

CREDICORP LTD
Form 20-F/A
November 08, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F/A

(Amendment No. 1)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

For the transition period from to

Commission file number 1-14014

CREDICORP LTD.

(Exact name of registrant as specified in its charter)

BERMUDA

(Jurisdiction of incorporation or organization)

Of our subsidiary

Banco de Crédito del Perú:

Calle Centenario 156

La Molina

Lima 12, Perú

(Address of principal executive offices)

Alvaro Correa

Chief Financial Officer

Credicorp Ltd

Banco de Crédito del Perú:

Calle Centenario 156

La Molina

Lima 12, Perú

Phone (+511) 313 2140

Facsimile (+511) 313 2121

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

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

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

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

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

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated
filer

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

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

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

Item 17 Item 18

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

Yes No

Explanatory Note

We are filing this Amendment No. 1 (“Form 20-F/A”) to our Annual Report on Form 20-F for the Fiscal Year Ended December 31, 2011, originally filed with the Securities and Exchange Commission (the “SEC”) on April 30, 2011 (the “Form 20-F”), to re-file our financial statements in Item 18 to include the signature of our independent auditor, Medina, Zaldívar, Paredes & Asociados, a member of Ernst & Young Global, in its Report of Independent Registered Public Accounting Firm that accompanies our Consolidated Financial Statements. This amendment does not contain any changes to data and footnotes in our Consolidated Financial Statements.

This Form 20-F/A is accompanied by currently dated certifications on Exhibits 12.3, 12.4, 13.3 and 13.4 by our Chief Executive Officer and Chief Financial Officer. Because this Form 20-F/A does not contain or amend any disclosure with respect to Item 15 of Form 20-F, paragraphs 4 and 5 of the certifications required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 have been omitted.

Except as expressly set forth in this Form 20-F/A, we are not amending any other part of the Form 20-F. This Form 20-F/A does not reflect events occurring after the filing of the Form 20-F or modify or update any related or other disclosures, including forward-looking statements, unless expressly noted otherwise. Accordingly, this Form 20-F /A should be read in conjunction with the Form 20-F.

ITEM 18. FINANCIAL STATEMENTS

Credicorp Consolidated Financial Statements and the report of the independent public accounting firm in connection therewith are filed as part of this Annual Report on Form 20-F, as noted below:

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All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the consolidated financial statements or notes thereto.

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2011 and 2010 together with the Report of Independent Registered Public Accounting Firm

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2011 and 2010 together with the Report of Independent Registered Public Accounting Firm

Credicorp Ltd. and Subsidiaries

Consolidated financial statements as of December 31, 2011 and 2010 together with the Report of Independent Registered Public Accounting Firm

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Report of Independent Registered Public Accounting Firm

To the shareholders and Board of Directors of **Credicorp Ltd.**

We have audited the accompanying consolidated statements of financial position of Credicorp Ltd. and Subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of Credicorp's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credicorp and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report of Independent Registered Public Accounting Firm (continued)

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States of America), Credicorp's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 24, 2012, expressed an unqualified opinion thereon.

Lima, Peru,

April 24, 2012

/S/ Medina, Zaldívar, Paredes & Asociados

Countersigned by:

/s/ Cristian Emmerich
Cristian Emmerich
C.P.C.C. Register N°19-289

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Credicorp Ltd. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2011 and 2010

	Note	2011 US\$(000)	2010 US\$(000)
Assets			
Cash and due from banks:	4		
Non-interest bearing		1,094,568	1,624,377
Interest bearing		4,408,294	6,920,038
		5,502,862	8,544,415
Investments:			
Trading securities		75,611	115,568
Investments available-for-sale	5	5,915,601	3,768,248
		5,991,212	3,883,816
Loans, net:			
Loans, net of unearned income	6	17,441,941	14,375,358
Allowance for loan losses		(519,708)	(415,703)
		16,922,233	13,959,655
Financial assets designated at fair value through profit or loss			
Premiums and other policies receivable	7	90,103	179,055
Accounts receivable from reinsurers and coinsurers	8(a)	174,367	129,136
Property, furniture and equipment, net	8(b)	151,080	160,249
Due from customers on acceptances	9	472,433	372,913
Seized assets, net		61,695	70,331
		10,842	11,336
Intangible assets and goodwill, net	10(a) and 10(b)	453,422	372,625
Other assets	11	902,544	707,626
Total assets		30,732,793	28,391,157
Liabilities and equity			
Deposits and obligations:			
Non-interest bearing	12	5,390,688	4,360,570
Interest bearing		13,313,159	13,457,548
		18,703,847	17,818,118

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Due to banks and correspondents	13	2,060,020	2,240,320
Bankers' acceptances outstanding		61,695	70,331
Accounts payable to reinsurers and coinsurers	8(b)	75,366	60,775
Technical reserves, insurance claims reserves and reserves for unearned premiums	14	1,378,298	1,196,323
Bonds and notes issued	15	3,965,522	2,981,918
Other liabilities	11	1,025,405	1,093,121
Total liabilities		27,270,153	25,460,906
Equity	16		
Capital and reserves attributable to Credicorp's equity holders:			
Capital stock		471,912	471,912
Treasury stock		(74,877)	(74,712)
Capital surplus		111,145	119,637
Reserves		1,812,977	1,398,323
Other reserves		340,168	366,721
Retained earnings		734,474	591,868
		3,395,799	2,873,749
Non-controlling interest		66,841	56,502
Total equity		3,462,640	2,930,251
Total liabilities and equity		30,732,793	28,391,157

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of income

For the years ended December 31, 2011, 2010 and 2009

	Note	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Interest and dividend income	20	1,837,764	1,471,708	1,312,925
Interest expense	20	(531,600)	(414,121)	(420,564)
Net interest and dividend income		1,306,164	1,057,587	892,361
Provision for loan losses, net of recoveries	6(d)	(214,898)	(174,682)	(163,392)
Net interest and dividend income after provision for loan losses		1,091,266	882,905	728,969
Other income				
Banking services commissions	21	607,843	524,895	436,819
Net gain on foreign exchange transactions		138,492	104,169	87,944
Net gain on sale of securities		61,927	80,326	120,932
Net gain on financial assets designated at fair value through profit or loss	7	-	64,477	42,792
Other	24	30,374	30,668	32,144
Total other income		838,636	804,535	720,631
Insurance premiums and claims				
Net premiums earned	22	574,423	480,293	424,682
Net claims incurred for life, property, casualty and health insurance contracts	23	(377,759)	(315,572)	(286,458)
Total premiums earned less claims		196,664	164,721	138,224
Other expenses				
Salaries and employees benefits		(595,705)	(568,004)	(467,116)
Administrative expenses		(405,357)	(341,123)	(312,256)
Depreciation and amortization	9(a) and 10(a)	(93,882)	(82,289)	(71,099)
Impairment loss on available-for-sale investments	5(c)	(1,025)	(3,250)	(9,825)
Net loss on financial assets designated at fair value through profit or loss	7	(24,640)	-	-
Other	24	(109,540)	(91,219)	(96,814)
Total other expenses		(1,230,149)	(1,085,885)	(957,110)
Income before translation result and income tax		896,417	766,276	630,714
Translation result		37,881	24,120	12,222

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Income tax	17(b)	(210,508)	(187,081)	(138,500)
Net income		723,790	603,315	504,436

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Consolidated statements of income (continued)

	Note	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Attributable to:				
Equity holders of Credicorp Ltd.		709,272	571,302	469,785
Non-controlling interest		14,518	32,013	34,651
		723,790	603,315	504,436
Earnings per share for net income attributable to equity holders of Credicorp Ltd. (in U.S. Dollars):				
Basic	25	8.93	7.19	5.90
Diluted	25	8.90	7.17	5.90

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2011, 2010 and 2009

	Note	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Net income		723,790	603,315	504,436
Other comprehensive income				
Net (loss) gain on investments available-for-sale	16(d)	(53,168)	225,261	268,550
Net movement of cash flow hedges	16(d)	168	(7,319)	66,024
Income tax	16(d)	31,017	(66,010)	(5,841)
Other comprehensive income for the year, net of income tax		(21,983)	151,932	328,733
Total comprehensive income for the year, net of income tax		701,807	755,247	833,169
Attributable to:				
Equity holders of Credicorp Ltd.		682,719	700,577	752,624
Non-controlling interest		19,088	54,670	80,545
		701,807	755,247	833,169

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2011, 2010 and 2009

	Attributable to Credicorp's equity holders					Available-for-			Total	Non-current interest
	Number of shares issued notes 16(a) and 25 (In thousands of units)	Capital stock (US\$(000))	Treasury stock (US\$(000))	Capital surplus (US\$(000))	Reserves (US\$(000))	sale investments reserve (US\$(000))	Cash flow hedges reserves (US\$(000))	Retained earnings (US\$(000))		
Balances as of January 1, 2009	94,382	471,912	(73,107)	140,693	815,387	72,729	(118,122)	379,680	1,689,172	106,9
Changes in equity for 2009	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	469,785	469,785	34,65
Other comprehensive income	-	-	-	-	-	216,248	66,591	-	282,839	45,89
Total comprehensive income	-	-	-	-	-	216,248	66,591	469,785	752,624	80,54
Transfer of retained earnings to reserves, Note 16(c)	-	-	-	-	238,107	-	-	(238,107)	-	-
Cash dividends, Note 16(e)	-	-	-	-	-	-	-	(119,303)	(119,303)	-
Purchase of treasury stock	-	-	(1,135)	(10,352)	-	-	-	-	(11,487)	-
Share-based payments transactions, Note 18(b)	-	-	-	-	5,850	-	-	-	5,850	-
	-	-	-	-	-	-	-	-	-	(982)

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Dividends of subsidiaries and other											
Balances as of December 31, 2009	94,382	471,912	(74,242)	130,341	1,059,344	288,977	(51,531)	492,055	2,316,856	186,4	
Changes in equity for 2010											
-											
Net income	-	-	-	-	-	-	-	571,302	571,302	32,01	
Other comprehensive income	-	-	-	-	-	134,770	(5,495)	-	129,275	22,65	
Total comprehensive income	-	-	-	-	-	134,770	(5,495)	571,302	700,577	54,67	
Purchase of non-controlling interest, Note 2(b) and 3(b)	-	-	-	-	-	-	-	(4,289)	(4,289)	(180,0	
Transfer of retained earnings to reserves, Note 16(c)	-	-	-	-	331,605	-	-	(331,605)	-	-	
Cash dividends, Note 16(e)	-	-	-	-	-	-	-	(135,595)	(135,595)	-	
Purchase of treasury stock, Note 18(b)	-	-	(848)	(14,154)	-	-	-	-	(15,002)	-	
Share-based payments transactions, Note 18(b)	-	-	378	3,450	7,374	-	-	-	11,202	-	
Dividends of subsidiaries and other	-	-	-	-	-	-	-	-	-	(3,982	
Balances as of December 31, 2010	94,382	471,912	(74,712)	119,637	1,398,323	423,747	(57,026)	591,868	2,873,749	56,50	
Changes in equity for 2011											
-											
Net income	-	-	-	-	-	-	-	709,272	709,272	14,51	
Other comprehensive income	-	-	-	-	-	(28,405)	1,852	-	(26,553)	4,570	
Total comprehensive income	-	-	-	-	-	(28,405)	1,852	709,272	682,719	19,08	
-	-	-	-	-	-	-	-	(1,228)	(1,228)	(1,171	

Purchase of non-controlling interest											
Transfer of retained earnings to reserves, Note 16(c)	-	-	-	-	407,822	-	-	(407,822)	-	-	-
Cash dividends, Note 16(e)	-	-	-	-	-	-	-	(155,535)	(155,535)	-	-
Purchase of treasury stock, Note 18(b)	-	-	(827)	(16,661)	-	-	-	-	(17,488)	-	-
Share-based payments transactions, Note 18(b)	-	-	662	8,169	6,832	-	-	-	15,663	-	-
Dividends of subsidiaries and other	-	-	-	-	-	-	-	(2,081)	(2,081)	(7,578)	-
Balances as of December 31, 2011	94,382	471,912	(74,877)	111,145	1,812,977	395,342	(55,174)	734,474	3,395,799	66,840	-

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

Credicorp Ltd. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 2011, 2010 and 2009

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Cash flows from operating activities			
Net income	723,790	603,315	504,436
Add (deduct)			
Provision for loan losses	214,898	174,682	163,392
Depreciation and amortization	93,882	82,289	71,099
Provision for seized assets	-	-	64
Provision for sundry risks	10,661	8,440	14,425
Deferred income tax	(9,057)	(16,333)	(8,552)
Net gain on sales of securities	(61,927)	(80,326)	(120,932)
Impairment loss on available-for-sale investments	1,025	3,250	9,825
Net (gain) loss on financial assets designated at fair value through profit and loss	24,640	(64,477)	(42,792)
Gain (loss) on sales of property, furniture and equipment	112	357	(388)
Translation result	(37,881)	(24,120)	(12,222)
Loss for shared-based compensation plan	7,014	73,527	56,338
Purchase (sale) of trading securities, net	39,957	(43,048)	(34,690)
Net changes in assets and liabilities			
Increase in loans	(3,443,013)	(2,943,128)	(944,021)
(Increase) decrease in other assets	(187,916)	(3,190)	(6,289)
Increase in deposits and obligations	1,001,408	4,074,938	133,199
(Decrease) increase in due to banks and correspondents	(174,949)	1,082,383	(151,781)
Increase (decrease) in other liabilities	91,822	263,147	(126,552)
Net cash provided by (used in) operating activities	(1,705,534)	3,191,706	(495,441)
Cash flows from investing activities			
Acquisition of subsidiary	(82,656)	-	(92,329)
Net (purchase) sale of investments available-for-sale	(2,468,326)	1,393,345	284,371
Purchase of property, furniture and equipment	(100,819)	(80,184)	(45,051)
Sales of property, furniture and equipment	526	265	2,745
Purchase of non-controlling interest	(2,399)	(184,971)	-
Net cash provided by investing activities	(2,653,674)	1,128,455	149,736

Consolidated statements of cash flows (continued)

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Cash flows from financing activities			
Issuance of bonds and notes	1,841,332	1,449,323	570,900
Redemption and payments of bonds and notes	(398,406)	(858,890)	(114,891)
Acquisition of Credicorp's shares	(17,488)	(15,002)	(11,487)
Cash dividends	(155,535)	(135,595)	(119,303)
Net cash provided by financing activities	1,269,903	439,836	325,219
Net (decrease) increase in cash and cash equivalents	(3,089,305)	4,759,997	(20,486)
Translation gain (loss) on cash and cash equivalents	47,752	(52,240)	90,973
Cash and cash equivalents at the beginning of the year	8,544,415	3,836,658	3,766,171
Cash and cash equivalents at the end of the year	5,502,862	8,544,415	3,836,658
Supplementary cash flows information:			
Cash paid during the year for -			
Interest	504,278	401,156	444,398
Income tax	254,564	172,481	142,516
Cash received during the year for -			
Interest	1,816,992	1,462,520	1,315,704

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, 2011 and 2010

1. Operations

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

Credicorp Ltd., through its banking and non-banking subsidiaries, provides a wide range of financial services and products throughout Peru and in certain other countries (Bolivia and Panama). Its major subsidiary is Banco de Crédito del Perú (hereinafter “BCP” or the “Bank”), a Peruvian universal bank. Credicorp’s address is Claredon House 2 Church Street Hamilton, Bermuda; likewise, administration offices of its representative in Peru are located in Calle Centenario N°156, La Molina, Lima, Peru.

Credicorp is listed in Lima and New York stock exchanges.

The consolidated financial statements as of and for the year ended December 31, 2010 were approved in the General Shareholders’ meeting held on March 31, 2011. The accompanying consolidated financial statements as of and for the year ended December 31, 2011, were approved by the Board of Directors Meeting of February 22, 2012 and by the General Shareholders’ Meeting of March, 30 2012 without modifications.

2. Acquisitions

(a) During 2011, Credicorp, through its Peruvian subsidiary Pacífico S.A. Entidad Prestadora de Salud (EPS), acquired the following Peruvian entities specialized in providing health services, health and wellness programs, primary and specialized ambulatory services, and comprehensive acute care services (hereinafter referred as “private hospitals”), for a total amount of approximately US\$82.7 million:

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Entity	Acquisition date	Activity	Percentage of participation %	Amount US\$(000)
Doctor + S.A.C.	July, 2011	Health services	100.00	1,790
La Esperanza del Perú S.A.	August, 2011	Private hospital	70.00	17,606
Análisis Clínicos ML S.R.L.	August, 2011	Laboratory	100.00	5,000
Galeno I.E.M. S.A.C.	August, 2011	Private hospital	100.00	4,000
Oncocare S.R.L.	November, 2011	Private hospital	80.00	4,040
Sistemas de Administración Hospitalaria S.A.C.	December, 2011	Private hospital	97.32	37,000
Servicios de Salud San Isidro	December, 2011	Private hospital	100.00	13,220
Total				82,656

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Notes to the consolidated financial statements (continued)

The acquisitions of these entities were recorded using the acquisition method, as required by IFRS 3, “Business Combinations”, applicable at the date of the transaction. Assets and liabilities were recorded at their estimated fair values at the acquisition dates, including the identified intangible assets unrecorded in the statements of financial position of each entity. The non-controlling interest in the acquiree was measured at fair value. Acquisition cost incurred were expensed and included in the caption “Administrative expenses” of the consolidated statements of income. Book value and the total fair value of the identified assets and liabilities were as follows:

	Book value	Fair value adjustments	Fair value recognized on acquisition
	US\$(000)	US\$(000)	US\$(000)
Assets			
Accounts receivables, net	8,761	-	8,761
Property, furniture and equipment, net, Note 9(a)	25,356	21,514	46,870
Intangible			
Licenses, Note 10(a)	-	12,271	12,271
Brand name, Note 10(a)	-	10,587	10,587
Client relationships, Note 10(a)	-	3,116	3,116
Other assets	3,212	-	3,212
Liabilities			
Loans	7,177	-	7,177
Accounts payable	24,447	(290)	24,157
Deferred income tax liability	1,334	14,333	15,667
Total identifiable net assets at fair value	4,371	33,445	37,816
Non controlling interest measured at fair value	-	(700)	(700)
Goodwill arising on acquisition, Note 10(b)	-	45,540	45,540
Purchase consideration	4,371	78,285	82,656

Fair values of licenses, brand name and client relationship were estimated using the MEEM method (“Multi-period Excess Earnings Method”) based on discounted cash flows calculations of future benefits related to these intangible.

Notes to the consolidated financial statements (continued)

Considering the dates of acquisition, the initial accounting for the business combination is incomplete by the end of the reporting period. Therefore; certain amounts reported are provisional amounts. Credicorp during the measurement period, if necessary, will retrospectively adjust the provisional amounts recognized, including net assets or liabilities, at the acquisition dates to reflect new information obtained about facts and circumstances that existed as of the acquisition dates.

The measurement period ends as soon as Credicorp receives the information sought about facts and circumstances as of the acquisition dates or learns that more information is not obtainable. However, the measurement period will not exceed one year from the acquisition dates.

(b) Non-controlling interest of Subsidiaries -

During October 2010, Credicorp reached an agreement with American Life Insurance Company (hereinafter “ALICO”) to acquire its 20.10 percent and 38.00 percent stakes in El Pacifico Peruano – Suiza Compañía de Seguros y Reaseguros (PPS) and Pacifico Vida Compañía de Seguros y Reaseguros S.A. (PPV), respectively. Credicorp acquired PPV's shares and its subsidiary, Grupo Crédito S.A., acquired PPS's shares. An additional 1.18 percent of non-controlling interest was acquired by Grupo Crédito S.A. from minority shareholders.

The acquisition was recorded following IFRS 3 “Business Combinations” and IAS 27 (amendments) “Consolidated and Separate Financial Statements”, see Note 3(b). The total cash consideration paid was approximately US\$174.0 million. The difference of US\$3.3 million between the consideration paid and the carrying value of the interest acquired was recognized in “Retained earnings” within consolidated equity.

(c) Empresa Financiera Edyficar S.A. -

During October and November 2009, Credicorp, through its subsidiary BCP, acquired 99.79 percent of the capital stock of Empresa Financiera Edyficar S.A. (a Peruvian financial entity, serving micro and small size entrepreneurs, hereinafter “Edyficar”) for approximately US\$96.1 million in cash.

Notes to the consolidated financial statements (continued)

The acquisition of Edyficar was recorded using the purchase method, as required by IFRS 3, “Business Combinations”, applicable at the date of the transaction. Book value and fair value of the identified assets and liabilities were as follows:

	Book value	Fair value adjustments	Fair value of the acquired entity
	US\$(000)	US\$(000)	US\$(000)
Assets			
Cash and due from banks	3,810	-	3,810
Loans, net	218,218	(10,295)	207,923
Client relationships	-	6,574	6,574
Fixed assets, net	8,255	-	8,255
Brand name	-	13,159	13,159
Goodwill, Note 10(b)	-	50,696	50,696
Other assets	11,802	3,263	15,065
Liabilities			
Obligations	38,590	-	38,590
Due to banks	138,257	-	138,257
Deferred income tax liability	-	6,611	6,611
Other liabilities	25,054	831	25,885
Net acquired assets	40,184	55,955	96,139

3. Significant accounting policies

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

(a) Basis of presentation and use of estimates -

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements were

prepared on a historical cost basis, except for trading securities, available-for-sale investments, derivative financial instruments, share-based payment and financial assets designated at fair value through profit or loss, which were measured at fair value. The consolidated financial statements are presented in United States Dollars (US\$), and all values are rounded to the nearest US\$ thousands, except when otherwise indicated.

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

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Notes to the consolidated financial statements (continued)

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

The accounting policies adopted are consistent with those of the previous year, except that the Group has adopted those new IFRS and revised IAS mandatory for years beginning on or after January 1, 2011. The adoption of the following new and revised accounting standards did not have any significant impact on the consolidated financial position or performance of the Group:

IAS 24 “Related Party Disclosures” (amendment), effective for periods beginning on or after January 1, 2011. The amendment simplifies the identification of related party relationships, particularly in relation to significant influence and joint control.

IAS 32 “Financial Instruments: Presentation” – Classification of Rights Issues (amendment), effective for annual periods beginning on or after February 1, 2010. The IAS amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, or to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency.

IFRIC 14 “Prepayments of a Minimum Funding Requirement” (amendment), effective for periods beginning on or after January 1, 2011. The IFRIC permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to IFRSs (issued in May 2010). The IASB issued Improvements to IFRSs, an omnibus of amendments and improvements to its IFRS standards.

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Notes to the consolidated financial statements (continued)

(b) Consolidation -
Subsidiaries -

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

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

Business combinations made after January 1, 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree at fair value. Acquisition costs incurred are expensed and included in the caption "Administrative expenses" of the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Business combinations prior to January 1, 2010, in comparison to the above-mentioned requirements, were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of

the acquiree's identifiable net assets.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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

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Notes to the consolidated financial statements (continued)

Net equity attributable to the non-controlling interest is presented in the consolidated statements of financial position. Income attributable to the non-controlling interest is presented separately in the consolidated income statements and the consolidated statements of comprehensive income.

Acquisitions of non-controlling interest prior to January 1, 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

Acquisitions of non-controlling interest starting January 1, 2010, are recorded directly in equity; the difference between the amounts paid and the share of the net assets acquired is a debit or credit to equity. Therefore, no additional goodwill is recorded upon purchase of non-controlling interest nor a gain or loss is recognized upon disposal of a non-controlling interest.

Associates -

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

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Notes to the consolidated financial statements (continued)

As of December 31, 2011 and 2010, the following entities comprise the Group (individual financial statements data is presented in accordance with IFRS and before eliminations for consolidation purposes, except for the elimination of Credicorp's treasury stock and its related dividends):

Entity	Percentage of participation (direct and indirect)		Assets		Liabilities		Equity		Net income
	2011	2010	2011	2010	2011	2010	2011	2010	2011
	%	%	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Banco de Crédito del Perú and Subsidiaries (i)	97.65	97.60	26,976,489	25,376,947	24,633,735	23,383,760	2,342,754	1,993,187	577,711
Atlantic Security Holding Corporation and Subsidiaries (ii)	100.00	100.00	1,586,083	1,400,479	1,363,444	1,162,691	222,639	237,788	42,454
El Pacífico Peruano-Suiza Compañía de Seguros y Reaseguros and Subsidiaries (iii)	97.68	97.26	2,148,960	1,781,952	1,654,490	1,366,883	494,470	415,069	67,257
Prima AFP S.A. (iv)	99.99	99.99	270,239	276,140	92,311	92,437	177,928	183,703	32,393
Grupo Crédito S.A. (v)	99.99	99.99	101,029	37,590	76,121	21,404	24,908	16,186	6,988
CCR Inc. (vi)	99.99	99.99	760,772	962,028	820,580	1,028,393	(59,808)	(66,365)	(1,243)
Credicorp Securities Inc. (vii)	99.99	99.99	2,825	4,048	179	597	2,646	3,451	1,088
BCP Emisiones Latam 1 S.A. (viii)	100.00	100.00	118,451	126,855	117,861	126,191	590	664	74
	76.00	-	8,277	-	803	-	7,474	-	(2,169)

Tarjeta
Naranja Perú
S.A.C. (ix)

(i) Banco de Crédito del Perú (BCP) is a universal bank incorporated in Peru in 1889. Its activities are supervised by the Superintendence of Banking, Insurance and AFP (the Peruvian banking, insurance and AFP authority, hereafter “the SBS” for its Spanish acronym). During 2010, Credicorp transferred BCP shares representing approximately 84.9 percent of BCP capital stock to its fully owned subsidiary Grupo Crédito S.A. This transfer had no effect in the accompanying consolidated financial statements; no gains or losses arose from the transfer. During 2011, the Group, through Grupo Crédito S.A., acquired 0.0429 percent of BCP shares owned by non-controlling interest (during 2010, Credicorp acquired 0.19 percent of BCP shares owned by non-controlling interest). BCP and Subsidiaries hold as of December 31, 2011 and 2010, 95.92 percent of the capital stock of Banco de Crédito de Bolivia (BCB), a universal bank operating in Bolivia (Credicorp holds directly an additional 4.08 percent). As of December 31, 2011, BCB’s assets, liabilities, equity and net income amounted to US\$1,195.5, US\$1,083.9, US\$111.6 and US\$22.3 million, respectively (US\$1,122.0, US\$1,026.4, US\$95.6 and US\$15.8 million, respectively, as of December 31, 2010).

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

(iii) PPS is incorporated in Peru, it provides property, casualty, life, health and personal insurance. Its main subsidiaries are PPV and EPS. PPS and its subsidiaries activities are supervised by the SBS. During 2011, Credicorp transferred PPV shares representing approximately 24 percent of PPV capital stock to its subsidiary PPS. This transfer had no effect in the accompanying consolidated financial statements; no gains or losses arose from the transfer. During 2011, the Group, through Grupo Crédito S.A., acquired 0.079 percent of PPS shares owned by non-controlling interest. As explained in more detail in Note 2(a), during 2011, EPS acquired various Peruvian entities specialized in providing health care services.

(iv) Prima AFP S.A. is a private pension fund administrator incorporated in Peru, its activities are supervised by the SBS.

(v) Grupo Crédito S.A. is incorporated in Peru, its main activity is to invest in listed and not listed securities in Peru; it also holds part of the Group’s shares in BCP, Prima AFP S.A., PPS and BCP Emisiones Latam 1 S.A. Grupo Crédito S.A. balances are presented net of its investments in said entities.

(vi) CCR Inc., is a special purposes entity incorporated in The Bahamas in 2001, its main activity is to manage certain loans granted to BCP by foreign financial entities, see Note 15(a)(vi). These loans are collateralized by transactions performed by BCP. As of December 31, 2011 and 2010, the negative equity is generated by unrealized losses from cash flow hedges derivatives.

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

(viii) BCP Emisiones Latam 1 S.A., is a special purposes entity incorporated in Chile in 2009, through which the Group issued corporate bonds, see Note 15(a)(ii).

(ix) Tarjeta Naranja Perú S.A.C., was incorporated in Peru, in 2011. Its main activity is to promote the use of a credit card named “Tarjeta Naranja”.

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Notes to the consolidated financial statements (continued)

(c) Foreign currency translation -

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

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

Monetary assets and liabilities are translated at the free market exchange rate at the date of the consolidated statements of financial position.

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

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

All resulting translation differences are recognized in the consolidated statements of income.

(d) Income and expense recognition from banking activities -

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

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

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

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Notes to the consolidated financial statements (continued)

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

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

(e) Insurance activities -

Accounting policies for insurance activities

For the adoption of IFRS 4 “Insurance contracts”, Management concluded that USGAAP used as of December 31, 2004 was the relevant framework to be used, as permitted by IFRS 4.

Product classification:

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. This definition also includes reinsurance contracts that the Group holds. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Life insurance contracts offered by the Group include retirement, disability, survival fixed pensions, traditional life and unit linked insurance contracts. The non-life insurance contracts mainly include motor, household, commercial and healthcare.

Reinsurance:

The Group cedes insurance risk in the normal course of the operations for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Reinsurance ceded is placed on both a proportional and non-proportional basis.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims and ceded premiums associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measureable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statements of income.

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Notes to the consolidated financial statements (continued)

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

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

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance, see notes 22 and 23. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are not material to the insurance segment.

Insurance receivables

Insurance receivables are recognized when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortized cost. As of December 31, 2011 and 2010 the carrying value of the insurance receivables is similar to its fair value due to its short term. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statements of income. Insurance receivables are derecognized when the derecognition criteria for financial assets, as described in Note 3(g), has been met.

“Unit- Linked” assets

“Unit- Linked” assets represent financial instruments held for purposes of funding a group of life insurance contracts and for which investment gains and losses accrue directly to the policyholders who bear the investment risk. Each

account has specific objectives, and the financial assets are carried at fair value. The balance of each account is legally segregated and is not subject to claims that arise out of any other business of the Group. The liabilities for these accounts are equal to the account assets, net of the commission that the Group charges for the management of these contracts.

Deferred acquisition costs (DAC)

Those direct costs that vary with and are related to traditional life and unit linked insurance contracts are deferred; all other acquisition costs are recognized as an expense when incurred. The acquisition costs comprise primarily agent commissions related to the underwriting and policy issuance costs.

Subsequent to initial recognition, these costs are amortized on a straight line basis based on the averaged expiration period of the related insurance contracts. Amortization is recorded in the consolidated statements of income.

Notes to the consolidated financial statements (continued)

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

Reinsurance commissions

Commissions receivable on outwards reinsurance contracts are deferred and amortized on a straight line basis over the term of the expected coverage of the insurance contracts.

Insurance contract liabilities

(i) Life insurance contracts liabilities

Life insurance liabilities are recognized when contracts are entered into.

The liabilities of retirement, disability and survival fixed pensions are determined as the sum of the discounted value of expected future pensions to be paid during a defined or non defined period, computed upon the basis of mortality tables and discount interest rates. Traditional life and unit linked insurance contract liabilities are determined as the sum of the discounted value of expected future benefits, claims handling, administration expenses, policyholder options and guarantees and investment income, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows.

The liabilities of retirement, disability and survival fixed pensions and traditional life insurance contracts are based on assumptions established at the time the contract was issued. Current assumptions are used to update the interest accrued for unit linked insurance contracts.

Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred but non-reported claims to the

Group (hereinafter “IBNR”). IBNR reserves as of December 31, 2011 and 2010, were determined on the basis of the Chain Ladder methodology (a generally accepted actuarial method), whereby the weighted average of past claim development is projected into the future; the projection is based on the ratios of cumulative past claims. Adjustments to the liabilities at each reporting date are recorded in the consolidated statements of income. The liability is derecognized when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognized life insurance liabilities are adequate, net of related DAC, by using an existing liability adequacy test as laid out under IFRS 4. As of December 31, 2011 and 2010, Management determined that the liabilities were adequate and; therefore, it has not recorded any additional life insurance liability.

Notes to the consolidated financial statements (continued)

- (ii) Non-life insurance contract liabilities (which comprises general insurance and healthcare)

Non-life insurance contract liabilities are recognized when contracts are entered into.

These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the date of the consolidated statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the date of the consolidated statements of financial position. IBNR are estimated and included in the provision (liabilities). IBNR reserves as of December 31, 2011 and 2010, were determined on the basis of the Bornhuetter - Ferguson methodology – BF (a generally accepted actuarial method), which considers a statistical analysis of the recorded loss history, the use of projection methods and, when appropriate, qualitative factors that reflect present conditions or trends that could affect historical data. No provision for equalization or catastrophe reserves is recognized. The liabilities are derecognized when the contract expires, is discharged or is cancelled.

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

At each reporting date the Group reviews its unexpired risk and an existing liability adequacy test as laid out under IFRS 4 to determine whether there is any overall excess of expected claims over unearned premiums. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognized in the consolidated income statement by setting up a provision for liability adequacy. As of December 31, 2011 and 2010, Management determined that the liabilities were adequate; therefore, it has not recorded any additional non life insurance liabilities.

Income recognition

- (i) Gross premiums

Life insurance contracts

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

Non-life insurance contracts

Gross non-life insurance direct and assumed premiums comprise the total premiums written and are recognized at the contract inception as a receivable. At the same time, it is recorded a reserve for unearned premiums which represents premiums for risks that have not yet expired. Unearned premiums are recognized into income over the contract period which is also the coverage and risk period.

Notes to the consolidated financial statements (continued)

(ii) Fees and commission income

Unit linked insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue in the consolidated statements of income when due.

Benefits, claims and expenses recognition

(i) Gross benefits and claims

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

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

(ii) Reinsurance premiums

Comprise the total premiums payable for the whole coverage provided by contracts entered in the period and are recognized on the date on which the policy incepts. Unearned reinsurance premiums are deferred over the term of the underlying insurance contract.

(iii) Reinsurance claims

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

(f) Financial Instruments: Initial recognition and subsequent measurement -

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

The classification of financial instruments at initial recognition depends on the purpose and the Management intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus any directly attributable incremental cost of acquisition or issue, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, for example the date that the Group commits to purchase or sell the asset. Derivatives are recognized on a trade date basis.

Notes to the consolidated financial statements (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated at fair value through profit or loss, which designation is upon initial recognition and in an instrument by instrument basis. Derivatives financial instrument are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term, and are presented in the caption "Trading securities" of the consolidated statements of financial position.

Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met:

the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring assets or liabilities or recognizing gains or losses on them on a different basis; or

the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

the financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that otherwise would be required by the contract.

Changes in fair value of designated financial assets through profit or loss upon initial recognition are recorded in the consolidated income statement caption "Net gain on financial assets designated at fair value through profit and loss". Interest earned is accrued in the consolidated income statement in the caption "Interest and dividend income", according to the terms of the contract. Dividend income is recorded when the collection right has been established.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The effective interest rate amortization is recognized in the consolidated income statement in the caption "Interest and dividend income". Losses from impairment are recognized in the consolidated statements of income in the caption "Provision for loan losses".

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

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Notes to the consolidated financial statements (continued)

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

(iii) Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at a fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve, net of its corresponding deferred tax and non-controlling interest, until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated income statement in the caption “Net gain on sale of securities”, or determined to be impaired, at which time the impaired amount is recognized in the consolidated statements of income in the caption “Impairment loss on available-for-sale investments” and removed from the available-for-sale reserve.

Interest and dividends earned are recognized in the consolidated income statement in the caption “Interest and dividend income”. Interest earned is reported as interest income using the effective interest rate method and dividends earned are recognized when collection rights are established.

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

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management’s intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity.

Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intention to hold the financial asset accordingly.

As of December, 31, 2011 and 2010, the Group did not reclassify any of its available-for- sale financial investments.

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Notes to the consolidated financial statements (continued)

(iv) Other financial liabilities

After initial measurement other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost includes any issuance discount or premium and directly attributable transaction costs that are an integral part of the effective interest rate.

(g) Derecognition of financial assets and financial liabilities -

Financial assets

A financial asset (or, where applicable a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either the Group has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in the consolidated income statement

(h) Offsetting financial instruments -

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

(i) Impairment of financial assets -

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

(i) Loans and receivables

For loans and receivables that are carried at amortized cost, the Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

Notes to the consolidated financial statements (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. Interest income, if applicable, is accrued on the reduced carrying amount based on the original effective interest rate of the asset. A loan, together with the associated allowance, is written off when classified as loss, is fully provisioned and there is real and verifiable evidence that the loan is irrecoverable and collection efforts concluded without success, impossibility of foreclosures or all collateral has been realized or has been transferred to the Group. If in any subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

If in the future a write-off loan is later recovered, the recovery is recognized in the consolidated statements of income, as a credit to the caption "Provision for loan losses".

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

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

Notes to the consolidated financial statements (continued)

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

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each date of the consolidated statements of financial position whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments, objective evidence would include a significant or prolonged decline in its fair value below cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss) is removed from investments available-for-sale reserve of the consolidated statements of changes in equity and recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

In the case of debt instruments, impairment is assessed based on the same criteria as financial assets carried at amortized cost (loans and receivables). However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income. Future interest income is based on the reduced carrying amount and is accrued using the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income is recorded as part of "Interest and dividend income" of the consolidated income statement. If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated statements of income.

Notes to the consolidated financial statements (continued)

(iii)

Renegotiated loans

When a loan is modified, it is no longer considered as past due but it maintains its previous classification as impaired or not impaired. If the debtor complies with the new agreement during the following six months, and an analysis of its payment capacity supports a new improved risk classification, it is classified as not impaired. If subsequent to the loan modification the debtor fails to comply with the new agreement, it is considered as impaired and past due.

(j)

Leases -

The determination of whether an arrangement is, or contains, a lease is based in the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets on the arrangement conveys a right to use the asset even if that right is not explicitly specified in an arrangement.

Operating leases -

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

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

Finance leases -

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

(k) Property, furniture and equipment -

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

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Intangible assets identified as a consequence of the acquisition of subsidiaries and other intangible assets, are recognized on the consolidated statements of financial position at their fair values determined on the acquisition date and are amortized using the straight line method over their estimated useful life; as follows:

	Years
Client relationships – Prima AFP	20
Client relationships – Edyficar	10
Client relationships – Private hospitals	2, 3 y 14
Brand name – Edyficar	20
Brand name – Private hospitals	30
Licenses – Private hospitals	35
Rights of use	5
Other	5

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Notes to the consolidated financial statements (continued)

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

(n) Goodwill -

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating unit's (CGU) that are expected to benefit from the combination.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(o) Impairment of non-financial assets -

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets, excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

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Notes to the consolidated financial statements (continued)

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income.

(p) Due from customers on acceptances -

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

(q) Financial guarantees -

In the ordinary course of business, the Group issues financial guarantees, such as letters of credit, guarantees and acceptances. Financial guarantees are initially recognized at fair value (which is equivalent at that moment to the fee received) as "Other liabilities" in the consolidated statements of financial position. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the financial guarantee.

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

(r) Defined contribution pension plan -

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

(s) Provisions -

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow or resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the specific risks of the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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Notes to the consolidated financial statements (continued)

(t) Contingencies -

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in notes, unless the probability of an outflow of resources is remote. Contingent assets are not recorded in the financial statements; they are disclosed if it is probable that an inflow of economic benefits will be realized.

(u) Income tax -

Income tax is computed based on individual financial statements of Credicorp and each one of its Subsidiaries.

Deferred income tax 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 date of the consolidated statements of financial position, 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 date of the consolidated statements of financial position, Credicorp and its Subsidiaries assess unrecognized deferred assets and the carrying amount of recognized deferred assets.

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

(v) Earnings per share -

Basic earnings per share is calculated by dividing the net profit for the year attributable to Credicorp's equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of

ordinary shares purchased and held as treasury stock.

Diluted earnings per share is calculated by dividing the net profit attributable to Credicorp's equity holders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased and held as treasury stock, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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Notes to the consolidated financial statements (continued)

(w) Share-based payment transactions -

(i) Cash-settled transactions

As explained in Note 18(a), until 2008 the Group granted a supplementary remuneration plan to certain employees who had at least one year serving Credicorp or any of its Subsidiaries in the form of stock appreciation rights (SARs) over a certain number of Credicorp shares. SARs were granted at a fixed price and are exercisable at that price, allowing the employee to obtain a gain in cash (“cash-settled transaction”) arising from the difference between the fixed exercise price and the market price at the date the SARs are executed.

The SARs fair value is expensed over the period up to the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated income statement caption “Salaries and employee benefits”. When the price or terms of the SARs are modified, any additional expense is recorded in the consolidated statements of income.

(ii) Equity-settled transactions

As explain in Note 18(b), since 2009, a new supplementary remuneration plan was implemented to replace the SARs plan (see (i) above).

The cost of this equity-settled plan is recognized, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

The expense is recorded in the consolidated income statements caption “Salaries and employees benefits”. When the terms of an equity-settled award are modified, the minimum expense recognized in the consolidated income statement “Salaries and employees benefits” caption is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding stock awards is reflected as a share dilution in the computation of diluted earnings per share, see Note 3(v).

(x) Derivative financial instruments and hedge accounting -

Trading -

The Group negotiates derivative financial instruments in order to satisfy client's needs. The Group may also take positions with the expectation of profiting from favorable movements in prices, rates or indexes.

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Notes to the consolidated financial statements (continued)

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

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

Hedge -

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

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed at each reporting date. A hedge is regarded as highly effective if changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated is expected to offset in a range between 80 percent and 125 percent.

The accounting treatment is established according to the nature of the hedged item and compliance with the hedge criteria.

(i)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated income statement.

Amounts recognized as other comprehensive income are transferred to the consolidated statements of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

Notes to the consolidated financial statements (continued)

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in the cash flow hedges reserve are transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in the cash flow hedge reserve remains in the cash flow hedges reserve until the forecast transaction or firm commitment affects profit or loss.

(ii) Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognized in the consolidated statements of income in interest expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognized in the consolidated income statement.

For fair value hedges relating to consolidated items carried at amortized cost, the adjustment to carrying value is amortized through the consolidated statements of income over the remaining maturity term. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated income statement.

(iii) Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts, and the host contracts are not held for trading or designated at fair value through profit or loss.

The Group has certificates indexed to the price of Credicorp Ltd. shares that will be settled in cash, and investments indexed to certain life insurance contracts liabilities, denominated “Unit Linked”. These instruments have been classified at inception by the Group as “Financial instruments at fair value through profit or loss”, see Note 3(f)(i), and Note 7.

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Notes to the consolidated financial statements (continued)

(y) Segment reporting -

The Group reports financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are a component of an entity for which separate financial information is available that is evaluated regularly by the entity's Chief Operating Decision Maker ("CODM") in making decisions about how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as it is used internally for evaluating operating segment performance and deciding how to allocate resources to segments, Note 26.

(z) Fiduciary activities, management of funds and pension funds -

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

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

(aa) Repurchase agreements -

Securities sold subject to repurchase agreements ('Repos') are presented as pledged assets when the counterparty has the right to sell or repledge the collateral; the counterparty liability is included in the caption "Other liabilities" in the consolidated statements of financial position.

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

(ab) Cash and cash equivalents -

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise balances of cash and non-restricted balances with central banks, overnight deposits, time deposits and amounts due from banks with original maturities of three months or less.

(ac)

Reclassifications -

When it is necessary, comparative figures have been reclassified to conform to the current year presentation. Certain transactions were reclassified in the current year presentation; in Management's opinion those reclassifications are not significant to the consolidated financial statement as of December 31, 2011 and 2010.

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Notes to the consolidated financial statements (continued)

(ad) Recently issued International Financial Reporting Standards but not yet effective -

The Group decided not to early adopt the following standards and interpretations that were issued but not effective as of December 31, 2011:

IAS 1 “Presentation of Items of Other Comprehensive Income — Amendments to IAS 1”. Effective for annual periods beginning on or after July 1, 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

IAS 12 “Income Taxes (amendment) – Recovery of Underlying Assets”. Effective for annual periods beginning on or after January 1, 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

IAS 19 “Employee Benefits (amendment)”. Effective for annual periods beginning on or after January 1, 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

IAS 27 “Separate Financial Statements (as revised in 2011)”. Effective for annual periods beginning on or after January 1, 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

IAS 28 “Investments in Associates and Joint Ventures (as revised in 2011)”. Effective for annual periods beginning on or after January 1, 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IFRS 7 “Financial Instruments: Disclosures”. Effective for periods beginning on or after July 1, 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the financial statements to understand the relationship with those assets that have not been derecognized and their

associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

IFRS 9 "Financial Instruments: Classification and Measurement". IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2012.

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Notes to the consolidated financial statements (continued)

IFRS 10 “Consolidated Financial Statements”. Effective for annual periods beginning on or after January 1, 2013. IFRS 10 replaces the portion of IAS 27 “Consolidated and Separate Financial Statements” that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 “Consolidation — Special Purpose Entities”. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

IFRS 11 “Joint Arrangements”. Effective for annual periods beginning on or after January 1, 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 “Disclosure of Interests in Other Entities”. Effective for annual periods beginning on or after January 1, 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

IFRS 13 “Fair Value Measurement”. Effective for annual periods beginning on or after January 1, 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Notes to the consolidated financial statements (continued)

Conceptual Framework for Financial Reporting – Objectives and Qualitative Characteristics. The IASB is currently in the process of updating its Conceptual Framework. The conceptual framework project is being conducted in phases - and the current version was revised in 2010 (effective from September 28, 2010). The Conceptual Framework is not an IFRS statement. However, it is used when developing an accounting policy in the absence of a standard, and is applicable to all prepares of IFRS general purpose financial statements.

The Group is in process of assessing the impact, if any, that the application of these standards may have on its consolidated financial statements.

4. Cash and due from banks

This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
Cash and clearing	926,008	771,297
Deposits in Peruvian Central Bank – BCRP	3,784,514	6,307,977
Deposits in banks	790,187	1,458,121
	5,500,709	8,537,395
Accrued interest	2,153	7,020
Total	5,502,862	8,544,415

As of December 31, 2011 and 2010, cash and due from banks includes approximately US\$4,617.9 and US\$3,282.7 million, respectively, mainly from BCP, which represent the legal reserve that Peruvian banks must maintain for its obligations with the public, and are within the limits established by prevailing Peruvian legislation at those dates.

The legal reserve funds maintained with BCRP are not interest-bearing, except for the part of the mandatory reserve in U.S. Dollars and in Nuevos Soles that exceeds the minimum legal reserve. As of December 31, 2011, the excess in U.S. Dollars amounts approximately to US\$2,257.3 million and bear interest at an annual average interest rate of 0.18 percent (US\$1,953.9 million and annual average interest rate of 0.16, respectively, as of December 31, 2010), while the excess in Nuevos Soles amounts approximately to S/.1,007.2 million, equivalent to US\$373.6 million, and bear interest in Nuevos Soles at an annual average interest rate of 2.45 percent (S/.660.6 million equivalent to US\$235.2

million and annual average interest rate of 1.2 percent, respectively, as of December 31, 2010).

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Notes to the consolidated financial statements (continued)

Deposits in local and foreign banks correspond principally to balances in Nuevos Soles and U.S. Dollars. All deposits are unrestricted and earn interest at market rates. As of December 31, 2011 and 2010, Credicorp does not have significant deposits in any specific financial institution.

As of December 31, 2010, BCP had BCRP fixed term deposits (DPBCRP, for its Spanish acronym), denominated in Nuevos Soles for an amount equivalent to US\$3,649.8 million, which earned interest at an average rate of 3.06 percent and were included in the consolidated statements of financial position caption "Cash and due from banks". During 2011, these instruments were settled and replaced mainly by BCRP certificates of deposit (CDBCRP, for its Spanish acronym), which are included in the consolidated statements of financial position caption "Investments available for sale", see Note 5(e).

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Notes to the consolidated financial statements (continued)

5. Investments available-for-sale

(a) This item is made up as follows:

	2011				2010			
	Amortized cost US\$(000)	Unrealized gross amount Gains US\$(000)	Losses (b) US\$(000)	Estimated fair value US\$(000)	Amortized cost US\$(000)	Unrealized gross amount Gains US\$(000)	Losses (b) US\$(000)	Estimated fair value US\$(000)
BCRP certificates of deposit (e)	2,061,020	65	(1,305)	2,059,780	363,829	21	-	363,850
Corporate, leasing and subordinated bonds (f)	1,670,805	74,962	(16,439)	1,729,328	1,535,638	61,871	(13,921)	1,583,588
Government's treasury bonds (g)	768,304	79,480	(923)	846,861	573,611	69,736	(1,122)	642,225
Assets back securities (h)	245,556	12,466	(733)	257,289	85,431	3,565	(523)	88,473
Central Bank of Bolivia certificates of deposit (i)	110,727	226	(8)	110,945	86,528	6	(7)	86,527
Restricted mutual funds (j)	61,642	26,677	-	88,319	56,869	39,060	-	95,929
Participations in mutual funds	62,333	6,466	(91)	68,708	68,030	9,385	(276)	77,139
Bonds of international financial entities	69,923	4,223	(78)	74,068	59,910	3,328	(86)	63,152
Participation in RAL's funds (k)	49,263	-	-	49,263	80,195	-	-	80,195
Negotiable certificates of deposit	39,966	1,158	(5)	41,119	34,126	1,023	-	35,149
Hedge funds	27,133	1,462	(738)	27,857	7,681	2,247	-	9,928
Collateralized mortgage obligations (CMO) (l)	23,265	1,163	(77)	24,351	47,871	287	(4)	48,154
US Government – Agencies and Sponsored	17,161	1,469	(2)	18,628	14,409	717	(1)	15,125

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Enterprises	5,207,098	209,817	(20,399)	5,396,516	3,014,128	191,246	(15,940)	3,189,434
Listed securities (m)	116,193	361,525	(2,281)	475,437	108,340	421,453	(452)	529,341
Not-listed securities	4,065	126	(212)	3,979	10,676	783	(285)	11,174
	120,258	361,651	(2,493)	479,416	119,016	422,236	(737)	540,515
	5,327,356	571,468	(22,892)	5,875,932	3,133,144	613,482	(16,677)	3,729,949
Accrued interest				39,669				38,299
Total				5,915,601				3,768,248

Credicorp's Management has determined that the unrealized losses as of December 31, 2011 and 2010 are of (b) temporary nature. Management intends and has the ability to hold each investment for a period of time sufficient to allow for an anticipated recovery in fair value, until the earlier of its anticipated recovery or maturity.

For the year ended December 31, 2011, as a result of the impairment assessment of its investments available-for-sale, the Group recorded an impairment amounting to US\$1.0 million (US\$3.3 million as of (c) December 31, 2010), which is presented in the caption "Impairment loss on available-for-sale investments" of the consolidated statements of income.

The movement of available-for-sale investments reserves, net of deferred income tax and non-controlling interest is presented in Note 16(c).

Notes to the consolidated financial statements (continued)

(d) As of December 31, 2011 and 2010, the maturities and the annual effective interest rates of the investments available for sale are as follows:

Investments available-for-sale	Maturity		Annual effective interest rates									
	2011	2010	2011				2010					
			S/.		US\$		Other currencies		S/.		US\$	
			Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
		%	%	%	%	%	%	%	%	%	%	%
BCRP certificates of deposit	Jan-2012 / Dec-2012	Jan-2011 / Jun-2011	4.10	4.26	-	-	-	-	3.01	3.45	3.03	3.09
Government's treasury bonds	Jan-2012 / Nov-2050	Jan-2011 / Nov-2050	1.34	7.42	0.02	9.95	-	-	2.19	6.81	0.38	9.54
Corporate, leasing and subordinated bonds	Jan-2012 / Nov-2067	Jan-2011 / Nov-2067	2.19	9.48	0.20	47.10	3.29	8.80	1.56	9.48	0.13	17.35
Assets back securities	Jan-2012 / May-2033	Feb-2011 / Apr-2028	4.25	6.97	2.56	9.34	6.94	8.44	4.25	5.20	2.77	10.38
Central Bank of Bolivia certificates of deposit	Jan-2012 / Nov-2013	Jan-2011 / Dec-2011	-	-	-	-	0.00	2.80	-	-	-	-
Bonds of international financial entities	Feb-2012 / Aug-2018	Jan-2011 / Aug-2018	5.66	6.74	0.65	7.77	-	-	5.91	6.50	0.55	8.33
Negotiable certificates of deposit	Jan-2012 / Mar-2029	Jan-2011 / Mar-2029	4.40	5.13	0.97	3.00	1.50	1.50	-	-	3.14	8.28
Collateralized mortgage obligations (CMO)	Nov-2016 / Mar-2067	Jan-2011 / Jan-2047	-	-	4.71	11.19	-	-	-	-	2.76	11.85
US Government – Agencies and sponsored enterprises	Jul-2012 / Apr-2057	Jul-2011 / Aug-2038	-	-	0.61	5.93	-	-	-	-	1.61	5.86

(e) BCRP certificates of deposit are issued at discount, acquired in public auctions and negotiated in the Peruvian secondary market. As of December 31, 2011, the balance of BCRP certificates of deposit comprised US\$2,059.8 million of certificates settled in Nuevos Soles (US\$48.9 million and US\$315.0 million of certificates settled in U.S. Dollars and in Nuevos Soles, respectively, as of December 31, 2010).

(f) As of December 31, 2011 and 2010, comprise mainly corporate bonds for US\$1,688.0 million and US\$1,561.8 million, respectively. The unrealized losses on these investments as of December 31, 2011, corresponded to 65 items of which the highest individual unrealized loss amounts to approximately US\$ 1.8 million (57 items and US\$1.1 million, respectively as of December 31, 2010).

As of December 31, 2011, includes mainly debt instruments issued by the Peruvian Government in Nuevos Soles for an amount of US\$423.8 million and in U.S. Dollars for an amount of US\$210.8 million, the Colombian Government in U.S. Dollars for US\$143.9 million, the U.S. Government in U.S Dollars for US\$48.7 million, the (g) Chilean Government in U.S. Dollars for US\$3.6 million, and the Brazilian Government in U.S. Dollars for US\$4.5 million (US\$227.0 million and US\$252.0 million, US\$110.6 million, US\$9.3 million and US\$3.0 million issued by the Peruvian, Colombian, Chilean and Brazilian Governments, respectively, as of December 31, 2010).

In April 2010, BCP participated in an exchange program offered by the Peruvian Government by which the Bank exchanged 7.500 percent euro denominated Global Bonds due 2014 for cash and new bonds 8.375 percent US\$-Denominated Global Bonds due 2033. BCP received €90.4 million in cash and US\$323.1 million in 2033 Bonds. BCP recorded the unrealized gain amounting to US\$31.8 million as a realized gain in the caption "Net gain on sale of securities" of the consolidated statement of income.

Additionally, at the exchange date, BCP terminated the related cross currency swaps ("CCS") amounting to US\$318.3 million that were part of its fair value hedge strategy, generating a loss amounting to approximately US\$15.7 million, which is presented in the caption "Loss from hedging derivatives instruments" of the consolidated income statement, see note 20.

(h) Assets back securities are secured by a specified pool of underlying assets and are mainly traded in the Peruvian over-the-counter market. Pools of underlying assets are made up of receivables with predictable future payments.

As of December 31, 2011 and 2010, the balance includes US\$122.2 million and US\$17.8 million, respectively of financial instruments issued by Hunt Oil Company (the originator). The underlying assets are future receivables from the sale of hydrocarbons extracted in Peru. The bonds have semi annual payments up to 2025.

(i) As of December 31, 2011 and 2010, certificates of deposits issued by the Central Bank of Bolivia are mainly denominated in Bolivianos.

Notes to the consolidated financial statements (continued)

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

The participation quotas in the funds "Requirement of Cash Assets" (RAL for its spanish acronym) are denominated in Bolivianos and U.S. Dollars. These funds amount approximately to US\$27.4 million and US\$21.8 (k) million, respectively, (US\$25.7 million and US\$54.5 million, respectively, as of December 31, 2010). RAL's funds comprise investments made by the Group in the Central Bank of Bolivia as collateral for deposits received from the public. Said fund has restrictions for its use and is required for all banks established in Bolivia.

(l) Collateralized mortgage obligations correspond to senior tranches.

As of December 31, 2011, the unrealized gains on listed securities arises mainly from shares in Banco de Crédito e (m) Inversiones de Chile (BCI Chile), Inversiones Centenario S.A.A., Alicorp S.A.A. and Edelnor S.A.A., which amounted to US\$158.3, US\$53.3, US\$65.9 and US\$41.9 million, respectively (US\$212.5, US\$57.5, US\$67.7 and US\$39.6 million, respectively, as of December 31, 2010).

As of December 31, 2011 and 2010, the Group maintains interest rate swaps (IRS), which were designated as fair value hedges of fix bonds denominated in U.S. Dollars issued by the Peruvian Government, corporate and (n) international financial entities, for a notional amount of US\$54.0 million (US\$54.6 million as of December 31, 2010), see Note 11(b); through the IRS these bonds were economically converted to variable rate.

As of December 31, 2011, the Group entered into Repo transactions over corporate, international financial entities and government bonds for an estimated fair value of (o) US\$223.2 million (US\$279.0 million as of December 31, 2010); the related liability is presented in the caption "Other liabilities" of the consolidated statements of financial position, see Note 11(a) and (e).

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

	2011		2010	
	Amortized cost	Fair value	Amortized cost	Fair value
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Up to 3 months	964,274	964,035	290,788	293,489

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From 3 months to 1 year	1,485,774	1,486,204	358,852	360,235
From 1 to 3 years	551,145	556,542	458,901	470,775
From 3 to 5 years	427,541	436,876	423,471	437,843
Over 5 years	1,577,993	1,718,712	1,269,341	1,363,901
Without maturity	320,629	713,563	331,791	803,706
Total	5,327,356	5,875,932	3,133,144	3,729,949

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Notes to the consolidated financial statements (continued)

6.	Loans, net	
(a)	This item is made up as follows:	
	2011 US\$(000)	2010 US\$(000)
Direct loans -		
Loans	11,986,080	9,836,155
Leasing receivables	2,786,129	2,359,236
Credit card receivables	1,807,717	1,305,883
Discounted notes	552,233	477,709
Factoring receivables	254,516	250,974
Advances and overdrafts	25,130	104,495
Refinanced and restructured loans	96,031	76,707
Past due and under legal collection loans	259,050	209,908
	17,766,886	14,621,067
Add (less) -		
Accrued interest	121,563	97,294
Unearned interest	(446,508)	(343,003)
Allowance for loan losses (d)(*)	(519,708)	(415,703)
Total direct loans, net	16,922,233	13,959,655
Indirect loans, Note 19(a)	3,728,000	3,135,211
(b)	Loans by class are as follows:	
	2011 US\$(000)	2010 US\$(000)
Commercial loans	12,806,870	10,760,767
Residential mortgage loans	2,725,145	2,145,093
Consumer loans	2,234,871	1,715,207
Total	17,766,886	14,621,067

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

Notes to the consolidated financial statements (continued)

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

	2011			
	Commercial loans	Residential mortgage loans	Consumer loans	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Beginning balances	289,564	52,324	106,709	448,597
Provision	105,544	10,626	98,728	214,898
Recoveries of written-off loans	23,329	2,794	15,319	41,442
Loan portfolio written-off	(64,905)	(1,265)	(89,239)	(155,409)
Translation result	3,890	950	3,818	8,658
Ending balances (*)	357,422	65,429	135,335	558,186

	2010			
	Commercial loans	Residential mortgage loans	Consumer loans	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Beginning balances	243,796	41,471	90,782	376,049
Provision	87,125	8,398	79,159	174,682
Recoveries of written-off loans	19,867	2,517	12,221	34,605
Loan portfolio written-off	(63,128)	(853)	(78,755)	(142,736)
Translation result	1,904	791	3,302	5,997
Ending balances (*)	289,564	52,324	106,709	448,597

	2009			
	Commercial loans	Residential mortgage loans	Consumer loans	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Beginning balances	161,170	30,832	56,061	248,063
Provision	79,551	9,781	74,060	163,392
Recoveries of written-off loans	12,984	939	10,005	23,928
Acquisition of Edyficar, Note 2	19,443	106	1,356	20,905
Loan portfolio written-off	(32,364)	(958)	(54,605)	(87,927)
Translation result	3,012	771	3,905	7,688

Ending balances (*)	243,796	41,471	90,782	376,049
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The movement in the allowance for loan losses includes the allowance for direct and indirect loans for approximately US\$519.7 million and US\$38.5 million, respectively, as of December 31, 2011 (approximately (*)US\$415.7 million and US\$32.9 million; and US\$354.4 million and US\$21.7 million, as of December 31, 2010 and 2009, respectively). The allowance for indirect loan losses is included in the caption “Other liabilities” of the consolidated statements of financial position, Note 11(a).

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Notes to the consolidated financial statements (continued)

In Management's opinion, the allowance for loan losses recorded as of December 31, 2011, 2010 and 2009 has been established in accordance with IAS 39 and is sufficient to cover probable losses on the loan portfolio.

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

(f) Interest on past due for more than 90 days and under legal collection loans are recognized when collected. Interest income that would have been recorded for these loans in accordance with their original contract terms and have not been recognize as income amounts to approximately US\$49.8, US\$38.5 and US\$27.9 as of December 31, 2011, 2010 and 2009, respectively.

(g) As of December 31, 2011 and 2010, the direct gross loan portfolio classified by maturity, based on the remaining period to repayment date is as follows:

	2011 US\$(000)	2010 US\$(000)
Outstanding loans -		
Up to 1 year	7,855,825	6,812,586
From 1 to 3 years	3,753,857	3,404,766
From 3 to 5 years	2,219,746	1,805,760
Over 5 years	3,678,408	2,388,047
Past due loans -		
Up to 4 months	91,653	68,601
Over 4 months	95,769	64,158
Under legal collection	71,628	77,149
Total	17,766,886	14,621,067

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

(a) This item is made up as follows:

2011	2010
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	US\$(000)	US\$(000)
Unit Linked financial assets (b)	49,816	39,501
Indexed certificates (c)	40,287	139,554
	90,103	179,055

The Group issues unit linked life insurance contracts whereby the policyholder bears the investment risk on the assets held in the unit linked funds as the policy benefits are directly linked to the value of the assets in the fund. The Group's exposure to market risk is limited to the extent that income arising from asset management charges is based on the value of assets in the fund. For the year 2011, the loss resulting from the difference between cost and (b) estimated market value for these financial assets amounted to approximately US\$6.1 million (gain of US\$6.4 million for the year 2010) and is presented in the caption "Net loss on financial assets designated at fair value through profit or loss" of the consolidated statements of income ("Net gain on financial assets designated at fair value through profit or loss for the year 2010"). The offsetting of this effect is included in gross premiums which are part of the caption "Net premiums earned" of the consolidated statements of income, see Note 22.

Notes to the consolidated financial statements (continued)

In connection with the liabilities that result from Credicorp's stock appreciation rights (SARs), (Note 18(a)), BCP signed several contracts with Citigroup Global Markets Holdings Inc., Citigroup Capital Limited, Citigroup Capital Market Inc. (collectively hereinafter "Citigroup") and Credit Agricole Corporate and Investment Bank (hereinafter "Calyon"). These contracts consist of the purchase of certificates indexed to the performance of Credicorp Ltd. (c)(BAP) shares, in the form of "warrants" issued by Citigroup and Calyon, with the same number of Credicorp Ltd. shares. These certificates are cash settled and their final settlement price is equivalent to the daily volume-weighted average of the per share price for BAP shares on each business day, on which Citigroup or any of its affiliates or Calyon effects any transactions with respect to BAP shares in order to unwind its position established and maintained to hedge its price and market risk with respect to the issued certificates.

The certificates have a maturity of 5 years but can be settled anytime before their maturity, partially or totally. As of December 31, 2011 and 2010, the Group had 355,914 and 1,152,414 certificates at a total cost of US\$22.4 million and US\$70.9 million, respectively (US\$62.9 and US\$61.5 per certificate on average, respectively). At those dates, the estimated market value amounted to US\$40.3 and US\$139.6 million, respectively (US\$113.2 and US\$121.1 per certificate on average, as of December 31, 2011 and 2010, respectively). For the year 2011, the net loss generated by the indexed certificates is comprised by the loss arising from their valuation, approximately US\$49.1 million (gain of US\$43.8 million for the year 2010), net of the gain resulting from their settlement, approximately to US\$30.6 million (gain of US\$14.3 million for the year 2010) and has been recorded in the caption "Net loss on financial assets designated at fair value through profit or loss" of the consolidated statements of income ("Net gain on financial assets designated at fair value through profit or loss" for the year 2010).

8. Receivable and payable accounts from insurance contracts

As of December 31, 2011 and 2010, the caption "Premiums and other policies receivable" of the consolidated (a) statements of financial position includes balances which primarily due in a current period, have no collaterals and present no material past due balances.

Notes to the consolidated financial statements (continued)

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

Accounts receivable	2011 US\$(000)	2010 US\$(000)
Beginning balances	160,249	137,098
Reported claims of premiums ceded, Note 23	28,627	31,618
Premiums ceded unearned during the year, Note 22(**)(ii)	9,091	32,421
Premiums assumed	20,039	22,882
Settled claims of premiums ceded by facultative contracts	26,345	18,895
Collections and other	(93,271)	(82,665)
Ending balances	151,080	160,249

Accounts receivable as of December 31, 2011 and 2010, include US\$58.0 and US\$49.0 million, respectively, which correspond to the unearned portion of the ceded premiums to the reinsurers.

Accounts payable	2011 US\$(000)	2010 US\$(000)
Beginning balances	60,775	48,009
Premiums ceded to reinsurers by facultative contracts, Note 22(**)(ii)	98,639	94,416
Coinsurance granted	11,067	11,774
Payments and other	(95,115)	(93,424)
Ending balances	75,366	60,775

Accounts payable to reinsurers are primarily related to the proportional facultative contracts (on an individual basis) for ceded premiums, automatic non-proportional contracts (excess of loss) and reinstatement premiums. For facultative contracts the Group transfers to the reinsurers a percentage or an amount of an insurance contract or individual risk, based on the premium and the covered period. The net movement of the accounts payable of automatic contracts (mainly excess of loss) as well as reinstatement premiums of the years 2011 and 2010 are included in the concept "Premiums ceded to reinsurers, net" for US\$40.3 million and US\$33.3 million, respectively, see Note 22 (**)(i).

Notes to the consolidated financial statements (continued)

9. Property, furniture and equipment, net

(a) The movement of property, furniture and equipment and accumulated depreciation, for the years ended December 31, 2011 and 2010, is as follows:

	Land	Buildings and other construction	Installations	Furniture and fixtures	Computer hardware	Vehicles and equipment	Work in progress	2011	2010
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -									
Balance as of January 1	42,656	294,855	128,050	97,586	245,218	39,252	55,197	902,814	829,889
Additions	8,310	976	2,899	12,528	26,674	2,423	47,009	100,819	80,184
Acquisition of private hospitals, Note 2(a)	27,037	15,019	2,339	1,093	320	5,006	-	50,814	-
Transfers	7	62,517	7,639	1,676	7,836	3,087	(82,762)	-	-
Sales, disposals and other	-	-	(575)	(1,487)	(108,539)	(281)	-	(110,882)	(7,259)
Balance as of December 31	78,010	373,367	140,352	111,396	171,509	49,487	19,444	943,565	902,814
Accumulated depreciation -									
Balance as of January 1	-	160,782	83,834	67,147	204,357	13,781	-	529,901	491,354
Depreciation for the year	-	8,382	8,220	5,039	22,198	4,189	-	48,028	44,852
Acquisition of private hospitals, Note 2(a)	-	1,928	61	164	121	1,670	-	3,944	-
Sales, disposals and other	-	-	(568)	(1,477)	(108,503)	(193)	-	(110,741)	(6,305)

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Balance as of December 31	-	171,092	91,547	70,873	118,173	19,447	-	471,132	529,901
Net book value	78,010	202,275	48,805	40,523	53,336	30,040	19,444	472,433	372,913

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

As of December 31, 2011, Credicorp and its Subsidiaries have property available for sale for approximately (c) US\$23.0 million, net of its accumulated depreciation amounting to approximately US\$10.4 million (US\$23.5 and US\$9.8 million, respectively, as of December 31, 2010).

(d) Management periodically reviews the residual value, useful life and method of depreciation of the Group's property, furniture and equipment to ensure that they are consistent with their actual economic benefits and life expectations. In Management's opinion, as of December 31, 2011 and 2010 there is no evidence of impairment of the Group's property, furniture and equipment.

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Notes to the consolidated financial statements (continued)

10. Intangibles assets and goodwill, net

(a) Intangibles –

The movement of finite useful lives intangible assets for the years ended December 31, 2011 and 2010 is as follows:

Description	Client	Rights of	Brand name (ii)	Licenses	Software	Other	2011	2010
	relationships US\$(000)	use (i) US\$(000)	US\$(000)	US\$(000)	and developments US\$(000)	US\$(000)	US\$(000)	US\$(000)
Cost -								
Balance as of January 1	94,952	20,000	13,159	-	202,774	32,330	363,215	297,078
Additions	-	-	-	-	19,829	35,482	55,311	68,344
Acquisition of private hospitals, Note 2(a)	3,116	-	10,587	12,271	173	-	26,147	-
Transfers	-	-	-	-	23,574	(23,574)	-	-
Disposals and other	-	-	-	-	(1,235)	(375)	(1,610)	(2,207)
Balance as of December 31	98,068	20,000	23,746	12,271	245,115	43,863	443,063	363,215
Accumulated amortization -								
Balance as of January 1	19,095	-	815	-	102,039	10,075	132,024	96,561
Amortization of the year	5,144	1,333	791	-	37,715	871	45,854	37,437
Disposals and other	-	-	-	-	(1,202)	(61)	(1,263)	(1,974)
Balance as of December 31	24,239	1,333	1,606	-	138,552	10,885	176,615	132,024
Net book value	73,829	18,667	22,140	12,271	106,563	32,978	266,448	231,191

During 2011, additions are related to the implementation and development of sundry IT projects, mainly "AIO" related to increase of the infrastructure, mainframe and licenses to support the increase in operations (during 2010, additions were related to IT projects "SAP" and "Sio Teller").

Notes to the consolidated financial statements (continued)

(i) Client relationships -

This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
Client relationships -		
Prima AFP – AFP Unión Vida	65,686	70,105
Edyficar	5,099	5,752
Private hospitals	3,044	-
Book value, net	73,829	75,857

(ii) Brand name -

This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
Brand name -		
Edyficar	11,688	12,344
Private hospitals	10,452	-
Book value, net	22,140	12,344

Management has assessed at each reporting date that there is no indication that client relationships, rights of use, brand name and software and developments may be impaired.

(b) Goodwill -

This item is made up as follows:

	2011	2010
	US\$(000)	US\$(000)
Goodwill -		
Edyficar, Note 2(c)	50,696	50,696
Private hospitals, Note 2(a)	45,540	-
Prima AFP	44,594	44,594
Banco de Crédito del Perú	18,733	18,733
El Pacífico Peruano – Suiza Compañía de Seguros y Reaseguros	13,007	13,007
Atlantic Security Holding Corporation	10,660	10,660
Corporación Novasalud Perú S.A. EPS	3,744	3,744
Book value, net	186,974	141,434

Management annually assesses goodwill to identify any impairment; assumptions used are consistent with previous years. As of December 31, 2011 and 2010, Management concluded that there is no impairment in the recorded goodwill.

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Notes to the consolidated financial statements (continued)

11. Other assets and other liabilities

(a) These items are made up as follows:

	2011 US\$(000)	2010 US\$(000)
Other assets		
Financial instruments		
Value added tax credit	231,012	183,295
Accounts receivable	129,645	106,134
Cash collateral on repurchase agreements and others (e)	90,065	38,440
Derivatives receivable (b)	82,519	84,945
Income tax prepayments, net	54,435	23,982
Operations in process (c)	44,952	35,828
	632,628	472,624
Non-financial instruments		
Deferred income tax asset, Note 17(c)	114,470	112,914
Prepaid expenses	72,393	64,917
Deferred fees	47,629	43,318
Investments in associates	13,428	10,701
Other	21,996	3,152
	269,916	235,002
Total	902,544	707,626
Other liabilities		
Financial instruments:		
Repurchase agreements, Note 5(o) and (e)	250,000	250,000
Accounts payable	223,743	223,822
Payroll, taxes, salaries and other personnel expenses	155,184	196,290
Derivatives payable (b)	145,261	136,670
Allowance for indirect loan losses, Note 6(d)	38,478	32,894
Contributions	23,694	20,136
Operations in process (c)	31,020	25,771
	867,380	885,583
Non-financial instruments		
Deferred income tax liability, Note 17(c)	127,960	168,777
Provision for sundry risks (d)	29,009	19,425
Other	1,056	19,336

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	158,025	207,538
Total	1,025,405	1,093,121

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Notes to the consolidated financial statements (continued)

(b) The risk in derivative contracts arises from the possibility of the counterparty failing to comply with the terms and conditions agreed and that the reference rates at which the transactions took place changes.

The table below presents as of December 31, 2011 and 2010, the fair value of derivative financial instruments, recorded as an asset or a liability, together with their notional amounts and maturities. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured, see Note 19(a).

Note	2011			Maturity	2010			Maturity	2011 and 2010 Hedged ins
	Assets	Liabilities	Notional amount		Assets	Liabilities	Notional amount		
	US\$(000)	US\$(000)	US\$(000)		US\$(000)	US\$(000)	US\$(000)		
Derivatives held for trading (i) -									
Forward exchange contracts	21,135	28,672	3,473,264	Between January and December 2012	17,400	10,640	2,628,195	Between January 2011 and December 2012	-
Interest rate swaps	31,220	31,203	697,436	Between March 2012 and December 2022	29,807	32,307	699,800	Between August 2011 and August 2022	-
Currency swaps	18,093	9,587	312,975	Between January 2012 and September 2022	17,334	12,532	463,104	Between March 2011 and September 2022	-
Options	206	801	64,184	Between January and December 2012	549	309	103,616	Between January 2011 and May 2012	-
Derivatives held as hedges -									

Cash flow
hedges (ii):

Interest rate swaps (IRS)	13(a)(i)(*)	534	3,200	500,000	Between October 2012 and March 2014	-	-	-	-	Due to Bank
Interest rate swaps (IRS)	13(a)(i)(*)	-	-	-	-	-	2,159	136,667	March 2011	Due to bank
Interest rate swaps (IRS)	15(a)(vi)	-	62,601	687,673	Between January 2012 and June 2017	-	70,495	863,005	Between January 2011 and June 2017	Secured not issued
Cross currency swaps (CCS)	15(a)(ii)	2,411	-	115,433	October 2014	11,842	-	123,862	October 2014	Bonds issued
Cross currency swaps (CCS)	15(a)(vii)	-	-	-	-	396	50	15,687	Between February and May 2011	Bonds issued
Cross currency swaps and interest rate swaps (CCS and IRS)	15(a)(i)	8,920	3,651	82,226	Between June 2012 and March 2015	7,617	5,029	113,362	Between April 2011 and March 2015	Bonds issued
Fair value hedges:										
Interest rate swaps (IRS)	5(n)	-	5,546	54,049	Between May 2012 and June 2019	-	3,149	54,560	Between May 2011 and June 2019	Investments available-for
		82,519	145,261	5,987,240			84,945	136,670	5,201,858	

Derivatives held for trading are principally negotiated to satisfy client's needs. The Group may also take positions (i) with the expectation of profiting from favorable movements in prices, rates or indexes. Also, this caption includes any derivatives which does not comply IAS 39 hedging accounting requirements.

(ii) The Group is exposed to variability in future interest cash flows on liabilities in foreign currency and/or which bear interest variable rates. The Group uses derivatives financial instruments as cash flow hedges to cover these risks.

Notes to the consolidated financial statements (continued)

A schedule indicating, as of December 31, 2011, the periods when the cash flow hedges are expected to occur and affect the consolidated statement of income, net of the deferred income tax is presented below:

	Up to 1 year US\$(000)	From 1 to 3 years US\$(000)	From 3 to 5 years US\$(000)	Over 5 years US\$(000)
Cash outflows (liabilities)	(266,191)	(737,441)	(80,653)	(932)
Consolidated statement of income	(19,274)	(35,763)	(10,042)	(524)

As of December 31, 2011, the accumulated balance of unrealized loss on cash flow hedges recorded as other comprehensive income in the caption "Cash flow hedges reserve", results from the current hedges (unrealized loss for approximately US\$65.6 million) and the terminated hedge in 2009 (unrealized gain for approximately US\$10.4 million) which is being recognized over the maturity of the underlying financial instrument, see Note 15(a)(iv). Likewise, the transfer of net loss on cash flow hedges to the consolidated statements of income is presented in Note 16(c).

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

(d) The movement of the provision for sundry risks for the years ended December 31, 2011, 2010 and 2009 is as follows:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Beginning balance	19,425	27,225	47,512
Provision, Note 24	10,661	8,440	14,425
Acquisition of private hospitals	4,044	-	-
Decreases	(5,121)	(16,240)	(34,712)
Ending balance	29,009	19,425	27,225

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

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Notes to the consolidated financial statements (continued)

As of December 31, 2011, it corresponds to restricted funds related to repurchase agreements (Note 5(o)) and derivative transactions amounting to US\$82.8 million and US\$7.3 million, respectively (as of December 31, 2010, (e) it corresponds to restricted funds related to repurchase agreements, see Note 5(o)). Repurchase agreements mature on June 2012.

12. Deposits and obligations

(a) This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
Demand deposits	6,614,487	5,581,392
Saving deposits	5,096,509	4,244,750
Time deposits (c)	5,039,541	6,464,769
Severance indemnity deposits	1,757,124	1,313,122
Bank's negotiable certificates	136,338	163,681
	18,643,999	17,767,714
Interest payable	59,848	50,404
Total	18,703,847	17,818,118

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 those accounts; on the other hand, according to such policy, balances that are lower than a specified amount for each type of account, do not bear interest. Also, time deposits earn interest at market rates.

Interest rates are determined by the Group considering interest rates prevailing in the market in which each of the Group's subsidiaries operates.

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

	2011 US\$(000)	2010 US\$(000)
Non-interest		
In Peru	4,645,607	3,745,788
In other countries	745,081	614,782
	5,390,688	4,360,570
Interest bearing		
In Peru	12,363,772	12,386,046
In other countries	889,539	1,021,098
	13,253,311	13,407,144
Total	18,643,999	17,767,714

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Notes to the consolidated financial statements (continued)

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

	2011 US\$(000)	2010 US\$(000)
Up to 3 months	3,163,777	5,239,027
From 3 months to 1 year	1,531,252	939,104
From 1 to 3 years	293,393	244,426
From 3 to 5 years	1,118	42,212
More than 5 years	50,001	-
Total	5,039,541	6,464,769

As of December 31, 2011 and 2010, in Management's opinion, the Group's deposits and obligations are diversified with no significant concentrations.

As of December 31, 2011 and 2010, approximately US\$6,233.4 million and US\$4,925.8 million, respectively of the deposits and obligations balances, are covered by the Peruvian "Fondo de Seguro de Depósitos" (Deposit Insurance Fund). At those dates, the "Fondo de Seguro de Depósitos" covered up to US\$33,984.1 and US\$30,542.2, respectively.

13. Due to banks and correspondents

(a) This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
International funds and others (i)	1,672,348	1,953,040
Promotional credit lines (ii)	241,836	145,984
Inter-bank funds	138,671	133,240
	2,052,855	2,232,264
Interest payable	7,165	8,056
Total	2,060,020	2,240,320

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Notes to the consolidated financial statements (continued)

(i) This item is made up as follows:

	2011	2010
	US\$(000)	US\$(000)
Syndicated loans (*)	496,073	482,750
Corporación Andina de Fomento - CAF	200,000	200,000
China Development Shijiaz huang	148,875	-
Wells Fargo & Co.	144,998	140,000
Deutsche Bank AG	121,679	43,449
Bank of America N.A.	95,645	165,000
Citibank N.A.	94,968	95,000
Toronto Dominion Bank	85,000	110,000
Bank of New York	50,000	65,000
Cobank	47,903	-
Atlantic Private Placement Pool SPC	40,000	35,000
Sumitomo Mitsui Banking Corp.	20,000	65,000
Standard Chartered Bank	-	100,721
Banco Latinoamericano de Comercio de Panama	-	100,000
JP Morgan Chase Bank	-	75,000
Mercantil Commercebank	-	64,000
Commerzbank AG	-	63,000
Other	127,207	149,120
Total	1,672,348	1,953,040

As of December 31, 2011, the balance includes two syndicated loans obtained from foreign financial entities in March 2011 and October 2010 amounting to US\$150.0 million and US\$350.0 million, respectively with maturity (*) in March 2014 and October 2013, respectively, with interest payments every semester at Libor 6m+1.75 percent.

During 2011, the syndicated loans, which are subject to variable interest rate risk, were hedged through IRS with the same maturities; as a result, the loans were economically converted to fix rate, see Note 11(b).

As of December 31, 2010, the balance included two syndicated loans amounting to US\$350.0 million and US\$136.7 million, obtained from several foreign financial entities, with maturity in October 2013 and March 2011, and interest payment every semester at Libor 6M+1.75 percent and Libor 6M+0.75 percent, respectively. The syndicated loan amounting to US\$136.7 million, subject to variable interest rate risk, was hedged through an IRS with the same maturities; as a result, it was economically converted to fix rate. Said derivative financial instrument expired in March 2011, see Note 11(b).

As of December 31, 2011, these loans have maturities between January 2012 and February 2019 (between January 2011 and May 2019 as of December 31, 2010) and their annual interest rate is between 0.69 and 10.50 percent (between 0.02 and 12.00 percent as of December 31, 2010).

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

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Notes to the consolidated financial statements (continued)

Promotional credit lines represent loans granted to BCP by Corporación Financiera de Desarrollo (COFIDE for its Spanish acronym) to promote the development of Peru, they have maturities between January 2012 and November (ii) 2031 and their annual interest rates are between 6.00 and 7.75 percent (between January 2011 and November 2030 and annual interest rate between 6.00 and 7.75 percent as of December 31, 2010). These credit lines are secured by a loan portfolio amounting to US\$241.8 and US\$146.0 million as of December 31, 2011 and 2010, respectively.

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

(b) As of December 31, 2011 and 2010, maturities of due to banks and correspondents are shown below, based on the remaining period to the repayment date:

Due to banks and correspondents	2011 US\$(000)	2010 US\$(000)
Up to 3 months	585,211	943,797
From 3 months to 1 year	458,685	469,682
From 1 to 3 years	731,912	712,034
From 3 to 5 years	199,575	41,427
More than 5 years	77,472	65,324
Total	2,052,855	2,232,264

As of December 31, 2011 and 2010, credit lines granted by several local and foreign financial institutions, available (c) for future operating activities or to settle capital commitments amounted to US\$2,117.0 million (US\$2,590.1 million as of December 31, 2010).

Notes to the consolidated financial statements (continued)

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

(a) This item is made up as follows:

	2011			
	Reserves for direct claims	Claims assumed	Technical reserves	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Life insurance	100,940	-	901,175	1,002,115
General insurance	111,901	1,136	186,470	299,507
Health insurance	44,718	7	31,951	76,676
Total	257,559	1,143	1,119,596	1,378,298

	2010			
	Reserves for direct claims	Claims assumed	Technical reserves	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Life insurance	84,919	-	758,807	843,726
General insurance	126,649	1,063	156,808	284,520
Health insurance	41,393	38	26,646	68,077
Total	252,961	1,101	942,261	1,196,323

Insurance claims reserves represent reported claims and an estimation for incurred but non reported claims (IBNR). Reported claims are adjusted on the basis of technical reports received from independent adjusters. Claims to be paid by the reinsurers and coinsurers are shown as ceded claims, which are presented in the caption "Accounts receivable from reinsurers and coinsurers" of the consolidated financial statements.

As of December 31, 2011, the reserves for direct claims include reserves for IBNR for life, general and health insurance for an amount of US\$28.1, US\$3.2 and US\$23.8 million, respectively (US\$25.3, US\$2.1 and US\$19.2

million, respectively, as of December 31, 2010).

During 2011 and previous years, the differences between the estimations for the incurred and non-reported claims and the settled and pending liquidation claims have not been significant. Retrospective analysis indicates that the amounts accrued are adequate and the Management believes that the estimated IBNR reserve is sufficient to cover any liability as of December 31, 2011 and 2010.

The movement for the years ended December 31, 2011 and 2010 of insurance claims and technical reserves is as follows:

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Notes to the consolidated financial statements (continued)

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

	2011			
	Life insurance	General insurance	Health insurance	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Initial balance	84,919	127,712	41,431	254,062
Claims, Note 23	123,194	93,314	189,878	406,386
Payments	(108,738)	(107,840)	(187,250)	(403,828)
Translation result	1,565	(149)	666	2,082
Final balance	100,940	113,037	44,725	258,702

	2010			
	Life insurance	General insurance	Health insurance	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Initial balance	70,960	142,367	38,633	251,960
Claims, Note 23	102,821	82,763	161,606	347,190
Payments	(92,268)	(97,326)	(159,201)	(348,795)
Translation result	3,406	(92)	393	3,707
Final balance	84,919	127,712	41,431	254,062

(c) Technical reserves:

	2011			
	Life insurance	General insurance	Health insurance	Total
	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Initial balance	758,807	156,808	26,646	942,261
Time course expenses and other	32,258	-	-	32,258
Unearned premium reserves and annual variation, net	9,435	30,953	5,312	45,700
Insurance subscriptions	135,073	-	-	135,073
Payments	(37,470)	-	-	(37,470)
Translation result	3,072	(1,291)	(7)	1,774

Final balance	901,175	186,470	31,951	1,119,596
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Notes to the consolidated financial statements (continued)

	2010			Total US\$(000)
	Life insurance US\$(000)	General insurance US\$(000)	Health insurance US\$(000)	
Initial balance	630,183	112,804	23,844	766,831
Time course expenses and other	32,196	-	-	32,196
Unearned premium reserves and annual variation, net	(410)	44,150	3,369	47,109
Insurance subscriptions	157,198	-	-	157,198
Payments	(34,616)	-	-	(34,616)
Translation result	(25,744)	(146)	(567)	(26,457)
Final balance	758,807	156,808	26,646	942,261

As of December 31, 2011 and 2010, no additional reserves were needed as a result of the liability adequacy test. The main assumptions used in estimation of retirement, disability and survival fixed pensions and traditional life and unit linked insurance contracts reserves as of those dates, were the following:

Modality	Mortality Table	Technical rates
Retirement, disability and survival fixed pensions	RV - 2009, B - 85, B - 85 adjusted, MI2% - 6.03% in US\$ and - 85, B - 2006 and MI - 2006	1.31% - 3.56% in S/.
Traditional life and unit linked insurance contracts	CSO 80 adjustable	4.00% - 5.00% in US\$

The sensitivity of the estimates used by the Group to measure its insurance risks is represented primarily by the life insurance risks; the main variables as of December 31, 2011, are the interest rates and the mortality tables used. The Group has evaluated the changes of the reserves related to its most significant life insurance contracts included in retirement, disability and survival fixed pensions contracts of +/- 100 bps of the interest rates and of +/- 5 bps of the mortality factors, being the results as follows:

Variables	Amount of the reserve US\$(000)	Variation of the reserve	
		Amount US\$(000)	Percentage %

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Portfolio in U.S. Dollars - Basis amount	487,961			
Changes in interest rates: + 100 bps	441,719	(46,242)	(9.48)
Changes in interest rates: - 100 bps	543,512	55,551		11.38
Changes in Mortality tables to 105%	483,003	(4,928)	(1.01)
Changes in Mortality tables to 95%	493,159	5,198		1.07

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Notes to the consolidated financial statements (continued)

Variables	Amount of the reserve US\$(000)	Variation of the reserve	
		Amount US\$(000)	Percentage %
Portfolio in S/. - Basis amount	156,504		
Changes in interest rates: + 100 bps	139,053	(17,451)	(11.75)
Changes in interest rates: - 100 bps	178,027	21,523	13.75
Changes in Mortality tables to 105%	155,240	(1,264)	(0.81)
Changes in Mortality tables to 95%	157,843	1,339	0.86

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Notes to the consolidated financial statements (continued)

15. Bonds and notes issued

(a) This item is made up as follows:

	Weighted average annual interest rate		Maturity	2011	2010
	2011 %	2010 %		US\$(000)	US\$(000)
Senior notes (i)(*)(***)	5.08	5.38	Between March 2016 and September 2020	1,483,012	789,273
CCR Inc. MT100 – secured notes (vi)	-	-	Between October 2012 and July 2017	762,494	960,404
Corporate bonds (ii)	5.81	5.95	Between November 2012 and December 2021	575,801	423,637
Subordinated notes (iv)	7.07	7.17	Between October 2022 and September 2026	517,589	158,657
Junior subordinated notes (iii)	9.75	9.75	November 2069	220,396	218,989
Subordinated bonds	7.49	7.33	Between October 2012 and May 2027	170,058	136,665
Subordinated negotiable certificates notes (v)	6.87	6.95	Between November 2021 and September 2026	118,574	111,864
Leasing bonds (vii)	8.72	6.81	August 2018	37,092	134,365
Negotiable certificates of deposit – Edyficar	5.31	4.23	Between July and August 2012	35,203	17,077
Mortgage bonds (vii)	7.44	7.63	April 2012	503	4,956
				3,920,722	2,955,887
Interest payable				44,800	26,031
Total				3,965,522	2,981,918

Notes to the consolidated financial statements (continued)

(i) During 2011 and 2010, the Group made the following debt issuances:

Issuances 2011	Currency	Amount issued	Maturity	Rate
Senior notes BCP - Second issuance (*)	US\$(000)	700,000	2016	4.75
Corporate bonds BCP - Eighth issuance Series A	US\$(000)	91,000	2014	3.75
Ninth issuance Series A	S/(.000)	128,000	2016	6.22
Tenth issuance Series A	S/(.000)	150,000	2021	7.25
Subordinated notes BCP (**)	US\$(000)	350,000	2026	6.875
Subordinated bones PPS First issuance - first program	US\$(000)	60,000	2026	6.969
Negotiable certificates of deposit – Edyficar Fourth issuance - first program	S/(.000)	40,000	2012	5.41
Fourth issuance - first program	S/(.000)	30,000	2012	5.27
Fourth issuance - first program	S/(.000)	30,000	2012	5.20
Issuances 2010 Senior notes BCP - First issuance (***)	US\$(000)	800,000	2020	5.375
Negotiable certificates of deposit – Edyficar Third issuance - first program	S/(.000)	50,000	2011	4.23

Interest are payable semi-annually. BCP can redeem the Senior notes, in whole or in part, at any time, with the (*) penalty of the payment of an interest rate equivalent to the American Treasury plus 40 basis points. Payment of principal will take place at the date of maturity of the notes or when BCP redeems the notes.

Interest are payable semi-annually. Since September 16, 2021, the interest rate becomes a variable rate of Libor 3 months plus 770.8 basis points payable quarterly. Since September 16, 2016 and until September 15, 2021, BCP may redeem all or part of the notes, with the penalty of the payment equal to the American Treasury plus 50 basis points (**). Additionally, from September 16, 2021 or at any later date of coupon payment, BCP may redeem all or part of the notes without penalty. Payment of principal will take place at the date of maturity of the notes or when BCP redeems the notes.

Notes to the consolidated financial statements (continued)

Interest are payable semi-annually. BCP can redeem the Senior notes, in whole or in part, at any time, with the (***) penalty of the payment of an interest rate equivalent to the American Treasury plus 40 basis points. Payment of principal will take place at the date of maturity of the notes or when BCP redeems the notes.

During 2011, redeemed corporate and leasing bonds amounted to US\$140.1 million and US\$92.4 million, respectively (US\$37.1 million and US\$55.3 million, respectively, during 2010).

As of December 31, 2011 and 2010, the Group has hedged fix corporate bonds issued in Peruvian currency for a notional amount of US\$82.2 million and US\$113.4 million, respectively, subject to foreign exchange and variable interest risks. The corporate bonds have been hedged through CCS and IRS and were economically converted to U.S. Dollars at fix rate, see Note 11(b).

Corporate bonds include an issuance (Series A) denominated in “Chilean Unidades de Fomento – UF” for UF 2.7 million effected by BCP Emisiones Latam 1 S.A. The Group can redeem 100 percent of the bonds only if the legal reserve funds legislation and tax law, related to income tax and value added tax change in Peru, Panama or Chile.

(ii) As of December 31, 2011 and 2010, the balance amounts to US\$115.4 million and US\$123.9 million, respectively. This debt, subject to foreign exchange risk, has been hedged through cross currency swaps (CCS) for a notional amount equal to the principal and with the same maturity, see note 11(b); as a result, these bonds were economically converted to US\$ Dollars.

(iii) In November 2019, interest rate will be Libor 3 months plus 816.7 basis points, with quarterly payments; at that date and or any interest payment date BCP can redeem 100 percent of the notes, without penalties and after fulfilling certain requirements. Payment of principal will take place at the date of maturity of the notes or when BCP redeems the notes.

This debt does not have collateral and qualifies as Tier 1 capital for SBS regulations.

(iv) In October 2007, BCP through its Panama branch issued Subordinated Notes for S/.483.3 million. This debt accrues a fixed annual interest rate of 7.17 percent for the first 10 years, with semiannual payments. In October 2017, interest rate will be the average of at least three valuations on the market interest rate for sovereign bonds issued by the Peruvian Government (with maturity on 2037), plus 150 basis points, with semiannual payments. From such date, BCP can redeem 100 percent of the notes, without penalties. Payment of principal will take place at the date of maturity of the notes (October 2022) or when BCP redeems the notes. Cash flows of this debt, subject to foreign exchange risk and interest rate risk, were hedged, until October 2009 through CCS and IRS,

Note 11(b); at that date, the Group discontinued prospectively the combined cash flow hedge of CCS and IRS through their unwinding, see Note 11(b)(ii).

In November 2016, the interest rate will change to a floating interest rate, established as Libor plus 2.79 percent, (v) with semiannual payments. From such date, BCP can redeem 100 percent of the debt, without penalties. Payment of principal will take place at the date of maturity of the certificates or when BCP redeems the debt.

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

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Notes to the consolidated financial statements (continued)

This item is made up as follows:

	Interest %	Maturity	2011 US\$(000)	2010 US\$(000)
CCR Inc. MT-100, Payment rights master Trust -				
2005 Series A Floating Rate Certificates	Libor 1m + 21 bps	10/10/2012	19,252	42,920
2006 Series A Floating Rate Certificates	Libor 1m + 24 bps	10/03/2016	27,326	31,508
2008 Series A Fixed Rate Certificates	6.27	10/06/2015	88,170	107,933
2008 Series B Floating Rate Certificates	Libor 1m + 225 bps	10/12/2015	116,731	146,432
2010 Series A Floating Rate Certificates	Libor 1m + 47.5 bps	10/10/2012	44,118	98,526
2010 Series B Floating Rate Certificates	Libor 1m + 57.6 bps	10/03/2016	51,164	59,153
2010 Series C Floating Rate Certificates	Libor 1m + 44.5 bps	10/07/2017	311,912	338,258
2010 Series D Floating Rate Certificates	Libor 1m + 36.1 bps	10/07/2014	103,821	135,674
Total			762,494	960,404

The 2005-A, 2006-A, 2007-A and 2007-B notes were issued with a financial guaranty insurance policy from AMBAC Assurance Corporation (“AMBAC”), which secured the timely payment of scheduled principal and certain accrued interest. In 2010 and in order to terminate the financial guaranty insurance policy from AMBAC, BCP made an exchange offer to holders of these notes, whereby the existing notes were replaced by new notes with similar terms and maturities.

As of December 31, 2011 and 2010 all issuances subject to variable interest rates were hedged through interest rate swaps (IRS); as a result they were economically converted to fix rate, see Note 11(b).

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Notes to the consolidated financial statements (continued)

(vii) Leasing and mortgages bonds are collateralized by the fixed assets financed by the Group. As of December 31, 2010, the Group has hedged fix leasing bonds issued in Peruvian currency for a notional amount of US\$15.7 million hedged through IRS for a notional amount equal to the principal and with the same maturity see note 11(b); as a result, these bonds were economically converted to US\$ Dollars.

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

	2011 US\$(000)	2010 US\$(000)
Up to 3 months	55,335	83,726
From 3 months to 1 year	227,195	290,441
From 1 to 3 years	683,228	461,213
From 3 to 5 years	345,134	504,401
More than 5 years	2,609,830	1,616,106
Total	3,920,722	2,955,887

Bonds and notes issued have certain financial and operating covenants which, in Management's opinion, the Group is in compliance at the date of the consolidated statements of financial position.

16. Equity

(a) Share capital -

As of December 31, 2011, 2010 and 2009, 94,382,317 shares of capital stock were issued at US\$5 per share.

(b) Treasury stock -

As of December 31, 2011, treasury stock comprises the par value of 14,974,957 Credicorp's shares (14,941,833 and 14,847,842 Credicorp's shares as of December, 31, 2010 and 2009, respectively) owned by the Group's companies.

The difference between their acquisition cost of US\$217.8 million and their par value of US\$74.9 million (as of December 31, 2010 and 2009 acquisition cost of US\$209.2 million and US\$198.0 million, respectively and their par value of US\$74.6 million and US\$74.2 million, respectively) is presented as a reduction of “Capital surplus”.

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Notes to the consolidated financial statements (continued)

(c)

Reserves -

In accordance with Peruvian regulation, a reserve of up to at least 35 percent of paid-in capital of the Group's subsidiaries operating in Peru is required to be established through annual transfers of at least 10 percent of their net income. In accordance with Bolivian regulation, a reserve of up to at least 50 percent of paid-in capital of the Group's subsidiaries operating in Bolivia is required to be established through annual transfers of at least 10 percent of their net income. As of December 31, 2011, 2010 and 2009, these reserves amounted to approximately US\$387.3, US\$369.3 and US\$242.9 million, respectively.

The Shareholders' meetings held on March 31, 2011, March 26, 2010 and March 31, 2009 agreed to transfer from "Retained earnings" to "Reserves" US\$407.8, US\$331.6 and US\$238.1 million, respectively.

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Notes to the consolidated financial statements (continued)

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

	Unrealized net gain (loss) of:		
	Available-for-sale investments reserve	Cash flow hedge reserve	Total
	US\$(000)	US\$(000)	US\$(000)
Balances as of January 1, 2009	72,729	(118,122)	(45,393)
Net unrealized gain from available-for-sale investments	319,041	-	319,041
Transfer of net realized gain from investments available-for-sale to the consolidated income statement, net of realized loss	(112,618)	-	(112,618)
Transfer of impairment on investment available-for-sale to the consolidated income statement, Note 5(c)	9,825	-	9,825
Net unrealized gain from cash flow hedges, Note 11(b)(ii)	-	30,317	30,317
Transfer of net realized loss from cash flow hedges to the consolidated income statement, Note 11(b)(ii)	-	36,274	36,274
Balances as of December 31, 2009	288,977	(51,531)	237,446
Net unrealized gain from available-for-sale investments	191,305	-	191,305
Transfer of net realized gain from investments available-for-sale to the consolidated income statement, net of realized loss	(59,785)	-	(59,785)
Transfer of impairment on investment available-for-sale to the consolidated income statement, Note 5(c)	3,250	-	3,250
Net unrealized loss from cash flow hedges, Note 11(b)(ii)	-	(44,584)	(44,584)
Transfer of net realized loss from cash flow hedges to the consolidated income statement, Note 11(b)(ii)	-	39,089	39,089
Balances as of December 31, 2010	423,747	(57,026)	366,721
Net unrealized gain from available-for-sale investments	6,330	-	6,330
Transfer of net realized gain from investments available-for-sale to the consolidated income statement, net of realized loss	(35,760)	-	(35,760)
Transfer of impairment on investment available-for-sale to the consolidated income statement, Note 5(c)	1,025	-	1,025
Net unrealized loss from cash flow hedges, Note 11(b)(ii)	-	(23,578)	(23,578)
Transfer of net realized loss from cash flow hedges to the consolidated income statement, Note 11(b)(ii)	-	25,430	25,430

Balances as of December 31, 2011	395,342	(55,174)	340,168
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Notes to the consolidated financial statements (continued)

(d) Components of other comprehensive income -

The consolidated statement of comprehensive income includes other comprehensive income from available-for-sale investments and from derivatives financial instruments used as cash flow hedges; its movement is as follows:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Available-for-sale investments:			
Net unrealized gain from available-for-sale investments	6,330	191,305	319,041
Transfer of net realized gain from investments available-for-sale to the consolidated income statement, net of realized loss	(35,760)	(59,785)	(112,618)
Transfer of impairment on investment available-for-sale to consolidated income statement	1,025	3,250	9,825
Sub total	(28,405)	134,770	216,248
Non-controlling interest on investment available-for-sale	4,842	22,795	45,019
Income tax	(29,605)	67,696	7,283
	(53,168)	225,261	268,550
Cash flow hedges:			
Net unrealized (loss) gain from cash flow hedges	(23,578)	(44,584)	30,317
Transfer of net realized loss from cash flow hedges to the consolidated income statement	25,430	39,089	36,274
Sub total	1,852	(5,495)	66,591
Non-controlling interest of cash flow hedges	(272)	(138)	875
Income tax	(1,412)	(1,686)	(1,442)
	168	(7,319)	66,024

(e) Dividend distribution -

During 2011, 2010 and 2009, Credicorp paid cash dividends, net of the effect of treasury shares, for approximately US\$155.5, US\$135.5 and US\$119.3 million, respectively.

The Board of Directors Meeting dated February 22, 2012 agreed to declare a cash dividend of US\$2.3 per common share, approximately US\$217.1 million, corresponding to the 2011 results, dividends will be paid in cash starting May 18, 2012.

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

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Notes to the consolidated financial statements (continued)

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

As of December 31, 2011 and 2010, the regulatory capital for Credicorp's subsidiaries engaged in financial and insurance activities in Peru calculated following SBS regulations amounted to approximately US\$3,022.7 and US\$2,391.3 million, respectively. As of December 31, 2011, the consolidated regulatory capital for Credicorp exceeds by approximately US\$549.2 million the minimum regulatory consolidated capital required by the SBS (approximately US\$514.8 million as of December 31, 2010).

17.

Taxes

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

Credicorp's Bolivian subsidiaries are subject to corporate taxation on income under the Bolivian Tax system. The statutory income tax rate is 25 percent.

ASHC and its Subsidiaries are not subject to taxes in the Cayman Islands or Panama. For the three years ended December 31, 2011, 2010 and 2009, no taxable income was generated from their operations in the United States of America.

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

	2011	2010	2009
	%	%	%
Peruvian statutory income tax rate	30.00	30.00	30.00
Increase (decrease) in the statutory tax rate due to:			
(i) (Decrease) increase arising from net income of subsidiaries not domiciled in Peru	(0.91)	(0.36)	0.26
(ii) Non-taxable income, net	(4.49)	(4.73)	(3.98)
(iii) Translation results not considered for tax purposes	(2.07)	(1.24)	(4.74)
Effective income tax rate	22.53	23.67	21.54

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Notes to the consolidated financial statements (continued)

(b) Income tax expense as of December 31, 2011, 2010 and 2009 comprises:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Current -			
In Peru	217,726	200,195	143,925
In other countries	1,839	3,219	3,127
	219,565	203,414	147,052
Deferred -			
In Peru	(9,057)	(16,333)	(8,552)
Total	210,508	187,081	138,500

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

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

	2011 US\$(000)	2010 US\$(000)
Assets		
Allowance for loan losses, net	73,429	56,163
Reserve for sundry risks, net	10,230	9,250
Share-based compensation rights provision	3,544	19,253
Other	27,267	28,248
Deferred income tax asset	114,470	112,914
Liabilities		
Unrealized net gains on investments	(67,405)	(97,010)
Intangibles assets, net	(25,859)	(23,049)
Deferred commissions	(5,742)	(8,312)
Indexed certificates	(5,596)	(20,710)
Leasing operations, net	(2,153)	(2,196)
Gain for difference tax exchange	(1,438)	(917)
Other	(19,767)	(16,583)

Deferred income tax liability	(127,960)	(168,777)
Net deferred income tax liability	(13,490)	(55,863)

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Notes to the consolidated financial statements (continued)

Credicorp and its subsidiaries have recorded a deferred income tax as part of the equity caption “Other reserves” for US\$31.0, US\$66.0 and US\$14.1 million, as of December 31, 2011, 2010 and 2009, respectively, related to the income tax effects of unrealized gains and losses on investments available for sale and cash flow hedges. Likewise, the Group recognized the deferred tax liability arising from the acquisition of private hospitals (year 2011), see Note 2(a), Edyficar (year 2009), see Note 2(c) and AFP Prima (year 2006) for approximately US\$35.8 million (approximately US\$25.4 million, as of December 31, 2010).

The Peruvian Tax Authority has the right to review and, if necessary, amend the annual tax returns of the Peruvian subsidiaries up to four years after their filing. From the review of the subsidiaries’ tax returns by the Tax Authority (d) no significant additional taxes arose for the consolidated financial statements. Management of each subsidiary has filed an appeal in the applicable cases. Tax returns of the main subsidiaries not yet reviewed by the Peruvian Tax Authority are the following:

Banco de Crédito del Perú	2008 – 2011
Edyficar	2008 – 2011
Prima AFP	2008 – 2011
Pacífico Peruano Suiza	2007 – 2011
Pacífico Vida	2007 – 2011

Nevertheless, the Peruvian Tax Authority has started tax audits for the fiscal year 2009 in Prima AFP and Pacifico Vida.

Any additional tax arising as a result of the Tax Authority review will be charged to income in the year when such additional tax is determined. At present, it is not possible to estimate the adjustments that the Tax Authority may determine; however, in Management’s opinion, it is not expected that any additional tax will be determined in amounts considered significant to the consolidated financial statements as of December 31, 2011 and 2010.

Likewise, the Income Tax returns for the fiscal years 2006 to 2011 from Banco de Crédito de Bolivia are pending to be reviewed by the Bolivian Tax Authority.

18. Share-based compensation plans

(a) Stock appreciation rights -

As indicated in Note 3(w), Credicorp has granted stock appreciation rights (SARs) to certain key employees who have at least one year serving Credicorp or any of its subsidiaries. At the grant date and in each one of the subsequent three years, the granted SARs may be exercised up to 25 percent of all SARs granted in the plan. The SARs expire up to April, 2014.

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Notes to the consolidated financial statements (continued)

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

Year of Issuance	Number of outstanding SARs issued as of December 31, 2011	Number of Vested SARs as of December 31		Exercise price	
		2011	2010	2011 US\$	2010 US\$
2003	-	-	36,500	5.57	6.47
2004	40,000	40,000	87,500	8.39	9.29
2005	40,000	40,000	107,500	13.40	14.30
2006	53,000	53,000	171,300	22.72	23.62
2007	45,007	45,007	168,310	22.72	23.62
2008	65,216	65,216	206,589	22.72	23.62
	243,223	243,223	777,699		

Credicorp's Management has estimated the SARs' fair value as of December 31, 2011 and 2010, using the binomial option pricing model, considering the following market information:

Key assumptions	2011		2010	
Expected volatility	39.05	%	37.91	%
Risk free interest rate	2.43	%	3.55	%
Expected lifetime	1.76 years		2.75 years	
Quoted price of Credicorp shares at year-end	US\$ 109.47		US\$ 118.91	

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the SARs is indicative of future trends, which may also not necessarily be the actual outcome.

Notes to the consolidated financial statements (continued)

The movement of SARs for the years ended December 31, 2011 and 2010 is as follows:

	2011			2010		
	Outstanding SARs Number	Vested SARs Number	Amount US\$(000)	Outstanding SARs Number	Vested SARs Number	Amount US\$(000)
Balance as of January 1	795,155	777,699	76,989	1,147,463	1,038,276	60,488
Vested	-	15,627	(1,356)	-	88,683	8,451
Exercised	(550,103)	(550,103)	(45,255)	(349,260)	(349,260)	(28,272)
Decrease	(1,829)	-	-	(3,048)	-	-
(Decrease) increase in fair value	-	-	(8,290)	-	-	36,322
Balance as of December 31	243,223	243,223	22,088	795,155	777,699	76,989

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

The liabilities recorded for this plan, including the above mentioned income tax, are included in the consolidated statements of financial position caption “Other liabilities – Payroll taxes, salaries and other personnel expenses”, Note 11(a), and the expenses in the consolidated statements of income caption “Salaries and employees benefits”. Modifications to SARs prices were agreed with Group’s employees.

During 2011, 2010 and previous years, the Group signed several contracts by which it acquired certificates linked to the yield of Credicorp’s shares, see Note 7(c).

(b) Stock awards (“equity-settled transaction”)

Under this new plan Credicorp grants its own shares to the plan beneficiaries. Shares granted will vest up to 33.3 percent of all granted shares in each one of the subsequent three years to the grant date (March or April of each year).

The fair value of stock awards granted is estimated at the grant date using a binomial pricing model with similar key assumptions as those used for the valuation of SARs (see paragraph (a) above), taking into account the terms and conditions upon which the shares were granted. Credicorp assumes the payment of the related income tax on behalf of its employees, which corresponds to 30 percent of the benefit. Credicorp estimates said income tax over the basis of the fair value of the shares granted at the grant date.

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Notes to the consolidated financial statements (continued)

As of December 31, 2011, the Group had granted 549,529 shares of Credicorp, of which 333,294 shares were outstanding (396,658 and 321,630 shares, respectively as of December 31, 2010). The expense recorded for the year ended December 31, 2011 amounted to approximately US\$15.7 million (US\$11.2 and US\$5.9 million for the years ended December 31, 2010 and 2009, respectively).

19. Off-balance sheet accounts

(a) This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)
Contingent credits - indirect loans (b), Note 6(a)		
Guarantees and stand by letters	3,128,534	2,718,200
Import and export letters of credit	599,466	417,011
	3,728,000	3,135,211
Derivatives		
Held for trading, Note 11(b)		
Forward currency contracts - buy	1,892,970	1,794,215
Forward currency contracts - sell	1,580,294	833,980
Interest rate swaps	697,436	699,800
Currency swaps	312,975	463,104
Options	64,184	103,616
Held as hedges, Note 11(b)		
Cash flow hedges:		
Interest rate swaps	1,187,673	999,672
Cross currency swaps	115,433	139,549
Cross currency swaps and interest rate swaps	82,226	113,362
Fair value hedges:		
Interest rate swap	54,049	54,560
	5,987,240	5,201,858
Responsibilities under credit lines agreements (c)	3,525,517	2,449,807
Total	13,240,757	10,786,876

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

statements of financial position.

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Notes to the consolidated financial statements (continued)

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

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

20. Interest and dividend income and interest expenses

These items are made up as follow:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Interest and dividend income			
Interest on loans	1,533,351	1,218,728	1,062,046
Interest on investments available-for-sale	223,809	191,971	183,309
Interest on due from banks	42,886	32,337	15,918
Interest on trading securities	3,900	4,824	3,320
Dividends from investments available-for-sale and trading securities	15,321	11,615	9,715
Other interest income	18,497	12,233	38,617
Total	1,837,764	1,471,708	1,312,925
Interest expenses			
Interest on deposits and obligations	(217,322)	(156,106)	(226,875)
Interest on bonds and notes issued	(186,743)	(124,311)	(91,319)
Interest on due to banks and correspondents	(64,369)	(43,532)	(27,328)
Loss from hedging derivatives instruments	(7,666)	(25,692)	(10,593)
Other interest expenses	(55,500)	(64,480)	(64,449)
Total	(531,600)	(414,121)	(420,564)

During 2011, 2010 and 2009, the interest income accrued on impaired financial instruments recognized in the consolidated statements of income amounted to US\$7.8, US\$7.2 and US\$5.0 million, respectively.

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Notes to the consolidated financial statements (continued)

21. Banking services commissions

This item is made up as follows:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Maintenance of accounts, transfers and credit and debit card services	288,493	251,840	196,642
Funds management	147,470	125,605	100,160
Contingent loans fees	52,162	43,781	33,339
Collection services	57,036	49,836	42,841
Commissions for banking services	28,249	22,038	14,657
Brokerage and custody services	8,737	7,473	10,130
Other	25,696	24,322	39,050
Total	607,843	524,895	436,819

22.

Net premiums earned

This item is made up as follows:

	Gross premiums (*) US\$(000)	Premiums ceded to reinsurers, net (**) US\$(000)	Assumed from other companies, net US\$(000)	Net premiums earned US\$(000)	Percentage of assumed net premiums %
2011					
Life insurance	200,468	(8,633)	) -	191,835	-
Health insurance	236,512	(3,195)	) 2,338	235,655	1.00
General insurance	258,274	(117,975)	) 6,634	146,933	4.51
Total	695,254	(129,803)	) 8,972	574,423	1.56
2010					
Life insurance	156,611	(7,544)	) -	149,067	-
Health insurance	203,635	(2,817)) 3,355	204,173	1.64
General insurance	204,236	(84,935)) 7,752	127,053	6.10

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Total	564,482	(95,296)	11,107	480,293	2.31
2009						
Life insurance	127,569	(6,120)	-	121,449	-
Health insurance	174,396	(2,536	)	2,967	174,827	1.70
General insurance	232,369	(110,613	)	6,650	128,406	5.18
Total	534,334	(119,269	)	9,617	424,682	2.26

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

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Notes to the consolidated financial statements (continued)

(**) “Premiums ceded to reinsurers, net” include:

(i) US\$40.3 million for automatic contracts (mainly excess of loss) and reinstallation premiums (US\$33.3 million for the year 2010).

(ii) Gain of US\$98.6 million for facultative contracts and of US\$9.1 for unearned premiums ceded reserves (gain of US\$94.4 and US\$32.4 million for the year 2010).

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

This item is made up as follows:

	2011			
	Life insurance US\$(000)	General insurance US\$(000)	Health insurance US\$(000)	Total US\$(000)
Gross insurance claims, Note 14(b)	123,194	93,314	189,878	406,386
Ceded claims, Note 8(b)	(4,515)	(22,602)	(1,510)	(28,627)
Net insurance claims	118,679	70,712	188,368	377,759

	2010			
	Life insurance US\$(000)	General insurance US\$(000)	Health insurance US\$(000)	Total US\$(000)
Gross insurance claims, Note 14(b)	102,821	82,763	161,606	347,190
Ceded claims, Note 8(b)	(2,719)	(27,849)	(1,050)	(31,618)
Net insurance claims	100,102	54,914	160,556	315,572

	2009			
	Life insurance US\$(000)	General insurance US\$(000)	Health insurance US\$(000)	Total US\$(000)

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Gross insurance claims	80,971	108,397	148,985	338,353
Ceded claims	(1,762)	(49,149)	(984)	(51,895)
Net insurance claims	79,209	59,248	148,001	286,458

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Notes to the consolidated financial statements (continued)

24. Other income and expenses

These items are made up as follow:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Other income			
Income from sale of seized assets	4,089	5,373	4,092
Real estate rental income	5,672	4,309	4,035
Recoveries of other accounts receivable and other assets	658	1,749	8,520
Other	19,955	19,237	15,497
Total other income	30,374	30,668	32,144
Other expenses			
Commissions from insurance activities	48,847	39,796	42,701
Sundry technical insurance expenses	29,292	17,413	13,574
Provision for sundry risks, Note 11(d)	10,661	8,440	14,425
Provision for other accounts receivables	1,649	2,613	9,590
Other	19,091	22,957	16,524
Total other expenses	109,540	91,219	96,814

25. Earnings per share

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

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Net income attributable to equity holders of Credicorp (in thousands of U.S. Dollars)	709,272	571,302	469,785
Number of shares:			
Ordinary shares, Note 16(a)	94,382,317	94,382,317	94,382,317

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Less - treasury shares	(14,941,833)	(14,847,842)	(14,620,842)
Acquisition of treasury shares, net	(24,843)	(70,494)	(170,250)
Weighted average number of ordinary shares for basic earnings	79,415,641	79,463,981	79,591,225
Plus - effect of dilution	247,204	201,168	72,243
Stock awards			
Weighted average number of ordinary shares adjusted for the effect of dilution	79,662,845	79,665,149	79,663,468
Basic earnings per share (in U.S. Dollars)	8.93	7.19	5.90
Diluted earnings per share (in U.S. Dollars)	8.90	7.17	5.90

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Notes to the consolidated financial statements (continued)

26.

Operating segments

For management purposes, the Group is organized into four operating segments based on products and services as follows:

Banking -

Principally handling loans, credit facilities, deposits and current accounts, and providing investment banking services, including corporate finance, for corporate, individual and institutional customers.

Insurance -

Principally granting commercial property, transportation and marine hull, automobile, life, health and pension fund underwriting insurance. Private hospitals services are also included under this operating segment.

Pension funds -

Providing private pension fund management services to individuals.

Brokerage and other -

Including the structuring and placement of primary market issuances and the execution and trading of secondary market transactions. In addition, offers local securitization structuring to corporate entities and manages mutual funds.

Certain operating segments have been aggregated to form the above reportable operating segments.

The Group monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10 percent or more of the Group's total revenue in 2011, 2010 and 2009.

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Notes to the consolidated financial statements (continued)

(i) The following table presents income and certain asset information regarding the Group's operating segments (in millions of U.S. Dollars) for the years ended 31 December 2011, 2010 and 2009:

	External income	Income from other segments	Elimination	Total income	Operating income (***)	Provision for loan losses and recoveries	Depreciation and amortization	Impairment charges on investments	Income before taxes	Income taxes	Net income	Capital expenditures, intangible assets and goodwill	Total assets
2011													
Banking	2,391	72	(72)	2,391	1,260	(216)	(77)	(1)	747	(134)	612	141	27,982
Insurance	682	37	(37)	682	279	-	(8)	-	90	(2)	89	133	2,101
Pension funds	106	-	-	106	-	-	(9)	-	52	(15)	37	2	239
Brokerage and other	72	54	(54)	72	(36)	1	-	-	7	(22)	(14)	3	411
Total consolidated	3,251	163	(163)	3,251	1,503	(215)	(94)	(1)	896	(173)	724	279	30,733
2010													
Banking	2,042	72	(72)	2,042	1,037	(179)	(66)	(3)	662	(120)	542	139	25,941
Insurance	578	30	(30)	578	232	-	(6)	-	94	(13)	81	7	1,716
Pension funds	87	-	-	87	-	-	(10)	-	38	(9)	29	2	258
Brokerage and other	50	63	(63)	50	(47)	4	-	-	(28)	(21)	(49)	1	479
Total consolidated	2,757	165	(165)	2,757	1,222	(175)	(82)	(3)	766	(163)	603	149	28,394
2009													
Banking	1,820	66	(66)	1,820	831	(167)	(57)	(10)	502	(96)	406	163	20,106
Insurance	518	15	(15)	518	192	-	(5)	-	68	(4)	64	17	1,457
Pension funds	80	-	-	80	-	-	(9)	-	35	(10)	25	2	237
Brokerage and other	40	65	(65)	40	8	4	-	-	25	(16)	9	1	214
Total consolidated	2,458	146	(146)	2,458	1,031	(163)	(71)	(10)	630	(126)	504	183	22,014

Notes to the consolidated financial statements (continued)

The following tables presents (in millions of U.S. Dollars) the distribution of the Group's external income, (ii) operating income, and non-current assets allocated based on the location of the customer and its assets, respectively for the years ended 31 December 2011, 2010 and 2009:

	2011			2010			2009		
	Total income (*)	Operating income (**)	Non-current assets (***)	Total external income (*)	Operating income (**)	Non-current assets (***)	Total income (*)	Operating income (**)	Non-current assets (***)
Peru	3,019	1,423	719	2,540	1,158	687	2,226	958	624
Panama	50	8	155	46	13	-	46	13	-
Cayman Islands	69	16	-	69	7	-	66	1	-
Bolivia	91	42	17	83	33	19	107	50	17
United States of America	17	13	35	16	13	40	10	7	39
Chile	5	1	-	3	(2)	-	3	2	-
Total consolidated	3,251	1,503	926	2,757	1,222	746	2,458	1,031	680

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

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

(***) Non-current assets consist of property, furniture and equipment, intangible assets, and goodwill, net.

Notes to the consolidated financial statements (continued)

27. Transactions with related parties

(a) The Group's consolidated financial statements as of December 31, 2011 and 2010 include transactions with related companies, the Board of Directors, the Group's key executives (defined as the Management of Credicorp's) and enterprises which are controlled by these individuals through their majority shareholding or their role as Chairman or CEO.

(b) The following table shows the main transactions with related parties as of December 31, 2011 and 2010:

	2011	2010
	US\$(000)	US\$(000)
Direct loans	258,088	265,566
Investments available-for-sale and trading securities	139,676	120,486
Deposits	72,264	101,979
Contingent credits	38,927	26,994
Derivatives at fair value	(1,491)	(1,335)
Interest income related to loans – income	5,755	7,002
Interest expense related to deposits - expense	1,564	1,707
Other income	2,147	2,327

(c) All transactions with related parties are made in accordance with normal market conditions available to other customers. As of December 31, 2011, direct loans to related companies are secured by collaterals, had maturities between January 2012 and October 2019 and accrued an annual average interest rate of 7.55 percent (as of December 31, 2010, had maturities between January 2011 and November 2018 and accrued an annual average interest rate of 5.91 percent). Likewise, as of December 31, 2011, the Group maintained an allowance for loan losses to related parties amounting to US\$1.5 million (US\$0.1 as of December 31, 2010).

(d) As of December 31, 2011 and 2010, directors, officers and employees of the Group have been involved, directly and indirectly, in credit transactions with certain subsidiaries of the Group, as permitted by Peruvian Banking and Insurance Law N°26702, which regulates and limits certain transactions with employees, directors and officers of a bank or an insurance company. As of December 31, 2011 and 2010, direct loans to employees, directors and key Management amounted to US\$176.5 and US\$140.0 million, respectively; said loans are paid monthly and earn interest at market rates.

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

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Notes to the consolidated financial statements (continued)

(e) The Group's key executives' compensation (including the related income taxes assumed by the Group) as of December 31, 2011, 2010 and 2009, comprised the following:

	2011 US\$(000)	2010 US\$(000)	2009 US\$(000)
Salaries	6,672	5,893	4,720
Directors' compensations	2,181	2,090	1,698
Total	8,853	7,983	6,418

Also, key executives compensation includes share based payments as explained in more detail in Note 18. SARs valuation for the years 2011, 2010 and 2009 resulted in a gain amounting to US\$5.8 million, a loss amounting to US\$24.5 million and a loss amounting to US\$17.9 million, respectively. During said years approximately US\$25.5 million, US\$14.8 million and US\$5.0 million, SARs were executed corresponding to SARs vested in previous years and up to April, 2011. Likewise, approximately US\$4.9 million, US\$3.8 million and US\$1.7 million, stock awards vested in the years 2011, 2010 and 2009, respectively. The income tax is assumed by the Group.

(f) As of December 31, 2011 and 2010, the Group has participations in different mutual funds and hedge funds managed by certain Group's Subsidiaries; said participations are classified as trading securities or Investments available-for-sale and amounted to approximately US\$75.2 and US\$58.5 million, respectively.

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Notes to the consolidated financial statements (continued)

28. Financial instruments classification

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

	As of December 31, 2011					Total	As of December 31, 2010		
	Financial assets liabilities designated at fair value Held for trading or hedging	At inception	Loans and receivables	Investments available-for- sale	Liabilities at amortized cost		Financial assets liabilities designated at fair value Held for trading	At inception	Loans and receivables
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Assets									
Cash and due from banks	-	-	5,502,862	-	-	5,502,862	-	-	8,544,415
Trading securities	75,611	-	-	-	-	75,611	115,568	-	-
Investments available-for-sale	-	-	-	5,915,601	-	5,915,601	-	-	-
Loans, net	-	-	16,922,233	-	-	16,922,233	-	-	13,959,650
Financial assets designated at fair value through profit or loss	-	90,103	-	-	-	90,103	-	179,055	-
Premiums and other policies receivable	-	-	174,367	-	-	174,367	-	-	129,136
Accounts receivable from reinsurers and coinsurers	-	-	151,080	-	-	151,080	-	-	160,249
Due from customers on acceptances	-	-	61,695	-	-	61,695	-	-	70,331
Other assets, Note 11	82,519	-	550,109	-	-	632,628	84,945	-	387,679
	158,130	90,103	23,362,346	5,915,601	-	29,526,180	200,513	179,055	23,251,460

Liabilities									
Deposits and obligation	-	-	-	-	18,703,847	18,703,847	-	-	-
Due to banks and correspondents	-	-	-	-	2,060,020	2,060,020	-	-	-
Bankers' acceptances outstanding	-	-	-	-	61,695	61,695	-	-	-
Accounts payable to reinsurers and coinsurers	-	-	-	-	75,366	75,366	-	-	-
Bonds and notes issued	-	-	-	-	3,965,522	3,965,522	-	-	-
Other liabilities, Note 11	145,261	-	-	-	722,119	867,380	136,670	-	-
	145,261	-	-	-	25,588,569	25,733,830	136,670	-	-

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Notes to the consolidated financial statements (continued)

29. Financial risk management

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

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

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

In this sense, risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to operating risk, credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

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

(a) Risk management structure-

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

(i)

Board of Directors

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

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Notes to the consolidated financial statements (continued)

(ii) Risk Management Committee

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

(iii) Risk Management Department

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

(iv) Internal Audit

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

(v) Treasury and Foreign Exchange Department

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

(b) Risk measurement and reporting systems-

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment.

The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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

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Notes to the consolidated financial statements (continued)

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

(c) Risk mitigation-

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

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

The Group actively uses collateral to reduce its credit risks.

(d) Excessive risk concentration-

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

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

29.1. Credit risk -

The Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; therefore, Management carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans, and investment activities that bring debt securities and other bills into the Group's asset portfolio.

(a) There is also credit risk in off-balance sheet financial instruments, such as contingent credits (indirect loans), which expose the Group to similar risks to loans (direct loans); they are both mitigated by the same control processes and policies. Likewise, credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statements of financial position.

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Notes to the consolidated financial statements (continued)

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

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 frequent reviews. Limits in the level of credit risk by product, industry sector and by geographic segment are approved by the Board of Directors.

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

(i)

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans granted. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. Main collaterals accepted for loans and advances are mortgages over residential properties; liens over business assets such as premises, inventory and accounts receivable; and liens over financial instruments such as debt securities and equities.

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

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

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

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Notes to the consolidated financial statements (continued)

(ii)

Derivatives

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

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

(iii)

Credit-related commitments

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

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

Also, a Risk Assessment Committee has been established comprising three directors, the Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Executive Officer, the Risk Division Manager, the Risk Management Department Manager, Central Manager Retail Banking, Central Manager Wholesale Banking, the Credit Division Manager and the Internal Audit Division Manager as an observer. Each of the financial indicators prepared by the Risk Management Department are analyzed by this committee on a monthly basis to subsequently evaluate the

policies, procedures and limits currently effective at the Group to ensure that an efficient and effective risk management is always in place.

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Notes to the consolidated financial statements (continued)

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

The maximum exposure to credit risk as of December 31, 2011 and 2010, before the effect of mitigation through (b) any collateral, is the book value of each class of financial assets indicated in Note 29.7(a) and the contingent credits detailed in Note 19(a).

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

98 percent of the gross loan portfolio is categorized in the top two grades of the internal rating system as of December 31, 2011 and 2010;

97 percent of the loan portfolio is considered to be neither past due nor impaired as of December 31, 2011 (98 percent as of December 31, 2010);

81.6 percent of the investments have at least investment credit rating (BBB- or higher) or are debt securities issued by BCRP (unrated) as of December 31, 2011 (65.7 percent as of December 31, 2010); and

15.2 percent and 68.7 percent of the cash and due from banks represent amounts deposited in the Group's vaults or in the BCRP (including overnight operations), respectively, as of December 31, 2011 (10 percent and 74 percent, respectively, as of December 31, 2010).

(c) Credit risk management for loans -

Credicorp classifies its loan portfolio into one of five risk categories, depending upon the degree of risk of non-payment of each debtor. The categories used are: (i) normal - A, (ii) potential problems - B, (iii) substandard - C, (iv) doubtful - D and (v) loss - E, which have the following characteristics:

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Notes to the consolidated financial statements (continued)

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

Potential problems (Class B): Debtors of commercial loans included in this category are those that at the time of the evaluation demonstrate certain deficiencies, which, if not corrected on a timely manner, imply risks with respect to the recovery of the loan. Certain common characteristics of loans or credits in the category include: delays in loan payments which are promptly covered, a general lack of information required to analyze the credit, out-of-date financial information, temporary economic or financial imbalances on the part of the debtor which could affect its ability to repay the loan, and market conditions that could affect the economic sector in which the debtor is active. Consumer loans are categorized as Class B if payments are between 9 and 30 days late. Residential mortgage loans become Class B when payments are between 31 and 60 days late.

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

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

Notes to the consolidated financial statements (continued)

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

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

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

- Individually assessed allowance -

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

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

- Collectively assessed allowance -

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

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

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Notes to the consolidated financial statements (continued)

Financial guarantees and letter of credit (indirect loans) are assessed and a provision estimated following a similar procedure as for loans.

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

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

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

	As of December 31, 2011				
	Commercial loans US\$(000)	Residential mortgage loans US\$(000)	Consumer loans US\$(000)	Total US\$(000)	%
Neither past due nor impaired -					
Normal	11,990,640	2,496,958	1,919,305	16,406,903	95
Potential problem	323,628	16,673	15,188	355,489	2
Past due but not impaired -					
Normal	242,904	118,598	138,931	500,433	3
Potential problem	8,484	13,462	13,600	35,546	-
Impaired -					
Substandard	72,507	23,883	44,441	140,831	1
Doubtful	80,588	26,545	49,394	156,527	1
Loss	88,119	29,026	54,012	171,157	1
Gross	12,806,870	2,725,145	2,234,871	17,766,886	103
Less: Allowance for loan losses	318,944	65,429	135,335	519,708	3

Total, net	12,487,926	2,659,716	2,099,536	17,247,178	100
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Notes to the consolidated financial statements (continued)

	As of December 31, 2010				
	Commercial loans US\$(000)	Residential mortgage loans US\$(000)	Consumer loans US\$(000)	Total US\$(000)	%
Neither past due nor impaired -					
Normal	10,125,086	1,964,330	1,478,528	13,567,944	96
Potential problem	229,566	9,711	13,204	252,481	2
Past due but not impaired -					
Normal	170,050	87,020	88,169	345,239	2
Potential problem	26,974	13,803	13,986	54,763	-
Impaired -					
Substandard	67,117	22,544	38,943	128,604	1
Doubtful	63,329	21,271	36,745	121,345	1
Loss	78,645	26,414	45,632	150,691	1
Gross	10,760,767	2,145,093	1,715,207	14,621,067	103
Less: Allowance for loan losses	256,670	52,324	106,709	415,703	3
Total, net	10,504,097	2,092,769	1,608,498	14,205,364	100

As of December 31, 2011 and 2010, renegotiated loans amounts to approximately US\$96.0 and US\$76.7 million, respectively, of which US\$23.8 and US\$12.5 million, respectively, are classified as neither past due nor impaired, US\$0.5 and US\$0.1 million past due but not impaired, and US\$71.7 and US\$64.1 million impaired but not past due, respectively.

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

	As of December 31, 2011			
	Commercial loans US\$(000)	Residential mortgage loans US\$(000)	Consumer loans US\$(000)	Total US\$(000)
Impaired loans	241,214	79,454	147,847	468,515
Fair value of collateral	128,611	73,815	11,824	214,250

Allowance for loan losses	132,944	38,187	111,825	282,956
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Notes to the consolidated financial statements (continued)

	As of December 31, 2010			
	Commercial loans US\$(000)	Residential mortgage loans US\$(000)	Consumer loans US\$(000)	Total US\$(000)
Impaired loans	209,091	70,229	121,320	400,640
Fair value of collateral	122,067	67,417	11,760	201,244
Allowance for loan losses	111,853	28,944	70,340	211,137

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

The Group evaluates the credit risk identified of each of the financial instruments in these categories, considering the risk rating granted to them by a risk rating agency. For investments traded in Peru, the risk ratings use are those provided by the three most prestigious Peruvian rating agencies (authorized by the Peruvian government regulator) and for investments traded abroad, the risk-ratings used are those provided by the three most prestigious international rating agencies. In the event any subsidiary use a risk-rating prepared by any other risk rating agency, such risk-ratings are standardized with those provided by the afore-mentioned institutions for consolidation purposes.

The following table shows the analysis of the risk-rating of available-for-sale investments, provided by the institutions referred to above:

	As of December 31, 2011		As of December 31, 2010	
	US\$(000)	%	US\$(000)	%
Instruments rated in Peru:				
AAA	481,736	8.1	250,626	6.7
AA- to AA+	88,669	1.5	73,750	2.0
A- to A+	23,984	0.4	9,034	0.2
BBB- to BBB+	-	-	148,802	3.9
BB- to BB+	2,232	-	820	-
Unrated				
BCRP certificates of deposit	2,059,780	34.8	363,850	9.7
Listed and non-listed securities	254,306	4.3	260,769	6.9
Restricted mutual funds	88,319	1.5	95,929	2.5
Mutual funds	38,639	0.7	58,095	1.5
Other instruments	33,729	0.6	23,108	0.6

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Subtotal	3,071,394	51.9	1,284,783	34.0
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Notes to the consolidated financial statements (continued)

	As of December 31, 2011		As of December 31, 2010	
	US\$(000)	%	US\$(000)	%
Instruments rated abroad:				
AAA	128,762	2.2	54,057	1.4
AA- to AA+	164,636	2.8	137,681	3.7
A- to A+	501,229	8.5	488,991	13.0
BBB- to BBB+	1,377,466	23.3	947,448	25.2
BB- to BB+	162,137	2.7	270,632	7.2
Lower than B+	47,781	0.8	69,705	1.8
Unrated				
Listed and non-listed securities	225,110	3.8	279,746	7.4
Central Bank of Bolivia certificates of deposit	110,945	1.9	86,527	2.3
Participation in RAL's funds	49,263	0.8	80,195	2.1
Mutual funds	30,069	0.5	19,044	0.6
Hedge funds	27,857	0.5	9,928	0.3
Other instruments	18,952	0.3	39,511	1.0
Subtotal	2,844,207	48.1	2,483,465	66.0
Total	5,915,601	100.0	3,768,248	100.0

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Notes to the consolidated financial statements (continued)

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

As of December 31, 2011 and 2010, financial instruments with exposure to credit risk were distributed considering the following economic sectors:

	2011 Designated at fair value through profit for loss Held for				Total	2010 Designated at fair value through profit for loss Held for			
	trading and hedging US\$(000)	At inception US\$(000)	Loans and receivables US\$(000)	Investments available-for-sale US\$(000)		trading and hedging US\$(000)	At inception US\$(000)	Loans and receivables US\$(000)	Investment available-for-sale US\$(000)
Central Reserve Bank of Perú	-	-	3,784,514	2,059,780	5,844,294	-	-	6,307,977	363,850
Financial services	68,940	67,370	2,118,920	1,326,991	3,582,221	66,560	158,849	2,554,284	1,203,625
Manufacturing	27,389	5,308	3,184,170	551,599	3,768,466	10,190	5,096	2,936,271	437,141
Mortgage loans	-	-	2,595,479	-	2,595,479	-	-	2,052,428	-
Commerce	1,825	1,754	2,176,460	78,039	2,258,078	1,278	758	1,875,832	78,706
Consumer loans	-	-	2,168,437	-	2,168,437	-	-	1,668,402	-
Electricity, gas and water	3,581	4,741	1,063,025	328,115	1,399,462	23,412	3,913	931,537	417,503
Leaseholds and real estate activities	4,201	-	924,031	64,785	993,017	40	-	909,174	69,627
Mining	138	7,640	834,210	150,387	992,375	21,856	8,266	860,521	83,292
Government and public administration	50,739	-	310,817	993,166	1,354,722	73,515	677	23,801	848,856
Micro-business loans	-	-	1,505,476	-	1,505,476	-	-	909,422	-
Communications, storage and transportation	39	2,152	665,460	271,922	939,573	239	837	710,116	165,589
Community services	10	-	585,654	94	585,758	5	-	416,630	-
Agriculture	383	-	292,648	674	293,705	88	-	284,419	7,007

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Education, health and other services	323	-	339,201	21,591	361,115	573	-	173,028	36,878
Insurance	-	-	178,795	-	178,795	1,435	-	186,881	12,223
Construction	523	1,138	245,083	30,006	276,750	606	659	134,297	5,949
Fishing	-	-	162,196	2,747	164,943	74	-	131,830	160
Other	39	-	227,770	35,705	263,514	642	-	184,615	37,842
Total	158,130	90,103	23,362,346	5,915,601	29,526,180	200,513	179,055	23,251,465	3,768,248

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Notes to the consolidated financial statements (continued)

As of December 31, 2011 and 2010, the financial instruments with exposure to credit risk were distributed by the following geographical areas:

	2011				
	Designated at fair value through profit or loss				
	Held for trading and hedging				
	At inception	Loans and receivables	Investments available-for-sale	Total	
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Peru	119,391	28,390	21,410,476	3,843,207	25,401,464
United States of America	18,468	26,981	425,327	939,126	1,409,902
Bolivia	182	-	942,281	179,353	1,121,816
Colombia	4,028	-	210,324	172,117	386,469
Chile	135	-	43,610	284,047	327,792
Europe:					
United Kingdom	14,941	-	56,874	62,283	134,098
Switzerland	-	-	51,871	6,485	58,356
France	-	31,157	1,696	11,735	44,588
Luxembourg	-	2,201	-	26,466	28,667
Spain	-	-	8,844	16,815	25,659
Netherlands	-	-	77	20,782	20,859
Other Europe	136	-	12,273	5,610	18,019
Brazil	-	297	7,460	113,710	121,467
Supranational	-	-	-	74,910	74,910
Mexico	-	-	10,001	59,865	69,866
Other	849	1,077	181,232	99,090	282,248
Total	158,130	90,103	23,362,346	5,915,601	29,526,180

Notes to the consolidated financial statements (continued)

	2010				
	Designated at fair value through profit or loss				
	Held for trading and hedging				
	At inception	Loans and receivables	Investments available-for-sale	Total	
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	
Peru	146,345	23,139	20,946,686	1,794,744	22,910,914
United States of America	44,413	75,492	968,809	991,313	2,080,027
Bolivia	263	-	861,967	188,274	1,050,504
Chile	662	-	34,772	324,140	359,574
Colombia	-	-	6,664	120,944	127,608
Europe:					
United Kingdom	8,178	-	53,799	53,825	115,802
France	-	79,510	83	13,241	92,834
Switzerland	-	-	44,946	5,816	50,762
Netherlands	-	-	164	27,585	27,749
Spain	-	-	16,531	2,937	19,468
Luxembourg	-	-	-	8,633	8,633
Other Europe	-	-	23,486	2,988	26,474
Brazil	-	-	9,674	90,318	99,992
Supranational	-	-	-	63,152	63,152
Mexico	-	-	10,323	28,247	38,570
Other	652	914	273,561	52,091	327,218
Total	200,513	179,055	23,251,465	3,768,248	27,399,281

29.2. Market risk -

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

The Group separates exposures to market risk into two groups: (i) those that arise from value fluctuation of trading portfolios due to movements of market rates or prices (Trading Book) and (ii) those that arise from changes in the

structural positions of non-trading portfolios due to movements of the interest rates, prices and foreign exchange ratios (ALM Book).

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Notes to the consolidated financial statements (continued)

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

(a) Trading Book –

The trading book is characterized for having liquid positions in equities, bonds, foreign currencies and derivatives, arising from market-making transactions where the Group acts as a principal with the clients or with the market. This portfolio includes investments and all derivatives both of them classified by Management as held for trading.

(i) Value at Risk (VaR) -

The Group applies the VaR approach to its trading portfolio to estimate the market risk of positions held and the maximum losses that are expected, based upon a number of assumptions for various changes in market conditions.

Daily calculation of VaR is a statistically-based estimate of the potential loss on the current portfolio from adverse market movements.

The VaR expresses the “maximum” amount the Group might lose, but only to a certain level of confidence (99 percent). There is therefore a specified statistical probability (1 percent) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain “holding period” until positions can be closed (1 - 10 days).

The time horizon used to calculate VaR is one day; however, the one-day VaR is amplified to a 10-day time frame and calculated multiplying the one-day VaR times the square root of 10. This adjustment will be exact only if the changes in the portfolio in the following days have a normal distribution identical and independent; otherwise, the VaR to 10 days will be an approximation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements. Losses exceeding the VaR figure should occur, on average under normal market conditions, not more than once every hundred days.

VaR limits have been established to control and keep track of all the risks taken. These risks arise from the size of the positions and/or the volatility of the risk factors embedded in each financial instrument. Regular reports are prepared for the Risk Committee of the Treasury and ALM, the Risk Management Committees and Senior Management.

In VaR calculation, the foreign exchange effect is not included because it is measured in the net monetary position, see note 29.2 (b)(ii).

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Notes to the consolidated financial statements (continued)

As of December 31, 2011 and 2010, the Group's VaR by type of asset is as follows:

	2011	2010
	US\$(000)	US\$(000)
Equity investments	234	76
Debt Investments	4,763	2,427
Swaps	3,957	2,516
Forwards	6,325	2,091
Options	9	97
Diversification effect	(7,707)	(3,749)
Consolidated VaR by asset type	7,581	3,458

As of December 31, 2011 and 2010, the Group's VaR by risk type is as follows:

	2011	2010
	US\$(000)	US\$(000)
Interest rate risk	7,596	3,500
Price risk	234	76
Volatility risk	4	25
Diversification effect	(253)	(143)
Consolidated VaR by risk type	7,581	3,458

(b)ALM Book –

Non-trading portfolios which comprise the ALM Book are exposed to different sensitivities that can bring about a deterioration in the value of the assets compared to its liabilities and hence to a reduction of its net worth.

(i)

Interest rate risk -

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial

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

Re-pricing gap -

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

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Notes to the consolidated financial statements (continued)

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

	As of December 31, 2011						Total US\$(000)
	Up to 1 month US\$(000)	1 to 3 months US\$(000)	3 to 12 months US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Non-interest bearing US\$(000)	
Assets							
Cash and due from banks	4,246,213	78,627	54,071	29,383	-	1,094,568	5,502,862
Investments	375,861	923,166	1,666,189	836,462	1,437,811	751,723	5,991,212
Loans, net	2,162,685	4,925,920	3,257,678	4,363,071	2,212,879	-	16,922,233
Financial assets designated at fair value through profit or loss	239	-	1,012	7,043	4,937	76,872	90,103
Premiums and other policies receivables	-	-	-	-	-	174,367	174,367
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	151,080	151,080
Other assets	-	-	-	-	-	1,900,936	1,900,936
Total assets	6,784,998	5,927,713	4,978,950	5,235,959	3,655,627	4,149,546	30,732,793
Liabilities							
Deposits and obligations	4,373,417	873,441	6,663,716	1,314,787	87,798	5,390,688	18,703,847
Due to banks and correspondents	463,660	170,703	683,052	562,815	121,513	58,277	2,060,020
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	75,366	75,366
Technical, insurance claims reserves and reserves for unearned premiums	23,622	19,418	59,191	303,226	596,492	376,349	1,378,298
	711,515	2,737	33,934	1,289,361	1,856,528	71,447	3,965,522

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Bonds and notes issued							
Other liabilities	-	-	250,000	-	-	837,100	1,087,100
Equity	-	-	-	-	-	3,462,640	3,462,640
Total liabilities and equity	5,572,214	1,066,299	7,689,893	3,470,189	2,662,331	10,271,867	30,732,793
Off-Balance sheet items							
Derivatives assets	495,709	255,321	485,646	202,705	-	-	1,439,381
Derivatives liabilities	14,595	66,720	317,161	972,288	68,617	-	1,439,381
Marginal gap	481,114	188,601	168,485	(769,583)	(68,617)	-	-
Accumulated gap	1,693,898	5,050,015	(2,542,458)	996,187	924,679	(6,122,321)	-
	1,693,898	6,743,913	4,201,455	5,197,642	6,122,321	-	-

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Notes to the consolidated financial statements (continued)

	As of December 31, 2010						Total US\$(000)
	Up to 1 month US\$(000)	1 to 3 months US\$(000)	3 to 12 months US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Non-interest bearing US\$(000)	
Assets							
Cash and due from banks	5,567,838	1,325,201	26,999	-	-	1,624,377	8,544,415
Investments	535,658	274,790	256,872	860,605	1,088,441	867,450	3,883,816
Loans, net	1,903,439	3,931,178	2,594,608	3,753,193	1,777,237	-	13,959,655
Financial assets designated at fair value through profit or loss	-	40	1,443	2,999	6,047	168,526	179,055
Premiums and other policies receivables	-	-	-	-	-	129,136	129,136
Accounts receivable from reinsurers and coinsurers	-	-	-	-	-	160,249	160,249
Other assets	-	-	-	-	-	1,534,831	1,534,831
Total assets	8,006,935	5,531,209	2,879,922	4,616,797	2,871,725	4,484,569	28,391,157
Liabilities							
Deposits and obligations	6,366,203	4,150,629	2,379,260	518,882	42,574	4,360,570	17,818,118
Due to banks and correspondents	511,317	509,355	958,955	118,143	110,017	32,533	2,240,320
Accounts payable to reinsurers and coinsurers	-	-	-	-	-	60,775	60,775
Technical, insurance claims reserves and reserves for unearned premiums	51,258	31,035	139,700	188,801	432,951	352,578	1,196,323
Bonds and notes issued	840,256	38,807	137,381	419,553	1,518,419	27,502	2,981,918
Other liabilities	-	-	250,000	-	-	913,452	1,163,452
Equity	-	-	-	-	-	2,930,251	2,930,251
Total liabilities and equity	7,769,034	4,729,826	3,865,296	1,245,379	2,103,961	8,677,661	28,391,157

Off-Balance sheet items							
Derivatives assets	507,560	348,181	245,977	179,503	25,922	-	1,307,143
Derivatives liabilities	280,099	351,836	331,670	291,862	51,676	-	1,307,143
	227,461	(3,655)	(85,693)	(112,359)	(25,754)	-	-
Marginal gap	465,362	797,728	(1,071,067)	3,259,059	742,010	(4,193,092)	-
Accumulated gap	465,362	1,263,090	192,023	3,451,082	4,193,092	-	-

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Notes to the consolidated financial statements (continued)

Sensitivity to changes in interest rates –

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

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year before income tax and non-controlling interest, based on the floating rate of non-trading financial assets and financial liabilities held at December 31, 2011 and 2010, including the effect of derivatives instruments. The sensitivity of consolidated comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets, before income tax and non-controlling interest, including the effect of any associated hedges, and derivatives instruments designated as cash flow hedges, as of December 31, 2011 and 2010 for the effects of the assumed changes in interest rates:

Currency	As of December 31, 2011			
	Changes in basis points	Sensitivity of net		Sensitivity of
		income		comprehensive income
		US\$(000)		US\$(000)
U.S. Dollar	+/- 50	+/- 15,400	-/+ 41,907	
U.S. Dollar	+/- 75	+/- 23,100	-/+ 62,861	
U.S. Dollar	+/- 100	+/- 30,800	-/+ 83,815	
U.S. Dollar	+/- 150	+/- 46,199	-/+ 125,722	
Peruvian Currency	+/- 50	-/+ 792	-/+ 41,839	
Peruvian Currency	+/- 75	-/+ 1,188	-/+ 62,759	
Peruvian Currency	+/- 100	-/+ 1,585	-/+ 83,678	
Peruvian Currency	+/- 150	-/+ 2,377	-/+ 125,518	

Currency	As of December 31, 2010		
	Changes in basis points	Sensitivity of net	
		Income	
		comprehensive income	

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		US\$(000)		US\$(000)
U.S. Dollar	+/- 50	+/- 8,607	-/+	57,293
U.S. Dollar	+/- 75	+/- 12,911	-/+	85,940
U.S. Dollar	+/- 100	+/- 17,215	-/+	114,587
U.S. Dollar	+/- 150	+/- 25,822	-/+	171,880
Peruvian Currency	+/- 50	-/+ 1,658	-/+	32,541
Peruvian Currency	+/- 75	-/+ 2,487	-/+	48,812
Peruvian Currency	+/- 100	-/+ 3,317	-/+	65,083
Peruvian Currency	+/- 150	-/+ 4,917	-/+	97,624

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

Notes to the consolidated financial statements (continued)

Securities, mutual funds and hedge funds are not considered as part of the investment securities for sensitivity calculation purposes; however, a 10, 25 and 30 percent of changes in market prices is conducted to these price-sensitivity securities and the expected unrealized gain or loss, before income tax, as of December 31, 2011 and 2010 is presented below:

Market price sensitivity	Changes in market		2011 US\$(000)	2010 US\$(000)
	prices %			
Equity securities	+/-10		47,942	54,052
Equity securities	+/-25		119,854	135,129
Equity securities	+/-30		143,825	162,155
Mutual funds	+/-10		6,871	7,714
Mutual funds	+/-25		17,177	19,285
Mutual funds	+/-30		20,612	23,142
Hedge funds	+/-10		2,786	993
Hedge funds	+/-25		6,964	2,482
Hedge funds	+/-30		8,357	2,978

(ii)

Foreign exchange risk -

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

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Notes to the consolidated financial statements (continued)

Foreign currency transactions are made at the free market exchange rates of the countries where Credicorp's Subsidiaries are established. As of December 31, 2011 and 2010, the Group's assets and liabilities by currencies were as follows:

	2011				2010			
	U.S. Dollars US\$(000)	Peruvian currency US\$(000)	Other currencies US\$(000)	Total US\$(000)	U.S. Dollars US\$(000)	Peruvian currency US\$(000)	Other currencies US\$(000)	Total US\$(000)
Monetary assets -								
Cash and due from banks	3,848,401	1,528,576	125,885	5,502,862	3,555,965	4,747,802	240,648	8,544,415
Trading securities	18,416	57,195	-	75,611	59,020	56,548	-	115,568
Available-for-sale investments	2,402,643	3,156,017	356,941	5,915,601	2,162,738	1,223,339	382,171	3,768,248
Loans, net	9,734,175	6,773,628	414,430	16,922,233	8,356,316	5,260,816	342,523	13,959,655
Financial assets designated at fair value through profit or loss	90,103	-	-	90,103	179,055	-	-	179,055
Other assets	684,549	496,948	122,773	1,304,270	435,766	534,057	14,382	984,205
	16,778,287	12,012,364	1,020,029	29,810,680	14,748,860	11,822,562	979,724	27,551,146
Monetary liabilities -								
Deposits and obligations	(9,282,891)	(8,718,597)	(702,359)	(18,703,847)	(9,135,298)	(8,051,953)	(630,867)	(17,818,118)
Due to bank and correspondents	(1,755,816)	(304,204)	-	(2,060,020)	(1,966,845)	(273,366)	(109)	(2,240,316)
Technical reserves, insurance claims reserves and reserves for unearned premiums	(994,522)	(383,776)	-	(1,378,298)	(892,998)	(303,325)	-	(1,196,321)
Bonds and notes issued	(3,491,135)	(474,387)	-	(3,965,522)	(2,307,392)	(550,014)	(124,512)	(2,981,918)
Other liabilities	(728,792)	(381,619)	(52,055)	(1,162,466)	(778,953)	(378,935)	(66,339)	(1,224,227)
	(16,253,156)	(10,262,583)	(754,414)	(27,270,153)	(15,081,486)	(9,557,593)	(821,827)	(25,460,906)
	525,131	1,749,781	265,615	2,540,527	(332,626)	2,264,969	157,897	2,090,241

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Forwards position, net	339,606	(346,262)	6,656	-	956,279	(951,426)	(4,853)	-
Currency swaps position, net	(167,263)	167,263	-	-	(222,854)	222,854	-	-
Cross currency swaps position, net	(197,659)	82,226	115,433	-	(252,912)	129,050	123,862	-
Options, net	3,269	(3,269)	-	-	25,561	(25,561)	-	-
Net monetary position	503,084	1,649,739	387,704	2,540,527	173,448	1,639,886	276,906	2,090,2

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Notes to the consolidated financial statements (continued)

The Group manages foreign exchange risk by monitoring and controlling the position values due to changes in exchange rates. The Group measures its performance in U.S. Dollar, so if the net foreign exchange position (e.g. Peruvian currency) is an asset, any depreciation of the U.S. Dollar with respect to this currency would affect positively the Group's consolidated statements of financial position. The current position in a foreign currency comprises exchange rate-linked assets and liabilities in that currency. An institution's open position in individual currencies comprises assets, liabilities and off-balance sheet items denominated in the respective foreign currency for which the institution itself bears the risk; any appreciation/depreciation of the foreign exchange would affect the consolidated income statement.

The Group's net foreign exchange balance is the sum of its positive open non-U.S. Dollars positions (net long position) less the sum of its negative open non-U.S. Dollar positions (net short position); and any devaluation/revaluation of the foreign exchange position would affect the consolidated income statement. A currency mismatch would leave the Group's consolidated statements of financial position vulnerable to a fluctuation of the foreign currency (exchange rate shock).

The table below shows the sensitivity analysis of the Peruvian Currency, the currency to which the Group had significant exposure as of December 31, 2011 and 2010 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the U.S. Dollar, with all other variables held constant on the consolidated income statement, before income tax. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase:

Sensitivity Analysis	Change in currency rates %	2011	2010
		US\$(000)	US\$(000)
Devaluation -			
Peruvian Currency	5	(86,828)	(86,310)
Peruvian Currency	10	(183,304)	(182,210)
Revaluation -			
Peruvian Currency	5	78,559	78,090
Peruvian Currency	10	149,976	149,081

29.3.**Liquidity risk -**

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

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Notes to the consolidated financial statements (continued)

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

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

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

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

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

Notes to the consolidated financial statements (continued)

The table below presents the cash flows payable by the Group by remaining contractual maturities (including future interest payments) at the date of the consolidated statements of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows:

	As of December 31, 2011					Total	As of December 31, 2010		
	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years		Up to a month	From 1 to 3 months	From 3 to 12 months
	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)
Deposits and obligations	5,411,905	1,052,528	10,728,911	1,533,582	133,685	18,860,611	6,621,322	1,632,975	7,260,000
Due to banks and correspondents	470,666	96,349	571,842	997,278	197,562	2,333,697	461,395	435,312	448,000
Accounts payable to reinsurer and coinsurers	18,899	33,650	22,817	-	-	75,366	13,164	22,616	17,800
Technical, insurance claims reserves and reserves for unearned premiums	36,818	83,432	139,250	342,179	1,076,579	1,678,258	95,367	99,823	328,000
Bonds and notes issued	26,354	242,985	690,932	2,191,469	2,437,042	5,588,782	185,574	108,294	408,000
Other liabilities	626,736	32,322	268,452	471	9,713	937,694	466,002	120,533	41,400
Total liabilities	6,591,378	1,541,266	12,422,204	5,064,979	3,854,581	29,474,408	7,842,824	2,419,553	8,500,000

The table below shows the contractual maturity of the Group's contingent credits at the date of the consolidated statements of financial position:

	As of December 31, 2011					Total	As of December 31, 2010		
	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years		Up to a month	From 1 to 3 months	From 1 to 12 months

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	US\$(000)	US\$(000)	US\$(000)	years US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	US\$(000)	years US\$(000)
Contingent credits	375,937	1,332,821	1,490,899	451,492	76,851	3,728,000	247,146	1,069,485	1,328,131	370,721

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

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Notes to the consolidated financial statements (continued)

29.4. Operational risk -

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

29.5 Risk of the insurance activity -

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract.

Life insurance contracts

The main risks that the Group is exposed are mortality, morbidity, longevity, investment return, expense incurred of loss arising from expense experience being different than expected, and policyholder decision, all of which, do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or industry.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across insurable risks, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew

individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

For contracts when death is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

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

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

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Notes to the consolidated financial statements (continued)

Non-life insurance contracts (general insurance and healthcare)

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

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

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

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

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit its exposure to catastrophic events.

In the following paragraphs the Group has segregated some risk information related to its insurance business, which has been already included in the Group's consolidated risk information; in order to provide more specific insight about this particular business.

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Notes to the consolidated financial statements (continued)

(a) Sensitivity to changes in interest rates -

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

Currency	As of December 31, 2011			
	Changes in basis		Sensitivity of net income	Sensitivity of comprehensive income
		points	US\$(000)	US\$(000)
U.S. Dollar	+/- 50	-/+	108	-/+ 16,895
U.S. Dollar	+/- 75	-/+	163	-/+ 25,343
U.S. Dollar	+/- 100	-/+	217	-/+ 33,791
U.S. Dollar	+/- 150	-/+	325	-/+ 50,686
Peruvian Currency	+/- 50	+/-	74	-/+ 6,444
Peruvian Currency	+/- 75	+/-	111	-/+ 9,665
Peruvian Currency	+/- 100	+/-	148	-/+ 12,887
Peruvian Currency	+/- 150	+/-	222	-/+ 19,331

Currency	As of December 31, 2010			
	Changes in basis		Sensitivity of net income	Sensitivity of comprehensive income
		points	US\$(000)	US\$(000)
U.S. Dollar	+/- 50	-/+	199	-/+ 23,263
U.S. Dollar	+/- 75	-/+	299	-/+ 34,894
U.S. Dollar	+/- 100	-/+	399	-/+ 46,525
U.S. Dollar	+/- 150	-/+	598	-/+ 69,788
Peruvian Currency	+/- 50	+/-	79	-/+ 12,743
Peruvian Currency	+/- 75	+/-	118	-/+ 19,115
Peruvian Currency	+/- 100	+/-	158	-/+ 25,487
Peruvian Currency	+/- 150	+/-	237	-/+ 38,230

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

changes in policyholders' behaviors.

(b) Liquidity risk of the insurance activity -

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

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Notes to the consolidated financial statements (continued)

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

The undiscounted cash flows payable by the Group for technical reserves, insurance claims reserves and reserves for unearned premiums by their remaining contractual maturities, including future interest payments, is presented in Note 29.3.

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

Unit linked liabilities are payable on demand and are included in the up to a year column.

(c) Credit risk of the insurance activity -

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

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

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

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

-

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

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

The Group issues unit linked contracts whereby the policyholder bears the investment risk on the financial assets -held in the Company's investment portfolio as the policy benefits are directly linked to the value of the assets in the portfolio. Therefore, the Group has no material credit risk on unit linked financial assets.

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Notes to the consolidated financial statements (continued)

The Group has not provided the credit risk analysis for the financial assets of the unit linked business. This is due to -the fact that, in unit linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

29.6.

Capital management -

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

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

On June 2008, by means of Legislative Decree N° 1028, the Banking Law was amended. The amendments provided that the regulatory capital must be equal to or more than 10 percent of total risk weighted assets and contingent operations, represented by the sum of: the regulatory capital requirement for market risk multiplied by 10, the regulatory capital requirement for operational risk multiplied by 10 and the weighted assets and contingent credits by credit risk. This calculation must include all balance sheet exposures or assets in local or foreign currency. This ratio was gradually implemented until July 2011. As of December 31, 2011 and 2010, the minimum requirement is 10.0 and 9.8 percent, respectively.

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

According to the SBS regulations, the Junior Subordinated Notes issued by BCP are computable to determinate the Group's regulatory capital, see Note 15(a)(iii).

As of December 31, 2011 and 2010, the regulatory capital for the subsidiaries engaged in financial and insurance activities amounted to approximately US\$3,022.7 and US\$2,391.3 million, respectively. This regulatory capital has been determined in accordance with SBS regulations in force as of such dates. According to the SBS regulations, the Group's regulatory capital exceeds in approximately US\$549.8 million the minimum regulatory capital required as of December 31, 2011 (approximately US\$514.8 million as of December 31, 2010).

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Notes to the consolidated financial statements (continued)

On July 20, 2011, SBS issued Resolution N° 8425 - 2011 which states that an entity must determine an additional regulatory capital. In this sense, Peruvian financial institutions must develop a process to assess the adequacy of its regulatory capital in relation with their risk profile, which must follow the methodology described in said resolution. The additional regulatory capital will be equal to the amount of regulatory capital requirements calculated for each of the following components: economic cycle, concentration risk, market concentration risk, interest rates risk, among others. Peruvian financial institutions have a term of five years from July 2012 to adequate their regulatory capital to the new requirements.

Considering the excess of regulatory capital held by the Group as of December 31, 2011 in the Management's opinion, the Bank has complied with the requirements set forth in such resolution.

29.7.

Fair value -

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

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

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

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

(ii)

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

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

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Notes to the consolidated financial statements (continued)

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

	2011 Book value US\$(000)	Fair value US\$(000)	2010 Book value US\$(000)	Fair value US\$(000)
Assets				
Cash and due from banks	5,502,862	5,502,862	8,544,415	8,544,415
Trading securities	75,611	75,611	115,568	115,568
Investments available-for-sale	5,915,601	5,915,601	3,768,248	3,768,248
Loans, net	16,922,233	16,933,934	13,959,655	13,969,223
Financial assets designated at fair value through profit or loss	90,103	90,103	179,055	179,055
Premiums and other policies receivable	174,367	174,367	129,136	129,136
Accounts receivable from reinsurers and coinsurers	151,080	151,080	160,249	160,249
Due from customers on acceptances	61,695	61,695	70,331	70,331
Other assets	632,628	632,628	472,624	472,624
Total	29,526,180	29,537,881	27,399,281	27,408,849
Liabilities				
Deposits and obligation	18,703,847	18,703,847	17,818,118	17,818,118
Due to banks and correspondents	2,060,020	2,054,358	2,240,320	2,233,406
Banker's acceptances outstanding	61,695	61,695	70,331	70,331
Accounts payable to reinsurers and coinsurers	75,366	75,366	60,775	60,775
Bonds and notes issued	3,965,522	3,711,199	2,981,918	3,075,377
Other liabilities	867,380	867,380	885,583	885,583
Total	25,733,830	25,473,845	24,057,045	24,143,590

Notes to the consolidated financial statements (continued)

(b) Determination of fair value and fair values hierarchy –

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

December 31, 2011	Note	Level 1 US\$(000)	Level 2 US\$(000)	Level 3 US\$(000)	Total US\$(000)
Financial assets					
Derivative financial instruments:					
Held for trading		-	70,654	-	70,654
Held as hedges		-	11,865	-	11,865
	11(b)	-	82,519	-	82,519
Trading securities		75,611	-	-	75,611
Financial assets designated at fair value through profit or loss	7(a)	76,931	13,172	-	90,103
Investments available-for-sale					
Debt securities		1,416,430	3,971,524	8,562	5,396,516
Equity securities		471,759	6,781	876	479,416
	5(a)	1,888,189	3,978,305	9,438	5,875,932
Total financial assets		2,040,731	4,073,996	9,438	6,124,165
Financial liabilities					
Derivative financial instruments:					
Held for trading		-	70,263	-	70,263
Held as hedges		-	74,998	-	74,998
Total financial liabilities	11(b)	-	145,261	-	145,261

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Notes to the consolidated financial statements (continued)

December 31, 2010	Note	Level 1 US\$(000)	Level 2 US\$(000)	Level 3 US\$(000)	Total US\$(000)
Financial assets					
Derivative financial instruments:					
Held for trading		-	65,090	-	65,090
Held as hedges		-	19,855	-	19,855
	11(b)	-	84,945	-	84,945
Trading securities		115,568	-	-	115,568
Financial assets designated at fair value through profit or loss	7(a)	179,055	-	-	179,055
Investments available-for-sale					
Debt securities		790,196	2,380,811	18,427	3,189,434
Equity securities		529,267	3,793	7,455	540,515
	5(a)	1,319,463	2,384,604	25,882	3,729,949
Total financial assets		1,614,086	2,469,549	25,882	4,109,517
Financial liabilities					
Derivative financial instruments:					
Held for trading		-	55,788	-	55,788
Held as hedges		-	80,882	-	80,882
Total financial liabilities	11(b)	-	136,670	-	136,670

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Level 2 category are financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

The Level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

As of December 31, 2011 and 2010, the net unrealized gain of Level 3 financial instruments amounts to US\$1.4 million and US\$2.8 million, respectively and the gross impairment recorded amounted to US\$7.8 million and US\$11.2 million, respectively. During 2011 and 2010, there were no transfer from Level 3 to Level 1 and Level 2 of financial instruments measured at fair value.

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Notes to the consolidated financial statements (continued)

29.8. Fiduciary activities, management of funds and pension funds -

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

As of December 31, 2011 and 2010, the assigned value of the financial assets under administration (in millions of U.S. Dollars) is as follows:

	2011	2010
Investments funds	2,818.8	2,842.7
Pension funds	9,395.8	9,674.9
Equity managed	3,850.5	3,694.0
Total	16,065.1	16,211.6

30. Commitments and contingencies

Legal claim contingency –

On September 22, 2011, the Trustee for the liquidations of Bernard L. Madoff Investment Securities LLC (BLMIS), and the substantively consolidated state of Bernard L. Madoff (“the Madoff Trustee”) filed a complaint against Credicorp’s subsidiary Atlantic Security Bank (ASB) in U.S. Bankruptcy Court Southern District of New York, for an amount of approximately US\$120 million (“the Complaint”), which corresponds to the funds that ASB managed in Atlantic US Blue Chip Fund and that were redeemed between the end of 2004 and the beginning of 2005 from Fairfield Sentry Limited (hereafter “Fairfield”), a feeder fund that invested in BLMIS.

The Complaint further alleges that the Madoff Trustee filed an adversary proceeding against Fairfield, seeking to avoid and recover the initial transfers of monies from BLMIS to Fairfield; that on June 7 and 10, 2011, the Bankruptcy Court approved a settlement among the Madoff Trustee, Fairfield and others; and that the Madoff Trustee is entitled to recover the sums sought from ASB as “subsequent transfers” of “avoided transfers” from BLMIS to Fairfield

that Fairfield subsequently transferred to ASB. The Madoff Trustee has filed similar actions against other alleged “subsequent transferees” that invested in Fairfield and its sister entities which, in turn, invested and redeemed funds from BLMIS.

In addition, ASB, as well as other defendants, filed a motion to withdraw the reference to Bankruptcy Court. ASB’s Management considers that the case against ASB raises several important issues that it believes require interpretation of federal, non-bankruptcy law and which interpretation should be addressed by a U.S. federal district court as opposed to a federal bankruptcy court. In this regard, an administrative order entered by the Bankruptcy Court on March 5, 2012 provides that the defendants, including ASB, shall file one consolidated brief no later than May 3, 2012 regarding this issue.

Management believes that ASB has substantial defenses against the Madoff Trustee’s claims alleged in the Complaint and intends to contest these claims vigorously, both in the Bankruptcy Court or District Court, as applicable. Management considers, among other substantial defenses, that the Complaint considers only the amounts withdrawn, without taking into account the amounts invested in Fairfield. Furthermore, ASB after redeeming said funds from Fairfield re-invested them in BLMIS, through another vehicle, that resulted in a net loss in the funds that ASB managed on behalf of its clients for approximately US\$ 78 million as of December, 2008.

Notes to the consolidated financial statements (continued)

ASB counsel and the Trustee have agreed that ASB has until September 5, 2012 to move, answer or otherwise respond to the Complaint.

In addition, on April 13, 2012 the liquidator of Fairfield filed a complaint in the U.S. Bankruptcy Court against ASB and the beneficial owners of accounts in the Fairfield funds held by ASB by which it seeks recovery of approximately US\$115 million that were invested in Fairfield funds and redeemed prior to June 15, 2005 and Fairfield's insolvency, alleging various common law claims grounded in British Virgin Islands law.

ASB's time to move, answer or otherwise respond to the Fairfield complaint will not begin to run until ASB is formally served, so no immediate response to the Fairfield complaint is required. In addition, at present, all the actions by the Fairfield liquidator have been stayed, pending resolution of litigation in the British Virgin Islands, where a Court of Appeal is currently deciding whether the Fairfield liquidator may recover proceeds from their investors. Management believes that ASB has substantial defenses against the claims alleged in the complaint and intends to contest these claims vigorously.

Purchase agreement –

Credicorp, through its subsidiary BCP, reached an agreement on November 30, 2011 with the shareholders of Correval S.A. Sociedad Comisionista de Bolsa, a brokerage entity established in Bogota, Colombia, to acquire a 51 percent stake in such entity for approximately US\$76.5 million. Closing of this transaction was subject to the approval from the authorities in Colombia and Peru, among other precedent conditions that were fulfilled on April 2012. According to Management of the Group, payment will take place in the upcoming days.

Also, the Group, through its subsidiary BCP, on April 23, 2012, reached an agreement in principle with the shareholders of IMTrust S.A., a brokerage entity established in Santiago, Chile, to acquire a 60.6 percent stake in such entity for an amount approximately to 3.5 percent of Credicorp's net equity. Closing of this transaction is subject to the completion of a due diligence process and the approval from the regulatory authorities in Chile and Peru.

ITEM 19. EXHIBITS

(a) Index to Exhibits

12.3 Certification by the Chief Executive Officer pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002

12.4 Certification by the Chief Financial Officer pursuant to Section 302 of the U.S. Sarbanes-Oxley Act of 2002

13.3 Certification by the Chief Executive Officer pursuant to Section 906 of the U.S. Sarbanes-Oxley Act of 2002

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf

CREDICORP LTD.

By: /S/ ALVARO CORREA

Name: Alvaro Correa

Title: Chief Financial Officer

Dated: November 7, 2012

EXHIBIT INDEX

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