

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2004 and 2003
together with the Report of Independent Auditors

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Report of Independent Auditors

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, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flow for the years then ended. 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. The consolidated financial statements of Credicorp Ltd. and Subsidiaries as of December 31, 2002, were audited by other independent auditors whose report, dated February 12, 2003, expressed an unqualified opinion on those financial statements.

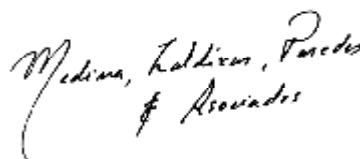
We conducted our audits in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2004 and 2003 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credicorp Ltd. and Subsidiaries as of December 31, 2004 and 2003, and the consolidated results of its operations and cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS).

Countersigned by:



Juan Paredes
C.P.C. Register N°22220



Lima, Peru,
February 21, 2005

Credicorp Ltd. and Subsidiaries

Consolidated balance sheets

As of December 31, 2004 and 2003

	Note	2004 US\$(000)	2003 US\$(000)		Note	2004 US\$(000)	2003 US\$(000)
Assets				Liabilities and shareholders' equity			
Cash and due from banks:	4			Deposits and other obligations:	11		
Non-interest bearing		251,561	228,965	Non-interest bearing		1,219,695	850,861
Interest bearing		1,593,900	1,386,095	Interest bearing		5,076,504	5,149,244
		<u>1,845,461</u>	<u>1,615,060</u>			<u>6,296,199</u>	<u>6,000,105</u>
Investments:							
Trading securities	5	102,534	98,746	Due to banks and correspondents	12	431,052	274,237
Investments available-for-sale	6	2,128,522	1,652,313	Bankers' acceptances outstanding		47,635	50,284
		<u>2,231,056</u>	<u>1,751,059</u>	Reserves for insurance claims	13	398,439	303,587
Loans, net:	7			Reserves for unearned premiums		72,327	66,084
Loans, net of unearned income		4,589,729	4,516,894	Reinsurance payable		23,612	33,043
Allowance for credit losses		<u>(253,408)</u>	<u>(306,758)</u>	Other liabilities	10	243,869	191,411
		<u>4,336,321</u>	<u>4,210,136</u>	Bonds issued	14	423,977	419,461
				Total liabilities		<u>7,937,110</u>	<u>7,338,212</u>
Premiums and other policies receivable		60,665	60,057	Minority interest		<u>85,253</u>	<u>72,841</u>
Reinsurance receivable		35,453	45,904	Shareholders' equity	15		
				Capital stock		471,912	471,912
Property, furniture and equipment, net	8	246,712	264,533	Treasury stock		(73,107)	(73,177)
				Capital surplus		140,693	140,500
Due from customers on acceptances		47,635	50,284	Reserves		269,527	269,527
				Retained earnings		<u>256,172</u>	<u>101,968</u>
Assets seized, net	9	64,873	89,030				
				Total shareholders' equity		<u>1,065,197</u>	<u>910,730</u>
Other assets	10	<u>219,384</u>	<u>235,720</u>				
				Total liabilities and shareholders' equity		<u>9,087,560</u>	<u>8,321,783</u>
Total assets		<u>9,087,560</u>	<u>8,321,783</u>				

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

Credicorp Ltd. and Subsidiaries

Consolidated income statements

For the years ended December 31, 2004, 2003 and 2002

	Note	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Interest and dividends income				
Interest on loan transactions		426,537	457,826	420,341
Interest on deposits in banks		20,146	18,826	36,516
Interest from trading securities and investments available-for-sale		81,276	51,028	45,178
Dividends on investments		2,256	11,178	2,293
Other interest income		12,627	9,427	27,546
Total interest and dividends income		<u>542,842</u>	<u>548,285</u>	<u>531,874</u>
Interest expense				
Interest on deposits		(95,965)	(99,955)	(108,219)
Interest on bonds issued		(27,651)	(28,068)	(10,504)
Interest on due to banks and correspondents		(16,366)	(17,235)	(25,285)
Other interest expenses		(20,316)	(18,322)	(35,527)
Total interest expense		<u>(160,298)</u>	<u>(163,580)</u>	<u>(179,535)</u>
Net interest and dividends income		<u>382,544</u>	<u>384,705</u>	<u>352,339</u>
Provision for credit losses	7(f)	<u>(16,131)</u>	<u>(66,421)</u>	<u>(99,596)</u>
Net interest and dividends income after provision for credit losses		<u>366,413</u>	<u>318,284</u>	<u>252,743</u>
Other income				
Banking services commissions		201,474	189,472	177,305
Net gain on foreign exchange transactions		24,165	23,681	22,582
Net (loss) gain on sales of securities		10,135	3,235	368
Other	20	<u>8,105</u>	<u>23,227</u>	<u>11,651</u>
Total other income		<u>243,879</u>	<u>239,615</u>	<u>211,906</u>
Insurance premiums and claims				
Net premiums earned	19	192,672	125,115	125,218
Net claims incurred		(34,791)	(23,844)	(23,701)
Increase in costs for life and health policies		<u>(119,534)</u>	<u>(75,930)</u>	<u>(74,200)</u>
Total net income from premiums earned		<u>38,347</u>	<u>25,341</u>	<u>27,317</u>

Consolidated income statements (continued)

	Note	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Other expenses				
Salaries and employees' benefits		(202,729)	(193,563)	(183,468)
Administrative expenses		(153,096)	(147,593)	(133,502)
Depreciation and amortization		(41,742)	(43,660)	(41,338)
Provision for assets seized	9(b)	(14,639)	(13,588)	(15,094)
Merger expenses	2	(3,742)	(18,587)	-
Goodwill amortization	10(c)	(4,853)	(4,223)	(3,033)
Other	20	(42,869)	(27,746)	(27,751)
Total other expenses		<u>(463,670)</u>	<u>(448,960)</u>	<u>(404,186)</u>
Income before translation result, income tax and minority interest		184,969	134,280	87,780
Translation result		2,040	(3,675)	(2,482)
Income tax	16(b)	(45,497)	(39,695)	(32,628)
Minority interest		<u>(10,765)</u>	<u>(10,303)</u>	<u>(10,287)</u>
Net income		<u>130,747</u>	<u>80,607</u>	<u>42,383</u>
Basic and diluted earnings per share in United States dollars	21	<u>1.64</u>	<u>1.01</u>	<u>0.53</u>

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, 2004, 2003 and 2002

	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)	Retained earnings US\$(000)	Total US\$(000)
Balances as of January 1 st , 2002	94,382	471,912	(74,605)	139,020	104,104	156,342	796,773
Decrease in treasury stock	-	-	1,428	1,480	-	-	2,908
Cash dividends, note 15(d)	-	-	-	-	-	(15,987)	(15,987)
Net unrealized loss from investments available-for-sale, note 6(b)	-	-	-	-	-	(14,444)	(14,444)
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	12,167	12,167
Net income	-	-	-	-	-	42,383	42,383
Balances as of December 31, 2002	94,382	471,912	(73,177)	140,500	104,104	180,461	823,800
Cash dividends, note 15(d)	-	-	-	-	-	(23,922)	(23,922)
Transfer of retained earnings to reserves	-	-	-	-	165,423	(165,423)	-
Net unrealized gain from investments available-for-sale, note 6(b)	-	-	-	-	-	18,844	18,844
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
Net income	-	-	-	-	-	80,607	80,607
Balances as of December 31, 2003	94,382	471,912	(73,177)	140,500	269,527	101,968	910,730
Decrease in treasury stock	-	-	70	193	-	-	263
Cash dividends, note 15(d)	-	-	-	-	-	(31,900)	(31,900)
Net unrealized gain from investments available-for-sale, note 6(b)	-	-	-	-	-	56,746	56,746
Transfer of net realized loss and impairment losses from investments available-for-sale to the operations results, net of realized gains, note 6(b)	-	-	-	-	-	(1,365)	(1,365)
Other	-	-	-	-	-	(24)	(24)
Net income	-	-	-	-	-	130,747	130,747
Balances as of December 31, 2004	94,382	471,912	(73,107)	140,693	269,527	256,172	1,065,197

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 2004, 2003 and 2002

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Cash flows from operating activities			
Net income	130,747	80,607	42,383
Add (deduct)			
Provision for loan losses	16,131	66,421	99,596
Depreciation and amortization	41,742	43,660	41,338
Amortization of goodwill	4,853	4,223	3,033
Provision for assets seized	14,639	13,588	15,094
Minority interest	10,765	10,303	10,287
Provision for sundry risks	9,819	2,022	4,649
Deferred income tax	(6,325)	4,410	(2,115)
Net gain on securities available-for-sale	(10,135)	(3,235)	(368)
Loss on sales of property, furniture and equipment	4,525	1,639	1,907
Translation result	(2,040)	3,675	2,482
Sale (purchase) of trading securities, net	(3,788)	506,358	(48,267)
Changes in assets and liabilities:			
Decrease (increase) in loans	(142,316)	136,994	(114,347)
Increase in other assets	42,402	16,504	36,457
Increase (decrease) in deposits and obligations	296,094	(418,569)	155,798
Increase (decrease) in due to banks and correspondents	156,815	(36,467)	(65,988)
Increase (decrease) in other liabilities	139,626	90,435	(28,768)
Net cash provided by operating activities	<u>703,554</u>	<u>522,568</u>	<u>153,171</u>
Cash flows from investing activities			
Acquisition of subsidiaries net of cash received, notes 2(c) and (d)	-	-	140,782
Cash received from sales of Banco Capital	-	-	32,255
Sales (purchase) net of investments available-for-sale	(410,693)	(984,815)	17,444
Purchase of property, furniture and equipment	(41,087)	(29,919)	(22,864)
Sales of property, furniture and equipment	7,788	23,951	1,560
Net cash provided by (used in) investing activities	<u>(443,992)</u>	<u>(990,783)</u>	<u>169,177</u>

Consolidated cash flow statements (continued)

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Cash flows from financing activities			
Decrease (increase) in bonds issued	4,516	(71,518)	1,445
Sales of treasury stocks	263	-	2,908
Cash dividends	(31,900)	(23,922)	(31,881)
Net cash used in financing activities	<u>(27,121)</u>	<u>(95,440)</u>	<u>(27,528)</u>
Translation loss on cash and cash equivalents	<u>(2,040)</u>	<u>(3,675)</u>	<u>(9,882)</u>
Net increase (decrease) in cash and cash equivalents	230,401	(567,330)	284,938
Cash and cash equivalents at the beginning of the year	<u>1,615,060</u>	<u>2,182,390</u>	<u>1,897,452</u>
Cash and cash equivalents at the end of the year	<u><u>1,845,461</u></u>	<u><u>1,615,060</u></u>	<u><u>2,182,390</u></u>
Supplementary cash flows information:			
Cash paid during the year for			
Interest	158,414	146,972	101,185
Income taxes	43,866	59,064	3,487

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

Credicorp Ltd. and Subsidiaries

Notes to the consolidated financial statements

As of December 31, 2004 and 2003

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, 2004 and 2003, 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 N°156, La Molina, Lima, Peru. The Group employs 11,322 and 10,901 employees as of December 31, 2004 and 2003, respectively.

The consolidated financial statements as of and for the year ended December 31, 2003 have been approved in the General Shareholders' Meeting dated March 26, 2004. The accompanying consolidated financial statements as of and for the year ended December 31, 2004, 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 Inversiones 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"), which will operate in the Peruvian pension fund market, according to applicable regulations. In February 2005, the local authorities approved the incorporation of the new AFP.

(b) Sale of Banco Tequendama S.A. -

In October 2004, the Group entered into a definitive agreement to sell its 100 percent interest in its subsidiary Banco Tequendama (Colombia) for US\$32 million. The completion of this transaction is subject to the approval of the Colombian authorities. As of December 31, 2004, the Group maintained the control of the operations of Banco Tequendama and, for that reason, in accordance with IAS 27, the Group consolidated the financial statements of this subsidiary. The Group's Management expects to obtain the approval from the Colombian authorities during March 2005.

As result of this transaction, the Group does not expect to record any significant gain or loss.

Notes to the consolidated financial statements (continued)

(c) Acquisition of Corporacion Novasalud Peru S.A. -

In March 2004, El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros (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).

(d) Acquisition of Solucion Financiera de Credito del Peru 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).

(e) Acquisition of Banco Santander Central Hispano S.A. - Peru -

In December 2002, through a Tender Offer (TO), BCP acquired 99.94 percent of Banco Santander Central Hispano S.A. - Peru (hereinafter "BSCH - Peru"). According to Law 26702, BCP had a period no longer than 6 months to merge this entity. In this respect, the BCP's General Shareholders' Meeting held on December 30, 2002, approved this transaction with effective date February 28, 2003.

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 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.

Notes to the consolidated financial statements (continued)

(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 account for 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.

Notes to the consolidated financial statements (continued)

The companies that comprise the Group as of December 31, 2004 and 2003, with an indication of the percentage of directly and indirectly owned by Credicorp as of those dates, as well as other relevant information, based on the financial statements prepared for local purposes, before the eliminations for consolidation, except for the elimination of Credicorp's treasury shares and the related dividends, are as follows:

Entity	Percentage of participation		Assets		Liabilities		Shareholders' equity		Net income (loss)	
	2004	2003	2004 US\$(000)	2003 US\$(000)	2004 US\$(000)	2003 US\$(000)	2004 US\$(000)	2003 US\$(000)	2004 US\$(000)	2003 US\$(000)
Banco de Credito del Peru and Subsidiaries (i)	96.98	96.98	7,191,019	6,687,581	6,477,416	6,042,445	713,603	645,136	137,969	97,218
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	821,738	776,323	729,297	663,454	92,441	112,869	13,293	7,811
El Pacifico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	75.72	75.83	670,264	587,237	527,196	438,620	143,068	148,617	12,947	9,218
Inversiones Credito del Peru S.A. and Subsidiaries (iv)	99.99	99.99	50,428	72,135	2,573	26,800	47,855	45,335	2,521	2,988
Banco Tequendama and Subsidiaries (v)	99.99	99.99	398,289	293,895	367,575	264,836	30,714	29,059	1,910	118
CCV Inc. (vi)	99.99	99.99	17,095	33,630	17,308	33,646	(213)	(16)	(198)	18
CCR Inc. (vi)	99.99	99.99	86,136	66,042	85,441	65,422	695	620	74	(248)
Credicorp Securities Inc. (vii)	99.99	99.99	818	680	22	-	796	680	135	820

- (i) Banco de Credito (BCP) is a universal bank, incorporated in Peru on 1889, authorized to engage in banking activities by the Superintendence of Banking and Insurance (SBS), the Peruvian banking and insurance 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 Compañía de Seguros y Reaseguros (PPS) is a Peruvian corporation, whose main activity is the issuance and administration of property and casualty insurance and the performance of related activities, and also provides accident, health and life insurance.
- (iv) Inversiones Credito del Peru S.A. (ICSA) is a Peruvian corporation incorporated on February 1987, whose main activity is the investment in listed and non-listed equity securities in Peru.
- (v) Banco Tequendama, acquired by Credicorp in January 1997, is a private banking institution, established on May 1976 in accordance with Colombian laws and with a corporate life until June 30, 2010; this period could be extended in accordance with current legislation. As detailed in note 2(b), in October 2004, the Group signed-off an agreement to sell Banco Tequendama. The sale is pending of the approval from the Colombian authorities.
- (vi) 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 for foreign financial entities, note 12(b), which are collateralized by transactions realized by the Bank.
- (vii) 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.

Notes to the consolidated financial statements (continued)

(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 primary economic environment in which entity operates. The subsidiaries are considered as foreign operations for consolidation purposes. 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.

Notes to the consolidated financial statements (continued)

Commissions' incomes are 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 expenses recognition from insurance activities -

Premiums from long-term contracts, mainly life insurance, are recorded when due earned. 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 to be applied in the following period 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). Likewise, a premium deficiency reserve is made when the reserve for unearned premiums becomes insufficient to cover the risks and future expenses that correspond to the unexpired period of coverage at the date of calculation.

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 reported. The incurred but not reported claims (IBNR) are estimated and reflected as a liability, net of recoveries and reinsurance. The IBNR reserves as of December 31, 2004 and 2003, 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, 2004 and 2003.

In determining insurance policy reserves, 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 using international standards. Benefit liabilities for annuities during the accumulation period are equal to accumulated contractholders' fund balances and after annuitization are equal to the present value of expected future payments.

Notes to the consolidated financial statements (continued)

Policyholders' funds for universal life and investment-type products, including or not an interest guaranteed and funding agreements, are equal to the policyholder account values. 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) are deferred and subsequently amortized over the period in which the related premiums are earned.

(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.

Notes to the consolidated financial statements (continued)

All loans considered impaired (such 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 uncollectable, 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 statement.

This allowance is estimated based on historical losses and other relevant information. The allowance related to direct credits is presented as a reduction of the related asset and the allowance related to indirect credits is presented as part of the liabilities in the consolidated balance sheet, note 10.

(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 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 trading investments. 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

Notes to the consolidated financial statements (continued)

deferred income taxes and minority interest. Unrealized gains or losses are recognized in income of the year when the investments available-for-sale are 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.

Notes to the consolidated financial statements (continued)

(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.

Goodwill amortization is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life, as follows:

	Years
ASHC and PPS	20
Solucion Financiera de Credito del Peru	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 accrued 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.

Notes to the consolidated financial statements (continued)

(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, based on accounting principles that are different from IFRS and, therefore, the accounting for income tax and workers' profit sharing in accordance with IFRS are both in accordance with the principles of IAS 12.

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 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, 2004, 2003 and 2002, Credicorp has no financial instruments with dilutive effects. Therefore, basic and diluted earnings per share are the same for all years presented.

(t) Supplementary plan for workers' profit sharing -

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 difference between the fixed exercise price and the market price of the shares for the SARs that can be exercised by the beneficiaries at the consolidated balance sheet date.

Notes to the consolidated financial statements (continued)

When Credicorp reprices 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 -

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 statements of income.

(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 environments, 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 -

Where necessary, comparative figures have been reclassified to conform to current year presentation.

(z) Recently issued International Financial Reporting Standards -

(i) IASB Improvements Project -

As of December 31, 2004, the IASB issued 15 revised International Accounting Standards under its Improvement Project in an attempt to clarify language, to remove inconsistencies and to achieve convergence with other accounting standards, principally U.S. GAAP. All revised standards are effective for financial years beginning on or after January 1st, 2005.

Notes to the consolidated financial statements (continued)

In general, the revised standards under the Improvement Project will primarily affect the presentation and disclosure, but not recognition and measurement of the Group's assets and liabilities and will, therefore, not have a material impact on Credicorp's consolidated financial statements.

(ii) Revised IAS 32 and 39 -

In December 2003, the International Accounting Standards Board (IASB) issued revised IAS 32, Financial Instruments: Disclosure and Presentation, and IAS 39, Financial Instruments: Recognition and Measurement. Both standards are effective for financial years beginning on or after January 1st, 2005. Together, both standards provide comprehensive guidance on recognition, measurement, presentation and disclosure of financial instruments. The standards are to be applied retrospectively, with the exception of portions of the guidance relating to de-recognition of financial assets and liabilities, which is to be applied prospectively. Credicorp's Management does not expect any significant effect from the adoption of these standards on its financial statements.

(iii) IFRS 2 - Share-based Payment -

On February 2004, the IASB issued IFRS 2, Share-based Payment. When share-based payments are made to employees, for example through awards of shares or share options, the fair value of these awards measured at the date of grant must be recognized as compensation expense. The new standard is effective for financial years beginning on or after January 1st, 2005 and applies to equity-settled awards granted after November 7, 2002 those have not vested at January 1st, 2005 and to liabilities arising from share-based awards that exist at the effective date. The IFRS 2 allows that comparative prior periods be restated and the opening balance of retained earnings at January 1st, 2003 adjusted. The Group discloses the compensation expense attributable to share-based awards in note 17, the amounts recorded and disclosed are based on the requirements of U.S. generally accepted accounting principles that, for the case of the Group's benefits, do not significantly differ from the requirements of IFRS 2.

(iv) IFRS 3 - Business Combinations -

On March 2004, the IASB issued IFRS 3, Business Combinations, which replaces IAS 22, Business Combinations and the related interpretations (SICs 9, 22 and 28).

In accordance with the disposals of IFRS 3:

- The Group will cease the amortization of goodwill from January 1st, 2005;
- The accumulated amortization as of December 31, 2004 will be eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended December 31, 2005 onwards, goodwill will be tested annually for impairment, as well as when there are indications of impairment.

Notes to the consolidated financial statements (continued)

Until December 31, 2004, the accounting treatment for business combinations and goodwill are unchanged from previous years, following the guidelines described in paragraph (m) above.

(v) IFRS 4 - Insurance Contracts -

Issued in 2004, it is the first IFRS to deal with insurance contracts, this standard is effective for annual periods beginning on or after January 1st, 2005. This IFRS make limited improvements to accounting for insurance contracts and require disclosing information about those contracts. The requirements of IFRS 4 are in accordance with the accounting policies followed by the Group, which are described in paragraph (e) above.

(vi) IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations -

The objective of this IFRS is to specify the accounting for assets held for sale, and the presentation and disclosure of discontinued operations, this standard is effective for annual periods beginning on or after January 1st, 2005. The IFRS 5 introduces the concept of a disposal group, being a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. IFRS 5 shall be applied prospectively to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued after the effective date of IFRS 5. Credicorp does not expect any significant impact from the adoption of this IFRS.

4. Cash and due from banks

(a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Cash and clearing	251,561	228,965
Deposits in Peruvian Central Bank – BCRP	1,100,450	929,557
Deposits in banks	486,403	454,208
	<hr/>	<hr/>
	1,838,414	1,612,730
Accrued interest	7,047	2,330
	<hr/>	<hr/>
Total	1,845,461	1,615,060

- (b) As of December 31, 2004 and 2003, cash and due from banks balances include approximately US\$1,296.3 and US\$1,136.8 million, respectively, mainly from Banco de Credito of 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.

Notes to the consolidated financial statements (continued)

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, 2004, the monthly excess amounts to approximately US\$849.5 million and earns interest in U.S. Dollars at an annual rate of 1.83 percent (US\$884.1 million and earned interest in U.S. Dollars at an annual rate of 1.05 percent as of December 31, 2003).

5. Trading securities

(a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Shares -		
Listed equity securities	10,979	14,028
Bonds and similar instruments -		
Colombian treasury bonds (b)	36,898	-
Peruvian treasury bonds (c)	33,731	28,196
Investments in foreign financial institutions	10,590	21,166
International government treasury bonds	5,517	-
Bank certificates	2,116	13,755
Corporate and leasing bonds	1,708	476
Participation in mutual funds	549	20,529
	91,109	84,122
	102,088	98,150
Accrued interest	446	596
Total	102,534	98,746

- (b) Bonds issued by the National Treasury Direction and the Colombian Republic have an active market quotation in the financial market of that country. As of December 31, 2004, these bonds accrued interest at annual rates that ranged between 1.81 and 12.95 percent and have maturities between June 2005 and August 2012.
- (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, 2004, these bonds accrued interest at annual rates that ranged between 4.98 and 7.20 percent (between 5.89 and 12.85 percent in 2003, respectively) and have maturities between June 2005 and October 2007 (between June 2004 and January 2005 as of December 31, 2003).

Notes to the consolidated financial statements (continued)

6. Investments available-for-sale

(a) This item is made up as follows:

	2004				2003			
	Amortized cost US\$(000)	Unrealized gross amount		Estimated market value US\$(000)	Amortized Cost US\$(000)	Unrealized gross amount		Estimated market value US\$(000)
		Gains US\$(000)	Losses US\$(000)			Gains US\$(000)	Losses US\$(000)	
Fixed maturity -								
Corporate, leasing and subordinated bonds (c)	546,570	11,080	(1,558)	556,092	544,307	10,514	(1,076)	553,745
BCRP deposit certificates (d)	681,658	932	(172)	682,418	375,403	395	(85)	375,713
Government treasury bonds (e)	435,652	21,435	(1,044)	456,043	316,076	877	(965)	315,988
Bonds from international financial institutions (f)	78,623	219	(4)	78,838	86,410	112	(1,663)	84,859
Participation in mutual funds	68,911	4,109	(190)	72,830	60,707	2,220	-	62,927
Commercial papers	31,015	37	-	31,052	53,208	-	-	53,208
Participation in RAL's funds (g)	41,355	-	-	41,355	40,861	-	-	40,861
Debt issued by Central Banks of other countries	3,293	148	(171)	3,270	13,172	23	-	13,195
Other	25,068	85	(271)	24,882	17,640	6	(3)	17,643
	<u>1,912,145</u>	<u>38,045</u>	<u>(3,410)</u>	<u>1,946,780</u>	<u>1,507,784</u>	<u>14,147</u>	<u>(3,792)</u>	<u>1,518,139</u>
Shares -								
Listed securities	52,045	67,112	(305)	118,852	53,591	25,296	-	78,887
Non-listed securities	49,271	2,256	-	51,527	48,158	244	(3,326)	45,076
	<u>101,316</u>	<u>69,368</u>	<u>(305)</u>	<u>170,379</u>	<u>101,749</u>	<u>25,540</u>	<u>(3,326)</u>	<u>123,963</u>
	<u>2,013,461</u>	<u>107,413</u>	<u>(3,715)</u>	<u>2,117,159</u>	<u>1,609,533</u>	<u>39,687</u>	<u>(7,118)</u>	<u>1,642,102</u>
Accrued interest				<u>11,363</u>				<u>10,211</u>
Total				<u>2,128,522</u>				<u>1,652,313</u>

Notes to the consolidated financial statements (continued)

- (b) The change in the realized and unrealized gains and losses, net of deferred taxes and minority interest, and the provision for impairment recorded by the Group each year are as follows:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Net unrealized gains (losses)	56,746	18,844	(14,444)
Net realized gains (losses)	1,365	7,265	(4,038)
Permanent impairment on investments	-	(18,666)	(8,129)

- (c) As of December 31, 2004, comprise corporate bonds by US\$532.2 million, leasing bonds by US\$19.8 million and subordinated bonds by US\$4.1 million (US\$531.2, US\$14.6 and US\$7.9 million, respectively, as December 31, 2003), with maturities between January 2005 and November 2035. These bonds accrue interests at annual effective rates that range between 4.75 and 10.00 percent for the bonds denominated in Peruvian currency (between 4.03 and 10.40 percent in 2003), and between 2.01 and 9.50 percent for the bonds denominated in U.S. Dollars (between 2.51 and 10.25 percent in 2003).
- (d) 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 3.21 and 5.62 percent as of December 31, 2004 (between 2.73 and 5.57 percent as of December 31, 2003) with maturities between January 2005 and October 2006 (between February 2004 and September 2006 as of December 31, 2003).
- (e) Includes principally credit instruments for US\$181.3, US\$186.7 and US\$35.7 million issued by US Government agencies, the Peruvian Government and the Government of El Salvador, respectively as of December 31, 2004 (US\$131.7, US\$117.6 and US\$15.0 million respectively, as of December 31, 2003). Their maturities are between January 2005 and August 2038 at annual interest rates that range between 2.58 and 7.43 percent (between 1.69 and 9.88 percent in 2003).
- (f) Comprise mainly of US\$59.2 and US\$16.5 million of debt instruments issued in U.S. Dollars by Corporacion Andina de Fomento - CAF and by Fondo Latinoamericano de Reservas - FLAR, respectively (US\$53.3 and US\$16.5, respectively, as of December 31, 2003). Such bonds have maturities between February 2005 and April 2009. Annual interests rates are between 4.01 and 7.79 percent (between 3.00 and 8.88 percent in 2003).
- (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 1.4 percent (1.2 percent in 2003).

Notes to the consolidated financial statements (continued)

- (h) As of December 31, 2004 and 2003, the amortized cost and market value of the investments classified by maturity are as follows:

	2004		2003	
	Amortized cost	Market value	Amortized cost	Market value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Up to 3 months	284,127	288,320	102,104	101,407
From 3 months to 1 year	726,921	729,165	515,586	518,104
From 1 to 5 years	533,152	538,176	684,991	693,479
Over 5 years	367,945	391,119	205,103	205,149
Without maturity (shares)	101,316	170,379	101,749	123,963
Total	2,013,461	2,117,159	1,609,533	1,642,102

7. Net loans

- (a) This item is made up as follows:

	2004	2003
	US\$(000)	US\$(000)
Direct loans		
Loans	3,245,007	3,130,882
Leasing receivables	424,902	452,635
Credit card receivables	262,824	153,259
Discount notes	183,519	176,991
Factoring receivables	58,116	56,446
Advances and overdrafts	48,506	45,827
Refinanced and restructured loans	243,892	296,116
Past due and under legal collection loans	159,057	256,208
	4,625,823	4,568,364
Add (less) -		
Accrued interest	30,711	35,398
Unearned interest	(66,805)	(86,868)
Allowance for credit losses	(253,408)	(306,758)
Total direct loans, net	4,336,321	4,210,136
Indirect loans, note 18(a)	889,119	843,576

Notes to the consolidated financial statements (continued)

- (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, 2004 and 2003, the Group's direct loan portfolio is distributed among the following economic sectors:

	2004	%	2003	%
	US\$(000)		US\$(000)	
Sector				
Manufacturing	1,376,874	29.8	1,461,350	32.0
Mortgage loans	656,420	14.2	554,467	12.1
Commerce	523,574	11.3	560,052	12.3
Consumer loans	298,387	6.5	274,672	6.0
Electricity, gas and water	248,571	5.4	211,610	4.6
Micro-business	232,571	5.0	204,742	4.5
Leaseholds and real estate activities	224,745	4.9	233,506	5.1
Mining	194,022	4.2	233,355	5.1
Communications, storage and transportation	181,018	3.9	189,612	4.2
Agriculture	160,167	3.5	142,697	3.1
Financial services	90,042	1.9	96,371	2.1
Construction	72,879	1.6	70,676	1.5
Fishing	68,604	1.5	90,786	2.0
Education, health and other services	62,341	1.3	99,702	2.2
Other	235,608	5.0	144,766	3.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	4,625,823	100.0	4,568,364	100.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the consolidated financial statements (continued)

(d) As of December 31, 2004 and 2003, the credit risk classification of the Group's loan portfolio is as follows:

Risk category	2004						2003					
	Direct		Indirect		Total		Direct		Indirect		Total	
	credits		credits		US\$(000)		credits		credits		US\$(000)	
	US\$(000)	%	US\$(000)	%			US\$(000)	%	US\$(000)	%		
Normal	3,786,778	81.9	814,390	91.6	4,601,168	83.4	3,480,701	76.2	743,422	88.1	4,224,123	78.1
Potential problems	336,619	7.3	52,800	5.9	389,419	7.1	437,682	9.6	67,551	8.0	505,233	9.3
Substandard	195,062	4.2	12,956	1.5	208,018	3.8	240,316	5.3	25,266	3.0	265,582	4.9
Doubtful	184,206	4.0	7,312	0.8	191,518	3.5	266,723	5.8	4,928	0.6	271,651	5.0
Loss	123,158	2.6	1,661	0.2	124,819	2.2	142,942	3.1	2,409	0.3	145,351	2.7
	<u>4,625,823</u>	<u>100.0</u>	<u>889,119</u>	<u>100.0</u>	<u>5,514,942</u>	<u>100.0</u>	<u>4,568,364</u>	<u>100.0</u>	<u>843,576</u>	<u>100.0</u>	<u>5,411,940</u>	<u>100.0</u>

(e) As of December 31, 2004 and 2003, the Group's structure of its direct loan portfolio by the country in which its clients are located is as follows:

Country	2004	2003
	US\$(000)	US\$(000)
Peru	3,877,782	3,937,093
Bolivia	335,460	340,382
Colombia	315,641	222,085
Other	<u>96,940</u>	<u>68,804</u>
Total	<u>4,625,823</u>	<u>4,568,364</u>

Notes to the consolidated financial statements (continued)

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

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Balances as of January 1st	326,677	424,031	344,433
Provision	16,131	66,421	99,596
Recoveries of written-off loans	32,287	17,416	12,050
Allowance for the loan portfolio acquired from mergers with BSCH - Peru	-	-	122,841
Loan portfolio written-off	(120,150)	(185,688)	(150,102)
Translation result	16,928	4,497	(4,787)
Balance as of December 31	<u>271,873</u>	<u>326,677</u>	<u>424,031</u>

- (*) The movement in the allowance for credit losses includes the allowance for direct and indirect credits for approximately US\$253.4 and US\$18.5 million, respectively, as of December 31, 2004 (approximately US\$306.8 and US\$19.9 million, respectively as of December 31, 2003). 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, 2004 and 2003 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.

Notes to the consolidated financial statements (continued)

- (h) As of December 31, 2004 and 2003, the gross loan portfolio classified by maturity, based in the remaining period to the repayment date is as follows:

	2004 US\$(000)	2003 US\$(000)
Outstanding loans -		
Up to 1 year	2,747,013	2,752,828
From 1 to 5 years	1,168,375	1,024,954
Over 5 years	551,378	534,374
Past due loans -		
Up to 4 months	11,572	50,981
Over 4 months	66,723	82,439
Under legal collection loans	80,762	122,788
Total	4,625,823	4,568,364

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\$57.6 and US\$86.1 million as of December 31, 2004 and 2003, respectively.

Notes to the consolidated financial statements (continued)

8. Property, furniture and equipment and accumulated depreciation

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended 2004 and 2003, 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)	2004 US\$(000)	2003 US\$(000)
Cost -									
Balance as of January 1st	33,639	256,998	66,926	70,329	137,478	33,464	5,940	604,774	611,997
Additions	83	4,692	7,002	2,072	11,639	5,950	7,890	39,328	29,919
Assets incorporated by mergers	-	-	503	1,039	14	203	-	1,759	-
Sales and transfers	(4,371)	(20,226)	273	(3,522)	(12,864)	(5,082)	(7,054)	(52,846)	(37,142)
Balance as of December 31	<u>29,351</u>	<u>241,464</u>	<u>74,704</u>	<u>69,918</u>	<u>136,267</u>	<u>34,535</u>	<u>6,776</u>	<u>593,015</u>	<u>604,774</u>
Accumulated depreciation -									
Balance as of January 1st	-	121,235	38,692	52,739	113,299	14,276	-	340,241	321,812
Additions	-	7,979	6,070	4,260	13,083	1,189	-	32,581	31,620
Sales and transfers	-	(15,025)	(1,666)	(691)	(4,310)	(4,827)	-	(26,519)	(13,191)
Balance as of December 31	<u>-</u>	<u>114,189</u>	<u>43,096</u>	<u>56,308</u>	<u>122,072</u>	<u>10,638</u>	<u>-</u>	<u>346,303</u>	<u>340,241</u>
Net book value	<u>29,351</u>	<u>127,275</u>	<u>31,608</u>	<u>13,610</u>	<u>14,195</u>	<u>23,897</u>	<u>6,776</u>	<u>246,712</u>	<u>264,533</u>

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

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

Notes to the consolidated financial statements (continued)

9. Assets seized, net

- (a) As of December 31, 2004 and 2003, 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:

	2004 US\$(000)	2003 US\$(000)
Assets seized	99,539	124,077
Reserve	<u>(34,666)</u>	<u>(35,047)</u>
Total	<u>64,873</u>	<u>89,030</u>

- (b) The changes in the reserve for assets seized are summarized as follows:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Balances as of January 1st	35,047	27,067	16,762
Provision	14,639	13,588	15,094
Amount apply to sold assets	<u>(15,020)</u>	<u>(5,608)</u>	<u>(4,789)</u>
Balances as of December 31	<u>34,666</u>	<u>35,047</u>	<u>27,067</u>

Notes to the consolidated financial statements (continued)

10. Other assets and other liabilities

(a) These items are made up as follows:

	2004 US\$(000)	2003 US\$(000)
Other assets -		
Accounts receivable	46,415	44,007
Goodwill, net (c)	33,557	32,510
Operations in process (b)	30,999	32,849
Income tax prepayments	26,928	31,374
Deferred expenses	19,193	28,780
Intangible assets, net (d)	18,839	22,206
Deferred income tax asset, note 16(c)	16,185	20,305
Accounts receivable for derivatives, note 18(f)	9,624	3,974
Other	17,644	19,715
	<hr/>	<hr/>
Total	219,384	235,720
	<hr/>	<hr/>
Other liabilities -		
Accounts payable	87,026	67,750
Payroll, salaries and other personnel expenses	45,295	28,695
Deferred income tax liability, note 16(c)	30,414	30,492
Operations in process (b)	25,169	22,817
Provision for sundry risks (e)	19,379	10,078
Allowance for indirect credit losses, note 7(f)	18,465	19,919
Contributions	13,361	10,591
Accounts payable for derivatives, note 18(f)	4,760	1,069
	<hr/>	<hr/>
Total	243,869	191,411
	<hr/>	<hr/>

(b) 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.

Notes to the consolidated financial statements (continued)

- (c) The movement of goodwill for the years 2004, 2003 and 2002 is summarized as follows:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Cost -			
Balance as of January 1st	55,922	47,930	47,930
Additions, note 2(c) y (d)	5,900	7,992	-
Balances as of December 31	<u>61,822</u>	<u>55,922</u>	<u>47,930</u>
Accumulated amortization -			
Balance as of January 1st	23,412	19,189	16,156
Additions	4,853	4,223	3,033
Balances as of December 31	<u>28,265</u>	<u>23,412</u>	<u>19,189</u>
Net cost	<u>33,557</u>	<u>32,510</u>	<u>28,741</u>

- (d) Intangible assets comprise mainly internal development and acquired software licenses used in the Group's operations.
- (e) The movement of the provision for sundry risks for the years 2004, 2003 and 2002 is summarized as follows:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Balances as of January 1st	10,078	11,942	14,628
Provision, note 20	9,819	2,022	4,649
Deductions	<u>(518)</u>	<u>(3,886)</u>	<u>(7,335)</u>
Balances as of December 31	<u>19,379</u>	<u>10,078</u>	<u>11,942</u>

This provision mainly comprises the provision for probable 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.

Notes to the consolidated financial statements (continued)

11. Deposits and obligations

(a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Non-interest bearing deposits and obligations -		
In Peru	980,091	716,768
In other countries	239,604	134,093
	<u>1,219,695</u>	<u>850,861</u>
Interest bearing deposits and obligations -		
In Peru	3,606,204	4,053,237
In other countries	1,445,073	1,072,408
	<u>5,051,277</u>	<u>5,125,645</u>
	6,270,972	5,976,506
Interest payable	<u>25,227</u>	<u>23,599</u>
Total	<u>6,296,199</u>	<u>6,000,105</u>

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, 2004 and 2003, the balance of deposits and obligations by type of transaction is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Time deposits	2,352,200	2,426,782
Demand deposits	1,750,277	1,481,955
Saving deposits	1,583,502	1,482,610
Severance indemnity deposits	530,683	527,434
Bank certificates	<u>54,310</u>	<u>57,725</u>
Total	<u>6,270,972</u>	<u>5,976,506</u>

Notes to the consolidated financial statements (continued)

- (c) As of December 31, 2004, the total amount of individual time deposits and bank certificates that exceed US\$100,000 are approximately US\$1,520.3 and US\$11.5 million, respectively (US\$2,124.5 and US\$11.7 million, respectively, as of December 31, 2003).
- (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.

	2004 US\$(000)	2003 US\$(000)
From 3 months to 1 year	1,646,208	1,824,324
From 1 to 5 years	705,936	513,362
More than 5 years	56	89,096
Total	2,352,200	2,426,782

12. Due to banks and correspondents

- (a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
By type -		
Due to banks and correspondents (b)	209,122	182,676
Promotional credit lines (c)	121,561	59,164
Interbank funds	98,688	28,618
Loans from international funds	-	3,276
	429,371	273,734
Interest payable	1,681	503
Total	431,052	274,237
By term -		
Short-term debt	233,951	96,311
Long-term debt	195,420	177,423
Total	429,371	273,734

Notes to the consolidated financial statements (continued)

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

- Bank loans obtained by the Group mainly to finance foreign trade and working capital amounted to US\$140.5 and US\$84.1 million in 2004 and 2003, respectively.
- The amount owed from a loan transaction made in November 1998, amounting to US\$100 million, with maturities through November 2005, secured by the collection of BCP's future inflows corresponding to the consumptions and cash advances made in Peru through the credit cards of Visa International issued by foreign banks. In this transaction, Deutsche Bank AG of Germany acted as trustee. This obligation will be paid through the transfers of funds corresponding to the future inflows to be received by BCP from Visa International, which will be deposited directly by Visa International in a special account managed by Deutsche Bank AG of Germany. This transaction bears an annual fixed interest rate of 5.74 percent. As of December 31, 2004 and 2003, the balance of this obligation amounts US\$17.2 and US\$33.3 million, respectively.

In addition, BCP has signed an insurance policy with MBIA Insurance Corporation of New York which guarantees the future cash inflows to pay the quarterly payments with maturities through November 2005.

- The amount owed from a loan transaction made by BCP in January 2001 amounting to US\$100 million, with maturities through January 2008, 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. This transaction bears a monthly interest rate that fluctuates between 1.42 and 2.65 percent (between 1.44 and 1.83 percent in 2003). As of December 31, 2004 and 2003 the balance of this obligation amounts US\$51.3 and US\$65.3 million, respectively.

(c) 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, 2004 and 2003, these credit lines are guaranteed with a loan portfolio amounting to US\$118.8 and US\$43.2 million, respectively, and include covenants specifying the use of funds, financial conditions that the borrower must maintain and other administrative matters.

Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2004 and 2003, maturities of due to banks and correspondents are shown below, based in the remaining period to the repayment date:

	2004 US\$(000)	2003 US\$(000)
Up to 1 year	233,951	96,311
From 1 to 5 years	101,223	137,627
Over 5 years	94,197	39,796
Total	429,371	273,734

13. Reserve for insurance claims

- (a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Reserves for:		
Life insurance (b)	321,694	243,118
Claims (c)	53,652	44,620
Incurred but not reported claims (IBNR)	18,448	14,682
Health services	4,645	1,167
Total	398,439	303,587

- (b) As of December 31, 2004, mainly comprise technical reserves for life annuity and private pension fund insurance for US\$176.0 and US\$119.7 million, respectively (US\$118.1 and US\$105.5 million, respectively, as of December 31, 2003).
- (c) As of December 31, 2004, comprise technical reserves for property and casualty claims and life insurance claims for US\$26.1 and US\$27.6 million, respectively (US\$24.9 and US\$19.7 million, respectively, as of December 31, 2003).

Notes to the consolidated financial statements (continued)

14. Bonds issued

(a) This item is made up as follows:

	Weighted average annual interest rate %	Maturity	2004 US\$(000)	2003 US\$(000)
Corporate bonds	4.91	Between March 2005 and January 2007	75,382	55,409
Leasing bonds	5.71	Between June 2005 and November 2010	220,491	232,993
Mortgage bonds	7.76	Between May 2011 and April 2012	28,403	30,207
Subordinated bonds	6.70	Between August 2007 and October 2013	96,911	97,140
			<u>421,187</u>	<u>415,749</u>
Interest payable			<u>2,790</u>	<u>3,712</u>
Total			<u>423,977</u>	<u>419,461</u>

(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, 2004 and 2003, classified by maturity is shown below:

	2004 US\$(000)	2003 US\$(000)
Up to 1 year	64,711	34,487
From 1 to 5 years	236,859	247,005
Over 5 years	<u>119,617</u>	<u>134,257</u>
Total	<u>421,187</u>	<u>415,749</u>

15. Shareholders' equity

(a) Capital stock -

As of December 31, 2004, 2003 and 2002, 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 14,620,885 shares as of December 31, 2004 and 14,634,925 shares as of December 31, 2003 and 2002. The difference between the acquisition cost of US\$186.5 million and their par value of US\$73.1 million is recorded as a reduction of the "Capital surplus".

Notes to the consolidated financial statements (continued)

(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 amount to approximately US\$207.3 and US\$206.6 million as of December 31, 2004 and 2003, respectively.

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

(d) Dividends distribution -

During 2004, 2003 and 2002, Credicorp paid cash dividends of approximately US\$31.9, US\$23.9, and US\$16.0 million, respectively.

In session held on February 17, 2005, Credicorp's Board of Directors agreed to pay its shareholders a cash dividend of US\$75.5 million, equivalent to 80 cents of U.S. Dollar (US\$0.80) per share, payable on May 2, 2005.

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 minimum regulatory capital for the subsidiaries engaged on financial and insurance activities amounted approximately US\$911.3 and US\$949.8 million as of December 31, 2004 and 2003, respectively. This regulatory capital has been determined in accordance with the Superintendencia de Banca y Seguros del Peru regulations in force as of such dates. According to the Superintendencia de Banca y Seguros regulations the Group's regulatory capital exceeds in approximately US\$338.1 million the minimum regulatory capital required as of December 31, 2004 (approximately US\$333.4 million as of December 31, 2003).

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 (as of December 31, 2003 and 2002 the income tax rate was 27 percent).

ASHC and its subsidiaries are not subject to taxes in the Cayman Islands nor Panama. For the years ended December 31, 2004, 2003 and 2002, no taxable profits was generated from its operations in the United States of America.

Notes to the consolidated financial statements (continued)

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

	2004 %	2003 %	2002 %
Peruvian statutory tax rate	30.00	27.00	27.00
Increase (decrease) in the statutory tax rate due to:			
(i) Increase (decrease) arising from net income of subsidiaries not domiciled in Peru	0.90	6.40	8.30
(ii) Non-taxable costs (income), net	(5.10)	(0.40)	2.70
Effective income tax rate	25.80	33.00	38.00

- (b) In 2004, 2003 and 2002, the deferred income tax has been calculated on all temporary differences applied at an income tax rate of 30 percent for 2004 and 2003, and 27 percent for 2002. The income tax expense analysis as of December 31, 2004, 2003 and 2002, is as follows:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Current -			
Peruvian	49,386	33,206	34,344
In other countries	2,436	2,079	399
	<u>51,822</u>	<u>35,285</u>	<u>34,743</u>
Deferred -			
Peruvian	(6,325)	982	(2,115)
Adjustment of deferred income tax for change in rates	-	3,428	-
	<u>(6,325)</u>	<u>4,410</u>	<u>(2,115)</u>
Total	45,497	39,695	32,628

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.

Notes to the consolidated financial statements (continued)

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

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

	2004 US\$(000)	2003 US\$(000)
Assets		
Allowance for credit losses, net	7,300	10,023
Reserve for sundry risks, net	3,501	3,109
Non-accrued interest	2,970	-
Tax loss carry-forward	-	1,590
Other	2,414	5,583
Net deferred income tax assets	<u>16,185</u>	<u>20,305</u>
Liabilities		
Unrealized gains	(17,625)	(7,258)
Provision for assets seized, net	(4,929)	(7,479)
Intangibles assets, net	(2,341)	(3,731)
Leasing operations, net	(2,293)	(4,507)
Fixed assets, net	(1,911)	(6,511)
Other	(1,315)	(1,006)
Deferred income tax liabilities	<u>(30,414)</u>	<u>(30,492)</u>
Net deferred income tax liability	<u>(14,229)</u>	<u>(10,187)</u>

- (d) The Peruvian tax authorities have the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries. Fiscal years 2001 through 2004, inclusive, are pending review by the tax authorities. Any additional tax arising as a result of examination by the tax authorities 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, 2004 and 2003.

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.

Notes to the consolidated financial statements (continued)

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, 2004, 625,025 SARs had been exercised under this plan (298,500 as of December 31, 2003) for an approximate amount of US\$4.6 and US\$1.4 million, as of December 31, 2004 and 2003, respectively.

The number of SARs outstanding and the price of such rights at December 31, 2004, 2003 and 2002 are as follows:

Year	Number of SARS	Exercise price		
		2004 US\$	2003 US\$	2002 US\$
1999	189,000	8.74	8.94	9.09
2000	304,000	9.90	10.10	10.25
2001	310,500	6.70	6.90	7.05
2002	386,850	8.38	8.58	8.73
2003	326,438	9.57	9.77	-
2004	242,813	12.39	-	-

As of December 31, 2004 and 2003, the Group has recorded a provision amounting to approximately US\$11.7 and US\$8.4 million, respectively, for the SARs that could be executed at such dates (1,759,601 and 1,818,453 as of December 31, 2004 and 2003, respectively); corresponding to the difference between the price of the SARs and the quoted price at the consolidated balance sheet date. The provisions were recorded in payroll taxes, salaries and other personnel expenses, in the caption "Other liabilities" of the consolidated balance sheet. The quoted price of the Credicorp's shares in the New York Stock Exchange as of December 31, 2004, 2003 and 2002 was US\$15.81, US\$13.35 and US\$9.4, respectively.

In 2004, 2003 and 2002, the SARs prices were modified and informed to the executives of the Group.

18. Off-balance sheet accounts

(a) This item is made up as follows:

	2004 US\$(000)	2003 US\$(000)
Contingent credits -		
Guarantees and stand by letters (c)	655,313	690,634
Import and export letters of credit (c)	233,806	152,942
	<u>889,119</u>	<u>843,576</u>
Responsibilities under credit lines agreements	569,332	509,586
Financial derivatives contracts, net (d)	211,520	135,647
Swaps contracts (e)	212,417	98,083
	<u>1,882,388</u>	<u>1,586,892</u>
Total		

Notes to the consolidated financial statements (continued)

- (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.

Due to 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, 2004 and 2003, 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, 2004 and 2003, forward foreign currency purchase and sale agreements referred to above include nominal amounts of approximately US\$466.2 million and US\$313.9 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\$211.5 million and US\$135.6 million as of December 31, 2004 and 2003, 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, 2004, the notional amount of open interest rate swap contracts was approximately US\$212.4 million (approximately US\$98.1 million as of December 31, 2003). These contracts are recorded at fair value, recording both realized and unrealized gains and losses in the consolidated income statements.

Notes to the consolidated financial statements (continued)

- (f) The fair value of the asset and liability forward contracts and swaps as of December 31, 2004 amounted approximately US\$9.6 and US\$4.8 million, respectively (approximately US\$4.0 and US\$1.1 million as of December 31, 2003), and are included under the caption "Other assets and other liabilities" of the consolidated balance sheets, respectively, note 10.

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 reinsurer is unable to meet its obligations.

Reinsurance includes shared quotas, excess of loss and facultative reinsurance. Amounts recoverable from reinsurers 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, 2004, 2003 and 2002 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, 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
As of December 31, 2002					
Life insurance	36,395	(2,094)	268	34,569	0.78
Accident and health insurance	46,461	(1,682)	15	44,794	0.03
Property and casualty insurance	110,452	(68,861)	4,264	45,855	9.30
Total premiums	193,308	(72,637)	4,547	125,218	3.63

Notes to the consolidated financial statements (continued)

20. Other income and expenses

The items are made up as follow:

	2004 US\$(000)	2003 US\$(000)	2002 US\$(000)
Other income			
Recoveries of other accounts receivable and other assets	1,429	4,801	5,213
Real estate rental income	1,224	2,436	687
Recoveries of provisions for sundry risks	100	3,818	4,337
Income (loss) from the sale of assets seized	(3,411)	551	146
Other	8,763	11,621	1,268
Total other income	8,105	23,227	11,651
Other expenses			
Commissions in insurance	19,693	13,468	10,449
Provision for sundry risks, note 10(e)	9,819	2,022	4,649
Loss from sale of fixed assets	4,525	1,639	1,907
Provisions for other account receivables	1,435	4,944	5,033
Other	7,397	5,673	5,713
Total other expenses	42,869	27,746	27,751

21. Earnings per share

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

	2004	2003	2002
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)	(14,624,392)	(14,634,925)	(14,634,925)
Weighted average number of ordinary shares in issue	79,757,925	79,747,392	79,747,392
Profit attributable to equity holders (in thousands of U. S. dollars)	130,747	80,607	42,383
Basic and diluted earnings per share (in U.S. Dollars)	1.64	1.01	0.53

Notes to the consolidated financial statements (continued)

22. Business segments

The Group is organized on two main lines of business:

- (a) 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.
- (b) 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.

Notes to the consolidated financial statements (continued)

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, 2004:

(a) 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 (**)
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
2002									
Banking	698	38	(38)	698	343	7,671	257	33	115
Insurance	145	12	(12)	145	26	408	31	4	-
Brokerage and other	26	76	(76)	26	10	551	2	4	-
Total consolidated	869	126	(126)	869	379	8,630	290	41	115

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

	2004			2003			2002		
	Total income (***)	Operating income (*)	Total assets	Total income (***)	Operating income (*)	Total assets	Total income (***)	Operating income (*)	Total assets
Peru	809	352	6,566	789	325	6,236	715	330	6,809
Panama	20	3	293	20	2	264	2	2	72
Cayman Islands	52	20	1,004	10	9	880	43	8	706
Bolivia	45	24	459	47	34	446	57	29	475
Colombia	52	19	411	42	38	300	46	9	280
United States of America	2	3	355	5	2	196	6	1	288
Total consolidated	980	421	9,088	913	410	8,322	869	379	8,630

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

(**) Other provisions correspond to reserves for assets seized and the allowance for credit losses.

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

Notes to the consolidated financial statements (continued)

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, and 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 exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawdowns, 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

Notes to the consolidated financial statements (continued)

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

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

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 Management sets limits on the level of mismatch of interest rate repricing 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.

Notes to the consolidated financial statements (continued)

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, 2004 and 2003 the Group's assets and liabilities by currencies were as follows:

	2004				2003			
	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	1,578,538	201,140	65,783	1,845,461	1,445,538	139,514	30,008	1,615,060
Trading securities	2,593	44,820	55,121	102,534	19,610	57,970	21,166	98,746
Available-for-sale investments	1,151,748	917,894	58,880	2,128,522	1,049,950	533,601	68,762	1,652,313
Loans	3,379,185	662,058	295,078	4,336,321	3,355,554	645,684	208,898	4,210,136
Other assets	148,780	115,858	24,448	289,086	270,913	47,022	14,657	332,592
	<u>6,260,844</u>	<u>1,941,770</u>	<u>499,310</u>	<u>8,701,924</u>	<u>6,141,565</u>	<u>1,423,791</u>	<u>343,491</u>	<u>7,908,847</u>
Monetary liabilities -								
Deposits and obligations	(4,570,170)	(1,391,230)	(334,799)	(6,296,199)	(4,439,860)	(1,309,491)	(250,754)	(6,000,105)
Due to banks and correspondents	(323,015)	(48,242)	(59,795)	(431,052)	(79,787)	(162,150)	(32,300)	(274,237)
Bonds issued	(298,451)	(125,526)	-	(423,977)	(296,653)	(122,808)	-	(419,461)
Other liabilities	(461,859)	(303,766)	(20,257)	(785,882)	(355,956)	(266,342)	(22,111)	(644,409)
	<u>(5,653,495)</u>	<u>(1,868,764)</u>	<u>(414,851)</u>	<u>(7,937,110)</u>	<u>(5,172,256)</u>	<u>(1,860,791)</u>	<u>(305,165)</u>	<u>(7,338,212)</u>
	<u>607,349</u>	<u>73,006</u>	<u>84,459</u>	<u>764,814</u>	<u>969,309</u>	<u>(437,000)</u>	<u>38,326</u>	<u>570,635</u>
Forwards position	<u>(211,520)</u>	<u>211,520</u>	<u>-</u>	<u>-</u>	<u>(135,647)</u>	<u>127,590</u>	<u>8,057</u>	<u>-</u>
Net monetary position	<u>395,829</u>	<u>284,526</u>	<u>84,459</u>	<u>764,814</u>	<u>833,662</u>	<u>(309,410)</u>	<u>46,383</u>	<u>570,635</u>

Notes to the consolidated financial statements (continued)

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.

Financial assets which show a potential credit risk are mainly cash and cash equivalents, interest bearing deposits in banks, trading securities, investments available-for-sale, loans and other assets. The exposure to any one borrower, including banks, is further restructured 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.

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's 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.

Notes to the consolidated financial statements (continued)

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 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; principally 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 it 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, 2004 and 2003, the book values of the financial instruments do not differ significantly from their estimated market value.

Fiduciary activities -

The Group provides custody, trustee, investment management and advisory services to third parties, which involve the Group making allocation and purchase a 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.

Notes to the consolidated financial statements (continued)

As of December 31, 2004 the assigned value of the financial assets under administration amount approximately US\$482.2 million (approximately US\$634.5 million as of December 31, 2003) and the net equity of funds managed by the subsidiaries of the Group amount to approximately US\$1,436.8 million (approximately US\$1,419.8 million in 2003).

24. Transactions with related parties

- (a) Certain shareholders, directors and officers of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Law N°26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company in Peru. As of December 31, 2004 and 2003, loans and other credits to employees, directors and key personnel of the Group are as follows:

	Directors and key personnel		Employees	
	2004 US\$(000)	2003 US\$(000)	2004 US\$(000)	2003 US\$(000)
Mortgage loans	6,343	6,819	3,293	2,951
Other loans	981	726	3,619	4,685
Total	7,324	7,545	6,912	7,636

As of December 31, loans and other contingent credits to related parties not included in the Credicorp's consolidation comprise:

	2004 US\$(000)	2003 US\$(000)
Direct loans	33,921	57,431
Contingent loans	10,774	11,751
Derivatives, market value	1,111	260
Total	45,806	69,442

In addition, the Group has investments available-for-sale in related entities for approximately US\$72.4 and US\$35.0 as of December 31, 2004 and 2003, respectively, that generates unrealized gains at such dates for approximately US\$16.0 as of December 31, 2004 (there were not any important unrealized losses or gains as of December 31, 2003).

Notes to the consolidated financial statements (continued)

(b) Directors compensations –

As of December 31, 2004 and 2003, the directors' compensations were approximately US\$3.0 and US\$2.5 million, respectively.

25. Subsequent events

In January 2005, Banco de Credito del Peru announced the acquisition of the loan portfolio of Bank Boston N.A. - Branch Peru and the Fleet's Boston loan portfolio to Peruvian clients abroad by approximately US\$289.2 and US\$64.3 million, respectively. This transaction was realized at market value.

The acquired portfolio comprises mainly corporate mortgage and leasing loans. During February 2005 such loans portfolio were transferred to BCP.

