders' equity -
A summary of the significant adjustments that would be required to determine the shareholders' equity of the Group under U.S. GAAP instead of under IFRS are as follows:

	As of December 31,		
	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Shareholders' equity in accordance with IFRS	1,291,955	1,150,450	983,571
Additions (deductions):			
Minority interest (d)	(101,515)	(85,253)	(72,841)
Reversal of amortization of goodwill	12,109	12,109	7,256
Shareholders' equity in accordance with U.S. GAAP	1,202,549	1,077,306	917,986

The changes in shareholders' equity of the Group under U.S. GAAP are summarized below:

	For the year ended December 31,		
	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Balances as of January 1	1,077,306	917,986	826,833
Cash dividends	(63,810)	(31,900)	(23,922)
Decrease in treasury stock	-	263	-
Other comprehensive income (loss)	7,171	55,381	30,245
Net income, under U.S. GAAP	181,885	135,600	84,830
Other	(3)	(24)	-
Balances as of December 31	1,202,549	1,077,306	917,986

(g) Other comprehensive income -

	For the year ended December 31,		
	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Net income in accordance with U.S.GAAP	181,885	135,600	84,830
Other comprehensive income (loss) -			
Unrealized (losses) gains arising during the period, net of tax and minority interest	7,121	56,746	18,844
Transfer of realized losses (gains) to net income	(1,572)	(1,365)	11,401
Net gain on cash flow hedge	1,622	-	-
	7,171	55,381	30,245
Comprehensive Income	189,056	190,981	115,075

Cumulative other comprehensive income (loss) is as follows:

	For the year ended December 31,		
	2005 US$(000)	**2004** US$(000)	**2003** US$(000)
Beginning balance	76,131	20,750	(9,495)
Current period changes	7,171	55,381	30,245
Ending balance	83,302	76,131	20,750

(h) Commitments and guarantees -

The disclosures required for FIN 45 applicable to Credicorp's operations are as follow:

Commitments to extend credit -

The Group does no have commitments to extend credit. The caption "responsibilities under credit lines agreements" (see note 18), correspond to consumer credit lines and other consumer loans that are cancelable upon notification to the consumer. In addition, these credit lines generally have fixed expiration dates or other termination clauses. The contractual amount of the credit line represents the Company's exposure to credit loss, in the event of default by the borrower and by the amount of the credit line used at the default date. The Group manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to commercial commitments based on management's credit assessment of the borrower. Since the Group expects many of the commitments to expire without being drawn, or to cancel them in case of client default as allowed by the contracts signed, total responsibilities under credit lines agreements amounts do not necessarily represent the Group's future liquidity requirements. The contract or notional amounts of these credit lines at December 31, 2005 and 2004, were as follows:

	2005			2004		
	Expire within 1 year US$(000)	**Expire within 1 year** US$(000)	**Total** US$(000)	**Expire within 1 year** US$(000)	**Expire after 1 year** US$(000)	**Total** US$(000)
Consumer credit cards	-	531,816	531,816	190	557,227	557,417
Commercial	-	-	-	11,915	-	11,915
	-	531,816	531,816	12,105	557,227	569,332

Letters of credit and guarantees -

Standby letters of credit are conditional commitments the Group issues to guarantee the performance of a customer to a third-party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Group issues commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's nonperformance, the Group's credit loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Group to fund letters of credit may not occur, the Group expects its liquidity requirements to be less than the total outstanding commitments. The maximum potential future payments guaranteed by the Group under letters of credit and guarantee arrangements as of December 31, 2005, were approximately US$982,044 million (approximately US$655.3 million as of December 31, 2004) with a weighted average term of approximately 24 months. The estimated fair value of standby letters of credit and guarantees was approximately US$0.8 million as of December 31, 2005 (approximately US$1.0 million as of December 31, 2004). The contract or notional amounts of letters of credit and guarantees at December 31, 2005 and 2004, were as follows:

	2005			**2004**		
	Expire within 1 year US$(000)	**Expire after 1 year** US$(000)	**Total** US$(000)	**Expire within 1 year** US$(000)	**Expire after 1 year** US$(000)	**Total** US$(000)
Standby letters of credit and guarantees	944,598	37,446	982,044	532,860	122,453	655,313
Import and export letters of credit	238,902	-	238,902	226,981	6,825	233,806
	1,183,500	37,446	1,220,946	759,841	129,278	889,119

(i) Recent accounting pronouncements pending adoption

- Stock-Based Compensation -

  In December 2004, the FASB issued SFAS No. 123 (revised 2004), Shared Based Payments (SFAS 123R). This statement eliminates the option to apply the intrinsic value measurement provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" to stock compensation awards issued to employees. Rather, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award - the requisite service period (usually the vesting period). SFAS 123R applies to all awards granted after the required effective date, December 15, 2005, and to awards modified, repurchased, or cancelled after that date. SFAS 123R will be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005 and therefore we will apply this standard for U.S. GAAP purposes in the fiscal year beginning January 1, 2006. Credicorp's management does not anticipate that adoption of this Standard will have a material effect on its financial position, results of operations or cash flows.

- Statement of Financial Accounting Standards No. 156, Accounting for Servicing of Financial Assets an amendment of FASB Statement No. 140-
  On March 17, 2006, the FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140” (SFAS 156), which permits, but does not require, an entity to account for one or more classes of servicing rights (i.e., mortgage servicing rights, or MSRs) at fair value, with the changes in fair value recorded in the Consolidated Statement of Income. The new Statement should be adopted as of the beginning of the first fiscal year that begins after September 15, 2006. Credicorp’s management does not anticipate that the adoption of this new statement at the required effective date will have a significant effect in its financial position, results of operations or cash flows.

- Other-Than-Temporary Impairments of Certain Investments -
  On September 30, 2004, the FASB voted unanimously to delay the effective date of EITF 03-1, “The Meaning of Other-Than-Temporary Impairment and its Applications to Certain Investments.” The delay applies to both debt and equity securities and specifically applies to impairments caused by interest rate and sector spreads. In addition, the provisions of EITF 03-1 that were delayed relate to the requirements that a company declare its intent to hold the security to recovery and designate a recovery period in order to avoid recognizing an other-than-temporary impairment charge through earnings. On November 3, 2005, the FASB issued FASB Staff Position (FSP) FAS 115-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.” This FSP, which is effective for reporting periods beginning after December 15, 2005, replaces the impairment evaluation guidance (paragraphs 10-18) of EITF issue No.03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, with references to existing other-than-temporary (OTT) impairment guidance. The FSP also clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell has not been made. The adoption of this FSP will not have a material impact on the Credicorp’s Consolidated Financial Statements.

- Statements of Financial Accounting Standards No. 154: Accounting Changes and Error Corrections - a replacement of APB Opinion No. 20 and FASB Statement No. 3 -
  In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections - A replacement of APB Opinion No. 20 and FASB Statement No. 3” (“SFAS 154”). SFAS 154 replaces APB Opinion No. 20, “Accounting Changes” (“APB 20”) and FASB Statement No. 3, “Reporting Accounting Changes in Interim Financial Statements,” and changes the requirements for the accounting for and reporting of a change in accounting principle. APB 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS 154 requires retrospective application to prior periods’ financial statements for voluntary changes in accounting principle and for changes required by new accounting pronouncements that do not include specific transition provisions, unless such application is

impracticable. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Credicorp's management does not anticipate that the adoption of SFAS No. 154 will have a material impact on its financial position, results of operations or cash flows.

- Statements of Financial Accounting Standards No. 155: Accounting for Certain Hybrid Instruments-

  On February 16, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 155, "Accounting for Certain Hybrid Instruments" (SFAS 155), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with SFAS 133. The statement also subjects beneficial interests issued by securitization vehicles to the requirements of SFAS 133. The statement is effective as of January 1, 2007, with earlier adoption permitted. Management is currently evaluating the effect of the statement on the Credicorp's results of operations and financial condition.

- Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts-

  This Statement of Position (SOP) provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards No. 97, "Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments". This SOP is effective for internal replacements occurring in fiscal years beginning after December 15, 2006, with earlier adoption encouraged. Retrospective application of this SOP to previously issued financial statements is not permitted. Credicorp's management does not anticipate that the adoption of this SOP will have a material impact on its financial position, results of operations or cash flows.